

O'Connor Tract Co-Operative Water Co.

P.O. Box 1375
Palo Alto, California 94302-1375
Telephone (650) 321-2723
oconnorwater@gmail.com
www.oconnorwater.org

November 2016

Dear Members:

We wish to inform you that the Survey concerning manganese treatment options is complete, following the 8/31/2016 deadline, and that the result, according to State of California regulations, is to treat the water to remove manganese.

Our By-Laws require that we count member voting by acreage, but simply for information, we have also compiled the votes by account holders (members/property owners). The results are as follows:

80.5 acres/ 345 accounts	Acreage	Percentage Acreage	Number of Accounts	Percentage Accounts
Treatment	22.7	28%	087	25%
Water as is	28.6	36%	128	37%
Sequestration	1.7	2%	007	2%
Total votes received	53.1	66%	222	64%
No response	27.5	34%	123	36%

Votes not received count as votes for treatment, per State regulations. Thus, even though a greater percentage of those who voted favored leaving “water as is,” when the “votes not received” are added, the percentage by acreage is 62%. State regulations require a 51% vote for “water as is” for the State to consider a waiver from treating water to achieve secondary standards for manganese.

What’s next?

We have asked Fall Creek Engineering, the firm that analyzed types and preliminary costs of treatment in a 2013 report, to do further analysis to bring costs up to date and to perform field tests to learn which of the six manganese removal options is optimal for our system.

This financial analysis will help us refine the rate increase that is required to pay for design, installation, and maintenance of the treatment plant. Enlargement of sewer capacity, not analyzed in the original report, could be an additional cost of treatment.

At the January Annual Meeting, in addition to other business, members will be asked – by proxy for those not present, and by vote of members present – to decide on the following three items:

1. Approve going forward with treatment to remove manganese.
2. Approve a budget developed by the Board that determines the rate increase to cover costs. This increase may well be in excess of what was mentioned in the information materials (see our website <http://www.oconnorwater.org/> for details).
3. Approve applying for a loan. Current rough estimates (to be refined as we gain more information) are that a treatment plant would cost about \$1 million. Financing rates will be included in the budget and will figure into the rate increase.

Further Considerations

Our Company is seeing a very different demographic than in the past. We need to modernize operations and administration beyond what is within the capability of a volunteer board of directors and two part-time employees, and a membership that is less focused on the cooperative aspect of this Company. Future considerations therefore include a possible purchase by another local water purveyor. We have had preliminary meetings with the City of Menlo Park and CalWater. Any possible merger would require years of planning. Thus, it is necessary to implement manganese treatment now to fulfill State regulations, even if such a merger happens.

State regulations require us to install meters on all accounts by 2025. We have started preliminary investigations, but planning must be postponed until manganese treatment is completed or well underway, and any talks with water purveyors are also well advanced. Metering will require further rate increases, so members should expect the very low rates they have been enjoying since the 1921 inception of this Company to rise to reach parity with other water companies in the area.

Sincerely,

Kate McClellan, Judy Windt, Randy Dolenec, Mike Frank, Harri Talvala
O'Connor Tract Co-Operative Board of Directors