

O'Connor Tract Co-Operative Water Co.
 Minutes of the Annual Meeting of the Members
 Held Live Via a Zoom Videoconference Call
 7:30pm Thursday January 26, 2023

1. Call to Order

Mr. Jones called the meeting to order at 7:33pm.

2. Introductions

Mr. Jones then introduced the Board of Directors, the Alternates, and the staff.

3. Roll Call

<p><u>Board Directors (Present):</u> David Jones Judy Windt Randy Dolenech Mike Frank Todd Rosenthal</p> <p><u>Board Directors (Absent):</u> None</p> <p><u>Board Alternates (Present):</u> Court Skinner Kathy Dolenech Ana Pedros Jane Ratchye Ron Garcia Ruggero Castagnetti</p> <p><u>Board Alternates (Absent):</u> Adela Mazzon</p>	<p><u>Staff (Present):</u> Ana Pedreiro (Secretary/Business Operations) Chad Plantenberg (Water Operator) Manny Nathenson (On-call Water Operator)</p> <p><u>Staff (Absent):</u> Rich Pattisson Caleb Hrabal</p>	<p><u>Members:</u> 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.</p> <p>The official Minutes do include the names of directors, alternates, staff and any members who made statements or took actions in the Meeting. Any Member, resident in our service area, or government elected official may obtain a complete copy of the Minutes upon written request.</p>
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Quorum	Acres	%
Total Company Acreage ¹	80.813	100%
Quorum needed for this meeting ²	20.20	25%
Proxies Received	21.33	26%
In-Person Representation	6.27	8%
Total Quorum	27.83	34%

¹ Excludes the school acreage since a public entity cannot be a member of a mutual water company (state law).

² Annual meeting requires 25% quorum.

Note that between attendees and proxies received in advance of the meeting by the Company, the Company had a sufficient quorum according to our bylaws to conduct business at this meeting.

4. Approval of the Minutes

The 2022 Minutes were posted on the Company's website and members were asked to read them before attending the meeting.

Mr. Frank moved, and Mr. Rosenthal seconded that the minutes of the Annual Meeting of January 27, 2022, be approved as submitted. Carried.

5. Operations & Planning Reports

a. Highlights of last year's operations

Mr. Jones briefly explained the Company's water operations and business operations, and thanked the staff, volunteer board, and alternates for their service to the Company.

b. Annual Water Quality Report for Information

Mr. Nathenson explained the following:

- The Company's water is hard.
- The manganese level is above the secondary standard (50 ppb – parts per billion) and tends to leave black deposits in some plumbing systems. In 2022 well #1 had an average of 51 ppb and well #2 had an average of 145 ppb. Our water system is in violation of a secondary drinking water standard. Violation of a secondary standard does not pose an immediate threat to health. Manganese concentrations above the standard may have an effect on taste and tend to leave black deposits in some plumbing systems
- The Company tests for many other chemicals but they are not included in this report if they are not required by the State and the chemical is not detected.
- Samples are taken from both wells, but most water used is from well #1 as it has lower levels of manganese.
- Lead and Copper: Sampled and tested in 2022. Several years ago, we did a materials inventory and selected ten Tier 1 sites. Of these 10 sites, the 90th percentile (ninth highest) value for lead was 7 ppb, and for copper was 0.16 ppm. The lead Action Level (the concentration of a contaminant which, if exceeded, triggers treatment or other requirements which a water system must follow) is 15 ppb, and the copper action level is 1.3 ppm.

Q: What does the secondary standard mean?

A: Water that violates the secondary standard for manganese could affect taste, odor, and appearance. It does not pose an immediate threat to health.

Report on Manganese Treatment Plant Construction Progress

Mr. Jones presented a brief background:

- The water is safe to drink but does not meet the State's 50 ppb (parts per billion) secondary standard for manganese.
- May have an effect on taste and tends to leave black deposits in some plumbing systems.
- You do not need to use an alternative water supply (e.g. bottled water).
- There is no health risk.
- October 2012 – the California Division of Drinking Water issued a manganese secondary maximum contaminant level violation. Since then, we've been working on a manganese treatment solution. The City of Menlo Park, State, and other Districts involved move very slowly.
- The Company is required to reduce the manganese in the water.

2022 Progress and Next Steps

Task	Completed?	Status
Obtain City of Menlo Park Building Permit	Completed	<ul style="list-style-type: none"> Required before construction can begin Very long process
Construction of Treatment Plant	Started & In Progress	<ul style="list-style-type: none"> Long-lead time components were ordered in advance and were on site Construction started last fall. Progress will be shown in upcoming slides.
State Division of Drinking Water Permit Amendment	In Process	<ul style="list-style-type: none"> Detailed application filed. Application is on track but can't be finalized until after construction and commissioning of plant.
Bay Area Air Quality Management District (BAAQMD) Permit for New Emergency Backup Generator	Completed	<ul style="list-style-type: none"> Authorization to Construct has been obtained after lengthy process (including public comment period), and when ready, it's just a procedural/ administrative step to receive the permit.
Operations & Maintenance (O&M) Plan for Treatment Plant	In Process	<ul style="list-style-type: none"> Detailed long draft provided to the State. Addressing comments received. Can't be finalized until the plant construction is complete and it's been thoroughly tested.

Mr. Nathenson explained pictures of the construction progress of the manganese treatment plant.

Q: What is the new big tank for?

A: It is a 20,000-gallon blending tank that combines and stores well water prior to treatment. The “raw water” tank is needed so the manganese treatment plant can operate without requiring the pumps down in the wells to turn on and off more frequently.

Q: What happens to the manganese?

A: The filtration system causes the manganese in the water solution to become solids, which are then captured in the filtration tanks and then removed via filters and taken to the landfill.

Q: How high is the energy consumption and how much will it increase with the plant? Can we install solar panels as source of renewable energy to power the plant?

A: The manganese treatment plant requires more energy than current operations (primarily the additional water pumps). The Company looked into solar power per request of the City of Menlo Park, but given the size of the plant, the electricity needs of Company operations in an emergency situation, the fact that water is an essential service, the lack of space to install the number of panels sufficient to

power the plant, and the capital costs of sufficient battery storage to power Company operations for a potential catastrophic emergency power outage, it was concluded that it is not feasible.

Q: What is the lifetime of the greensand? How much will it cost?

A: We don't know the specifics, but we expect replacement might be required every 6-10 years, and it should cost tens of thousands of dollars (not 6 figures) and is something we can budget for in future budgets.

Q: When will the plant be fully operational?
(see below)

Project Schedule:

Construction is expected to be complete by March/April (assuming no delays from unexpectedly additional severe weather)

Depends in part on delivery of the new backup generator, scheduled for February.

Once construction is complete, there will be multiple months of testing the system and getting the State to sign off on it:

- Testing it, to prove it reduces manganese levels
- Reporting results to the State
- Finalizing the detailed Operations & Maintenance plan to the satisfaction of the State
- Other documentation and processes
- Final site visit by the State is likely required
- Can't initiate operations until we have an amended State water permit

Financing the Project

- We obtained a \$1.25M loan from Boston Private (now part of Silicon Valley Bank) to finance the construction (the only debt of the Company)
- We significantly raised our rates in 2017 to increase our cash reserves over several years to help pay for this plant
- There were delays in obtaining:
 - City of Menlo Park Planning Commission use permit amendment approvals, and
 - City of Menlo Park Building Permit approvals
- We also negotiated a fixed-price construction contract to build the plant (signed in April 2021, before inflation, before the building permit delay)
- All 4 of these things contribute funds for the project
- You'll see in the upcoming budget section that we have sufficient funds to complete the construction project and operate the water company

6. Administrative Reports

a. Mr. Jones presented the 2022 Audit Report.

The audit report sent out earlier to attendees and presented during this meeting is a first draft, since it was only received by the Company the night before this meeting.

Our Articles/ Bylaws require our annual Membership meeting to occur before the end of January, creating pressure to have the audit report completed by then. It is very difficult to find a licensed auditor to complete a full company annual audit for the calendar year in just a few weeks by the last week of January.

Mr. Jones 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. Frank moved, Member and Ms. Windt seconded, to accept the 2022 Auditors Report subject to the Board's review and approval to the remaining changes we are working through with the auditor. Carried.

b. Mr. Jones presented the 2023 Operating and Capital Budget with comparative data from 2021 and 2022 and a four-year projection. There is no need to increase the water rates in 2023. Many line items were explained, including meter installation: The Company has nine years to install meters per State requirements. It is not an option. The Board decided to spread installation/costs over the nine years, beginning the installation of 20 meters in the second half of 2023, and 40 meters per year subsequently. These capital and labor costs are included in the budget.

Q: How will the rates be calculated? Is the company going to start reading the meters only after all of them are installed?

A: The Company already has 37 metered accounts and rates are determined by usage. Once the meter is installed, by law, we have to read it and use it.

The Board is discussing raising the target reserve amount from \$500,000 to \$1,000,000 over the next several years, based on the price of replacing a well – our biggest potential risk and capital expenditure for the Company.

Q: How do you determine the health of a well?

A: If the pump goes out, we can investigate and probe the well. Replacing a pump is feasible and the Company has money for that. A few years ago, the exit pipe from the pump in Well #2 had to be replaced. But the Company should plan on having funds to be able to drill a new well if need be.

Mr. Dolenc moved, Mr. Garcia and Mr. Skinner seconded, to approve the 2023 Operating and Capital Budget as presented. Carried.

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).

Members present at the meeting will be voting for up to five candidates by written ballot. Proxies from Members not present were either given to the Company to vote per Board's recommendation or given to another Member in attendance.

Four current directors have volunteered to serve on the Board in 2023: David Jones, Judy Windt, Mike Frank, and Todd Rosenthal. Mr. Dolenc has decided not to continue as director for 2023. Mr. Jones thanked Mr. Dolenc for his many years of volunteer service.

Mr. Ron Garcia, a current alternate, has volunteered for the open director position in 2023.

Brief profiles on each director candidate were also provided.

Because Covid-19 required the Company to hold the annual meeting as a virtual videoconference meeting and not in person, and because the bylaws require voting by ballot, the Board decided to utilize an email-based ballot as the written ballot method for the election of Board members. Members voted by replying to the ballot email sent to them once they registered for the meeting.

The Board-recommended slate was elected as directors for 2023, with the following results:

Name	Votes	Percentage of Those Voting
David Jones	88.4076	100%
Judy Windt	88.4076	100%
Mike Frank	87.4476	100%
Todd Rosenthal	88.4076	100%
Ron Garcia	88.4076	100%

Mr. Jones presented the current Alternates: Ruggero Castagnetti, Kathy Doleneec, Randy Doleneec, Adela Mazzon, Ana Pedros, Jane Ratchye, and Court Skinner, who all agreed to stay on as Alternates for 2023.

Ms. Windt discussed the importance of Alternates and the opportunity afforded by becoming an Alternate. Mr. Sagar Savla volunteered to become an Alternate for the Board of Directors.

Ms. Windt moved, and Mr. Frank seconded, that we accept the Alternates to the Board. Carried.

8. Member Presentation and Questions:

Q: What does having a proxy from someone mean?

A: It means that you delegate your vote to a representative (in this case, another member, or the Secretary-Treasurer) to enable a vote, whether for board members, alternates, or other motions, in your absence. When there are enough in-person attendees and proxies, we can reach a quorum and the Company can conduct its business.

There were no other questions, and the meeting was adjourned at approximately 9:30 pm. Members congratulated and thanked Mr. Jones and the Board for all the work done.

9. Adjournment

To the Regular Meeting February 9, 2023, by Zoom teleconference.