

Minutes
Forest Lakes Mutual Water Company
Board of Directors Meeting In Person and Online
December 9, 2025 - 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. Shareholders are welcome to attend all public session meetings in person or via Zoom.

CONVENE MEETING/ROLL CALL: The meeting was called to order at 7:01 p.m. by President P. Gonda. Also present were Directors W. Baer, M. Baptista, D. Dondero, M. Grasso, D. Pattillo; General Manager S. Wagner, Operations Manager B. Knutson; and shareholder S. Hector. Dir. C. Kelly arrived at 7:07.

ADDITIONS/DELETIONS TO AGENDA: S. Wagner requested that an item be added to New Business: Approval of Certified Accounting Professional for taxes and financial review.

SHAREHOLDER/PUBLIC COMMENTS:

- None
- Forest Lakes Firewise and Safety Association Update: There was no FLFSA update. S. Greco has stepped down as liaison, and another liaison has yet to appear.

APPROVAL OF MINUTES:

- Minutes of November 11, 2025 Public Session Board Meeting
There was a motion to approve the minutes of the November 11, 2025, Public Session Board Meeting. The motion was seconded, and the motion carried by unanimous vote.

COMPANY REPORTS:

- **Financial Reports** [Wagner] reported on Company finances:

Cash on hand November 30: \$1,251,706.39 (includes \$375,427.87 in Reserves and \$335,074.99 in Capital Improvement Projects Funds); Total Revenue through November 30: \$1,000,634.04; Total Expenses through November 30: \$768,973.03; Net income as of October 31: \$231,661.01

No investing occurred in November. Wagner continued to try to open a Treasury account but could not do so in the Company's name, and she is now considering other alternatives.

In response to a question, Wagner shared her investment strategy, balancing short term with longer term, considering accessibility, etc. Liberty Bank CDs are available, but there are possible penalties for early withdrawal.

There was a motion to approve the financial report. The motion was seconded, and the motion carried by unanimous vote.

- **Operations Report:** Knutson reported on operations in the month of November. Total water production: 1,031,714 gallons; Water used for operations or leaked: 50,950 gallons; Water metered to Shareholders: 821,596 gallons; Water loss: 159,168 gallons (16.2%).

Knutson reported that overall system performance remained stable throughout November.

Staff fixed a communications failure of the Remote Terminal Unit (RTU) at Tank 7; repaired a leak on Madrona, did groundwork for associated paving, and cleared a fallen tree, also on Madrona; made a temporary culvert repair at Laguna and Fern; removed the dam boards at the reservoir; completed 10 utility locates; and did routine storm cleanup, including clearing debris from multiple culverts.

Groundwater sources operated normally throughout November, and water quality remained within expected ranges. Staff addressed a failure of the Gold Gulch generator during a PG&E outage. Knutson will follow up to ensure that the generator operates effectively and is working with the person who sold us the generator to make necessary modifications.

After consultation with the Civil Consultants Group (C2G), the proposed Scenic booster project appears not to be feasible due to topographic factors. Other options are being evaluated.

Knutson said that he is reviewing telemetry needs and considering options for expanding RTUs to all tanks, and he is evaluating options for replacing the culvert at Laguna and Fern.

There was a suggestion that we track the number of breaks in service.

ADVISORY COMMITTEE REPORTS:

- Water Conservation and Water Committee: No report.
- Recreation Committee: D. Dondero reported that there is a work party scheduled for Saturday (Dec. 14) to remove as much organic matter from the lakebed as possible to inhibit growth of algae. He talked to the County to discuss the shade structure for the office park. Permits may cost \$2,000. He showed a drawing of the proposed structure: 12 X 20 interior, 14 X 22 with overhang.
- HR Committee: Gonda reported that there is an HR item on the executive session agenda.
- Road & Safety Committee: No report.
- Rules Committee: D. Dondero met with Wagner to discuss revision of Excessive Use policy. There was some discussion of the ramifications of SB 218 (1996) which may restrict the use of penalty fees for excessive use.
- Finance Committee: No report.
- Strategic Planning Committee: No report.
- Community Fire Prevention Committee: No report.

NEW BUSINESS:

1. Discussion/Action: **2026 Budget Adoption.** Wagner led the board through changes made to the organization of the budget for 2026, highlighting the enhanced detail, especially in areas of Reserves and funding for Capital Improvement Projects (CIP). Wagner explained again the reasons for breaking out categories within what had been one line item: separating reserves into three lines—State Mandated Reserves, Source Development Reserves, and Catastrophic Reserves—and identifying funds for three categories of Capital Improvement Projects—Roads, Admin/General, and Water. There was a question about expected carryover, and Wagner estimated that the carryover would be \$113,000, which would go to CIP reserves, and she clarified that *carryover* funds are not the same as *surplus*. Gonda

reminded directors that this budget reflects priorities that the board has been discussing all year. There was further discussion of budget deficit and critical infrastructure needs. Wagner said that the Scenic Tank Replacement project is estimated to cost the Company *at least* \$350,000.

There were questions and discussion about the proposed Special Assessment of an additional 5% to bolster CIP funds. The new budget already reflects the yearly annual increase of 5%, amounting to \$132.35 over the 2025 assessment. The proposed special assessment amount is not yet firmly determined but is expected to be nearly the same increase again (5%) depending on the status of CIP funds.

Gonda said that he has drafted a letter, to be sent along with the Annual Assessment letter later this month, alerting Shareholders of the plan to levy a Special Assessment in Summer 2026.

There was a motion to adopt the proposed budget for 2026. The motion was seconded, and the motion carried by unanimous vote.

2. (Added to the agenda) **New accountant.** Wagner explained that she has tried to engage the services of a CPA to complete Company taxes and financial review, and none of the CPAs that she has contacted in Santa Cruz and Santa Clara Counties has agreed to provide the services. She requested approval to engage the services of a Certified Accounting Professional (CAP, not CPA) located in the San Lorenzo Valley who is willing to do the work. She said that California law allows Certified Accounting Professional to do the taxes and financial review. After discussion, several directors expressed support for Wagner's proposal to use the local CAP.

There was a motion to approve Wagner's proposal to engage the services of a Certified Accounting Professional for Company taxes and financial review. The motion was seconded, and the motion carried by unanimous vote.

Public meeting adjourned at 8:04p.m.

Reconvened Public Session at 8:26 to report that action was taken in Closed Session regarding year-end gifts to staff.

Pete Gonda, Board President

Winne Baer, Secretary