PUBLIC SESSION MINUTES
Forest Lakes Mutual Water Company
Board of Directors Meeting In Person and Online
August 11, 2026 - 6:00 p.m
910 Fern Avenue, Felton CA

This was a hybrid meeting conducted in person at 910 Fern Ave. and by video/teleconference. Shareholders are welcome to attend all public session meetings in person or via Zoom.

CONVENE MEETING/ROLL CALL: Meeting was called to order by President D. Pattillo at 6:01. Also present were Managers S. Wagner and B. Knutson; Directors W. Baer, B. Charpy (arrived 6:07), D. Dondero, M. Grasso, C. Kelly, and C. Sprague; and Shareholders L. Dennis, C. Gaynor, D. Kouliev, and L. West

ADDITIONS/DELETIONS TO AGENDA: W. Baer asked that an action item be added rescinding the Lake Committee vote of June 9th because of with a procedural defect.

> **D. Dondero made the motion to add to the agenda to rescind the vote of June 9th creating the Fire Prevention Reservoir Committee. The motion was seconded and the motion carried with six yes votes and one no vote.**

SHAREHOLDER/PUBLIC COMMENTS: none

APPROVAL OF MINUTES:

> **D. Dondero moved to approve the minutes of July 14, 2026, Board Meeting public session. The motion carried with 4 yes votes and 3 abstentions.**

COMPANY REPORTS

Financial Report. S. Wagner provided the Financial Statement for July, 2026. As of July 31, total cash on hand: $1,550,274.40; total revenue: $817,020.34; total expenses: $469,015.29; net income: $348,005.05. Investments—Reserve totals: $463,609.89; CIP funds: $277,486.02; Operating funds total: $501,825.70; Total invested: $1,242,921.61. Total interest earned July 1 – 31: $3,108.92. There were no new overages.

There was a question about income relative to last year at this time, and Wagner replied that she sent out 13 overdue notices, and the payments were beginning to come in.
To a question about the Company's ongoing effort to resume investment though Treasury Direct, she said that the local investments in Live Oak Bank are getting better returns anyway.

Asked about the budget for Roads, she acknowledged that some of the Operations money in Live Oak Bank needs to be moved to Roads as soon as the investment matures. There was a suggestion that the Finance Committee continue to shop for good CDs.
Another suggestion was that, in the future, some items on the budget spreadsheet could have a monthly budget and a variance column, and Wagner could include commentary on items that are not tracking within budget.
There was commentary and discussion about the board's responsibility to exercise oversight.

> **C. Kelly moved to approve the financial report of Aug. 11. The motion was seconed, and the motion carried with 6 yes votes and 1 no vote.**

Administrative Report. Wagner reported on administrative matters including Office Operations, Financial, Staffing, Community interaction, and Insurance. She said that business ran smoothly in all these areas in the month of July, but she recently learned that, since January, QuickBooks online had an error in fuel costs.
Regarding audited financials required by the State, Wagner mentioned that she had sent materials to a CPA who agreed to revew the Company books and is waiting to hear back from him.
A director reminded Wagner that the information on the webpage about Board officers needs to be updated.

Operations Report. B. Knutson reported on water operations during the month of July. He said that system operations remained stable throughout July with no service interruptions or water quality concerns. Staff continued advancing the Scenic Tank Replacement Project, advanced the replacement of Tank 10-1, and completed all required regulatory monitoring and reporting while maintaining reliable water service throughout the system.
There was an emergency callout at the Scenic Water Treatment Plant when the transducer failed to shut off the well when the tank was full, so it overflowed approximately 3,000 gallons. Staff responded quickly and replaced the transducer; installed a new tap for monitoring; removed fallen trees to restore access; and completed all monthly reporting requirements.
Scenic Tank Replacement: the deposit was made for the new tank manways and received the engineered drawings in support of the Division of Drinking Water (DDW) permit amendment. The County of Santa Cruz approved an extension of the project permit, allowing work to continue while final design and regulatory approvals are completed.
Staff continued coordinating with Granite Construction replacement of Tank 10-1; repaired a failing culvert connection on Altamont after erosion compromised the joint.
Roadway repair update is agendized under New Business.
Internet service was installed at the Corporation Yard to support future SCADA integration, improve daily system monitoring, streamline daily data entry and work order management, and lay the groundwork for remote emergency generator monitoring.
New safety warning lights were installed on the work truck to improve visibility and work zone safety.

All Water Operators are making use of an online continuing education resource to maintain certification.
The large dumpster at the Corporation Yard was downsized, and a recycling dumpster was added, reducing monthly disposal costs and expanding recycling capacity.

Questions from the Board included how the transducer failure was detected (the alarm system alerted staff to the overflow), from whose property the fallen trees were removed (Company easement on shareholder property), whether there was a Fire Department report (Knutson reached out and hasn't heard back yet), and whether there was an update on the Gold Gulch generator replacement (Knutson wants to get a clear picture of what the costs for Scenic tank replacement will be before moving forward with the generator, probably within the next month).

ADVISORY COMMITTEE REPORTS:

- Water Committee: No Report.
- Recreation Committee: No Report.
- HR Committee met in response to a complaint which was resolved.
- Road & Safety Committee: No Report.
- Rules Committee: No Report.
- Finance Committee: No Report.
- Strategic Planning Committee: No Report.
- Hazardous Tree/Fire Prevention Committee: No Report.

NEW BUSINESS:

1. Discussion: Various Roadway Repair Updates (Knutson) Got Valley Paving out to go over the seven locations that have been identified as needing repair. Once he gets the estimate, Knutson will put together a report with all the locations with photos and share the report with the Road and Safety Committee. If the cost is within budget, the project can be agendized as a discussion/action item for board approval. Knutson's goal is to get these seven locations repaired before the rains come. He has also discussed with Valley Paving a proactive pothole program. He said that most of the roads in the service area do not have enough substructure to make patching effective long-term, and Valley Paving can put down a substructure to make repairs more durable. Road surfaces that are alligated (cracked) can be tarred to keep cracks from widening. Once the prioritized seven repairs are complete, Knutson can see what more can be done in the way of pothole and crack repair, given budget limitations.
   There was considerable discussion of the work that is needed on roads and the Company's positive history with Valley Paving, and it was pointed out that understanding the cost of more durable repairs will be important for strategic planning.

2. Discussion/Action: Gas/Fuel Expenditures Analysis and Vehicle Take Home Policy. Director C. Sprague presented an analysis of fuel costs based on information provided by management and proposed a suspension of the truck take-home policy to determine the cost of the policy. He said that, in his analysis, the numbers behind the fuel costs and miles driven don't add up. There was extensive discussion of the analysis, the proposed suspension, and the possibilities for monitoring use of the Company truck short of suspending the take-home policy. Knutson proposed installing GPS tracking in the trucks. There was reasonable consensus on the usefulness of GPS tracking and on finding less expensive fuel.

> **C. Sprague made a motion to suspend vehicle take-home policy for three months. The motion was seconded, and motion failed with 2 yes votes and five no votes.**

3. [Added action item] **Addressing irregularity of process in the meeting of June 9th**. A vote was taken in the June meeting to form Fire Protection Reservoir Committee, but it was not listed item and therefore the vote was in violation of rules.

> **D. Dondero moved to rescind the vote of June meeting to create Fire Protection Reservoir Committee. The motion was seconded, and the motion carried with 5 yes votes and 2 abstentions.**

There was some discussion about how to proceed with the question of the Fire Protection Reservoir Committee. There was further discussion to clarify the purpose of the committee.

> **D. Dondero moved to form the Fire Protection Reservoir Committee. The motion was seconded, and the motion carried with 4 yes votes, 2 no votes, and one abstention.**

4. (was #3) Committee Governance: D. Pattillo reminded the board that discussion at the July meeting suggested that a comprehensive review of all committees was in order, and it might be possible to reduce the number of committees by combining some. He presented a draft document titled "Provisions Common to All Standing Committees" covering issues of authority, composition, leadership, limits, relations working with staff, meetings and records, and review. He also presented draft charters of the following: Water Committee, Recreation Committee, Road & Safety Committee, Finance Committee, Strategic Planning Committee, Fire Prevention/Emergency Preparedness Committee, Fire Protection Reservoir Committee, and Human Resources Committee. There followed discussion of the draft documents and of how the board was to approach the review and assessment. It was suggested that, once

board member assignments to committees was completed (item E below) and shareholder membership was established, each committee should review its own charter and, if changes are made, bring its charter back to the Board for approval.

A) Discussion/Action: Ratification of the establishment of Fire Protection Reservoir Committee to address prior noticing requirements. In view of the added agenda item above, this item was no longer relevant and was skipped.

B) Discussion/Action: Rename Hazardous Tree/Fire Prevention to Community Emergency Preparedness Committee and approve revised scope. Pattillo explained the rationale for renaming this committee so that its scope could include other emergency situations, such as flooding, as well as fire. There might be more community interest in the broader scope. There was a question about process, whether the Board was deciding to approve the language.

D. Pattillo made a motion to approve the renaming of the Hazardous Tree/Fire Prevention Committee to Community Emergency Preparedness Committee. The motion was seconded, and the motion carried with 6 yes votes and 1 abstention.

C) Discussion/Action: Adoption of Standing Committee Charters defining purpose and common governance standards.

C. Kelly moved to approve the adoption of the draft document "Provisions Common to All Standing Committees," with the first action of each committee to review its charter for consistency and accuracy. The motion was seconded, and the motion carried with 6 yes votes 1 abstention.

D) Discussion/Action: Adoption of Human Resources Committee Charter regarding composition and confidentiality protocols.

C. Kelly moved to approve adoption of the draft charter of the Human Resources Committee, with the first action of the committee to review its charter for consistency and accuracy. The motion was seconded, and the motion carried with 6 yes votes and one abstention.

E) Discussion/Action: Appointment of Directors to Standing Committees. D. Pattillo asked board members to serve on committees, arriving at the following assignments: Kelly and Baer on Water; Dondero and Sprague on Recreation; Sprague and Pattillo on HR (Baer as alternate); Charpy and Kelly on Road and Safety; Pattillo and Kelly on Rules; Grasso and Sprague on Finance; Grasso, Charpy, and Baer on Strategic Planning; Pattillo and Baer on Emergency Preparedness; Dondero and Charpy on Fire Protection Reservoir.

C. Kelly moved to approve the list of directors appointed to each of the committees. The motion was seconded, and the motion carried by unanimous vote.

5. (Was #4) Discussion: Staff Oversight and Tracking Work (Sprague): Sprague spoke about the need to build trust and agreed to postpone the discussion until the September meeting.

PUBLIC MEETING ADJOURNMENT TO CLOSED SESSION 8:17
RECONVENE TO OPEN SESSION to report that action was taken on two excessive use appeals.