

MINUTES
Forest Lakes Mutual Water Company
Board of Directors Meeting On-line Meeting
November 8, 2022 7:00 p.m.
Public Session
910 Fern Avenue, Felton CA

This meeting will be conducted by video/teleconference. Shareholders are welcome to attend all public session meetings via Zoom.

CONVENE MEETING/ROLL CALL: The meeting was called to order at 7:03 p.m. by President Gonda. In attendance: Directors Dennis, Gonda, Kelly, Wade and West joined by Maskolunas at 7:07 p.m. Staff: General Manager Cortez. Shareholders in attendance for some or all of the session: K. Fitzgerald, S. Hector, S. Bellsey, C. Wade, J. Hampton, A. Lindberg, M. Santangelo.

ADDITIONS/DELETIONS TO AGENDA: Approval of bid for paving repairs needed as a result of the main break on View.

SHAREHOLDER/PUBLIC COMMENTS

The Board invites shareholders and residents to speak no more than 3 minutes each on any subject not on the agenda. Please hold comments/questions on agenda items until brought up below.

APPROVAL OF MINUTES:

- Minutes of October 11, 2022 public session meeting:
Dir. Gonda noted the need for a correction to the draft minutes. Cortez read what should have been stated, as follows: "This meeting is being recorded for the use of the Board secretary in the writing of Board meeting minutes. The right of the secretary to keep a complete record of all proceedings can be found in FLMWC Bylaw 9, section 1." A motion to approve the amended minutes was seconded and passed by unanimous vote.

COMPANY REPORTS:

- Financial Report:
General Manager Cortez provided the financial report for October, 2022 as follows:
Cash on hand on 9/30/22: \$777,961.91; cash on hand on 10/31: \$662,311.57. Total income through 10/31 was \$732,397.09. Total expenses through 10/31: \$621,880.73. Net income as of 10/31: \$110,516.36.
Accounts with overages in excess of \$250 were noted on the Financial Summary. These included Water Expenses of \$10,075.87 compared to annual budget of \$9500. Recreation Facilities, \$10,102.73 compared to annual budget of \$800, this expense due to sinkholes in the park that required repair. Office Expenses of \$5459.99 compared to annual budget of \$6000. Professional Fees, annual budget \$12,500, actual expenses \$40,459.53 through October. Taxes-Real Estate/Franchise annual budget \$4000, actual expenses \$5,116.92; Facilities Repair and Maintenance expenses \$9686.92, budget of \$8400; and Vehicle Fuel, \$8020.30 through October, compared to annual budget of \$7000.
A motion to approve the October, 2022 Financial Report was seconded and passed by unanimous vote.
- Operations Report:
G.M. Cortez provided a report of operations, as follows:
System production totals-calendar month: Quarry Wells YTD: 12.46 /Acre Ft; All wells: 960,889 gal down from September production of 1053,103 gal.
Quarry wells this month: 379,400 gal. System leaks: none. Loss rate: 9.2%. Paving repairs were made to various roads, cracks were sealed at the 1205 Lakeside slide. Staff continued rebuilding name signs. Scenic culvert was winterized and clearing of other culverts was begun in preparation for rain. Work was begun to brace and ladder the bypass tank at the corporation yard. Required data was collected. An area on Altamount was cleared for restoring automated operations and a power line run by electrician to restore automated operation. Scenic slide repair is complete and the road open. No Parking/Vehicles will be towed signs will be needed for turnouts as people are already parking there, even though we have not yet announced the opening of the road. Draining of the fire protection reservoir will start this month.

ADVISORY COMMITTEE REPORTS:

- Water Conservation and Water Committee: The state has directed us to increase the level of stages to our water system and the rules we have. A rough draft of revised standards will be presented next month.
- Recreation Committee: The Halloween party had a great turnout, between 70-100+ people. "Pie in the Park" is scheduled for Saturday 11/19. The Winter Holiday Festival is scheduled for 12/10.
- HR Committee: Will report in Exec Session.
- Road & Safety Committee: No report.
- Rules Committee: No meeting, no report.
- Finance Committee: Finance Committee held "open office" hours to share budget information with shareholders. Recap will be provided in New Business
- Strategic Planning Committee: Nothing to report.
- Community Fire Prevention Committee: No meeting, but Firewise status has been renewed.

NEW BUSINESS:

1. **Discussion Item**: Process for responding to shareholder questions:
 - Pres. Gonda noted that at the last couple of meetings, shareholders have had questions or comments. He encourages shareholders to direct questions to the office, when possible, rather than bringing them up in this forum. G.M. Cortez added that when there are chat comments made during the meeting, she attempts to contact the shareholder by email or phone to address their questions. Dir. Maskolunas asked, if everyone wants to know the answer to a question, how is that information provided. Gonda replied that would depend on the relevance of the question.
2. **Discussion/Action Item**: Request to change December Board meeting date due to work-related travel:
 - Pres. Gonda said that because he cannot attend the regularly scheduled December Board meeting, would it be possible to reschedule to another date in December. Dates discussed. December 6 was suggested. Dir. West moved to change the date of the December board meeting to December 6, at the usual time and place. Motion was seconded and passed by unanimous vote. Information will be sent out to shareholders.
3. **Discussion/Action Item**: Review of 2023 budget draft:
 - Pres. Gonda prefaced the discussion by saying shareholders have offered a lot of feedback, and some former directors have offered suggestions and comments. The ability to insure our infrastructure came up in the "open office" sessions. Rising costs, the significant structural budget deficit, and the potential to create a "rainy day" fund were all items of concern and discussion. A shareholder offered to research grant opportunities from CalFire. A variety of suggestions were offered and listed by Gonda.
 - The ongoing structural deficit was addressed. A 28% assessment increase would be needed to cover that deficit, but some of what is budgeted might not be spent: For example, there is usually a vacancy rate that results in a budget overage. With this in mind, an increase of 14% could be considered as we typically do have salary savings every year based on staff turnover. Dir. Maskolunas asked if this amount of increase would be year-over-year, or one time only. Gonda said that the average year-over-year increase has been 5%, and one option would be to plan for a 5% annual increase ongoing. Gonda noted that we do not yet know if we will receive SBA loan funding; if that is not received, that would be an additional \$200K. [It is likely that we will receive some funds.] These projections do not include any increase for self-insuring options. Year-to-year increases will be likely, just to cover the costs of operations and in order to bring the budget back into balance.
 - Insuring/self-insuring infrastructure was addressed.
 - In response to questions about payroll "savings," Cortez said that we have budgeted for a full-time Operations Manager but have had no success in attracting candidates. Other water companies who offer better compensation are also having trouble hiring, as there is a shortage of qualified candidates regardless of pay package. It does not appear that we can fill the position soon but we do need to hire as soon as possible. A planned 4% wage increase next year gets us closer to market rates, but wages remain a challenge.
 - Responding to comments encouraging planning for potential catastrophic loss, Gonda noted that we do have reserve funds for operating and capital expenses. The question becomes how much to increase assessments to build the "rainy day" reserve, and how much we should be saving. Dir. Maskolunas asked what the cost would be to replace all our infrastructure; Gonda replied that this is not known or knowable, as we have miles and miles of underground pipe.

- Gonda listed 3 priorities: [1] Addressing the structural deficit; [2] address critical infrastructure that we know is about to fail; and [3] planning for replacement of critical infrastructure as risk of failure.
 - Dir. Kelly noted that if we have a “rainy day” fund, FEMA would look more favorably in event we needed to apply for FEMA funds.
 - The challenge to homeowners with this kind of increase was noted, and this is one reason why so much careful attention is being devoted to this budget.
 - Pres. Gonda said it may be possible to increase the assessment by 14%, and plan for 5% per year after that. Dir. Kelly suggested that there are several options, one being to close the gap by the larger increase or to approach it in steps. Discussed. If there were savings resulting from vacant positions, the overage could be put into the “rainy day” fund. All directors expressed approval for increasing reserves, not just for capital equipment but to cover other expenses such as disaster related losses. Dir. Dennis asked if the increase were to be 14%, would there still be a need to add extra to add to a reserve fund? Gonda replied that assuming there are no big losses, we could still end with some savings depending on payroll expenditures. All agree we need to increase reserves. Maskolunas asked about having a minimum for the rainy day fund, not just a cap.
- 4. Discussion/Action Item:** Approval of updated Bylaws:
- Recently revised Bylaws were sent to all directors by email. Wording in many sections was updated, and some new sections were added. Cortez reviewed the changes, specified all additions, and answered questions. After discussion, it was moved and seconded to approve the revised Bylaws. Pres. Gonda called for a vote. There were 5 “aye” votes. Dir. Maskolunas said she had not read the document so was opposing until she had a chance to read it. Motion carried with majority vote.
- 5. Discussion/Action Item:** Adoption of Code of Conduct and Ethics Policy for Board members:
- Pres. Gonda described research into best practices for conduct and ethics policies, and sources used. Questions were answered. Gonda noted that the Board had previously agreed on the need for the document, and that it has been reviewed by Counsel. Dir. Kelly moved to table a vote to approve the Conduct and Ethics Policy to the December meeting. Motion was seconded. There were 2 “aye” votes, 3 “no” votes, and 1 abstention. Motion failed, being neither approved nor rejected by a quorum. A substitute motion was then made, to adopt the Code of Conduct and Ethics Policy for Board Members, as presented. This motion was seconded. The vote was called. There were 4 “aye” votes, 1 “no vote,” and 1 abstention. The motion carried.
- 6. Discussion/Action Item:** Resolution to adopt the amended Section 125 Premium Only Plan to allow employee’s insurance premium contributions to be deducted on a pre-tax basis, effective 1/1/2023:
- G.M. Cortez explained the “Premium Only Plan.” This allows our employees to make their deductions pre-tax, which is a benefit for them and also saves FLMWC money. Dir. West moved that we adopt the amended Section 125 Premium Only Plan [2023] for those employees who qualify, and in addition that we, the Board of Directors, resolve that the form of Amended Section 125 Cafeteria Plan effective January 1, 2023 is hereby approved and adopted; that the Administrator shall be instructed to take such actions that are deemed necessary and proper in order to implement the amended Plan, and to set up adequate accounting and administrative procedures to provide benefits under the Plan; and that the proper officers of the Employer shall act as soon as possible to notify the employees of the Employer of the adoption of the amended Plan by delivering to each employee a copy of the summary description of the Plan in the form of the Summary Plan Description presented to this meeting, which form is hereby approved. The motion was seconded and passed by unanimous vote.
- 7. Discussion/Action Item:** Adoption of Board Meeting Minutes and Retention Policy:
- Cortez explained the reasons for and purpose of the policy, noting policy for releasing recordings and verification by legal counsel. A motion to approve the adoption of the Board Meeting Minutes and Retention Policy was seconded and passed by unanimous vote
- 8. Discussion/Action Item:** Approval of bid for paving repairs needed as a result of the main break on View:
- Cortez explained that the repair needed is too large for our staff to do. There was a motion to approve the bid of Valley Paving, in the amount of \$3650, to carry out the necessary repair. Motion was seconded and passed by unanimous vote.

PUBLIC MEETING ADJOURNMENT TO CLOSED SESSION: Meeting was adjourned at 9:17 p.m.

RECONVENE TO OPEN SESSION FOR CLOSED SESSION ACTION ITEM REPORTING:

MEETING ADJOURNED

Pete Gonda, President

Louise West, Secretary