

MINUTES
Forest Lakes Mutual Water Company
910 Fern Avenue, Felton CA
Annual Shareholder Meeting
June 2, 2024 1:00 p.m.

CALL TO ORDER / WELCOME / ROLL CALL: The meeting was called to order at 1 p.m. by President Pete Gonda. President Gonda welcomed all attendees and led the assembly in the Flag Salute. Current Board members were introduced: Dir. Winnie Baer, Treasurer Laurie Dennis, Dirs. Chris Kelly and Casey Linstrum, and Secretary Louise West. Absent with notice: Vice President Dave Wade, who was thanked by Pres. Gonda for his many years of service.

REMARKS BY BOARD CANDIDATES: Pres. Gonda announced that one candidate had withdrawn his candidacy. The remaining candidates—Matt Batista, Mark Grasso, Noel Odland, Devon Pattillo, Chris Kelly, and Pete Gonda—each provided a brief statement of their reasons for running and their qualifications.

QUESTIONS FOR CANDIDATES: Following the introductory statements of candidates, shareholders were invited to ask questions of the candidates. Some of the questions raised included the following:

- How would you handle controversy? How would you resolve conflict?
- Rates keep going up, affecting everyone. What are the strategies to balance the budget? Is there a possibility of grant or government funding?

Candidates responded with their thoughts. President Gonda referred to the Strategic Plan and to building reserve funds. General Manager Cortez also provided background information about grants from the Resource Control District for some projects. After all questions had been addressed, President Gonda called for a break for voting at 1:42 p.m.

INTRODUCTION OF STAFF: President Gonda introduced General Manager Cortez and Office Assistant/Water Operations staff Deana Cortez. Pres. Gonda noted that with Water Operations Supervisor Joel Busa moving into retirement, Ms. Glenz responded to FLMWC's need for appropriately certified staff to operate our water system by studying for and obtaining D2-T2 certification. She is now also certified as a Backflow Tester. President Gonda also introduced *in absentia* Water Operations Maintenance staff Ky Pastrof and Daniel Flores, and thanked Jeff Cortez for his generous volunteer help with the annual meeting and with tech support for the office.

FINANCIAL REPORT: Treasurer Laurie Dennis read the financial report, which is attached to these minutes.

OPERATIONS REPORT: General Manager Cortez read the Operations Report for 2023. For complete details, see the report attached to these minutes. Highlighted in the report were projects completed in 2023 and projects contracted for completion in 2024. She noted that water use in 2023 decreased by 3% over 2022 and that FLMWC's water loss rate, at 11.47%, is well below the state average of ~16%. She thanked shareholders for their diligence not only in conserving water but also for diligently reporting leaking water and quickly addressing any leaks on their own properties.

QUESTIONS AND COMMENTS BY SHAREHOLDERS:

Questions about the stock transfer fee and the excessive water use fee were addressed by Pres. Gonda. With respect to the latter, Gonda noted that the fee is not meant to be punitive; that there is an appeal process, and when circumstances are beyond a shareholder's control, the fee may be waived. G.M. Cortez responded to a question about plans for repairs on Redwood Road. Pres. Gonda addressed questions about the strategic budget deficit, noting that if we stay on course to increase assessments at 5% per year and continue to build reserves, we are on the path to sustainability. G.M. Cortez noted that FLMWC has made great strides in building up reserves apart from the operating reserve required by the State, and that most mutual water companies have not done this. While there is a structural deficit, there are reserves to self-insure. A question about risk assessment for road failure was addressed by Pres. Gonda and Road Committee member Chris Kelly, who noted that we are looking carefully how we maintain roads with an emphasis on establishing priorities and considering what is most at risk of failure.

ELECTION RESULTS AND CLOSING REMARKS:

The election results are as follows: Pete Gonda and Chris Kelly were reelected; shareholders Devon Patillo and Matt Batista were elected. President Gonda thanked all for coming and participating, observing that so much shareholder engagement is greatly appreciated. Shareholders are invited to attend Zoom meetings and to consider joining committees.

The meeting was adjourned at 2:45 p.m.

Pete Gonda, President

Louise West, Secretary

Financial Report for 2024 Annual Meeting

Numbers all reflect balances as of May 31, 2024

Cash on Hand as of May 31, 2024 was \$1,388,118.87

Our Emergency Operations and Management Reserve Account currently has a balance of \$194,943.48 an increase of \$20,000.00 over 2023 to address inflation and the cost of operations. This reserve account was established to meet the States target requirement that Mutual Water Company's have 6 months of operating capital necessary, in reserve to assure water service. This amount is reported to the State Water Resources Control Board and is based on minimal operations.

The Capital Improvement/catastrophic infrastructure loss Reserve has a balance of \$319,411.00. This is an increase of \$150,000.00, some of which will be used to supplement the current water capital improvement budget designated to replace the Scenic tanks.

The Source Development Reserve account established in 2019 in order to save money to develop new water sources now has a balance of \$50,584.42. 10,000.00 dollars is budgeted as an annual contribution to this account. (In case someone asks: well drilling and development currently costs an estimated \$150,000+)

An additional 10,000.00 has been budgeted in 2024 to establish a new reserve account to build engineering funds to complete engineering of the roadways. The first road that has been flagged for engineering is Redwood Road, but the idea is to continue to add funds to allow for the engineering of the roads and drainage within Forest Lakes, one road at a time.

In our current operating fund accounts have the following balances:

\$434,699.57 in savings.

\$32,260.48 in business checking

\$5,241.45 in the Payroll Tax Liability Savings account and

\$5,867.25 in Debit checking account

Current Year to Date expenditures are below budgeted. Road construction as well as capital improvements will be beginning this month, which will see our current savings being put to use.

The investment policy resulted in over \$20,000.00 in interest earned in 2023 and over \$25,000.00 in interest already earned this year. Some of this interest earned will allow us to cover unexpected overages and close the gap on the anticipated budget deficit.

Financial Report for 2024 Annual Meeting

The internal financial review of the 2023 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.

2023 ANNUAL MEETING OPERATIONS REPORT

WATER

2023 water use decreased by 486,320 gallons, 3% over use in 2022. Although there was significant rainfall this winter, conservation is an ongoing concern in the State and FLMWC along with the State Water Resource Control Board, will continue monitoring the condition of our wells, water production and water use each month. We appreciate all of your continued efforts at conservation.

The average water loss rate for public water systems is approximately 16%. In 2023 our average loss rate was 11.47%. Loss is calculated by comparing the amount of water pumped from wells to the amount of water delivered to households. Loss can be caused by leaking or broken distribution lines, flushing of lines or hydrants, use of water for backwashing at treatment plants, use of water by the fire department using FLMWC hydrants as well as water capital improvement projects such as well construction, waterline installation and waterline repairs which require flushing, treatment and yet more flushing prior to operation.

2023

At our request Granite Construction purchased two generators able to operate wells 10A and 10D located at the Granite Quarry. They have agreed to upgrade the electrical at 10D to accommodate the new generators

Granite has also agreed to either perform necessary upgrades or replace tank 10, located between well 10A and our corporation yard.

After considering multiple tank options for the replacement of the Scenic tanks it has been decided to replace the aging steel tanks with a 40,000-gallon glass fused tank. This type of tank offers the lowest total life cost. It is also the most fire resistant and strongest of the options provided by local engineering firm C2G. Geotechnical engineering will be completed in the next two months, followed by civil engineering, permitting and construction.

We are also working with C2G to provide engineering for valve controls that will allow water from the Ferrari wells to be utilized by automated controls by the central system in order to provide additional redundancy within our system.

The Quarry Road culvert and waterline replacement project was completed in October of last year. This project included the replacement of a large diameter culvert as well as the existing waterline which carries water to Quarry Road and then connected to the existing main to carry water to William Way, through tank 4 and on to Fern Ave, Lower Scenic, then on to tank two, serving Willow Way, Lakeview, Redwood Road, and Brookside Way. This project was completed through a match grant program with Resource Conservation District of Santa Cruz County. They contributed 100,000 towards the project as well as permitting the project through their permitting program.

FLMWC also contracted and completed several additional projects including:

Patching on Redwood Road

A paving and drainage project on Willow Way

A repair and culvert replacement project on Tollhouse

2023 ANNUAL MEETING OPERATIONS REPORT

And a water drainage project on Laurel

Many projects have been contracted for completion in 2024, addressing ongoing damage to roadways due to winter storm events. Approved projects were highlighted in the May 2024 meeting minutes. Repairing our roadways, while important for both ingress and egress is also an integral part of the protection of our water system and the water mains that provide water throughout Forest Lakes. The large majority of water that serves the Forest Lakes community comes from the wells located in our corporation yard at the end of Gold Gulch. These wells provide water through a series of tanks and water mains, throughout Forest Lakes. Those water mains run underneath the roads within Forest Lakes.

Two new storage buildings are being installed at the corporation yard this year to address the sinking posts and damage to the existing building.

The 2023 Consumer Confidence Report has been completed by Water operator, Deana Glenz and has been submitted to the State Water Resources Control Board for approval. Once approved this water quality report will be posted on our website and shareholders will be emailed a link to the document and offered a hard copy should they chose. I would like to thank Deana for all of her work, as this was her first time completing this complicated report and it is no small feat.

I would also like to thank the community for diligently reporting leaking water, and for addressing the leaks located on their properties quickly. The shareholders have always been the first line of defense, be it for water leaks, plugged culverts or road related issues.

Being that this will be my last annual meeting as general manager, I would also like to thank the current board members, many of which have served on the board for many years and given countless hours in the service of their community and a thanks to all of you shareholders who have been so kind and supportive over the last 11 years.