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 28, 2021

1. Call to Order

Mr. Jones called the meeting to order at 7:40pm.

2. Introductions

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 Dolenec
Todd Rosenthal

Board Alternates:
Present
Court Skinner
Jane Ratchye
Ana Pedros
Kathy Dolenec
Adela Mazzon

Staff Present:
Secretary/Treasurer
Ana Pedreiro
On-call Water Operator
Manny Nathenson
Supervising Water Operator
Rich Pattisson

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, staff, and any members who 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[1]	80.813	100%
Quorum needed for this meeting[2]	20.20	25%
Proxy Quorum Received	23.71	29%
Meeting In-Person Quorum	5.95	7%
Total Quorum	29.66	37%

[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.

4. Approval of the Minutes

The 2020 Minutes were posted on the Company's website and members were asked to read them before attending the meeting.
Ms. Davila moved, and Mr. Dolenec seconded that the minutes of the Annual Meeting of January 30, 2020 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.

Mr. Jones presented the 2020 capital improvements (valves, meters, new services, and manganese treatment plant planning phase).

b. Annual Water Quality Report for Information

Mr. Nathenson explained the following:

- The State has not posted the guides for the 2021 water quality report. The Company will mail the draft report with the annual bills.
- 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 2020 well #1 had an average of 66 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. Several 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.
- There were no positive coliform results in 2020.

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 $1.25M 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 2020 and Plans:

Task	Completed?	Status
Select Design Firm from Design-Build RFP Process	Yes	Selected Sherwood Design Engineers (SDE) to complete the design and specs
Conduct Pilot Study of Greensand Treatment method	Yes	New method works well. Uses 1 chemical (not 2) and lower operating costs
Complete manganese treatment plant design and specifications	Yes	95% complete design done. Only changes at this point are those required from the City, County, various Districts, or State
Secure Use Permit Amendment from the City of Menlo Park	Not Yet	4 iterations since initial application. Application now essentially complete. Should present to the Planning commission in next few months
Selected Construction Firm	Almost	RFP issued. In final negotiations with Finalist firm
Secure Financing	Yes	After exhaustive process, selected financing firm and signed term sheet
State Division of Drinking Water Permit Amendment	In Progress	Detailed application filed. Application is on track but can't be finalized until after construction and commissioning of plant

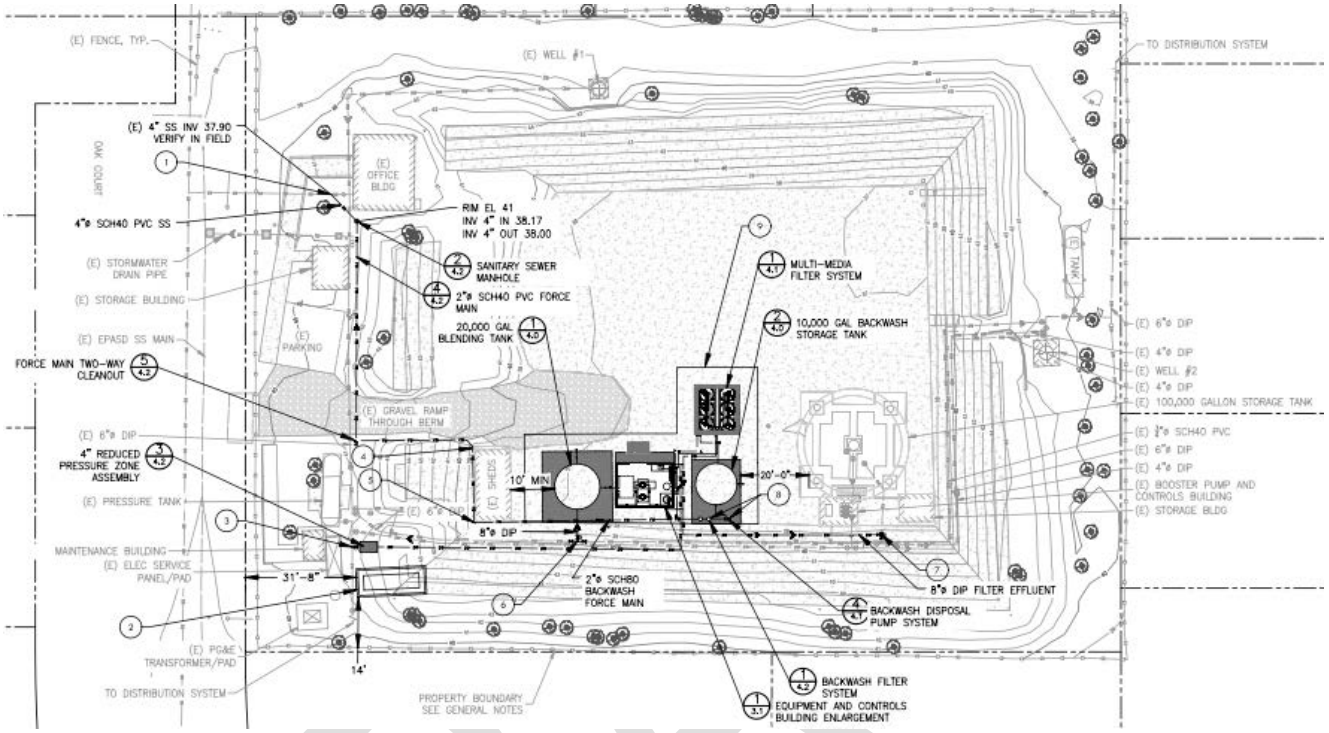
In January 2020, the Company received two bids for the design-build two-stage RFP from Bay Area Builders (BAB) and Integrated Water Systems (IWS). After careful review, the Board decided to proceed with Sherwood Design Engineers (SDE) to finish the design phase, as SDE had completed the 60% complete design already and said it could (and it did) save the Company over $100,000 compared to the other two bids.

IWS suggested the greensand method would work better for the Company than the method previously decided upon by the Company and SDE. It is the same method used at the Gloria Way Well in East Palo Alto. SDE and the Company did not think it would work because our water does not have iron and because preliminary tests conducted by SDE indicated the method did not work, but the Company went ahead and conducted a second pilot study and proved that the greensand method works with our water quality. It uses only one chemical – sodium hypochlorite – it has a lower operating cost and produces fewer solids that must be disposed of, so it will be cheaper to operate.

We have a permit to operate the water distribution system from the City of Menlo Park, but it does not include treating the water. The Company needs a use permit amendment from the City and applied in January 2020, but due to 4 separate requests for additional information and permits from the City, and due to Covid requirements affecting City operations, it has taken much longer than expected, slowing the rest of the project. As soon as we get the use permit from the City, we can authorize the construction firm to move forward with the project.

More details about RFP and Financing below.

Members congratulated and thanked Mr. Jones and the Board for all the work done.



Mr. Jones presented a schematic including the new manganese treatment plant and briefly explained the process for the removal of manganese, using the greensand method.

The tank on the bottom left (in dark gray) receives water coming in from the two wells. Adjacent to it (to the right) is the new building that will house the control system and the chemicals. The water flows to the six, circular, smaller greensand-filled media filter tanks. Once the water is filtered, the treated water passes to the large 100,000-gallon existing storage tank (in light gray in the bottom right corner of the diagram). Periodically, the 6 media filtration tanks need to be cleaned, and the resulting water from this process is stored in the backwash tank and is pumped out to the sewer system.

Changes from 60% complete plans presented last year to 95% complete design:

- The treatment plant design supports both treatment methods, but the “default” method has been switched to the greensand treatment method.
- Peak design flow reduced from 750 gallons per minute, or gpm (both wells), to 500 gpm, meaning we can run water from either well through the treatment plant, but not both at the same time. In case of a fire flow emergency that drains our 100,000 gallon storage tank, the system will first try to fill it with well #1, at 500gpm, but if the tank gets too low, the bypass system

kicks in, both wells will turn on, and all of the 740 gallons per minute from both wells will flow straight into the storage tank, to temporarily support the fire flow situation.

- We must replace the existing generator as it does not meet Bay Area Air Quality Management District standards and it is not powerful enough to support overall power needs of the water system with the new treatment plant. The Company is considering leasing or leasing-to-buy a new generator to lower the immediate capital costs.

Selecting a Construction Firm

A Request for Proposal (RFP) was issued by the Company in November to ten interested companies. Three attended the on-site conference on December 4th. Only IWS submitted a bid. The Company went back to others asking if they needed more time to bid, but they replied saying they are either too busy or not interested in the size and type of this project. Integrated Water Systems (IWS) bid $1,893,000 in their fixed price bid to construct the plant. The Company met with IWS to get answers to some questions, press them to reduce costs, and move toward a final version of the contractor agreement that the Company has drafted via an attorney specializing in water system construction contracts.

Q: Mr. Pattisson, do the prices seem reasonable to you?
Pattisson: Prices for concrete (line 6), mobilization and demobilization (line 3) are high, and I submitted my comments to the Board. Demolition (line 4) is also high.
Jones: Demolition includes removing the existing concrete and generator and disposing of them. SDE compared prices from last year's and this year's bid line by line, and saw some opportunity to save costs. This has been shared with IWS. IWS will come back with a response to our request to find some cost savings.

Financing

We contacted about 40 banks and firms over the last 2 years. Most are not willing to finance this type of project for a private water company. Others would not do a 15-year term financing (necessary to spread out the payments over enough time to minimize water rate increases).

We obtained four viable proposals for 15-year term financing. The best proposal was from Boston Private. We signed the term sheet in December and plan to close on funding this quarter.

Boston Private bid a non-locked-in interest rate of 3.19%, a rate that has been relatively steady the last few quarters (moving only 4 basis points in 6 months). They required a pledge on revenue and a UCC-1 lien (both very standard). But they also initially required a deed on the property, but we negotiated that to be only a negative pledge on real property recorded at the County, which is essentially a pledge to not take another loan secured by the property. If we do need more money (e.g., for an emergency not covered by our reserves), we would likely approach Boston Private first to modify our loan, or we could go to another company to secure a larger loan and pre-pay the Boston Private loan with a potential penalty (depending on when that occurs).

Project Schedule

The project schedule depends on the City of Menlo Park use permit amendment. This could take from 3 to 6 months, and potentially longer. Once obtained, the rest of the project will take roughly 1 year to complete:

- City building permits would take~2-3 months
- Ordering the treatment plant and equipment: 3-6 months
- Construction/installation: 4 months
- Startup/testing: 2 months
- Relatively short time for the State to issue permit, as it will be involved all along in the process. Once the plant is built and treating the water as intended, the State will do a review and certify the water permit amendment.

Q: Is there a way to expedite the process at the City?
Jones: Not really. We must obtain a use permit amendment from the Planning Commission. Part of the delay is due to the Covid-19 lockdown slowing down City processes. They've also made 4 separate sequential requests for additional information not included in their initial application requirements and guidance.
Suggestion: Have you thought of contacting Drew Combs, City Council? It is a good idea to keep him informed in the application process and maybe he can help.
Jones: That is a good idea, and Mr. Jones agreed to send him an email with an update on this project in his district that is mandatory and required by the State.

6. Administrative Reports

a. Mr. Jones presented the 2020 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. Skinner moved, and Ms. Windt seconded to accept the 2020 Audit Report. Carried.

b. Mr. Jones presented the 2021 Operating and Capital Budget with comparative data from 2018 and 2019 and a five-year projection. Many line items were explained. In particular, Mr. Jones explained that the Board recommended a 5% increase in the water rates in 2021 to help cover the costs of the manganese treatment plant, required even after securing the $1.25 million construction loan and utilizing "excess" reserves accumulated over the last few years to help pay for the manganese treatment plant.

Q: Why are we assuming insurance costs will be going up 5% annually?
A: Insurance costs typically go up annually in general, but they are also based on the hours worked by the operators, as workers comp (a significant component of the insurance) increases with the increase of hours worked.

Q: Why is the connection with East Palo Alto only one way? Isn't there an agreement between utilities not to charge each other?
A: It used to be both ways with an automatic valve, but since East Palo Alto's water pressure is lower than the Company's, water flowed from the Company to East Palo Alto more often than the reverse direction. A few years ago, we decided to modify the automatic valve to be only one way. (It can still be manually opened by the Company in case of emergency.) The East Palo Alto water

system is run by Veolia North America, and it sees the Company as a customer. Most of the cost we pay to Veolia North America is for a meter fee, and it's a large meter. The reason that last year we paid so much is because they did not bill us for the past three years. We consulted the California Public Utility Commission to see if they are allowed to charge us for the past years and yes, they can bill us back three years. We are planning to revisit the agreement with Veolia North America / East Palo Alto and may restructure the arrangement as the water system interconnection provides value to both parties in the event of emergencies.

The goal of the 5% rate increase is to have sufficient funds to pay for operations plus the new manganese treatment plant, and keep our cash reserves at our target $500,000 to cover major emergencies, such as replacing a well, the storage tank, or any other major emergency.

Ms. Fergusson moved, and Ms. Davila 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. 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 2020 directors who volunteered to be on the Board for 2021. 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, 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.

All 5 current Board members were re-elected with the following results:

Name	Votes	Percentage of Those Voting
Randy Dolenec	102.5476	100%
Mike Frank	102.5476	100%
David Jones	102.5476	100%
Todd Rosenthal	101.5476	99%
Judy Windt	102.5476	100%

Mr. Jones presented the current Alternates: Kathy Dolenec, Adela Mazzon, Ana Pedros, Court Skinner, Jane Ratchye, who all agreed to stay on as Alternates for 2021.

After discussion of the importance of Alternates and the opportunity afforded by becoming an Alternate, no additional Members present volunteered to become an Alternate for the Board of Directors.

Mr. Frank moved, and Mr. Rosenthal 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 about 9:10 pm.

9. **Adjournment**
   To the Regular Meeting February 11, 2021 by Zoom teleconference.