

MINUTES
Forest Lakes Mutual Water Company
Board of Directors Meeting On-line Meeting
November 14, 2023 - 7:00 p.m.
Public Session
910 Fern Avenue, Felton CA

This meeting was 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 7:03 p.m. by President P. Gonda. Attending: Directors Baer, Dennis, Gonda, Kelly, Linstrum, West. Staff: General Manager Cortez. Shareholders: S. Hector, S. Greco. Dir. Wade joined the meeting at 7:06 p.m.

ADDITIONS/DELETIONS TO AGENDA: None.

SHAREHOLDER/PUBLIC COMMENTS:

- Cortez said that a shareholder had contacted her to request that the Board consider an amendment to current bylaw 1, section 7, regarding assessments to those who reside on County roads within Forest Lakes. Cortez stated that the question has been referred to the Rules Committee for review and recommendation.
- Forest Lakes Firewise and Safety Association Update: FLFSA liaison S. Greco said that FLFSA has found a couple more grant possibilities for which FLFSA might be eligible. They are in the process of going through the grant applications. Gonda asked what agencies might be involved; Greco said they learned about one through CalFire, but it is not clear if CalFire is the agency involved. Another is through the State.

APPROVAL OF MINUTES:

- Minutes of October 10, 2023 public session meeting: A motion to approve the minutes of the October 10, 2023 public session meeting, with one correction, was seconded. The motion carried.

COMPANY REPORTS:

- Financial Reports: Cortez reported the following: Cash on hand 9/30/23: \$1,089,455.83. Cash on hand 10/31/23: \$1,068,337.62. Income through 10/31/23: \$897,819.53. Expenses through 10/31/23: \$508,060.10. Net income 10/31/23: \$389,759.43. New overages include two accounts with an overages in excess of \$250.00: Line item 540, Water Testing, exceeded the annual budget of \$17,000.00 with expenses currently at \$19,131.37. This is primarily due to a large number of quarterly tests that the State required for well 4C, which were not disclosed to FLMWC prior to 2023 budget approval. Line item 810: Telephone and communication: Shows an overage because of the timing of payments to Comcast. Two payments were made within one month [one at the beginning of the month, and one at the end]. All other overages were previously reported and can be found on the Financial Summary on page 6 of the meeting packet.
Two Treasury Bills matured in October, earning \$2,570.55 in interest.
Two Treasury Bills were purchased on October 24th: Once for \$100,000 for 8 weeks at 5.33%, and \$200,000 for 4 weeks at 5.325%.
In response to a query about the purchase of T-bills, Cortez stated that these investments are never made if major invoices are due prior to T-bill maturity dates, in order to assure that there will be cash available to cover obligations.
A motion to approve the October, 2023 Financial Report was seconded. Motion carried.
- Operations Report: In October, Production was 970,816 gals. Granite Quarry production was 328,000 gals. Granite Quarry Annual through 10/31/23: 8.32 acre ft.
No customer leaks were reported. There was one system leak at 289 Madrona. The loss rate was 11.9%. In addition to the leak on Madrona, replacing the water line required that the line be flushed with clean water then filled and capped while chlorinated. This water then had to be flushed prior to connecting the existing line to a new pipe.
The Quarry Road culvert replacement project is complete. Staff followed State disinfection procedures for the new water line on Quarry Road and successfully put the new line into service.
Patching on Redwood Road was completed by Valley Paving.
Backflow Tester Deana Glenz tested the first two backflow devices and wrote the necessary state reports. Backflow devices were ordered and are now in stock.
The Scenic pressure-reducing valve and box were replaced.
Maggiora was contacted regarding an issue with well 1D and the installation of a new pump saver.
Staff continued work on forming the pad for shop buildings.
Staff fixed the leak at 289 Madrona; rebuilt the Cla-Val at tank 4, and ordered an additional part for repair; installed baserock to winterize the road to tank 5 [Altamount]; cleared brush at tank 2; at shareholder request, cleaned the mirror on Pine; trouble-shot a problem with the F350, and had it towed to Dr. Auto for starter replacement.

Cortez wrote a final Sanitary Survey Status Report to SWRCB, which was accepted as complete and final. Reporting is now only required for ongoing capital improvement and cross-connection progress.

Dir. Wade and Kelly asked about Quarry well production and how it connects to FLMWC wells. Cortez explained that the Quarry wells come on line as necessary, and pump until the tanks are filled or they have to recharge. In answer to a question about turning off our pumps, to maximize water and electricity provided by Granite, she will f/u with Joel to see if there is a way to do that. Dir. Gonda asked if there is any contractual agreement should Quarry be unable to pump and supply us with water. Cortez said that if FLMWC is short of water, then Quarry would have to bring in water for our tanks.

ADVISORY COMMITTEE REPORTS:

- Water Conservation and Water Committee: No report.
- Recreation Committee: Dir. Wade reported that the Halloween event was a huge success and well-attended. Next planned activity is Pie in the Park, set for November 18.
- 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 item:** 125 Premium Only Plan 2024 Adoption and Resolution: Cortez explained the annual "Premium Only" plan requirements. A motion to adopt the agreement for the 2024 Section 125 Premium Only plan was seconded; motion passed. A separate motion to duly adopt the Certificate of Resolution for 2024 for the Section 125 Premium Only Plan as written was made and seconded. Motion passed.
2. **Discussion/Action item:** Park/Facility Improvement Funding: Dir. Gonda noted the need of funding for office maintenance and park improvements, the latter in response to the loss of the old oak tree and the need for a shade structure. Gonda asked for opinions as to whether an endowment fund might be a good idea. Dir. Wade reviewed some of the comments and requests that shareholders have brought up in the past. Dir. Wade also noted that one family has proposed to donate funds for park improvements; another has offered to donate trees to replace the oak, but the soil is clay and replacement of the tree would require a backhoe plus soil amendments. A shade pavilion could be built in-house or with community support. In discussion, it was suggested that community involvement be sought, including ideas, skills, etc. A request for input could be emailed along with minutes. An ad hoc committee on park improvement could be formed. Gonda also suggested a committee on how an endowment program might work. Cortez noted that this is not the first time the question of park improvements has been raised. In the past, a consultant drew up plans and provided a cost estimate. To carry out such a project would require "someone very committed and willing to drive this." There would need to be concerted effort by people willing to see it through. Cortez also suggested that anyone interested in such project read legal documents in the office regarding park improvements above and beyond FLMWC's budget. Cortez also reported on estimates that have been obtained for needed office repairs. Quotes have been received totaling \$20,788.50 for work excluding roofing, and including rental of a storage pod for a month. Dir. Baer asked if FLMWC is prohibited from spending shareholder funds on park improvements. Cortez indicated that there was legal action brought in the past about this question. Dir. Baer said she would be willing to join a subcommittee to look at park improvements and the potential for an endowment fund, and how such an endowment program might work. Gonda to set up a meeting. Regarding a shade structure, Cortez said that anything 12' x 12' or larger would require a permit. Something 10' x 12' would not. She noted that this item is not included in the 2024 draft budget.
3. **Discussion/Update:** Scenic tank replacement – request for engineering evaluation of type(s)/size(s) appropriate for location: Cortez contacted all the engineering firms recommended by OTS that are familiar with and work on water infrastructure. Black and Veatch indicated they did not have the resources to support this project, and recommended Waterworks Engineers. Cortez has scheduled a teams meeting with them. She also received a referral from Matt Weld, and contacted Chris Malejan with Water Systems Consulting. He quoted a rough estimate of \$20,000 for preliminary evaluation, a rough estimate of \$15-20,000 for actual engineering [relying on tank manufacturers to provide structural calculations for the foundation and \$2=3 per gallon for the tanks themselves [\$120,000 for two 20,000 gals], much less than \$180,000 rough estimates from Todd Creamer with C2G. Creamer said that we could approve the surveying in his proposal for the project, which is \$5,500.00, to which add an additional \$2,500 for his drawing of schematics presenting three different options for consideration. There was discussion of the various options. It was noted that Waterworks has never permitted anything in Santa Cruz County, which might be a concern. C2G is in Scotts Valley; we are already on C2G's calendar [they are contracted to do a survey on Ferrari]. There appears to be no advantage to Waterworks services unless their bid were to be the lower of the two. A motion to approve the C2G estimate of \$8,000 contingent on the result of Cortez's meeting with Waterworks on 11/15/23. The motion was seconded, but after questions and further discussion, the motion was then amended as follows: To accept C2G's

proposal of \$8000 to do the engineering initial surveying and rendering assessment. The amended motion was seconded and passed.

4. **Discussion/Update:** 2024 Draft Budget: Pres. Gonda shared slides showing the alignment of the draft budget with the Strategic Plan. He reviewed budget assumptions and factors to consider, noting an average minimal 5% increase in assessments as a floor based on history. It was noted that infrastructure costs have dramatically increased. 2024 budget assumptions anticipate a negative bottom line of \$55,000 if infrastructures at risk of failure are replaced *and* if preliminary cost estimates for those replacements are correct.

Cortez noted that since the last meeting, she increased the Telephone and Communications budget to allow for purchase of a cell phone and mobile plan to provide a company phone to the on-call staff member each week. This will assure that the on-call employee has a working phone, in case of issues with their personal phone, and will simplify contact with the emergency messaging service as the number they will call will not change weekly. [In the past that has caused some confusion on the service's part.] All employees are paid a \$35 monthly stipend for the use of their personal phones, which is how all employees communicate with each other throughout the day. A new phone is not meant to replace this practice/policy, but to add an additional layer of protection.

Next steps in the budget process will be drop-in open office hours for shareholders to explain the draft budget and answer questions, before the 2024 draft budget is presented for adoption at the December board meeting.

Once the 2023 FY is complete, at the February or March meeting in 2024 Cortez will present a summary to the Board to facilitate deciding how to distribute moneys to reserve funds.

PUBLIC MEETING ADJOURNMENT TO CLOSED SESSION: The meeting was adjourned to Executive Session at 8:34 p.m.

RECONVENE TO OPEN SESSION FOR CLOSED SESSION ACTION ITEM REPORTING: The meeting was reconvened to Open Session at 9:17 p.m. to report action taken on an excessive use appeal.

MEETING ADJOURNED: The meeting was adjourned at 9:18 p.m.

Pete Gonda, President

Louise West, Secretary