

**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 30, 2020

**1. Call to Order**

Mr. Jones called the meeting to order at 7:30 pm.

**2. Introductions**

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

**3. Roll Call**

**Board Directors:**

**Present**

David Jones  
Judy Windt  
Mike Frank  
Randy Dolenech  
Todd Rosenthal

**Staff Absent:**

**Supervising Water Operator**

Rich Pattisson

**Board Alternates:**

**Present**

Court Skinner  
Jane Ratchye  
Ana Pedros

**Staff Present:**

**On-call Water Operator**

Manny Nathenson

**Secretary/Treasurer**

Ana Pedreiro

**Water Operator**

Mark Johnson

**Assistant to Water Operator**

Caleb Hrabal

**Members:**

**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, city or county elected official may obtain a complete copy of the minutes upon written request.

Quorum	Acres	%
Total Company Acreage <sup>1</sup>	80.813	100%
Quorum needed for this meeting <sup>2</sup>	20.20	25%
Proxy Quorum Received	22.54	28%
Meeting In-Person Quorum	16.36	20%
Total Quorum	38.90	48%

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

<sup>2</sup> Annual meeting requires 25% quorum.

**4. Approval of the Minutes**

The 2019 Minutes were posted on the Company's website and members were asked to read them before attending the meeting.

Mr. Dolenech moved, and Mr. Frank seconded that the minutes of the Annual Meeting of January 31, 2019 be approved as submitted. Carried.

## 5. Operations & Planning Reports

### a. Highlights of last year's operations

Mr. Jones briefly explained the Company's business operations, and thanked the staff, volunteer board, and alternates for their service to the Company. He also introduced the new assistant to water operator, Caleb Hrabal.

Mr. Jones presented the 2019 capital improvements (valves, meters, new services, and manganese treatment plant planning phase).

He explained the service line inventory requested by the State:

- In 2019 the Company submitted the Electronic Annual Report to the State, with data of no lead service lines.
- In 2019 State required the Company to inventory all service lines with a list of specific connection materials and prepare a plan to replace any lead service lines.
- Mr. Pattison, Mr. Johnson, and Mr. Hrabal inventoried all service lines and reported all the materials found.
- No lead was found; therefore the Company will not have to replace any service lines.
- Having said that, Mr. Jones explained that the Company does not know what kinds of pipe are inside the dwellings. Mr. Nathenson explained that lead pipes are unlikely to be used in houses. However, there may be fixtures with lead or lead-based solder for copper, even though lead solder was banned in 1988.

Street	Number of Properties	Pipe Material From Main to Curb Stop						Pipe Material From Curb Stop to Property				
		Copper	Polyvinyl Chloride (PVC)	Polybutylene (PB)	Galvanized Steel	Cast Iron	Other	Copper	Polyvinyl Chloride (PVC)	Polybutylene (PB)	Cast Iron	Galvanized Steel
Byers Drive	8	8	0	0	0	0	0	6	2	0	0	0
Donohoe	20	20	0	0	0	0	0	13	7	0	0	0
East O'Keefe	56	56	0	0	0	0	0	56	0	0	0	0
Elliott Drive	23	23	0	0	0	0	0	21	0	0	0	2
Emma Lane	8	8	0	0	0	0	0	8	0	0	0	0
Falk Court	9	9	0	0	0	0	0	9	0	0	0	0
French Court	3	3	0	0	0	0	0	3	0	0	0	0
Menalto Avenue	48	48	0	0	0	0	0	38	4	0	0	6
Oak Court	66	60	3	1	1	0	1*	50	8	0	0	8
O'Connor Street	77	75	1	0	0	1	0	54	18	1	1	3
West Bayshore	1	1	0	0	0	0	0	1	0	0	0	0
Woodland Avenue	40	40	0	0	0	0	0	24	11	1	0	4
<b>Total</b>	<b>359</b>	<b>351</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>283</b>	<b>50</b>	<b>2</b>	<b>1</b>	<b>23</b>
<b>Total Percentage</b>	<b>100%</b>	<b>98%</b>	<b>1%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>79%</b>	<b>14%</b>	<b>1%</b>	<b>0%</b>	<b>6%</b>

\* Directly connected to the main

### b. Annual Water Quality Report for Information

Mr. Nathenson explained the draft Annual Water Quality Report:

- The report presented to the members is a draft because the State has not yet issued the manual on how to prepare the report. But all tests have been done and results are reported in this draft.
- The Company's water is "hard."
- The manganese level is above the secondary standard (50 ppb) and tends to leave black deposits in some plumbing systems. In 2019 well #1 had an average of 58 ppb and well #2 had an average of 145 ppb.
- The Company tests for many other chemicals but does not include them in this report if 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 2019. A few years ago, we did a materials inventory and selected ten Tier 1 sites. Of these 10 sites, only one tested high for lead this year: the house was under construction and samples were taken from the garage faucet. After the remodel, samples taken from the kitchen faucet came back normal.

c. Report on Manganese Treatment Plant Progress

Mr. Jones presented a brief background:

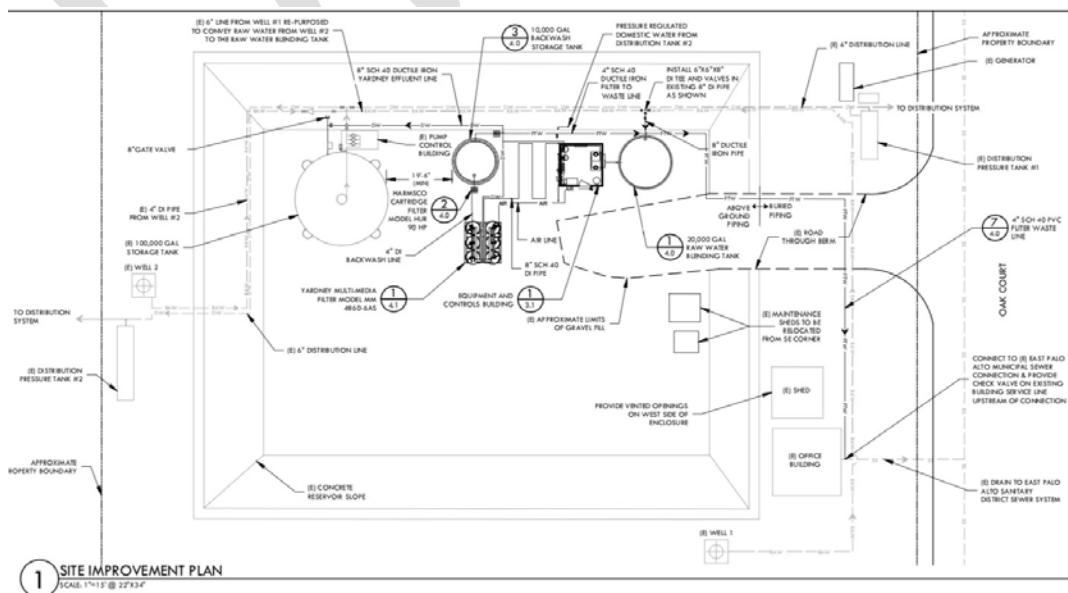
- The water is safe to drink but does not meet the State’s 50 ppb (parts per billion) secondary standard for manganese.
- October 2012 – the California Division of Drinking Water issued a manganese secondary maximum contaminant level violation
- March 2013 – Board hired Fall Creek Engineering (FCE) to prepare manganese treatment options
- August 2016 – Membership vote did not support requesting a waiver to treat for manganese
- January 2017 – Membership voted to authorize Board to obtain State finance loan for the planning costs of the manganese treatment plant.
- January 2019 – Membership authorized Board to obtain financing up to \$1.5M for construction costs of the manganese treatment plant.
- Note: We are required to reduce the manganese in our water – this is not optional.

Summary of Progress in 2019 and Plans:

- Completed the Design Development Plans and Specifications: This item was delayed several months due to the merger/acquisition of Fall Creek Engineering (FCE) by Sherwood Design Engineers (SDE). Fortunately, the same engineers from FCE continued with our project, which avoided further delays.

Mr. Jones presented a schematic including the new manganese treatment plant and briefly explained the process for the removal of manganese:

Water from both wells will go into a 20,000-gal. blending tank > which will be pumped by 2 treatment pump systems > to pass through a pre-treatment chlorine and ferric sulfate injection system > to move through 6 media tanks (backwash tank will clean the filters and pump residue into the East Palo Alto sewer system) > and then to the 100,000 gal existing storage tank > and finally pumped to the distribution system by 3 pressure booster pumps.



- ii. Submitted Application for Development Permit with the City of Menlo Park
  - A 4-6 month process
  - The City is also expected to be the agency to address the California Environmental Quality Act (CEQA) compliance (we've made the case that we are exempt since the plant will be built on an existing concrete reservoir).
  
- iii. Request for Proposals (RFPs) to Design-Build Contractors
  - Completed 130-page RFP and issued to 6 pre-screened construction firms
  - Received 2 bids from:
    - Integrated Water Systems (IWS) ..... \$1.844 Million
    - Bay Area Builders (BAB)..... \$3.147 Million

Because of differences between the proposals they are not directly comparable. SDE's review and analysis said both are capable contractors and meet federal requirements, but because of the large price difference, they recommended working with IWS. However, the IWS proposal is for a slightly different treatment method than specified in our RFP. They are proposing a treatment method that does not require iron injected into the water, and instead of two material filtration media, they propose the material "greensand" which is also provided by the Yardney solution we were looking at.

This option may require an additional pilot study and will cause overall project delays. The proposed method is about \$250,000 cheaper to operate over 20 years (~\$13,000 less per year), largely coming from lower costs of fewer filters and disposal of manganese.

Since we have just received this proposal, we will need more information from IWS before making any decisions.

Q: What is the cost, response, and past performance?

A: The phase 1 design project was a firm bid, the construction phase 2 was a cost estimate. The reason for that is that we have a 60%-complete design document, but some details such as control systems and electricity need to be worked out. They gave a firm bid for a 3-month phase design; once we have that design, we will have a complete design where a firm bid for construction can be done.

Given what we learned we may change that, but we need to go through their proposals in detail with SDE. We have just received the RFPs and we wanted to share as much as possible with you.

IWS worked on the Gloria Way Well Project in East Palo Alto. They are experienced, but we still have a few things to resolve and clarify.

Next steps: Review proposals and discuss with SDE at our February 13 board meeting. It is likely that we will have a meeting with IWS to discuss their proposal, both our initial method and their proposed method, and other questions. We may ask them to bid on our original treatment method if we decide to go with that. We may also meet with Bay Area Builders, too.

Q: Is the pilot test to test the technology in our specific water?

A: Yes. We conducted a pilot study to test our water with the iron and chloride treatment method in our design and RFP. IWS is proposing a different method that uses only chloride with a different filter medium. IWS is saying we may need to do another pilot test. We still have to decide that. They have used this process in East Palo Alto, but their water is different.

Q: The study was based on some decisions about methods, right?

A: Yes, FCE presented 6 treatment methods, analyzed them in detail, including "jar tests" (testing our

water with each method in a lab), and after looking at costs and suitability for our water, narrowed it down to three finalists, and then a final, recommended method. While the jar test worked with the recommended method, because it is such a big project and investment, we decided to do a pilot study, essentially running our water for 3 weeks and dozens of tests through a “mini” Yardney manganese treatment system. We tested different proportions of iron and chloride to determine the best combination for removing the manganese. The method we selected was recommended by FCE and it is also a common method.

Q: What is the biggest delta in cost between the two proposals?

A: BAB do a lot work for public water companies and add extra overhead to handle government projects and legal documentation required by the State. They estimated different amounts for the State water permit cost, but there are also big construction differences between the bids. There are other significant cost differences, as well.

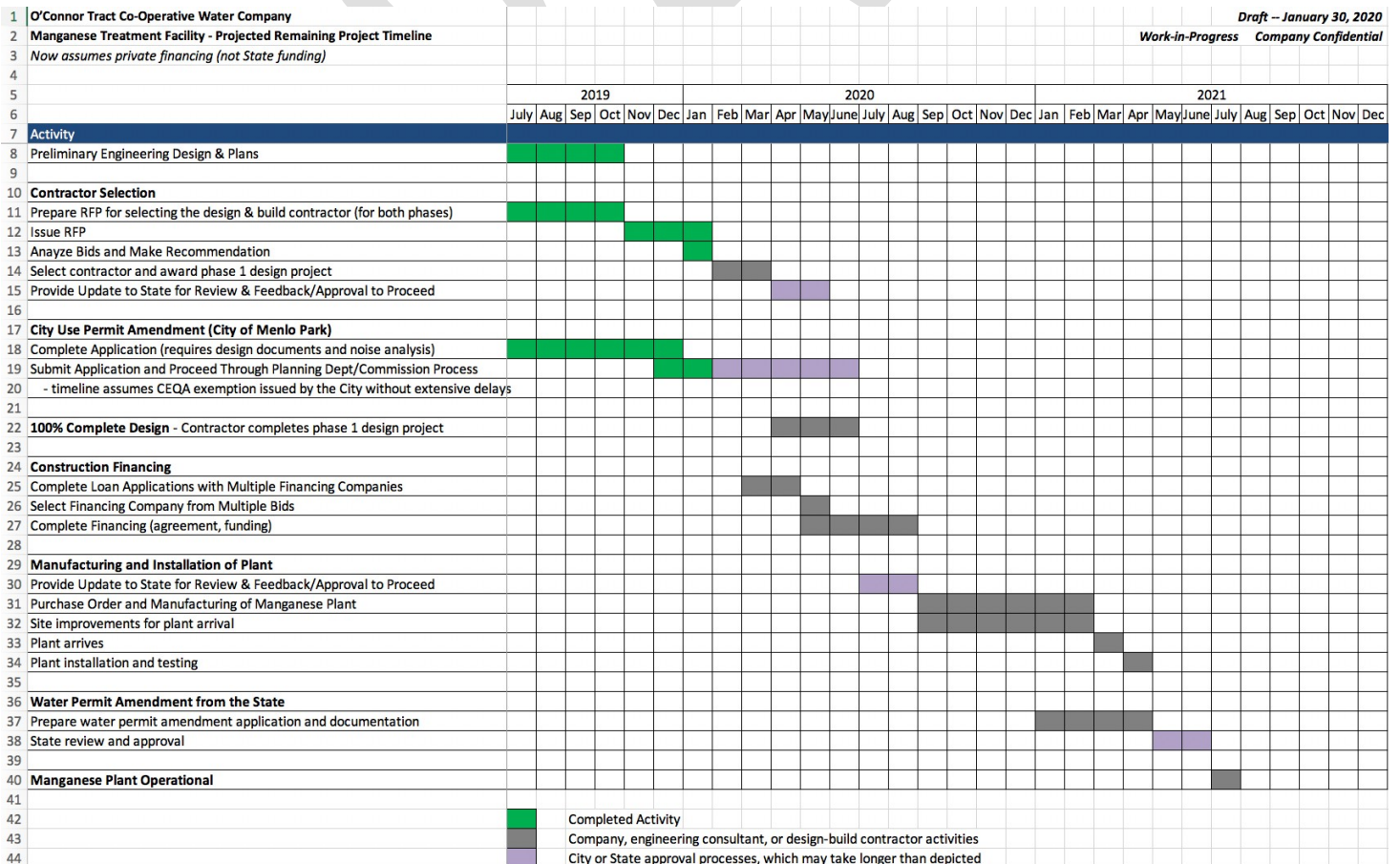
Q: How much chlorine will be added to the water?

A: Not much. There will be a chlorine residual. We won't know the exact level until we have the plant working.

Q: Will the plant eliminate manganese?

A: The goal is to get it under the 50 ppb State limit. The tests brought it well below the 50 ppb standard, down to 10-15 ppb.

Mr. Jones presented a remaining project timeline. He noted that the areas in purple depend on City and State review which might take longer than projected.



## **Financing**

We've been in contact with 3 financial companies and they are interested in financing our project. Current rates are 4.75% - 5% for a 10-year loan, or 5% - 5.5% for a 15-year loan.

Q: Will the loan have a fixed interest rate?

A: Yes, with monthly or quarterly payments.

Q: Have you projected how it will impact the rates?

A: Since we just received the bids, we haven't had time to do that. There will be an increase in operational costs.

We will need ~\$147,000/year to pay the loan (assuming a 15-year term and 5% interest). That is why we are proposing a 5% rate increase this year. It is prudent for what is to come. Additional rate increases will likely be required.

Q: Are we expected to replace the system in 20 years?

A: The life expectancy of the system is not clear, although it is expected to last at least 20 years. Pipes and tanks last longer than that. Media, chemicals, filters and some equipment will need to be replaced more frequently than that. Pumps and other components need replacement in 20+ years.

Q: Don't we have to install meters by 2025?

A: We have received mixed information from the State:

- All urban water companies need to install meters by 2025. However, O'Connor Water is not considered an urban water company (due to its small size)
- At first, we were told to install meters if we were going to get a State loan. Later Mr. Eric Lacy said it was not required for the loan.
- In conclusion, we are not required to install meters and we will focus our efforts on the manganese treatment plant project.

## **6. Administrative Reports**

a. Mr. Jones presented the 2019 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. Frank moved, and Mr. Skinner seconded to accept the 2019 Audit Report. Carried.

b. Mr. Jones presented the 2020 Operating and Capital Budget with comparative data from 2018 and 2019. A few line items were explained:

- Interest Income increase: We moved all our cash to an eTrade account with the cash reserves invested in the Vanguard US Treasury fund, as generally suggested by members at the last annual meeting. It is SIPC protected up to \$500,000 and over this amount it is covered by a \$600 million eTrade insurance policy.

- Revenue: We are proposing a 5% rate increase. The budget assumes we will have the manganese treatment plant financing in place to cover the remaining budgeted capital equipment costs in the second half of the year. The Company would not start construction on the manganese treatment plant without the full means to pay for it via the financing.
- No maintenance contingency
- Professional fees: we intend to have the contract with the construction company to be reviewed by an attorney, so we've budgeted \$5,000 for this.
- We will need a new generator to support the new manganese plant, which is why we allocated \$80,000 under capital-equipment.
- The \$30,000 under wells and mains is for a new main line on Donohoe St.
- The \$653,000 for planning includes City and State permits, and finishing the design and specs of the treatment facility.

Q: Why are capital expenditures much lower in 2019 than in 2018?

A: Water operators were busy inventorying the service lines, per the requirement of the State. This took hundreds of hours. Those capital equipment expenses will increase in 2020 as they found some service lines in need of repair during the inventory.

Q: When will the 5% rate increase take effect?

A: This year. It will be reflected in the 2020 water bills to be sent next week. We are building up our reserves and we want to keep a \$500,000 reserve.

Q: Why take out all the money at once?

A: We need to take the full amount because we can only take out one loan.

Q: Why not get the loan from the State?

A: We cannot get a response from State. The planning loan was not funded in more than 15 months after we submitted the application. We are priority level "G" for the State, "A" being the highest. There is no guarantee there will be money that year to fund our project. Another important factor is that State funds require compliance with federal standards such as NEPA, which requires cultural and biological studies which would have increased costs for us.

Q: Have you considered crowdfunding?

A: No, for the following reasons:

- We did a special assessment for the 100,000 gallon storage tank back in 80s, but that was for a much smaller amount than this. A special assessment is a very complicated and lengthy process because we have a diverse group of members with different kinds of properties including not only single-family houses but multi-family units with rent control regulations. We are a volunteer board and it would also be a large amount of work.
- It is not clear if there is sufficient interest for one or likely several individuals to elect to loan the Company money, and if so, how we could accomplish this relatively easily without it being a series of unsecured loans.

Q: Can you invest the money from the loan until it is all spent?

A: That is not clear at this time, however, we know that one of the financing companies requires that we leave the money in their account.

Mr. Frank moved, and Mr. Dolenec seconded to approve the 2020 Operating and Capital Budget with a 5% rate increase. 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. Mr. Jones asked if any of the present Members wanted to be considered for 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.

The 5 director candidates on the ballot were the 2019 directors who volunteered to be on the Board for 2020. Brief profiles on each director candidate were also provided.

Members who were present voted and submitted their ballots for counting. All 5 current Board members were re-elected with the following results:

Name	Votes	Percentage of Those Voting
Randy Dolenec	136.064	100%
Mike Frank	136.064	100%
David Jones	136.064	100%
Todd Rosenthal	136.064	100%
Judy Windt	136.064	100%

Ana Pedros and Judy Windt gave a short presentation encouraging members to volunteer to become alternates. Three people volunteered: Karla Dailey, Kathy Dolenec, and Adela Mazzur. The slate for alternates now comprised those three members, plus continuing alternates Ana Pedros, Jane Ratchye, and Court Skinner.

Mr. Frank moved, and Mr. Rosenthal seconded that we accept the alternates to the board. Carried.

### 8. Member Presentation and Questions:

Q: Until we get the manganese treatment plant running, do you recommend whole-house treatment for manganese?

A: We recommend against treatment, because in a home-treatment system, the manganese precipitates out and gets caught in the filter which then turns the water dark.

Q: But clothes turn brown.

A: The fact that clothes are not as white as they could be is really because of the hardness of the water.

Q: Will the manganese treatment system mitigate the hardness of the water?

A: No.



Q: How long will the manganese treatment plant testing phase last while they figure out the proportions of chlorine and iron to add? Weeks or months?

A: No, days.

A: The construction company will do a lot of the testing, plus the State has to certify that the treatment plant is operating correctly.

Q: Do we have to worry about our aquifer during drought?

A: The water level is currently about 25-30 feet below the surface, which is close to the natural level. When Palo Alto was drawing down water with its own wells decades ago, our wells were at about 100 feet below the surface, but Palo Alto is not doing that anymore. And during the last drought, our well levels didn't drop much at all.

Q: Is there manganese settled in the bottom of the 100,000-gallon tank and can we get it out?

A: The tank has a stopcock, and Mr. Patisson cleans it out occasionally.

There were no other questions, and the meeting was adjourned about 9:10 pm.

## 9. Adjournment

To the Regular Meeting February 13, 2020 at Company Offices

*Ana C Pedreiro*

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Ana C. Pedreiro  
Secretary-Treasurer