

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 25, 2024

1. Call to Order

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

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 Mike Frank Ron Garcia</p> <p><u>Board Directors (Absent):</u> Todd Rosenthal</p> <p><u>Board Alternates (Present):</u> Court Skinner Ana Pedros Jane Ratchye Ruggero Castagnetti Sagar Savla</p> <p><u>Board Alternates (Absent):</u> Adela Mazzon Randy Doleneec Kathy Doleneec</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	22.9269	28.37%
In-Person Representation	7.0320	8.70%
Total Quorum	29.9589	37.07%

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 2023 Minutes were posted on the Company's website and members were asked to read them before attending the meeting.

Ms. Windt moved, and Mr. Garcia seconded that the minutes of the Annual Meeting of January 26, 2023, 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 2023 well #1 had an average of 50 ppb and well #2 had an average of 138 ppb. Our water system is in violation of a secondary drinking water standard. Violation of a secondary standard does not pose a threat to health. Manganese concentrations above the standard may have an effect on taste and tend to leave black deposits in some plumbing systems.
- Bacteriological tests are run on three samples a month. In March 2023, one of two samples tested positive for coliform bacteria. Retesting of five samples were all negative, and the water met the standard for that month.
- 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.

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 moved very slowly.
- The Company is required to reduce the manganese in the water.

2023 Progress

- Construction of the treatment plant was completed.
- The State’s Division of Drinking Water (DDW) inspected the plant on December 15th.
- We received approval of the plant, the Operations & Maintenance Plan, and the 30-Day Commissioning Plan on January 16th.
- The 30-Day Commissioning Plan began on January 24th.

Mr. Jones and Mr. Plantenberg explained pictures of the construction progress of the manganese treatment plant.

Q: Is there a backup generator?

A: Yes, a new backup diesel generator has been installed. It meets the standards of the Bay Area Air Quality Management District, which issued an operation permit in 2023. The operators exercise it once a month, and it comes on automatically in case of a power outage.

Q: Does the computer stay on for backup?

A: Yes. It also contains batteries which will keep the system running. The plant has also alarm notifications and the operators can monitor the plant remotely.

Q: Can we tour the plant?

A: We are thinking of having the Company’s 100th anniversary celebration for this summer (while founded in 1921, Covid-19 prevented us from planning anything then). Members are welcome to come and tour the plant at other times; they may call or email to request a tour.

During Commissioning and Afterward

- During Commissioning:
 - Treated water will be stored in the 100,000-gallon storage tank and distributed to all of us if, and only if:
 - Manganese levels are equal to or lower than untreated levels
 - Manganese will typically be dramatically reduced and below the secondary standard
 - Chlorine levels – a byproduct of the treatment method – are within acceptable levels
 - Likely non-zero – so, detectable with water tests
 - But, well below the levels used by other water systems and State requirements to sanitize the water (not our goal)
- Once commissioning is complete, we have to turn off the treatment plant and wait for the State to review the results and data, and issue an amended water permit.

Jones and Plantenberg:

The purpose of the commissioning phase is to adjust performance and compile data. We are on the second day of the commissioning period, and the manganese levels are so low that lab tests would give a “non-detect” (ND) result. However, the treatment will not affect the manganese that is already in the system. It will take months and hydrant flushing to reduce the amount of manganese deposits in the distribution system.

Q: Is there more chlorine now?

A: Yes, because there was no chlorine before.

Q: How much chlorine is there compared to other water systems?

A: The State accepts levels between 0.2mg to 4mg per liter. The average for other water systems is 1 mg per liter. Our results have been 0.2 to 0.25 mg per liter, but by the time it gets to houses, we expect residuals to be lower or ND. [Post-Meeting Correction: Chlorine residual may drop a little as treated water flows through the distribution system, but test results received after this annual meeting show chlorine levels similar to that at the treatment plant, so it may drop slightly – we'll see – but it will not drop to ND.]

6. Administrative Reports

a. Mr. Jones presented the 2023 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 on Tuesday, January 23, 2024.

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.

Members had no questions regarding the audit report.

Mr. Garcia moved, and Mr. Frank seconded, to accept the 2023 Auditors Report as submitted. Carried.

b. Mr. Jones presented the 2024 Operating and Capital Budget with comparative data from 2022 and 2023 and a four-year projection (for context only):

He explained the following:

- **Water Usage and Revenue**
 - For the first time in seven years we've had a significant drop in water usage and corresponding revenues, totaling an 8% drop in total revenue, mostly from metered accounts.
 - We've only raised water rates a total of 5% in the last six years, while labor and operating expenses have increased over all of those years. In addition, new expenses— treatment plant and installing meters—added to the increased cost of operations.
- **Meter Installation:**

- State law require all water connections to have a meter by the beginning of 2032.
- There are 313 unmetered connections.
- Board and Alternates have conducted a thorough meter vendor, technology, and cost analysis and have selected Badger as the manufacturer with cellular technology that transmits the meter readings automatically (saving considerable time and labor costs over the years of a water operator manually reading meters at each connection).
- The plan is to install 40 meters per year over the 8 years we have, spreading out the work and the cost over time.
- Per year, we estimate this will cost:
 - Meter Costs: \$17,700
 - Labor Cost: \$36,429
 - Total: \$54,129 (which is 10% of last year’s revenues)

Q: How are we going to be charged once the meters are installed, in relation to the flat rate we currently pay? Are you going to pro-rate it?

A: Metered charges will only take effect the year following installation, *i.e.*, if we install the meter in May of 2024, we will only start reading the meter in January of 2025 and charging metered rates.

Q: Are the charges going to be the same?

A: There will be a meter charge and a usage charge. So it will depend on usage. The Board has not yet decided on rates and meter charges. The goal is for the income to be the same.

Q: Do you need to charge usage?

A: Yes. The point of meter installation requirement from the State is to conserve water. Not charging usage defeats that purpose.

Q: Does the State mandate the meter charge based on the size of the property?

A: The meter charge will be based on the size of the meter, not the property.

Q: Is there a display we can use to track water usage?

A: Yes, you will be able to log in with your computer and monitor your water usage.

Q: Who will manage this data? Who will have the information of our water usage?

A: The meter company and the Company staff.

Q: How long will you keep the information for?

A: We will work on a data management policy.

There were members who volunteered to help with the policy and will be contacted during the process.

One member volunteered to have a meter installed at her property.

Q: If a property has more than one house, will you install meters on the other ones?

A: No. We will install one meter per connection. If property owners want to install a meter in order to measure and charge tenants for their usage, they’d have to do so at their own expense.

Q: Does our staff need training? And if yes, how is it paid?

A: Training on the system is included in what we pay the meter manufacturer. Time spent by our staff on training is paid as hours worked. If there is a paid class, the Company will pay for that.

Due to the drop in water usage revenues, and to meet the needs of the business, this budget includes a water rate increase of 15%. As explained above, water rates were raised a total of 5% in the last 6 years, while labor and operating expenses have increased over all of those years.

- We have increased expenses for:
 - The manganese treatment plant (labor, electricity, chemicals, etc.)
 - \$54,129 of additional expenses to begin installing meters. This amounts to 9 percent of estimated revenues, so roughly two-thirds of the 15% water rate increase is due to this State-mandated installation of meters.
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- For these reasons, the 15% increase in water rates is necessary to pay the anticipated expenses of the water company this year.

Members had no further questions regarding the 2024 Budget.

Mr. Frank moved, and Member seconded, to approve the 2024 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.

Five current directors have volunteered to serve on the Board in 2024: David Jones, Judy Windt, Mike Frank, Ron Garcia, and Todd Rosenthal. 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		100%
Judy Windt		100%
Mike Frank		100%
Todd Rosenthal		100%
Ron Garcia		100%

Mr. Jones presented the current Alternates: Ruggero Castagnetti, Adela Mazzon, Ana Pedros, Jane Ratchye, Sagar Savla, and Court Skinner, who all agreed to stay on as Alternates for 2024.

Ms. Windt discussed the importance of Alternates and the opportunity afforded by becoming an Alternate. Mr. Gary Westby and Mr. Satish Mummareddy volunteered to become Alternates for the Board of Directors.

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

8. Member Presentation and Questions:

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 8, 2024, by Zoom teleconference.

DRAFT