

Villa del Monte Mutual Water Company

Shareholder's Annual Meeting Minutes

This meeting was held via Zoom teleconference on Tuesday April 16, 2024 at 7:00 pm.

Introductions

Board Members

- Mike Miller
- Neil Perrelli
- Jim Culp
- Fred Eggers
- Pradeep Sanders

Key Sub-Contracted Personnel

- Jennifer LaForce
- Gary MacKenzie
- David Montion

Election of (3) Directors:

Mike Miller, Neil Perrelli 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.

Remembering John Overstreet

We are still feeling the loss of our friend, neighbor, and fellow board member John Overstreet. (John had lived in the Villa since 2001). He was an important member of the water company board of directors. As acting treasurer, he oversaw the monthly and annual financial statements, he coordinated our account at Wells Fargo Bank, he helped secure our loan with CoBank for the new water tank. His computer skills helped support the creation of our website, managed the water plant computer system, and integration with the TESCO controls system. He led emergency response efforts when electrical issues developed. As one of the members on the uphill distribution system, he was often one of the first responders to any generator or pumping issues causing low pressure on the uphill line.

We all miss him.

Annual Operations Report

Item-1 Filter plant and pumping

We have been performing operational testing of the filter plant and are close to having it back up online. The controls contractor has had a difficult time replacing a specialized pneumatic controller which doesn't allow us to perform backwashing of the sand filters. A replacement controller is due next week and with help from TESCO the controls contractor we should be able to begin operations again.

We rely on a propane powered generator to operate our pumps that provide water to about 1/3 of our members. The storm caused long power outages and many road closures from fallen trees and snow. That plus the increased local demand, AmeriGas was not able to schedule a delivery for our tank for over a week. All while our generator was operating 24-hours per day. We were running on fumes when the delivery finally showed up! So we now have two tanks so we should never run out of propane again (hopefully.)

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Item-2 Source water from Laurel Creek

Heavy rains eroded the access road which required supplemental base rock and gravel to restore access. The high winds caused a tree to fall on the PG&E power lines which pulled them loose from the service entrance and meter. PG&E would not restore power until we upgraded the old meter and service entrance! So we did that infrastructure upgrade as well.

Mike showed a series of creek photos, normal flow and the super high, turbid flow caused by storm surges as happened in 2023. Greg Illes asked about turbidity in the creek and if it could be pumped, let the dirt settle and later used. Mike answered that when we have tried this, it is still too dirty and all the parts and pieces get filled and must be cleaned, perhaps replaced. So it really is not worth it to try to use turbid creek water. Best to let it clear up.

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 to support combining water disinfected with the two methods.

Shark Tank Mixer and chemical feed system

Eliminates stratification and maintains proper Chloramine levels which allows us to use either water from our treatment plant or water from SJWC or blend it together as needed.

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. We are using funds from our reserves to begin some local pipe replacement projects in areas when leaks are most notable. When the SRF loan is paid off, we will begin a more aggressive replacement schedule.

Greg Illes asked if we knew our leak rate percentage. Mike estimated 30% which we would like to reduce. But comparatively, other companies do have that same percentage leak rate.

Mike presented the system map to show how many miles of pipeline we have.

Item-5 Cross connection control (CCC)

A field survey performed by the State Water Resources Control Board Division of Drinking Water noted our water system had not implemented a required Cross Connection Control Plan (CCCP). The Control Board notified us with a deficiency so with the help from Backflow Prevention Specialist Inc., we developed and adopted a cross connection control plan for our system. You can find it here:

<https://www.vdmwater.com/backflow-cross-connection-control>

In November 2020 we distributed the plan to our members and identified the two options to show compliance with Title-17 Code of Regulations.

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Backflow prevention devices need to be tested annually and property surveys need to be re-surveyed every 5-years

The tracking of these reports turns out to be very difficult. Some members took longer than others to provide either a property survey or proof of the installation and test of a backflow device. This created staggered compliance dates for nearly everyone. Many members just could not get the required annual backflow testing completed causing us to follow up multiple times and on occasion threaten a disconnection.

This year, we have decided to manage the annual testing directly. We have contacted 4th of July Backflow and they have agreed to give us a discounted testing rate by having all the test scheduled as a group. (\$110 per home down from \$150 normal rate)

The costs of the testing and any required repairs for each home's backflow device will be tracked and those costs will be included in the next month's water bill.

Remember...

Property surveys need to be updated every 5-years

We feel these surveys are often personal and as such we will still require the home-owner to have these performed directly with the contractor of their choosing.

Treasurer's report and presentation of the 2024 Projected Cash Flow

Neil Perrelli and Mike Miller presented the 2024 Cash Flow Projection report which includes typical operating income and expenses as well as asset related efforts.

Inflation has found us!

Almost every cost category we track has experienced significant increases over the last couple of years.

- Purchased water from San Jose Water Company
- Insurance
- Contract labor
- The number of Pipeline repairs has increased.

Over the past several years we were hopeful these increases could be absorbed within the annual budget, but this has not been the case. These costs end up being funded by our limited reserve funds held in our Wells Fargo savings account.

Unfortunately, we need to implement a rate increase in the next month which has not been done in 6 to 8 years. The SJWC assessment will increase by \$6 to \$15 and the VDM Ops assessment will increase by \$19 to \$120. This is a monthly increase in member bills of \$25.

In March 2015, we increased the VDM assessment from \$85 to \$101

In April 2016, we increased the SJW assessment from \$2 to \$9

In Jan 2020, we *decreased* the SRF assessment from \$56 to \$48

In April 2018, the water rates were increased as follows: \$0.01 tier 1, \$0.05 tier 2, \$0.10 tier 3, \$0.20 tier 4, \$0.40 tier 5

In December of 2021, an assessment of \$14,660.00 was implemented to pay for the new water tank project. 30 members paid their share up front and the remaining members became part of a group loan. (Now known as the TPL assessment)

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The Cash Flow Projection and the current Balance Sheet were presented and discussed at the meeting. They are also available for review upon request.

To comply with Senate Bill 240, the 2023 financials will be sent out next month to be reviewed by our third-party CPA:

Jeremy Thielen, CPA
Tax & Wealth Strategies
Thielen & Associates Inc

Questions and suggestions to the Board

Greg Illes asked about our projected cash deficit and the use of reserves. Mike answered that that is an ongoing discussion that we keep on having. We ask the question, what is the minimum amount we need to have in our bank account for operations and what is the minimum we need to have for infrastructure maintenance and upgrade. The board makes every effort to keep costs down because our shareholders are sensitive to cost increases. At present our reserves are really for infrastructure maintenance and upgrade.

Greg Illes suggested that we charge members who pay with credit cards. Jennifer noted that it would be hard and time consuming to track, but maybe our service provider can help us. Jennifer will do some research.

Closing

Please remember, we are a mutual water company and as such we all jointly own our water system. We operate by the support of five volunteer board members (your neighbors). And we are always open to member participation and available for tours or to answer questions.

Proxies

All but one of the proxies that were sent in by mail and email voted in favor of the 3 board members up for election: Illes, Yeates, Farin, Chesters, Smith, Drumond, Rudge, Rudge Lot, Fazzio, Madrigal, Francy, Davis, Sawyer, Wiley, Trombetta, Strohmeier, Duncan, Rappaport, Turner, Almond, Grimm, Chen, SandersJon, Erbes, DonovanPat, Perrelli, Eggers (27)

In person votes: Mike Miller, Jennifer LaForce, Pradeep Sanders, Jim Culp, Rick Clark (5)

Attending

Mike Miller, Pradeep Sanders, Neil Perrelli, Jim Culp, Fred Eggers, Jennifer LaForce, Rick Clark, Greg Illes & Karin Buhler.