

MINUTES
Forest Lakes Mutual Water Company
Annual Shareholders Meeting, June 26, 2021
910 Fern Avenue, Felton CA

CONVENE MEETING/ROLL CALL: The meeting was called to order at 1:05 pm by President David Wade. Attending: Directors Davidson, Dennis, Gonda, Smith-Berdan, Wade, West. Absent with notice: Yatson. Staff: GM Cortez

WELCOME AND PLEDGE OF ALLEGIANCE: President David Wade welcomed everyone and led the assembly in the traditional Pledge of Allegiance. He introduced the current and retiring Board members.

REMARKS BY BOARD CANDIDATES:

- Laurie Dennis, current Board member and Treasurer introduced herself and reprised her service on the Board, her committee memberships, and her long history in the San Lorenzo Valley and Forest Lakes. She also works for Ben Lomond Fire and Felton Fires. She noted the challenges to FLMWC of the last two years and remarked that given these, "Surviving as a Board and a community is a great accomplishment."
- Cyndi Maskolunas expressed her interest in serving the community.
- Dan Agostini stated that he has lived in Forest Lakes for approximately 10 years. He's the half-owner of Johnny's Harborside and is very familiar with the various duties involved with running a business.
- Max Mobley noted that he served on the Board from 2013-2018, two of those years as Vice President. He wants to give back to the community and also to support the staff. Forest Lakes has many challenges, among which are making it affordable for young families to live here, retaining staff and compensating them accordingly. He thanked GM Cortez for putting us on a path to financial health, and thanked Dirs. Dennis and Smith-Berdan, and Candidate Maskolunas, for all their work on FireWise.

QUESTIONS FOR CANDIDATES: Shareholders were able to ask questions of candidates. There were questions about general topics; these were later addressed by Directors.

There was a break for voting and for tallying votes.

ELECTION RESULTS: After the votes were tallied, Pres. Wade announced the results. Dir. Dennis was re-elected, and Max Mobley and Cyndi Maskoluna were elected to the Board.

INTRODUCTION OF STAFF:

President Wade introduced General Manager Dawana Cortez and named staff not present today: Joel Busa, Cody Marchessault, Sean Callahan, Daniel Flores, and Deana Glenz, and thanked them for their work. He also thanked Jeff Cortez for his many services.

TREASURER REPORT:

Treasurer Dennis reviewed the financial report as of 5/31/21. [

Cash on Hand as of May 31, 2021 was \$1,003,175.23

Our Emergency Operations and Management Reserve Account currently has a balance of \$173,159.48. This reserve account was established to meet the State's target requirement that Mutual Water Companies have 6 months operating capital in reserve.

The Capital Improvement Reserve has a balance of \$168,852.12.

There is a Source Development Reserve account which was established in 2019 in order to save money to develop new water sources. \$10,000.00 is budgeted and reserved annually. The current balance with interest is \$20,398.87, the 2021 contribution to this account will be made in October. Well drilling and development currently costs an estimated \$130,000+.

In our current operating fund accounts there is \$600,262.08 in savings, which includes SBA loan funds that were distributed but have yet to be spent for multiple Scenic locations and Ferrari project engineering.

There is \$29,868.92 in business checking; \$5,041.16 in the Payroll Tax Liability Savings account and \$5,592.60 in the Debit checking account. Current Year to Date expenditures are below budgeted. As Capital Improvement Projects pick up over the next few months we anticipate closing in on the budgeted numbers.

The internal financial audit of the 2020 books was completed in May. Review found that FLMWC's financial records are well managed, in good standing, meet generally accepted accounting guidelines, and have good controls over the process.

OPERATIONS REPORT:

Pres. Wade said that water use increased during the first 5 months of 2020; this year, water use is back to where it was in 2019. The wells are maintaining their levels. We are still on Stage II conservation, and residents and owners should be mindful of water use. If well levels were to drop, we might have to go to Stage III.

Another generator was purchased to plan for Public Safety Power Shutoffs as well as unplanned outages. FLMWC is working with Granite to assure a power supply to the wells there.

FLMWC's water loss rate is 10%, well under the 16% national average. Our crew is diligent about finding and fixing leaks. A filter plant was completed for the two wells at the top of Ferrari, so that those wells can be used for the system.

A "SCADA" remote monitor was added to Tank 7, to let staff know immediately if something is running when it shouldn't be. A new well was drilled to replace old Well 4, which failed; the new well is in the process of being brought online. With respect to roads, Pres. Wade recalled the 2017 winter and the effort to get FEMA funds for which we were awarded a grant that was later withdrawn. Our elected representatives helped us qualify for an SBA loan. This has been used to repair portions of Willow Way, Lakeside, and Gold Gulch.

The Scenic slide engineering reports are in. It is estimated that it will cost \$245,000 to make the road passable, and another \$110,000 to stabilize it more securely by using concrete piers. For this we would need to request additional funds from SBA.

Culvert replacements have been completed on Lakeside at Gold Gulch and on Quarry.

With respect to our fire reservoir, AKA the "lake," Pres. Wade explained that Fish and Wildlife requires a permit for streambed alteration and that part of the conditions are specific dates before and after which the stream cannot be dammed. We are working on a new application to request permission to put up the dam boards earlier.

Fish and Wildlife has also required, as a condition for permitting the reservoir, participation in a mitigation project. It was FLMWC's position that planting more redwoods in the streambed would not be helpful. After negotiating options, instead we will contribute to a restoration project on Branciforte Creek. This has the advantage of being a "one-and-done" project rather than something we would be obliged to maintain in perpetuity. The amount of our contribution is about \$20,000 which is a lesser cost than some of the other projects and is a one-time rather than ongoing cost.

FIREWISE: Dir. Smith-Berdan noted that volunteers are needed both for the Recreation Committee and for the Firewise effort. These activities are 100% shareholder-driven.

One of the activities of the Firewise group was to divide the community into zones. There are more than 300 homes, and more than 1000 people, so the zones were created and zone leaders designated to facilitate communication and add to our ability to respond to emergencies. The goal is to achieve Firewise certification; this could help us get grants. It also communicates to insurance companies that we're engaged and working. Shareholders are encouraged to look around their properties not only with a view to reduce their own fire risk but also how their property may affect their neighbors'. Owners should eliminate or reduce fire "laddering" hazards. She emphasized the importance of clearing roads of overhanging branches. Everyone should know their way out.

There was a question about re-opening the old Altamount route. Pres. Wade recapped the history of the slide there, and of attempts to work with the county. It's hoped that CalFire may be able to help with this.

It is important to "Know Your Zone." More information about this will be in the 7/28 on-line meeting.

STRATEGIC PLANNING: Dir. Gonda highlighted the importance of volunteer support. He noted that the essence of the strategic plan was to identify Board and community goals. Another community workshop is planned to review the five core goals. Gonda noted that the demographic of the community is changing, with more full-time residents and a younger population, and that our budget is structurally unbalanced, a need that must be addressed. At the same time, we cannot defer infrastructure repairs. We face the challenge of paying competitive wages and benefits while striving to keep assessments down. We have more environmental challenges that must be met, and adjustments to how we do business will have to be made. Shareholders were referred to the Forest Lakes Web page for more info.

[See: [1390f3_231ba604f7a84a7caf2cdb6885b59718.pdf \(filesusr.com\)](https://filesusr.com/1390f3_231ba604f7a84a7caf2cdb6885b59718.pdf)]

Regarding questions about a merger with SLV, it was noted that the Board adopted as its first priority the maintenance of a strong, independent system. It is important to the community to maintain control of its water and pricing. That said, the State could potentially mandate a consolidation.

QUESTIONS AND COMMENTS FROM SHAREHOLDERS:

Dan Agostini volunteered to help shareholders blow off their roofs if they need help.

Dir. Smith-Berdan emphasized the need for shareholders to reach out if they need assistance.

Dir. Wade observed that we do not have the same authority that an HOA might have, to force an owner to reduce fire danger; Cyndi Maskolunas mentioned offering help to one of her neighbors to remove broom and her offer was gratefully accepted. There are things we can do as neighbors that FLMWC cannot do as a company.

Dir. Davidson noted that one of the challenges to the Board is how to address challenges like fire safety. The budget is limited as is our charter, which is to provide water and to maintain the roads. Average staff pay is lower than average rates for the area, which presents a challenge for recruiting and retaining good employees. These are some of the issues being addressed by the Strategic Planning Committee.

ADJOURNMENT:

President Wade thanked all for attending and participating. The meeting was adjourned at 2 p.m.

David Wade, President

Louise West, Secretary