Minutes
Forest Lakes Mutual Water Company
Board of Directors Meeting In Person and Online
June 9, 2026 - 7:00 p.m.
Public Session
910 Fern Avenue, Felton CA

This was a hybrid meeting conducted in person at 910 Fern Ave. and by video/teleconference.

CONVENE MEETING/ROLL CALL: President D. Pattillo called the meeting to order at 7:02. Also present were Managers Wagner and Knutson; Directors W. Baer, B. Charpy, D. Dondero, C. Kelly, and C. Sprague; and Shareholders L. Dennis, P. Gonda, S. Hector, and L. West.

ADDITIONS/DELETIONS TO AGENDA: None

SHAREHOLDER/PUBLIC COMMENTS

- Forest Lakes Firewise and Safety Association Update: There was no Firewise report, but there was a brief discussion about how to revive report.

APPROVAL OF MINUTES

- There was a motion to approve the Minutes of the May 12, 2026, Board Meeting. The motion was seconded, and the motion carried by unanimous vote of the five directors who attended the May meeting.

COMPANY REPORTS

- **Financial Report**. S. Wagner reported on Company finances: As of May 31, total cash on hand ($1,704,905.82); Total Revenue through May 31 ($739,887.59);Total Expenses through May 31 ($334,535.82); Net income as of May 31 ($405,351.77). Reserve Total: ($ 456,437.71): CIP Funds Total: ($335,074.99). There were no new overages. For the benefit of new directors (B. Charpy and C. Sprague), Wagner explained the "overage" line and described the reserve and CIP funds. There was a question about the interest rate on the CD where reserve funds are held (2.4%), followed by discussion of investment strategies such as trying to get back into Treasury Direct. Wagner described the holdup at the Treasury. There was a suggestion to generate a trade study matrix to compare yields on different accounts. Pattillo said that the topic of investment strategies would be included on the agenda for the next meeting.

  There was a motion to approve Financial Report for June 9. The motion was seconded, and the motion carried by unanimous vote.

  Further discussion of investment strategies continued after voting with historical information from L. Dennis about why the Company, mostly for the convenience of locality, consolidated all accounts in Liberty Mutual. A few other investment options were shared, with the common understanding that the Company is seeking security of capital at as high a rate of return as possible.

- **Administrative Report**. Wagner described Company administration for the month of May, including the following areas: Administrative and Office Operations, Billing and Financial Administration, Staffing and Human Resources, and Shareholder and Community Interaction. Wagner set up Trello boards accessible by staff to facilitate communication and project management, and she added Google Forms to the Company website for service requests and

committee work, enhancing community interface. Lifeguards were hired for the summer. Board elections were held and two new directors have joined the board. There was positive feedback from the community on the Annual Shareholders Meeting. The Lake filled and staff has begun weekly bacteria testing.
There was a discussion of Lake hours, and a suggestion was made to possibly open earlier to catch more sun; discussion followed.

- **Operations Report**. B. Knutson reported on Water Operations for the month of May.

Total water produced from wells:	1,080,560	
Total unmetered use	30,190	
Total water metered to shareholders	904,820	
Water loss in gallons	145,550	(13.9%)

System operations during May remained stable. No major service interruptions occurred, and system demand remained within expected seasonal ranges. In addition to routine inspections, maintenance, vegetation management, and operational checks, replacement of approximately 40 LF of failing polybutylene water main was completed on Lakeview that had experienced multiple leaks and clamp repairs. On May 31, the reservoir spilled over the flashboards; weekly bacteriological monitoring with Santa Cruz County will begin in accordance with the seasonal recreation program. Well 4C remains offline following confirmation PFAS sampling, and in May, iron and manganese levels in Well 4C were higher than secondary contaminant level requirements. These contaminants are not regulated; they are aesthetic qualities unrelated to health and safety. Staff continues coordination with the Division of Drinking Water regarding future treatment and operational options. Coordination with Civil Consultants Group (C2G) continues regarding the revised Scenic storage tank design, and cost estimates indicate substantial savings compared to the earlier design. Neighboring River Grove Mutual Water Company reached out with an interest in merging with FLMWC, and they were advised that a permanent connection is unlikely. Knutson hosted Felton Fire leadership for a comprehensive review of Forest Lakes infrastructure, including tanks, wells, treatment facilities, emergency access routes, and water supply capabilities focusing on wildfire resilience, infrastructure hardening, and emergency coordination, receiving positive preliminary feedback; a final report is expected. Knutson is waiting for bids from contractors for the repaving of Pool Road. Staff has begun work on the 2025 Consumer Confidence Report (CCR).
There were questions: Do we know why Well 4C has iron and manganese? Knutson said that it might be that flushing the tank concentrated certain minerals, so staff will resample next week. What's going on with the proposed intertie with SLV Water? The term "intertie" has been replaced with "emergency service connection"; funding for the connection is the next step, and Knutson is waiting for the Scenic Tank Replacement project to be completed before beginning another major project. The connection is required by 2028. Another question focused on how to initiate preventative actions, since work on infrastructure seems reactive rather than proactive. Knutson replied that, given the age of the infrastructure, the Company is reactive right now because operations staff is trying to catch up with long-deferred maintenance and historically poor recordkeeping. Once everything above ground has been updated, then staff will begin looking underground. What is on the to-do list for roads? Knutson pointed to the wall map where pink exes mark spots for road repair. After Pool Road is addressed, Knutson will see what funds remain in the budget for roads. There was a comment about possible El Nino weather and potential for further road damage, and a suggestion that prep for the winter might be more

aggressive this year. There was discussion of problems with Redwood Road and plans for addressing them.

ADVISORY COMMITTEE REPORTS

- Water Conservation and Water Committee: No report.
- Recreation Committee: The Annual Shareholders Meeting was a success, raising $250 for the Recreation Committee.
- HR Committee: No report.
- 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

1. Discussion/Action. **Well 10A Fence and Gate**: Knutson explained the need to install a gate in the already-approved fence at Well 10A, which brings the cost to over the approved $5,000. Wagner clarified that there is money in the budget for the added expense.

   There was a motion to approve the additional $1,000 to complete the fence around Well 10A including a gate. The motion was seconded and the motion carried by unanimous vote.

2. Discussion/Action: **Scenic Engineering Proposal**. Knutson reported on developments in the Scenic Tank Replacement project, presenting a proposal from C2G Engineering detailing work to be completed in advance of tank placement and giving an itemized cost of $6,900 for basic services, and additional services that may be requested for additional cost, though Knutson is committed to keeping the costs down. Knutson himself will be doing project management. With this proposal, Knutson is ready to seek a final permit and would like board approval of the expenditure for C2G's basic engineering. He reminded the board that the redesign should save the Company between $200,000 and $300,000. There was a question about whether the poly tanks might be associated with PFAS, to which Knutson replied that PFAS are associated not with plastic but with materials such as Teflon. Poly tanks have been used in a lot of places for a lot of years and are considered safe for storing drinking water. How long will the new tanks be expected to last? At least 20 years, probably more. There followed discussion of the advantages and disadvantages of poly tanks, cost, and likelihood of approval at DWD and the County.

   There was a motion to approve the expenditure for C2G's services not to exceed $10,000. The motion was seconded and the motion carried by unanimous vote.

3. Discussion/Action: **Adopt AI Policy**. Wagner presented a revised draft use policy for Artificial Intelligence, describing the changes made to the policy in response to Board feedback. There was discussion of possible uses, restrictions, and future developments.

   A motion was made to approve the AI Use Policy as presented. The motion was seconded, and the motion carried by unanimous vote.

4. Discussion: **Lake Permit Clarification from the State**. Wagner presented clarifications from the state regarding reservoir agreement, summarized from a series of email communications. There was discussion of the agreement itself and of strategies for optimizing chances of filling the lake.

There was a proposal to form a committee focused on the lake 1) to review historical Company documents and recent communications with the state and 2) to propose policy for the ongoing operation of the Fire Protection Reservoir. It was clarified that, like every other committee, this committee would present proposals to the Board for approval. The board was reminded of the separate roles of the Board of Directors vs the staff. Discussion of the agreement and its requirements continued.

There was a motion to form a Fire Protection Reservoir Committee. The motion was seconded, and the motion carried by unanimous vote.

Before adjournment, there was discussion of future agenda items: board roles and responsibilities, committee assignments, AB240 training/ethics/rules of order, investment strategies, developing a 501C fund. This discussion was a wide-ranging brainstorming session.

PUBLIC MEETING ADJOURNMENT at 8:55 TO CLOSED SESSION
RECONVENE TO OPEN to report that there was discussion, but no actions were taken in Closed Session.

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Devon Pattillo, President

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Winnie Baer, Secretary