

Villa del Monte Mutual Water Company

Shareholder's Annual Meeting Minutes

This meeting was held via Zoom teleconference on Tuesday April 15, 2025 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 (2) Directors:

Jim Culp and Pradeep Sanders 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.

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. TESCO, our controls contractor has had a difficult time correcting some programming issues we identified last summer. Without these programming modifications, we are not allowed to process water from Laurel Creek. Mike has spoken with the Vice President at TESCO and he has assured us we will have support within a week.

Item-2 Source water from Laurel Creek

Mike showed a series of creek photos, normal flow and the super high, turbid flow caused by storm surges as happened in 2024. He explained the maintenance required after such storm surges.

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.

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Item-4 Distribution (Pipe conditions)

Mike presented a map which showed our shared pipeline. Greg Illes asked about the shared pipeline's age. Mike answered that it was put into use late 1990's, and is good quality requiring no maintenance and should not fail except in case of earthquake.

Our distribution piping is old and in need of repair. Last year our pipeline maintenance and repair costs exceeded our projections and severely reduced our reserve funds. This included multiple leaks and the installation of +- 200 feet of new piping main on the lower Skyview area. Mike shared a photo of the new pipeline and presented the story of our collaboration with Santa Cruz County to get this pipe in place at a lesser cost because of the collaboration.

It is these more frequent emergency repairs that required the significant rate increase we all experienced in January.

We are looking forward to July 2030 when the last payment is due for the SRF loan (for the Plant), we will be able to begin a more aggressive replacement schedule. 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.

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

Item-5 Cross connection control (CCC)

By direction of the SWRCB all public water systems are required to develop and maintain a Cross Connection Control Plan (CCCP). In November 2020 we distributed the plan to our members and identified the two options to show compliance with Title-17 Code of Regulations: Perform property inspections from CCC expert or install a physical backflow prevention device. 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.

Therefore, in 2024, we managed the annual testing directly. We contracted with 4th of July Backflow and they agreed to give us a discounted testing rate by having all the tests scheduled as a group (\$110 per home instead of \$150 normal rate). The costs of the testing and any required repairs for each home's back flow was tracked and those costs were included in the next month's bill.

Greg Illes shared that he has never had a year that did not require a repair (from \$150 to \$400). Mike agreed and acknowledged this issue but reiterated the requirement to comply.

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 2025 Projected Cash Flow

Neil Perrelli and Mike Miller presented the 2025 Cash Flow Projection report which includes typical operating income and expenses as well as asset related efforts.

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Inflation has found us (AGAIN)!

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 had to implement a rate increase in January.

Here are the current rates

Category	Past rate	Increase	Rate (1/1/2025)
Assessment -SJWC	\$15.00	\$0.00	\$15.00
Assessment – SRF	\$48.00	\$0.00	\$48.00
Assessment – VDM Ops	\$120.00	\$60.00	\$180.00
Base rate total	\$183.00		\$243.00
Assessment – TPL	\$86.93	\$0.00	\$86.93
TPL member rate total	\$269.93		\$329.93

No changes to the tiered meter rates

History of rate increases

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

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

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

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

In 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)

In 2024 we increased the SJW assessment by \$8 and the VDM by \$19

In 2025 we increased the VDM Ops assessment by \$60

The Cash Flow Projection, the P&L 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

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Questions and suggestions to the Board

Greg Illes asked about property tax costs. Jennifer confirmed we have never paid them and that non profit organizations are usually exempt from them. Karin Buhler thanked the board members for all their work.

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 of the proxies that were sent in by mail and email voted in favor of the 2 board members up for election: Muller, Hagedorn, Farin, Miller, Illes, Yeates, Whiteley, Vick, Malmborg, Eldridge, Chen, Sanders (Susan & Jon), Clarke, Grimm, Donovan (Pat & Jack), Francy, Hamilton, Ramsay (Antje), Rappaport, Madrigal, Rudge, Rudge Lot, Hancock, Pairman (24)

In person votes: Jennifer LaForce, Pradeep Sanders, Jim Culp, Neil Perrelli, Fred Eggers (5)

Attending

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