

Villa del Monte Mutual Water Company

Shareholder's Annual Meeting Minutes

This meeting is being held via Zoom teleconference on Tuesday April 26, 2022 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 (3) Directors:

Mike Miller, John Overstreet and Fred Eggers 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 proxies sent in by mail and email; see proxy listing at the end of the minutes.

Site History and Overview

Mike shared some of the historical maps and documents from the old Villa del Monte area.

Annual Operations Report

Item-1 Filter plant and pumping

The filter plant has been out of but we are developing a startup plan as the upgraded controls will be completed in a few weeks. The uphill pressure system is still active and working well. The State Water Resources Control Board performed their 2022 Sanitary Survey of our system. They were pleased with our progress. Mike provided photos of the interior and exterior of the plant and described the equipment.

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 should be able to begin using our creek water as the filter plant comes back online.

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. Mike provided a google map of the 2.3 miles of pipelines for the supplemental SJW source, funded by FEMA after the 1989 Loma Prieta earthquake.

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.

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Item-4 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. As the tank project is finalized, we will be able to utilize the deferred reserve funds and begin some pipeline replacement projects.

Member Renata asked, “What happens to access to water if the pipes in a future break during an earthquake?” Mike answered that hopefully, all of us will be out there trying to repair and resolve and get water service back. Of course, we would also be looking to outside sources for help as well, but the more intense the crisis, the longer it takes for outside sources to get to us. Fred shared his personal experience from after the 1989 earthquake, that indeed many members were out there trying to help.

Item-5 Storage tank and disinfection project

Scope Overview

The existing 270k gallon primary water storage has failed and was beyond repair. Our project consisted of the 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. Therefore, the project included providing a new storage building housing new chloramine chemical water treatment system.

Member Azadeh asked, “So now we can easily toggle between our two sources?” Mike answered that is exactly right and provided more details on the differences between chloramine and chlorine. Member Renata asked, “Is there a map/ list of neighbors that we can access so we can work together as a community?” Jennifer and John answered yes with some details.

Member John H asked, “I have heard that the other negative of Chloramine is that it can create pinhole leaks in pipes. Is that true?” Mike answered that he had not heard of that particular complaint. John H shared some sources on the issue.

<https://www.wwdmag.com/contaminants/chloramines-found-cause-leaks-copper-pipe-systems>
<https://nicmarwater.com/blog/are-your-pipes-being-damaged-by-chloramines/>

Design Status

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 the engineering operating report has been submitted to the State of California for review. Santa Cruz County has inspected the construction and the permit has been signed off. The project is large and required us to hire a construction manager Freyer and Laureta to represent us, and they have done a great job.

Funding Update

Total projected tank costs were \$1,861,911 which, divided by 127 members, was \$14660.00 We allowed members a choice to pay a one-time assessment of \$14660.00 and 30 members chose this option. The remaining 97 members became part of a group loan to fund the remaining project costs not covered by the one-time assessment. Due to our membership in the California Rural Water Associate, we did qualify for financing with CoBank without having any of our member’s homes being used as collateral.

Project History

Originally, 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.

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Mike shared photos of the old site and the base of the new tank and the progress of construction. Freyer and Laureta submitted VDM's project to the American Water Works Associate and we were awarded the Small Utilities Award.

Item-6 Cross connection control (CCC)

A field survey performed by the State Water Resources Control Board noted our system had not implemented a CCC plan. With help from Back Flow Prevention Specialists Inc we developed and adopted a CCC plan which you can find on our website. On November 2020 we distributed the CCC notice to our members. As of today, we have received 25 surveys and 50 members installed backflow devices and provided test reports. 52 members have not yet participated. Second notices were sent in June 2021, and the third and final notices will be sent out soon. Unfortunately, the next steps require follow up and potential service disconnection. John has offered to form a group of neighbors who all need the annual testing in order to try to get a better cost.

Member William asked, "If you need to cut off the 52 who haven't certified backflow, how will that impact cash flow?" John noted that usually disconnection is sufficient motivation, and Pradeep added that the action is intended to inspire action and will not be punitive.

Treasurer's report and presentation of the 2022 Projected Cash Flow

John presented the 2022 Cash Flow Projection report which includes typical operating income and expenses as well as the tank project effort. The board's goal was to have an ending bank balance of \$200k, and it looks like we will meet that goal. We will be doing pipe replacement and crisis repairs with any reserves we have. While \$200k may seem like a lot, if you consider that replacing all the very old pipes in the VDM neighborhood would cost \$1.5 million, it falls into perspective. John presented the current Balance Sheet showing assets and liabilities and equity. Lastly, John shared that we do annual financial reviews as required by California regulation.

Member Malcolm asked if we make any interest on our reserves, and John answered, unfortunately no.

Questions and suggestions to the Board

Member Neil W asked, "Can we better use our reservoir parcel since we do not use the reservoir anymore?" Mike answered that we do still use the reservoir for certain required compliances like back wash. He speculated about establishing a park and noted the liability and risk in doing so. Mike also speculated on the likely inappropriateness of removing the reservoir for a building. Neil W suggested a solar park. John agreed that could be a good option, but wondered what group would have the resources to do so. Mike also noted potential opposition from neighbors which we have experienced. Fred noted that we did use it for water for protection from the CZU fires, and it did last about a month.

Member William asked, "What % of water do we get from Laurel creek, instead of SJWC?" Mike answered that overall, we anticipate a 50/50 mix; although for the last 3 years we had to rely solely on SJW because of the tank project.

Member John H asked, "Does the SJWC water come from the reservoir near Wright Station?" John answered essentially yes with some details

Member Malcolm asked about the fire hydrants in our neighborhoods as his neighbor had experienced a small local fire. Mike shared that the fire hydrants in our neighborhood do not meet certain standards, but that the Fire Department knows about the hydrants and has used them to fill their tender truck. Our pipelines are small though and in the case of a large fire, our water pressure would be problematic. Mike said we do annual checks and try to keep the hydrants maintained.

Closing

Mike noted that the 5 board members are our neighbors and all volunteers and welcome member participation.

Pradeep reminded all in attendance about our excellent website.

John shared some new history links on the website.

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Proxies

All Proxies sent in voted in favor of the 3 board members up for election: Strohmeier, Vick, Mrs. Eggers, Duncan, Rudge (2 parcels), Almond, Malmborg, Wiley, Clarke, Harbison, Grimm, Sawyer, Turner, Stacy, Sharon Miller, Chen, Donovan M, DeSouza, Sam Dwyer, Dwyer/Murphy, Francy, Frank, Hamilton, Nolan, Perrelli, Qualls/Culp, Yeates, LaForce (29)

Attending

John & Renata Harbison, William Rudge, Azadeh Nolan, Malcolm De Souza, Neil Perrelli, Pradeep Sanders, Fred Eggers, John Overstreet, Jim Culp, Mike Miller, Jennifer LaForce, Neil Wiley