

MINUTES
Forest Lakes Mutual Water Company
Board of Directors Meeting On-line Meeting
October 11, 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 p.m. by President Pete Gonda. Attending: Directors Dennis, Kelly, Gonda, Maskolunas, Wade and West. Absent with notice: Dir. Mobley. Staff: General Manager Cortez. Shareholders: R. Waymire, M. Santangelo, S. Bellsey, M. Fabian, C. Wade, D. Morris, C. Barauskas, S. Handloff, R. Schultheis.

G.M. Cortez read a statement regarding the recording of Zoom meetings, as follows:

This meeting is being recorded for the use of the board secretary in the writing of the executive 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.

G.M. Cortez then read Dir. Mobley's letter of resignation from the Board.

ADDITIONS/DELETIONS TO AGENDA:

- The agenda item regarding a Code of Conduct and Ethics for Board members was deleted. Legal counsel to review before bringing it back to the December meeting agenda.
- Dir. Maskolunas asked to add an item to amend the August minutes, indicating she was giving two options to add items: One, to amend the minutes and the other to put a self-insuring option on the agenda for this meeting. She then retracted the request to add the item to amend the minutes and asked to add an item to discuss looking at self-insuring our critical infrastructure. Dir. Gonda said that self-insuring would be discussed in the agenda item for the 2023 budget presentation, and asked, for the record, which item she wanted to add. She then asked that an item be added to amend the August minutes. Dir. Gonda reaffirmed that the self-insurance option will be covered in the presentation.

SHAREHOLDER/PUBLIC COMMENTS:

Shareholders raised a number of questions and comments, including the following:

- A shareholder asked several questions pertaining to disaster recovery including planning for disasters, funding infrastructure replacement, and how to address damaged infrastructure on private property.
- A shareholder asked about Board policies relating to harassment of shareholders and removing directors for abuse of power.
- A shareholder expressed concerns about the lack of tank insurance and being able to whether building permits could be obtained if a particular area lacked water service

APPROVAL OF MINUTES:

- September 13, 2022 public session meeting: A motion to approve the minutes of the September 13, 2022 public session meeting was seconded. Motion was passed by unanimous vote.

COMPANY REPORTS:

- Financial Reports: G.M. Cortez provided the September, 2022 financial summary, as follows: Beginning cash on hand, \$800,522.59; ending cash on hand, \$777,961.91. YTD income: \$718,033.03. YTD expenses: \$490,079.38. There was a carryover of \$291,093.44. Net income YTD: \$227,953.65. Overages were reviewed and explained. A motion to approve the Financial Report for September 2022 was seconded. The motion was passed by unanimous vote.
- Operations Report: G.M. Cortez provided an operations report for September, 2022, noting that system production for all wells was 1,053,103 gal, down from 1,073,115 in August. There were 3 customer service line leaks and one leak on FLMWC side of a service line, which staff repaired. There were 7 excessive users. The County approved the Altamount power pole and PG&E set new meter. Electrician will need to pull wire to bring the automated system back online.

Scenic slide repair is progressing, with paving expected to take place within two weeks.

Lead and copper sampling were completed. Staff has been working on routine maintenance including removing debris piles from Altamount and repairing/replacing deteriorated name signs.

- **Presentation:** Dir. Gonda noted that this is not an action item but is a presentation of 2023 budget funding scenarios and potential assessment impacts. He referred to the primary goals of FLMWC's Strategic Plan and related these goals to budget assumptions and factors to consider. Some of the key points described included the structural budget deficit for both infrastructure and operations; the cost of replacing critical infrastructure; below-market staff salaries; and consideration of risk of loss due to natural disasters or weather-related events. All of these factors have potential impact on shareholder assessments. Information on costs and assessments was detailed in a chart to be posted to the FLMWC website, copy of which is attached to these minutes.

The next steps in the 2023 budget process will be a Finance Committee review of 2023 budget and capital infrastructure replacement priorities; a Board review of Finance Committee recommendations at the November Board meeting; followed by budget adoption at the December meeting.

Included in the 2023 budget presentation was a review of what FLMWC's insurance covers, what is not now insured, and why. Infrastructure that is not insured and that is not insurable includes our roads, culverts and water lines. Tanks and treatment plants are not presently insured but are potentially insurable at high ongoing premium costs and with high deductibles. By comparison with other local systems, SLV Water District has no tank insurance; its CZU losses were covered by loan and FEMA. Scotts Valley WD belongs to a pool of 100 public agencies. Mt. Hermon is self-insured and has been for a long time. Cost for FLMWC to purchase tank insurance would be ~\$75,000 annually, with a high deductible and losses covered at actual cash value, i.e. the depreciated value of the tank at the time of loss.

Current options to insure were described, with analysis of funding scenarios for each. [See attached chart for details.]

It was noted that any additional ongoing cost will widen the structural budget deficit, and that funding decisions must consider infrastructure known to be uninsurable as well as any disparity between coverage costs vs replacement costs.

ADVISORY COMMITTEE REPORTS:

- **Water Conservation and Water Committee:** No report.
- **Recreation Committee:** Three events are planned: a Halloween party, Pie and Coffee in the park on 11/19, and a Winter Holiday Faire on 12/10.
- **HR Committee:** Continues work on a policy for exempt employee compensation. Committee approved G.M. Cortez's request to work remotely on days when the Office Assistant is present. Newly revised Office Assistant job description was completed.
- **Road & Safety Committee:** No report.
- **Rules Committee:** No report
- **Finance Committee:** No report.
- **Strategic Planning Committee:** No report.
- **Community Fire Prevention Committee:** No report.

NEW BUSINESS:

- **Discussion/Action item:** Posting recent executive session and other Board training materials to the FLMWC website for transparency purposes: Dir. Dennis requested that the Board consider posting the recent Board training materials on the website. Many other agencies do this on their sites, and it would mirror what all Directors must do to comply with AB 54 and AB 240. After discussion, it was moved to post the training materials and Directors' AB 54 certificates on the FLMWC website. The motion passed by unanimous vote.
- **Discussion/Action item:** Adoption of Code of Conduct and Ethics Policy for Board members: Item deleted.
- **Discussion/Action item:** Updating the Bylaws to address inconsistencies with best practices and state laws: General Manager Cortez noted that in the past, legal counsel has reviewed section changes made by FLMWC staff as new codes have been approved or practices have been restated, while not changing the general intent of the bylaw. The bylaws have not been completely reviewed by legal counsel in over 10 years. To address any inconsistencies with best practices and current applicable state law, counsel B. Choi has recommended legal review, cost not to exceed cost of \$10,000.00, although she would expect the cost to be less as she will not be performing the entire review herself. Although this is expensive, the Bylaws are the framework around which policy is built. That framework is based on/or supported by State

codes as well as accepted practices. It is in the best interests of FLMWC to assure that the bylaws meet all requirements, are consistent, contain accepted business practices and are defensible.

After discussion, it was moved that FLMWC have Counsel review, recommend, revise as needed and come back to the Board for action, with a cost NTE of \$10,000. Motion was seconded; motion carried with 5 “aye” and 1 “nay”.

- **Discussion/Action item:** Dir. Maskolunas stated that the August minutes, which were approved in the September meeting, were not correct. She asked that the minutes be amended to reflect that she had proposed an annual assessment of \$150 toward self-insuring tanks. Dir. Maskolunas then moved to amend the August minutes to reflect her suggestion for an annual charge of \$150 to be used for disaster. There was no second. Dir. Gonda then moved to amend the August minutes to reflect that there was additional conversation about self-insuring on an ongoing basis to protect our critical infrastructure. The motion was seconded. There were 3 “aye” votes and 3 abstentions. The motion failed for lack of a quorum.

PUBLIC MEETING ADJOURNMENT TO CLOSED SESSION: The public meeting was adjourned to closed session at 9:44 p.m.

RECONVENE TO OPEN SESSION FOR CLOSED SESSION ACTION ITEM REPORTING: The open session was reconvened at 10:40 p.m. to report the following action items:

- A letter of intent will be drafted, as a precursor to walking the Altamont property, to Altamont residents to express our interest in opening a route of emergency ingress/egress between FLMWC and Empire Grade.
- A motion to contract with The Consulting Team, LLC to provide Board development training to FLMWC’s Board of Directors was seconded and approved.

MEETING ADJOURNED: The meeting was adjourned at 10:44 p.m.

Pete Gonda, President

Louise West, Secretary