

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 26, 2017

1. Call to Order

Ms. McClellan called the meeting to order at 7:40 pm.

2. Introductions

Ms. McClellan introduced herself, the Board of Directors, the Board of Alternates, and the staff.

3. Roll Call

Board Directors:

Present

Kate McClellan

Judy Windt

Mike Frank

Harri Talvala

Randy Dolenece

Board Alternates:

Present

Court Skinner

Jane Ratchye

Todd Rosenthal

Bill Mitch

Thurman Logan

Staff Present:

On-call Water Operator

Manny Nathenson

Water Operator

Rich Pattisson

Secretary/Treasurer

Ana Pedreiro

Members

Please refer to attachment for complete list of attendees.

4. Approval of the Minutes

Ms. Ratchye moved and Mr. Neil Macneale seconded that the minutes of the Annual Meeting of January 28, 2016 be approved as submitted. Carried

5- Administrative Reports

a. Ms. Kate McClellan presented the 2016 Audit Report.

She explained that organizations such as O'Connor Water present financial results in two ways: accrual basis which is how the audited financial statements are done and budgetary basis which is concerned with resource inflows and outflows. In looking at the audited financial statements, Ms. McClellan referred to the auditor's report on pages 1 & 2 and read the opinion on page 2. This is the best type of opinion, often called an "unqualified" opinion.

Ms. Ratchye moved and Mr. Steve Von Jepmond seconded to accept the 2016 Audit Report. Carried.

b. Ms. Kate McClellan presented the 2017 Operating and Capital Budget with comparative data from 2015 and 2016. She explained that adoption of the budget by the membership accomplishes three things: approval of the rate increase, authorization to apply for the state loan, and authorization for the Board to expend resources for operating, and capital items described in the budget document.

Ms. McClellan explained the two major recent capital projects: The Menalto project was a main replacement since the old is a failing, dead-end line at the back of the properties. It is better to have a consistent flow in the system.

The Company is responsible for the main line and to the connection to the curb stop. From the curb stop to the property, the service line is the property owner's responsibility.

The Company has a policy of a minimum reserve in case of emergencies. The most expensive item would be replacing a well.

The 2017 capital planning includes funding for Fall Creek Engineering to define the most suitable manganese treatment option, conduct preliminary designs and tests, and to make cost estimate for construction.

Before approving the budget, members submitted questions to the Board. Please refer to Q&A for complete list of questions and Ms McClellan's explanations about the need for a 100% rate increase for this year.

Mr. Bob Sanders moved and Mr. Nelson Pedreiro seconded to approve the 2016 Operating and Capital Budget. Carried.

c. Ms. Kate McClellan presented the 2017 Slate of Board Members:

Mr. Randy Dolenc, Mr. Mike Frank, Ms. Kate McClellan, Mr. Nelson Pedreiro, Ms. Judy Windt. She thanked Mr. Talvala for his contributions to the Board of Directors. He will now serve as an alternate.

Regular meetings are held at 7:30 pm, every second Thursday of the month, at 211 Oak Court.

Member moved, and Mr. Dan Fowler seconded to approve the proposed 2017 Slate of Board Members. Carried.

d. Ms. McClellan opened the nominations for Alternates to the proposed 2017 Slate of Alternates: Mr. Thurman Logan, Ms. Jane Ratchye, Mr. Court Skinner, Mr. Todd Rosenthal, Mr. Harri Talvala, Mr. David Jones.

Ms. Windt explained that alternates do not vote, but can be authorized to vote by the Board members present for voting purposes if there is no quorum. A quorum is a minimum of three of five Board members.

The following members added their names to the proposed slate:

Ms. Sandy Lee, Ms. Azalea Mitch, Mr. Hossein Ashktorab.

Ms. Jonrie D'avila moved, and Mr. Jeffrey Newmeyer seconded to approve the proposed 2017 Slate of Alternate Members. Carried.

6. Operations Report

a. Mr. Patisson explained operations in 2016:

- Replaced bad valves on E. O'Keefe St.
- Sanitary Survey by the State requested that the exterior top of the tank be re-coated.

- Replaced meters on E. O'Keefe St. and will replace a few more in 2017. There was positive coliform sample in May 2016. Followed procedures to retest three up and down the line and five samples the following month. They all came back negative.
 - Removed an old valve that was unknown to the Company on O'Connor St.
 - There were two big emergencies:
 - * 190 E. O'Keefe: the valve going into the condominium broke and was replaced. A second leak caused by a broken pipe inside the property was also repaired. The pipes were substandard copper, to be used indoors only.
 - * 1225 Woodland Ave: oak tree roots cracked the 6" main in two places. The connection has concrete pipes and curb stop screwed to it, which could be another problem in the future.
- b. Mr. Manny Nathenson explained the Annual Quality Report:
- The water is hard.
 - Manganese level is high.
 - Manganese tests are done at the source.
 - Samples for lead and copper are taken every three year at ten members' properties. These are the only tests done at member's properties. Water has to be collected from a kitchen or bathroom cold-water faucet, with a minimum of 6 hours during which no water has been used. Samples are collected in special bottles delivered to homeowners. The results were under the 15 ppb requirements, except for one property which reported 19ppb for lead. The same house had a non-detected result three years ago.
 - Our water has no lead. Lead is not a problem for the Company. We have never found any lead service lines in our district.
 - Arsenic results showed levels above 2 ppb (detection limit). The wells tested at 3.3 and 3.4 ppb. State's goal is 0.0064ppb. Collected samples again and results were below detection limit.
 - The Company tests for many other chemicals but does not report if it is not detected.

7. Member Presentations and Questions

Q: Can you email the Q&A to members?

A: Will post the Q&A on the website.

Q: How expensive is well drilling?

A: Approximately \$500,000

Q: Why 100% rate increase?

A: To cover expenses related to the State-required manganese treatment activities and maintain the minimum reserve. The Company will apply for a State reimbursement loan.

Q: Can you explain the reimbursement loan?

A: A reimbursement loan is a loan where the State makes a commitment to pay for eligible costs but only after the Company has made the expenditures. Therefore, the Company must have enough to cover two to three months worth of the costs before the reimbursement is received.

Q: Do we have to go through treatment? Can we submit another survey?

A: The survey results have already been submitted to the State. It would require the State approval to conduct another survey and our experience with the completed survey is that it is highly unlikely that we would ever

receive 51% of the members agreeing to accept the water as is which is what would be required to even apply for a waiver.

In 2006 the State passed additional regulations requiring that we meet the 50ppb MCL secondary standards. Both wells are above the secondary manganese levels standards.

On February 2012 the State sent a letter requiring three quarterly manganese tests, and all results came above 50 ppb. As consequence, the State issued a citation on October 2012.

After the citation, the Company formulated a Corrective Action Plan, contracted with Fall Creek Engineering, to prepare a report of treatment options and estimated costs in accordance with the regulations.

The State regulations offered two options:

- Implement treatment, or
- Apply for a waiver, which is good for nine years.

The survey and all other documents included in the information package distributed to the membership used wording from State regulations and were approved by the State.

The survey was not a vote: the regulations require treatment when there is secondary manganese levels violation, but give the option to survey members. If 51% of members positively affirm that they will accept the water as it is (without treatment) then the Company can request a waiver for treatment. The survey was not a for or against treatment, it was to see if there was support for a waiver application.

Q: I live next door to the Company and the manganese test results from my house had levels between 250-2200 ppb. The consequences of not treating the water far outweigh the rate increase proposed in the budget.

A: This property in particular presented levels not seen any other places. Most houses have a non-detected result or an average of 20 ppb.

Somewhere between the wells and the houses manganese must be accumulating. That is why we flush the main.

When members have dark water we ask them to flush the water, especially the hose bibs.

Although we have tested for manganese in the water from sampling stations and some houses, the State does not consider those tests in its regulatory responsibilities. The State regulations for manganese only apply to the source water (from the wells).

Because we are a member co-operative we try to help members who have concerns by testing the water from their tap. However, the Company is responsible for the water delivered to the curb stop. Members are responsible for the service line from there into the house and yard. The one exception is lead and copper in houses built during a certain period of time. Those tests must be done at the tap. However, because the water is hard, it is less likely to leach anything from the service line into the drinking water inside the house.

Q: How about the children at the school drinking the water?

A: The school gets Hetch-Hetchy water from the City of East Palo Alto. The Company only serves irrigation water to the school.

The State does not allow untreated drinking water at schools. O'Connor Water is not currently treated with chlorine or chloramine on a regular basis.

Q: Is the irrigation line at the school the same that runs on the back of the properties on Oak Court and French Court?

The School's irrigation system is using water from the main that runs behind the houses on Oak Court. There is a backflow preventer installed at the School's connection.

Q: Have the new mains improved water quality?

A: The new mains provide better water flow and are necessary as the old ones have been in place since 1921 and the one serving houses on Menalto is starting to have problems.

Q: We've been living at the same house for 40 years and for the past two years white spots appeared in our plants and they started to die. We started irrigating with bottled water and they are doing better. My coffee machine is also constantly clogged. We have a water softener.

A: Manganese treatment will not treat hardness.

The problem could be the added salt in the water from the softener that is killing the plants.

Q: I would like to thank all the Board members for their work through these years. I am concerned about constant chlorination once treatment is installed. Does in-home manganese treatment work?

A: The Company has to treat manganese at the source. Chlorine can be removed with in-home filtration.

Member Comment about the proposed rate increase:

Rates are cheap.

There were times when members paid "zero".

Thirty years ago we had a significant rate increase to install the tank which cost \$150,000.

We are still paying way less than our neighbors served by other water companies.

Once the treatment is paid, and there is no other requirement from the State, the rates don't have to keep increasing.

Q: What is the "operations and maintenance contract" item at \$40,000 itemized in the budget? Can you also explain the salary increase?

A: We believe there will be a significant increase in operations and administrative work load with the manganese treatment planning and construction.

We also need a back-up water operator. We are hoping to share an employee with another agency. It is difficult to hire a part-time, State licensed water-operator.

Q: Can you explain the budget item for meters?

A: All apartments are metered and houses will be metered in the near future.

The meter expenses in the 2017 Budget are to replace existing meters on E. O'Keefe St.

Q: How much to install meters in all houses?

A: About \$350,000

Q: If in five years we meet all expenses, will rates come down?

A: Possibly.

Q: What is the period of time to pay the loan?

A: We will know the amortization after the loan application is completed. State interest rates are very low, about 2%.

Q: What does approving the Budget authorize?

- Rate increase

- Loan

- Operations

This budget does not commit to a specific treatment plan.

Q: What happens if we vote against the budget?

A: We will have to close and be taken over by another agency.

Q: The Company has one acre of land. Can we sell part of it to finance the treatment?

A: No, we use all the land for operations.

Q: Does the rate increase raise the risks of merging?

A: It does not.

However, the State encourages small water companies to merge.

Q: I would like more information before deciding on consolidation or keeping the co-op. What are your comments about possible merger? Is it possible to have an informational meeting?

A: We are still gathering information to share with members. No decision will be made without a vote from the membership.

Merging will provide a more certain future and more resources.

There is also an option of a long term lease, like the one between the City of East Palo Alto and American Water.

Q: Do we have connections with Menlo Park?

A: We have two emergency connections: one with Menlo Park and another with East Palo Alto

Q: Do you have information about water shortages during the drought?

A: Our well is one of the best in the State, it can pump up to 1,000 gallons per minute.

In the 1930s Palo Alto used ground water and the levels at our wells were 120' down. In the 1960s Palo Alto stopped using ground water and by 1990 water levels were 30' down. It took a long time to recharge to the 30' level. During the drought the levels were at 35'. We pumped less water because members saved water.

The basin is not stressed. We are not critically stressed, even if East Palo Alto taps into it by drilling a well, we do not believe it will take the levels down below our pump which is at approximately 140'.

Q: Does having the well protect the source?

A: Yes

Having no further questions from members, Ms. McClellan thanked all for coming and the meeting was adjourned.

8. Adjournment

To the Regular Meeting February 9, 2017 at Company Offices.