

**O'Connor Tract Co-Operative Water Co.**  
Minutes of the Annual Meeting of the Members  
Held at Laurel School Upper Campus, 275 Elliott Dr, Menlo Park California  
7:30pm Thursday January 25, 2018

Note: Because the Company is a private company, the names of Members participating in this meeting have been removed for privacy reasons from the published Minutes on the Company's website. The Minutes do include the names of directors, alternates and staff and when they made statements or took actions during the meeting. Any Member, resident in our service area, or city or county elected official may obtain a complete copy of the Minutes (without name redactions) by submitting a written request to the Company at [occonnorwater@gmail.com](mailto:occonnorwater@gmail.com) or at the Company mailing address.

**1. Call to Order**

Mr. Jones called the meeting to order at 7:35pm.

**2. Introductions**

Mr. Jones introduced himself, the Board of Directors, the Board of Alternates, and the staff. He explained that Ms. McClellan left the Board in June 2017 when she sold her house and was no longer a member of the Company. Mr. Pedreiro also left the Board, leaving two open positions, filled by Mr. Jones and Mr. Rosenthal per decision of the Board.

**3. Roll Call**

**Board Directors:**

**Present**

David Jones  
Judy Windt  
Randy Dolenec  
Todd Rosenthal

**Absent:**

Mike Frank

**Board Alternates:**

**Present**

Court Skinner  
Hossein Ashktorab  
Sandy Lee  
Court Skinner

Azalea Mitch

**Staff Present:**

**On-call Water Operator**

Manny Nathenson

**Secretary/Treasurer**

Ana Pedreiro

**Staff Absent**

**Water Operator**

Rich Pattison

**The proxies received added up to the quorum needed of 25% of the acreage to conduct the meeting.**

**4. Approval of the Minutes**

The 2017 Minutes were posted on the Company's website and members were asked to read them before attending the meeting.

Mr. Rosenthal moved and Member seconded that the minutes of the Annual Meeting of January 26, 2017 be approved as submitted. Carried.

## 5. Administrative Reports

a. Mr. Jones presented the 2017 Audit Report.

He explained that the audit report presents financial results on an accrual basis and that the annual budget reviewed in the next agenda item is on a cash basis (because it is focused on resource inflows and outflows), so there are slight differences in the revenue and expense line items. In summary, the auditor's opinion is that the financial statements present fairly the financial position of the Company for the year and follow generally accepted accounting principles.

Mr. Dolenc moved and Ms. Windt seconded to accept the 2017 Audit Report. Carried.

**Q: Can you send the audit report and budget to members in advance? Shouldn't the audit be posted on the website like the minutes?**

**Another Member: I am against posting it for public view.**

**A:** The Board will discuss a way to send it to members without posting it on the website. Perhaps by request only, and with the condition to not share its contents.

b. Mr. Jones presented the 2018 Operating and Capital Budget with comparative data from 2016 and 2017.

He explained a few of the following specific items:

- Revenue is up due to the rate increase last year, the addition of a few new accounts, and increased usage from metered accounts.
- We had planned to share a water operator with the City of Menlo Park, but Menlo Park was not ready to do so in 2017. They may be ready to do that in the second half of 2018, which is why we budgeted half the amount we previously did (\$20,000 in 2018 vs. \$40,000 budgeted in 2017).
- The budget for legal expenses is slightly higher since we will need to consult with our attorneys regarding the State planning loan funding documents and agreement.

**Q: Can you explain the expenses for the manganese treatment plant?**

**A:** We budgeted \$100,000 for 2017, most of which was not spent (more details below). We are applying for a reimbursement loan for the planning phase of \$120,000 for 2018. But if all goes well and we don't have any major emergency contingency expense, we may decide to pay for some or all the planning phase expenses ourselves and not use the planning loan.

**Q: What is the **-\$11,000** in the budget?**

**A:** It is an estimate of how much we might pay in interest and principal to the State in loan repayments.

**Q: Did you include meter installation in the budget?**

**A:** No. The State wants us to focus on manganese treatment plant installation only, so there is nothing in the 2018 budget for the meter installation program. More details soon.

Member moved and Mr. Ashktorab seconded to approve the 2018 Operating and Capital Budget. Carried.

## 6. Operations & Administrative Report

a. Mr. Jones explained operations in 2017:

### 2017 Capital Improvements - Valves, Meters and Services

- 6" valve at 190 E. O'Keefe
- 3" meter at 165 O'Keefe
- 1" curb stop at 147 Oak Court
- 1" curb stop at 116 O'Connor St.
- 1 1/2" meter at 270A E. O'Keefe

- 1" service line at 153 Oak Court

### **2017 Emergencies**

- Leak at 1964 Menalto. Found three boxes over curb stops. Not able to get wrench on as the curb stops are at 45 degree angle. No curb stops. Dug up services and isolated leak. Hooked temporarily to 1962A and 1962B (where the leak was). Made repairs to leaking 1-1/2" PVC pipe. Will install curb stops on all three services.

- Leak at 153 Oak Court. The 2" main leaked and flooded the back yard. Hooked up temporary connection to 147 and 153 Oak Court from 169 Oak Court.

- 1960 Menalto: 4" water main break under oak tree. Abandoned section under tree.

- 483 O'Connor: 1" service leak at 471 O'Connor. 483 O'Connor curb stop was located at 471 O'Connor St.

Mr. Jones briefly explained the business operations highlighting the job descriptions of the water operator and the secretary-treasurer, in regular, monthly, quarterly, and annual basis. The water operator works closely with Ms. Windt and Ms. Pedreiro.

Ms. Windt announced that the Company is looking for a part time, on-call, assistant to the water operator, with plumbing experience. More information is available on our website at [www.oconnorwater.org](http://www.oconnorwater.org).

b. Mr. Nathenson explained the Annual Quality Report:

- The water is hard
- Manganese level is high, above the secondary standard, which is for color and odor
- The Company tests for many other chemicals but does not report if the chemical is not detected
- The language in the Water Quality Report is required by the State

**Q: Is manganese the only problem?**

**A:** Yes

**Q: Are the two wells on the same property?**

**A:** Yes. We primarily serve water from Well #1 which has lower levels of manganese. We run Well #2 to keep it working, in case Well #1 fails.

**Q: What is the depth of both wells?**

**A:** Well #1: ~500ft, Well #2: ~300ft.

**Q: What are foaming agents?**

**A:** Foam is produced when organic matter decomposes and releases fatty acids that act as surfactants or surface active agents. It is present in surface water only, but the State testing requirements are the same for surface water and groundwater.

**Q: Can we have a historical data report of the manganese levels over the years?**

**A:** (Nathenson) I have a spreadsheet with the numbers.

**Q: Did the water levels recharge with last year's rains?**

**A:** In the 1950s, when Palo Alto was pumping the water, it was at 125 feet below the surface. It took many years to recharge after Palo Alto stopped pumping water from their wells. Today it is at approximately 25 feet below surface. Water levels did come up after last year's rains.

**Q: Do we have emergency connections?**

**A:** Yes, we have an automatic, one-way connection with the City of East Palo Alto, to which we pay a significant meter fee and fee for water usage (when used).

We also have a two-way emergency connection with the City of Menlo Park - these are gate valves (not automated), and have never been used.

The City of Menlo Park is planning to change the connection to enable venting of the water, as the water is stagnant where the valves are. We do not pay for this connection.

**Q: Why are the agreements different?**

**A:** The one with the City of EPA was done in the '40s or '50s. The one with the City of Menlo Park was done in the '80s.

**Q: Has the City of East Palo Alto asked to buy water from O'Connor?**

**A:** No, they have not asked to buy our water. In 2017, the City of EPA signed a one-time \$5 million water rights deal with the City of Mountain View to buy 1 million gallons of water per day and end the City of EPA's lack of water, ending a yearlong moratorium on development. They have two wells: a) Gloria Way Well which water contains high manganese levels, and b) a test well near Home Depot with better water quality than Gloria's.

- c. Report on the manganese treatment plant progress:

**Background**

- Our water does not meet the State's 50 ppb secondary standard for manganese
- October 2012 - the California Division of Drinking Water issued a manganese secondary maximum contamination level violation
- March 2013 - Board hired engineering consultant to prepare manganese treatment options
- August 2016 - Membership vote did not support requesting a waiver to treat for manganese
- January 2017 - Membership vote authorizing Board to obtain State finance loan for manganese treatment plant

**Business-Related Progress Made in 2017**

- a. Engineering Progress

- Company received detailed report from Fall Creek Engineering (FCE) determining the best treatment method for our specific water situation
- Final work plan for Pilot Treatment Study
  - FCE and the Company will jointly conduct 3-week study, beginning in early February
  - Work plan approved by the State

Mr. Jones presented the proposed full scale schematic of the manganese treatment plant facility. The cement reservoir around the tank can hold the water in case the tank ruptures. It holds millions of gallons and the storage tank holds 100,000 gallons.

**Q: What is the life of a treatment plant like this?**

**A:** (Nathenson) About 20 years.

**Q: How is the system powered?**

**A:** By electricity. It will not take a huge amount of power. We have a back-up generator in case of power failure. The current generator supplies two wells and three pumps. If necessary we will replace the generator with a more current one, with City permit in accordance with sound and pollution requirements.

**Q: We have pipes, is the rest of the system being evaluated? Do we have a capital improvement plan for proactively replacing pipes?**

**A:** We fix or replace pipes as needed. We do have a plan for meter, valve, curb stop, and hydrant replacement. The tank is in very good condition. We recently replaced a pump.

- b. Payment Options

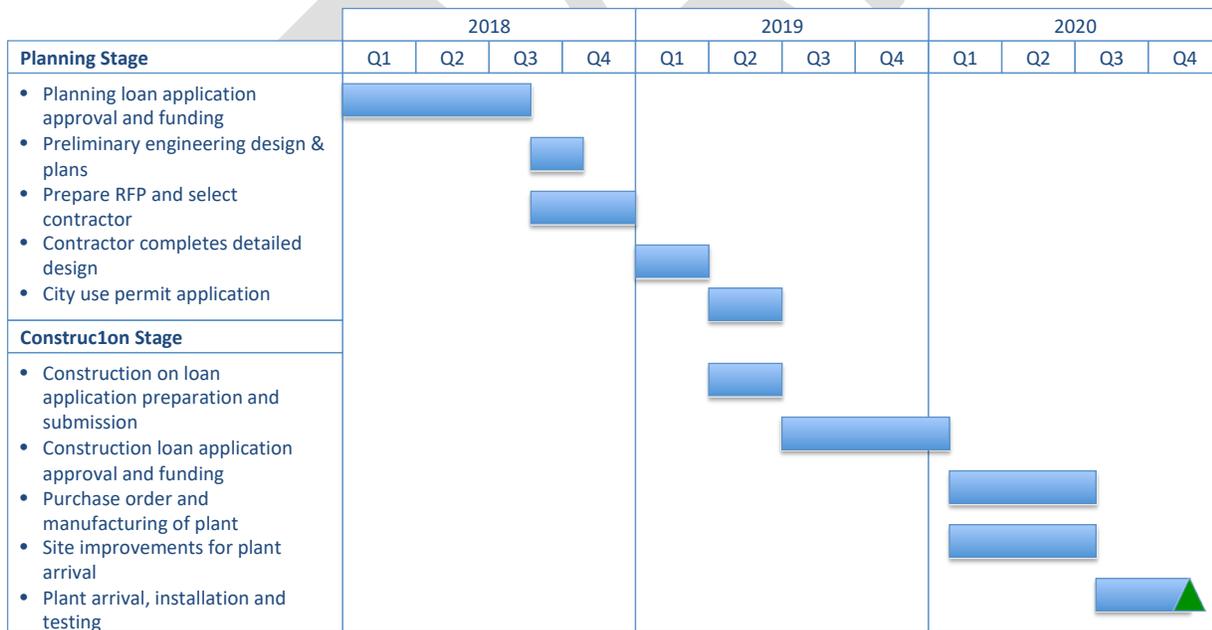
- Option 1: Special Assessment (roughly \$5,000 per member) which was deemed burdensome for many members.
- Option 2: State Loan: Very low interest rate at approximately 1.7%. Thorough application and complex process. Two loans required (planning, then construction). Each Loan application takes ~7 months for approval and funding.
- Option 3: Private Financing: Interest rate higher at 4.5-6% APR. This option has a very fast and straightforward loan process (4-6 weeks), however, it would cost \$47,000 more per year than the State loan (equivalent to ~11% increase in water rates).

The Company is working towards the State loan option (Option 2 above), and submitted the planning loan application to the State in September 2017.

c. In preparation for this application the Company completed the following projects:

- Water Rate Study with comparative data from neighboring water companies (Mr. Jones presented a water rate comparison chart)
- 5-year financial projections
- Capital improvement plan
- Consolidation study
- Necessary Company resolutions
- Reviewed and updated Company procedures
- Obtained "Environmental Planning Clearance" - the planning project is exempt from CEQA

d. Manganese Treatment Facility - Current Estimated Schedule  
(Subject to Change; Work-in-Progress)



Mr. Jones explained that half of the remaining three-year schedule is waiting for State (and City) approvals and permits.

The Company is already paying for some things to move the project along and not wait for the planning loan approval.

**Q: Why do we have to wait to apply for the construction loan?**

**A:** The construction loan application requires detailed information that needs to be completed before submission. This includes: a final design from FCE after the pilot tests, the construction contractor to be selected via an RFP process, and complete a detailed site design, biological and cultural reports from expert biologist and archeologist consultants respectively, and use permit approval from the City.

**Q: Is there any consequence from the delay?**

**A:** We are working closely with the State, and the State knows we are working on the loan application and moving forward with the planning phase. They know that we are following their process with their funding mechanism, and that this takes time.

**Q: I suggest you post the progress of the manganese treatment plant on the quarterly manganese notice you send to members.**

**A:** It is a good idea and we will work on it.

**Q: Are you going to install meters?**

**A:** It may be a requirement but at the moment the State wants us to focus on the manganese treatment, which is a priority.

**Q: Don't we have to install meters by 2020?**

**A:** The deadline is 2025, but it applies to urban water suppliers only. O'Connor Water is not classified as an urban water supplier.

e. Report on Meter Installation

- Installing meters may be a requirement for approval of the manganese treatment facility construction loan
- The State certainly wants us to install water meters
- Some members have expressed interest in water meters

Major benefits of water meters:

- Pay for what you use
- Typically leads to increased water conservation across the service area
- Useful in identifying leaks

Types of meters

- Manual Meter Reading
- Automatic Meter Reading (AMR) – radio-frequency automatic reading from the street / at a distance
- Advanced Metering Infrastructure (AMI) – uses cellular phone technology to send meter readings frequently (hourly/daily) to a central database.

The Board has not decided yet on type of meter but it is leaning towards AMR radio-frequency automatic reading, which does not have to be updated over time like AMI meters.

We have received several bids from meter manufacturers and one bid for meter installation, but we would prepare a revised Request for Proposal (RFP) and solicit bids from more companies.

The next steps are: a) to determine with certainty if meter installation is required in order to receive a manganese treatment facility construction loan from the State, and b) if not required, the Board may focus on the required manganese treatment facility planning and installation, and tackle meter installation at a later time.

## **7. Election of Board Members**

The Board is composed of five volunteer Directors, who have to be members of the Company (own property in the O'Connor Water district).

This year the Members present at the meeting will be voting for up to five candidates by written ballot. Mr. Jones asked if any of the present Members wanted to be considered to the Director position, there is a line on the ballot for write-ins. No Member present volunteered to become a candidate for the Board of Directors. Proxies from Members not present were either given to the Company to vote per Board's recommendation, or given to another Member in attendance.

Members present voted and submitted their ballots for counting. The 5 director candidates on the ballot were the 2017 directors who volunteered to be on the Board for 2018. All 5 current Board members were re-elected with the following results:

Name	Votes/Acreage	Percentage
David Jones	119.924	100%
Judy Windt	119.924	100%
Todd Rosenthal	119.924	100%
Randy Dolenec	119.004	99%
Mike Frank	117.124	98%
Jane Ratchye	3.72	3%

Mr. Jones asked the Members present if anyone would like to join the current Alternates to the Board: Ms. Sandy Lee, Mr. Court Skinner, Ms. Azalea Mitch, Ms. Jane Ratchye, and Mr. Hossein Ashktorab.

**Q: What is the Alternate commitment?**

**A:** Alternates do not vote, but can be authorized to vote by the Board members present for voting purposes if there is no quorum. Alternates may attend board meetings and contribute on specific tasks, projects or subcommittees. Company tradition is that Members first serve as an Alternate to learn about Company operations. Alternates are encouraged to attend the monthly meeting at Company Offices.

Ms. Ana Pedros volunteered as an Alternate.  
 Ms. Azalea Mitch asked to be removed from the slate.

The 2018 Alternate Slate is:  
 Ms. Sandy Lee  
 Mr. Court Skinner  
 Ms. Jane Ratchye  
 Mr. Hossein Ashktorab  
 Ms. Ana Pedros

Mr. Court Skinner moved and Ms. Judy Windt seconded to approve the 2018 Alternate Slate. Carried.

**8. Member Presentations and Questions**

Having no further questions, Members thanked the Board for their hard work and dedication to the Company.  
 Mr. Jones thanked all Members and the meeting was adjourned

**9. Adjournment**

To the Regular Meeting February 8, 2018 at Company Offices