

Villa del Monte Mutual Water Company

Shareholder's Annual Meeting Minutes

Pursuant to the California Governor's Executive Order N-29-20 this meeting is being held via Zoom teleconference on Tuesday April 6, 2021 at 7:00 pm.

Introductions

Board Members

- Mike Miller
- John Overstreet
- Jim Culp
- Fred Eggers
- Pradeep Sanders

Key Sub-Contracted Personnel

- Jennifer LaForce
- Gary MacKenzie
- David Montion

Election of (2) Directors:

Pradeep Sanders and Jim Culp for (2) year terms as per Bylaws, Section 6.5: Election of board members shall be by majority of cast votes in person or by proxy at annual meetings. The directors were unanimously elected by the 21 proxies sent in by mail and 16 proxies sent in by email. All members were in attendance at the meeting, but 6 had already sent in proxies.

Annual Operations Report

Item-1 Filter plant and pumping

The filter plant has been out of service and will remain out of service until the storage tank replacement project is completed. The uphill pressure system is still active and working well. The State Water Resources Control Board performed their 2020 Sanitary Survey of our system on August 13th. They were pleased with our progress and said the report will have very few recommendations.

Item-2 Source water from Laurel Creek

During our storage tank replacement project we have not been able to utilize the water from Laurel Creek. We did pump water to the reservoir during the CZU fires just in case water was needed.

Item-3 Supplemental source water from SJW company (Montevina pipeline)

We receive supplemental water from San Jose Mutual Water Company. The water runs from the treatment plant at Lexington Reservoir up Old Santa Cruz highway and down summit road. It passes through 3 pump stations owned and operated by SJW company and 1 pump station owned jointly by Villa Del Monte and Big Redwood Park. In 2017, SJW changed from "chlorine" disinfection to "chloramine" disinfection. This is significant because our VDM treatment plant was designed to disinfect our water with chlorine and the two methods are not compatible. Blending chlorine treated water with chloramine treated water destabilizes the disinfection properties and nullifies the ability for either method to work properly. This is what caused us to initiate an upgrade to our treatment plant.

Item-4 Tank Condition

Our 50+ year old water tank is gone!

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Item 5 - Distribution (Pipe conditions)

Our distribution piping is old and in need of repair. We have reviewed several grant options to help fund a large pipe replacement project, but we do not qualify because of our average income levels. We continue to repair leaks and replace pipe sections as our budget allows.

Item-6 Storage tank and disinfection project

Scope Overview

The existing 270k gallon primary water storage has failed and is beyond repair

Our project includes the construction of a new 176k gallon water tank

SJWC changed from chlorine disinfection to chloramine disinfection which is significant because our treatment plant was designed to disinfect our water with chlorine and the two methods are incompatible

The project includes providing a new storage building housing new chloramine chemical water treatment system

Design Status

We hired Pacific Crest Engineering to perform geotechnical report. While initially intending to re-use the original tank location, the county denied that. A 2nd location was investigated and accepted by the county. A significant structural design for new tank foundation was required.

We hired MNS Engineering to design a treatment system upgrade compatible with chloramine disinfection and a new 176k gallon storage tank. The design is complete and submitted to the State of California for review.

Permit Status

The plans were submitted to Santa Cruz County on February 13, 2020.

Permit comments were received and MNS responded on April 7, 2020.

Santa Cruz Planning Dept approval was received August 24th.

MNS Engineers submitted final construction drawings on October 5, 2020.

Santa Cruz County approved our application on December 17, 2020.

Construction manager

The project is large and required us to hire a construction manager to represent us when dealing with contractors and inspectors so we accepted bids from 3 firms and selected Freyer and Laureta Inc to manage the construction process. Freyer and Laureta helped us solicit multiple bids for the construction work. After bidding process, we awarded the work to RSH Construction.

Budget Update

Total projected tank costs are \$1,861,911. We had to use significant reserves to start this project. Member Neil Perrelli asked a question about the loss of reserves and if there would be future assessments to replace them. Mike answered that no additional assessments will be required as financing will replace reserves used. Because 30 members paid a one-time project tank assessment, we were able to qualify for a loan from CoBank. The remaining members will see their portion of financing added to their monthly billings.

Schedule

Contractor arrived on site on March 1, 2021 and they project a 6-month duration.

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Item-7 Cross connection control (CCC)

A field survey performed by the State Water Resources Control Board noted our system had not implemented a CCC plan. We hired Back Flow Prevention Specialists Inc to implement a CCC plan for our system. We distributed the plan which offered 2 options to members: 1) have a survey completed by a certified CCC expert confirming no potential cross connection issues exist (required every 5 years) and 2) have a contractor install an approved backflow prevention device and test it annually. As of today, we have received 15 surveys and 25 test reports. That is 40 out of 127, so we will still have a long way to go. We hope to have our system in compliance by August 2021. There was discussion amongst attending members about grouping together for tests and surveys to reduce costs. Pradeep Sanders stated this would be easier relative to tests as surveys take longer. Jennifer LaForce noted that more parcels than she expected were able to avoid installing the backflow prevention devices. Mike Miller noted that none of us are backflow prevention experts and therefore we cannot provide accurate guidance. Members must have either device installation and test or survey completed. Member Malcolm asked how members can know if their surveys or tests have been received. Jennifer let Malcolm know that we are tracking and that we have received the document for his parcel. Mike reminded attendees that all CCC forms are available on the website.

Treasurer's report and presentation of the 2021 Budget; projected expenditures and financial needs of the company:

John presented the 2021 budget for income and expenditure for normal operations. Member Neil Perrelli asked where we would see the financial impact from non-paying members. John let him know that it will show up on the Balance Sheet, but that very few members could be called non-paying. Craig asked about the lifetime of replacement pipe. Mike answered that the new plastic pipes can last as long as 75 years, which is much better than the old galvanized pipes. John also presented a 2021 projected Cash Flow report assessing both normal operations as well as the new tank projects impact. A member asked about insurance in the case of an earthquake. Mike summarized that property is insured but no one will insure pipes against earthquake damage. John presented the current Balance Sheet. Neil Perrelli asked about non-paying members, will it ever be written off as bad debt? John answered that when the parcel is sold, VDM will have the opportunity to recoup the debt because of a lien on the parcel. A review to comply with Senate Bill 240 for the 2019 financials was successfully completed by a third-party CPA - Jeremy Thielen, CPA Tax & Wealth Strategies, Thielen & Associates Inc. There were no findings. The Financial Review is available upon request.

Mike closed the meeting reminding attendees that we are a mutual water company and as such we jointly own our system. We operate by the support of 5 volunteer board members (your neighbors). We are always open to member participation.

Questions and suggestions to the Board

Member: Will we be able to pull water from the creek when the tank project is complete?

Answer (MM): Yes, if water is available in the creek

Member Greg Illes: Thank you to the five volunteer board members. I'm convinced that without you we would all be getting water trucked in.