

MINUTES
Forest Lakes Mutual Water Company
Board of Directors Meeting July 13, 2021 7:00 p.m.
Public Session
910 Fern Avenue, Felton CA
Zoom meeting due to COVID 19 precautions

CONVENE MEETING/ROLL CALL: The meeting was called to order at 7 p.m. by President D. Wade. Attending: Directors Davidson, Dennis, Gonda, Maskolunas, Mobley, Wade, West. Staff: General Manager D. Cortez. Shareholders: J. Purchase, H. Burnett, D. Schaffer, R. Overmire, C. Barauskas, R. McDonell.

ADDITIONS/DELETIONS TO AGENDA: None.

SHAREHOLDER/PUBLIC COMMENTS:
None.

APPROVAL OF MINUTES:

- June 13, 2021 Board of Directors Meeting, Public Session
- June 14, 2021 Board of Directors Emergency on-line meeting
- June 26, 2021 Annual Shareholders Meeting

Dir. Gonda moved to approve the minutes of all three meetings. Dir. Dennis seconded. The motion passed.

COMPANY REPORTS:

- Financial Reports:
G.M. Cortez reviewed the financial report for the month of June, 2021. Beginning cash on hand was 1,003,175.23; ending, \$904,159.82. YTD income was \$625,827.70. YTD expenses were \$351,820.19. Net income to date was \$274,007.51. Overages were explained, the largest being \$8,000 to remove fallen and engineering-designated trees on Scenic. There was an expense of \$1369.76 to replace fire protection piping and rotting fencing in the lake enclosure. There were questions about excessive use. Cortez said that all excessive users have been contacted, and noted that the Excessive Use Policy is posted on the website. Dir. West moved to approve the financial report. The motion was seconded. Motion passed.
- Operations Report:
G.M. Cortez reviewed the operations report for June, noting the following: There were 12 "excessive users." The water loss rate was 12.1%, down from 14.3% in the previous period. Cortez has worked with staff to organize, stock, and maintain active inventory of parts needed. Staff is working on readying the site at Well 4; pump to be installed this month. Granite has removed the RV and all fire debris cleared from the Well 10A site; staff has repaired the existing gate. Granite has not moved any closer to completing or agreeing to complete the work to provide emergency power. All paving and culvert projects for 2021 have been completed. Site visit from CDFW scheduled pursuant to pending Streambed Alteration Agreement. It appears that the diversion period in the agreement may be extended.

ADVISORY COMMITTEE REPORTS:

- Water Conservation Committee: None
- Recreation Committee: None
- HR Committee: To be discussed in Exec Session
- Water Committee: None
- Road & Safety Committee: None
- Rules Committee: None
- Finance Committee: Update: investment regulations for mutual water co's: Report from Counsel to be discussed in Exec Session
- Strategic Planning Committee: None
- Community Fire Prevention Committee: None

NEW BUSINESS:

- **Discussion/Action item:** Engineering alternatives for repair of Scenic slide:
Cortez recapped the engineering reports that were presented at the May board meeting, focusing on the two options for repair.
The slide that caused the road to slip is a shallow slide on top of a deeper slide. The engineers presented two alternatives for consideration. Option 1 is to replace the existing, undersized culvert with a larger one; excavate the road bed 5', compact the soil and install GeoGrid [which allows for some earth movement]; and repave. Although there are as yet no bids, the estimated cost of this project would be \$245,900. The engineers consider that estimate to be within a tolerance of about \$1000. Option 1 is the simpler, and less costly, of the two alternatives.
Option 2 is a secondary project *in addition* to the work described above. This project would assure structure to the hillside by installing a series of concrete piers. It is known from observed tree movement that earth movement in this area is ongoing. A rough estimate for the cost of Option 2, for which we have no designs, is \$110,000. Total to complete both parts of the project would be at least \$355,900 and most likely more. Cortez noted that there may be additional costs for plans and engineering.

The total amount of the loan authorized by SBA is \$479,000 at 2.5% for 30 years. Of this sum, \$280,700 has already been disbursed. Current payments are \$1,978/month. Before requesting funds for any Scenic project, SBA will need designs for the proposed repair projects. FLMWC will not know the exact amount until SBA reviews the plans and designs, approves the project and approves a dollar amount for the loan. Once funds are disbursed for engineering costs, SBA will not approve funds for construction expenses until all plans and designs are in.

There was extensive discussion not only about the choice of options but also about the budget impact of retiring a loan large enough to fund both options. If we choose Option 2, we would have to request funds in addition to the initial loan amount. Based on present estimated cost for Option 2, Cortez estimated that the increase in monthly payments to retire the debt would be ~\$1100/month for the next 28 years. This would translate to an increase in individual assessments of about \$48/year. Additionally, the increased debt burden to FLMWC could impact our ability to qualify for credit if we faced another large-scale event.

The fact that the repair of Scenic does not address the larger, deeper slide that underlies the "upper" slide was noted and discussed.

The importance of Scenic to the residents of upper Scenic was noted. Comments from shareholders attending via Zoom supported the most comprehensive repair of Scenic possible given the circumstances. Directors also favored this approach.

FLMWC cannot go to the SBA to request funds until all plans, engineering costs and estimates are in hand. The larger project was not included in the original drawing. More engineering costs may be incurred. We are not yet ready to vote on this as a budget item. If we approve Alternative #2, the larger scale project, some additional engineering may have to be done. If this option is chosen, we need to ask and pay, if necessary, the engineers to provide the needed information so that it can be taken to the County and then on to SBA.

The Board must decide if it wants the engineers to redraw the plans to include Option 2, and to provide a cost estimate for same. Therefore, Dir. West moved to have the engineers update/redraw the plans submitted to reflect the placement of piers. Dir. Dennis seconded. Motion passed.

- **Discussion/Action item:** Purchase and installation of pump and piping at Well 4: G.M. Cortez reviewed the bids submitted by Superior Pump Co. and Maggiora Bros. Drilling for pump motor and piping. She recommended approval of the Superior bid after analyzing line item costs. Capitola Pump was also contacted but did not return the call. After discussion of the \$4,644.70 Superior bid, with a provision for another \$1,000 in case a larger pump is needed, Dr. Mobley moved to approve the Superior bid with allowance of up to an additional \$1,000 if the larger pump is needed. Dr. Dennis seconded; motion passed.
- **Discussion/Action item:** Purchase of tank or tanks for replacement of Tank 10: Cortez explained the current difficulties in obtaining tanks. The market is volatile for various reasons. No tanks are available locally; quotes are valid for only a few days and if not purchased immediately, become unavailable. Given the realities of the situation, and the rapidly escalating prices and shipping costs, Dir. Gonda suggested delegating authority to the GM for purchase so that the tank replacement project can proceed. Dr. Davidson moved to authorize the GM to spend up to \$6,000 to buy a tank. West seconded. Motion passed.
- **Discussion/Action item:** Seeking engineering advice for proposed booster to the Scenic system: Cortez explained why she thinks engineering advice for the booster would be a good idea. Discussed. No motion was needed. She will proceed.
- **Discussion item:** Removal of undercut tree on Quarry: There is concern that the large, undercut redwood on the edge of Quarry could fall and take out the road. The property on which the tree is located is currently vacant and new owners are said to be out of state but possibly moving in August. There is a quote from Huerta's Tree Service of \$10,500 to remove this tree and remove/chip all branches etc. After discussion, it was decided to get an arborist opinion as to whether the tree poses danger. Dir. West volunteered to get quotes. Since the tree is on private property, Dir. Gonda suggested we look at our rules about dealing with hazards.
- **Discussion item:** Tree hazard assessment [with respect to hazards to our facilities]: RCD makes information available at not cost. They can also arrange to do a drive-by or walk-by assessment of areas of concern, have them assess the risk, and create a database as well as mark trees for removal. Our neighboring water districts do this when planning construction. This allows a company to rotate through areas every 2-3 years. Cost of such service is \$250/hour. The Board would ID targets. Not sure if they could do, say, just the corp yard. Dir. Mobley asked if it would be less expensive to get a tree service and have them remove what needs to go. Dir. Gonda commented on the value of having a larger assessment, which would provide a holistic view and provide a database to help us prioritize and have a longer-range plan. Dir. Davidson asked if it would be possible to achieve an economy of scale by seeing if shareholders are also interested. Dir. Gonda noted that 107 shareholders responded to the email survey, with 2/3 of those responding indicating concern about trees on their own property and 2/3 with concern about trees on the property of others and/or on roads. Almost 1/2 of responders also indicated an interest in getting an assessment of their property if the cost were under than \$100. Gonda noted that there is valuable info from the assessment to help guide future action. Dr. Maskolunas said the FireWise application may be approved soon; if we apply for and obtain non-profit status we could then apply for grants. She said that D. Dondero has volunteered to help with grant writing. Cortez indicated she has reached out to UCSC to discuss the fuel loads on Marshall Road. Also, staff has ID'd trees they think are problems and has started a program to deal with trees that may present a hazard, including some on UCSC land. Directors who wish to visit the Corp yard to look at the facilities should contact a staff member to accompany them.
- **Discussion item:** Required training for new and current Directors: Directors were reminded of their obligation to complete required training. G.M. Cortez will assist in scheduling this for those who need to complete the class. Dir. Gonda suggested that a webinar or similar presentation on how to conduct public meetings and email communication would be helpful. Dir. West said that she and Cortez have discussed plans to include such info at monthly meetings, time permitting.

PUBLIC MEETING ADJOURNMENT TO CLOSED SESSION: The public meeting was adjourned to Closed session at 8:52 pm.

RECONVENE TO OPEN SESSION FOR CLOSED SESSION ACTION ITEM REPORTING: Open session was reconvened at 9:50 p.m to report the following action item: The General Manager was authorized to contact Counsel regarding our easement rights on upper Altamount.

MEETING ADJOURNED: The meeting was adjourned at 9:51 p.m.

David Wade, President

Louise West, Secretary