

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 29, 2026

1. Call to Order

Mr. Jones called the meeting to order at 7:34 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 Todd Rosenthal</p> <p><u>Board Alternates (Present):</u> Ana Pedros Jane Ratchye Ruggero Castagnetti Court Skinner Jagan Subbiah</p> <p><u>Board Alternates (Absent):</u> Sagar Savla Satish Mummareddy Gary Westby</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	11.9971	14.84%
In-Person Representation	8.2270	10.18%
Total Quorum	20.2241	25.02%

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 quorum according to our bylaws to conduct business at this meeting.

4. Approval of the Minutes

The 2025 Minutes were emailed to attendees, and posted on the Company's website; members were asked to read them before attending the meeting.

Ms. Windt moved, and Mr. Frank seconded that the minutes of the Annual Meeting of January 29, 2026, 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.
- Bacteriological tests are run on three samples a month. There were no positive samples in 2025.
- 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.
- Water from Well #1 and Well #2 is above the secondary standard for manganese. Since the treatment plant started operating in January 2024, the water delivered to members has manganese levels below the secondary standard.
- Lead and Copper: Sampled and tested in 2025. 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 ND (not detected), and for copper was 0.34 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.
- We do our own manganese and chlorine residual testing, but also have a 3rd party lab test some samples as required by the State.

Q: Are the calcium levels up or steady?

A: Calcium levels are steady. The water chemistry has been steady.

Q: How about the chlorine level?

A: The chlorine level is low. The permitted level is 4ppm, and ours is 0.28ppm. It is a byproduct of treating manganese.

c. Report on Manganese Treatment Plant

- Our new manganese treatment plant was put into operation in January of 2024.
- The commissioning phase has been completed, and the State issued a new operating permit to the Company in April 2025.

Current Situation (Jones, Plantenberg, and Nathenson)

- Treated water is stored in the 100,000-gallon storage tank and distributed to all of us.
- At the storage tank, manganese is below the secondary standard (in fact, not detected in 3rd-party lab results).

- The distribution system was also flushed and manganese levels throughout the system are below the secondary standard.
- Chlorine levels – a byproduct of the treatment method – are within acceptable levels.
 - Non-zero – so, detectable with water tests, but well below the levels used by water systems and any State requirements to sanitize the water.
 - Should generally be at levels not discernible by taste or smell.

d. Meter Installation

Background

- State law requires all water connections to have a meter by the beginning of 2032.
- As of the beginning of 2024, we had 313 unmetered connections.
- We've 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.
- We are installing the 313 meters over 8 years, spreading out the work and the cost over time.

Current Situation

- We installed 22 net new smart meters in 2024, and 50 more in 2025.
- We are now on track to install roughly 40 per year to meet the requirement by 2032.

Benefits of Smart Meters

- Members with smart meters have online access to their usage information through a secure website.
- Members can use this access to understand and manage their usage.
- Members and the Company can also identify leaks.

For those with a new smart meter, account setup instructions are:

- Go to: eyeonwater.com
- You'll need your account number to initially login and create an account – it's on your bill or just contact the office for your account number.

Usage vs. Costs

- Eyeonwater.com is not our site – we can't change it – so we cannot add our water rates so you can see how much your usage costs (except on your newly-redesigned bill).
- 1 CCF = 748.05 gallons. Our CCF rate is \$5.20/CCF, equating to roughly 0.70 cents per gallon, or \$6.95 per 1,000 gallons.

Changes to Invoicing Frequency

- 1 ½" or larger meter – monthly
- < 1 ½" meter – quarterly (April, July, Oct, Jan invoices for previous calendar quarter)
- unmetered – annually, with option to pay quarterly or semi-annually

When you get a new meter, when do your rates change?

- Whenever a new meter is installed on a previously unmetered connection, the change to metered rates occurs at the beginning of the next calendar year

Payment Options

- We plan to introduce in the next few months the ability to pay your bill via credit card (for a fee, though, passed through from the payment processor)

Late Fee Policy Change

- If you're 30 days late in paying your balance due, a 1 ½% late fee will be charged on any past due balance each month

6. Administrative Reports

a. Mr. Jones presented the 2025 Audit Report.

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.

Q: Does the audit report have to be on accrual basis?

A: Yes, auditors request accounts payable and receivable for the audited year.

Mr. Garcia moved, and Mr. Frank seconded, to accept the 2025 Auditors Report as submitted. Carried.

b. Mr. Jones presented the 2026 Operating and Capital Budget with comparative data from 2024 and 2025, and a four-year projection (for context only).

He explained the following:

- To meet the needs of the Company, this budget includes a targeted water rate increase of 12% percent overall.
- We had much lower revenues and much higher expenses than expected last year:
 - We took in \$56,422 less revenues, 8.4% of budget, due to metered accounts using less water.
 - Maintenance Contingency - \$28,733 higher than budgeted, due to more emergency repairs of leaks than typical.
 - Operations & Maintenance expense – \$24,458 higher than budgeted.
 - Minor increases/changes in other line items
 - Total Capital Expenditures - \$47,295 lower than budgeted
 - Net loss for the year of \$37,699
 - We used up our reserves by that amount, with our reserves now at \$445,471, well below our long-standing target of \$500,000.
 - And in 2026 we have a one-time significant expense of approximately \$53,000 in the budget to replace one of our two air compression tanks.

- For these reasons, the 12% overall increase in water rates is necessary to pay for the anticipated expenses of the water company this year. Even then, we will dip further into our reserves.

Q: The \$500,000 target reserve seems low in case something happens.

A: We have been below the target reserve before and the projection shows that we will be above the target in two years. To be above the target this year, the rates would have to increase by 18%, and the Board did not want to impose such an increase on members.

(Motion to follow after rates are explained).

c. New Water Rate Structure and Water Rates for Metered Connections

Background

- Historically for decades, we have had completely different rate structures for 2 types of connections:
 - metered (100% usage based)
 - unmetered (not directly usage based)
- During an 8-year transition period, the unmetered accounts need to get meters (~40 connections per year) to spread out the costs and to minimize rate increases from the cost of installing meters.
- Some members who get meters early on could be negatively affected up to 7 years before the last set of members receive their meters
- We believe our transition period rate structure should take this into account and avoid as much as possible extreme unfairness from going first versus going last. Yet, our rate structures need to be easy to understand.
- By 2032, all connections will be metered, so our water rate structure and levels can then be adjusted again to whatever makes the most sense at the time, without the timing-related fairness issue just explained for the transition period.

End Goal

- We have an end goal in mind for after the transition period. The 2032 rate structure:
 - Tiered meter fee starting at \$30/month (for 5/8" and 3/4" meters)
 - Results in roughly a third of revenues being fixed (not dependent on water usage) – one of our goals
 - All customers have the same usage rate (\$/CCF)

Why?

- Over 90% of our costs are fixed. <10% of our costs are variable.
- But the State prefers a higher percentage of water revenues to be variable to encourage water conservation.
- However, the higher the variable percentage, the more susceptible our revenues will be to variable water usage (i.e., if everyone uses less water one year, we have to raise rates the next year)

Benefits

- This goal brings us in line with water rate structures of virtually all other water systems

- Our usage rate will be lower than the surrounding systems because we don't pay for Hetch Hetchy water from the mountains. We simply pump water from the ground.
- This strikes a balance between ~35% fixed and reliable revenue each year, while ~65% will be variable, encouraging conservation and fairness in paying for what you consume
- During the transition period, we will have three groups:
 1. Historically-metered accounts (37 accounts)
 2. Historically-unmetered accounts (313 accounts at the beginning of 2024; 241 at the end of 2025; and shrinking over time)
 3. Newly-metered accounts (22 as of the end of 2024, 72 at the end of 2025, plus ~40/year thereafter, gradually increasing to 313 by 2032)

How to get to the end goal, being as fair and balanced as possible with the information we have at hand:

Our Process

- The Board formed a Water Rate Subcommittee to explore and analyze rate structures from late 2023 through 2024
- Many rate structures and alternatives were considered
- We evaluated:
 - a. The impact to these 3 very different groups of members
 - b. The impact at the individual account-level within these groups
- With the following guiding principles:
 - a. We need to introduce a fixed monthly fee (a meter fee), like all surrounding water systems
 - b. The meter fee increases as the size of the service connection (and meter) increases. There's a standard ratio or increase used by most water systems (from the American Water Works Association - AWWA), and we have used that ratio here and follow that recommendation. Note that most water systems set the same fee for 5/8" and 3/4" (what most single-family residential properties have)
 - c. We believe there should be a single water usage "volumetric rate" applied to all connections. We do not think we should have a different water usage rate for single-family residences, multi-family residences, irrigation, or commercial entities.
 - d. While some nearby water systems have tiered water usage rates to encourage conservation (i.e., where you pay more per unit of water as your usage increases beyond a certain threshold), in the interests of simplicity, we do not wish to use that approach.

To avoid shocking increases from introducing a monthly meter fee to our target end state of meter fees starting at \$30/month, we are planning to introduce meter fees gradually over the next 6 years.

- Each year with the given meter fee revenues, we set the water usage rate (volumetric rate) at the level that generates the required revenues for the year.
- The higher the meter fee over time, the lower the volumetric rate.

- As part of these water rate changes, we’ve started implementing a rate re-alignment between historically metered accounts and historically unmetered accounts – so that these groups’ revenues more closely match their overall usage.
- Metered accounts’ share of water deliveries is more than their share of revenues for the last several years.
- When setting the water usage “volumetric rate” for 2025, we’ve started the process of improving the balance between overall percent of water used to percent of revenues received.
- As a result last year, historically metered accounts’ water bills went up in aggregate slightly more than unmetered accounts.
 - To close this gap gradually
 - In the interest of fairness

Year	Fraction of Total	
	Metered Account Usage	Metered Account Revenue
2021	59%	56%
2022	67%	58%
2023	64%	54%
2024	60%	55%
2025	52%	53%
5-Yr Avg	60%	55%

- In 2025, the usage and revenue gap was closed
- With a 12% overall increase in water rates necessary to pay the anticipated expenses of the water company this year.
- The impact on the 3 segments of our Members will be:
 - 37 historically metered accounts – an average increase of 12% over last year
 - Meter fee increased (depends on size of meter)
 - 8% increase in the water usage volumetric rate
 - 72 newly metered accounts – specific impacts are unknown since we don’t know water usage. Some bills will go up, some will go down. (Average likely to go up with rate increase)
 - 241 remaining unmetered accounts – rate structure remains unchanged for 2026. Their annual bills will increase 12%.

2026 Proposed Water Rates:

	Monthly Meter Fee					
Meter Size	2025	2026	2027	2028	2029	2030
5/8"	\$ 5.00	\$ 10.00	\$ 15.00	\$ 20.00	\$ 25.00	\$ 30.00
3/4"	\$ 5.00	\$ 10.00	\$ 15.00	\$ 20.00	\$ 25.00	\$ 30.00
1"	\$ 12.50	\$ 25.00	\$ 37.50	\$ 50.00	\$ 62.50	\$ 75.00
1-1/2"	\$ 25.00	\$ 50.00	\$ 75.00	\$ 100.00	\$ 125.00	\$ 150.00
2"	\$ 40.00	\$ 80.00	\$ 120.00	\$ 160.00	\$ 200.00	\$ 240.00
3"	\$ 87.50	\$ 175.00	\$ 262.50	\$ 350.00	\$ 437.50	\$ 525.00

2026 Water Rates			
	2025	2026	Change
Rate per Acre (per Month)	\$99.06	\$110.94	12%
Rate per House (per Month)	\$49.48	\$55.41	12%
Rate per Pool (per Month)	\$5.44	\$6.09	12%
Rate per Usage Unit (Rate per 100 Cubic Feet)	\$4.80	\$5.20	8%
Turn Off/On	\$150.00	\$150.00	0%
Connection Fee	\$1,000.00	\$1,000.00	0%
Monthly Meter Fee (based on size of meter)			
5/8"	\$5.00	\$10.00	
3/4"	\$5.00	\$10.00	
1"	\$12.50	\$25.00	
1-1/2"	\$25.00	\$50.00	
2"	\$40.00	\$80.00	
3"	\$87.50	\$175.00	

With the new rate structure and proposed rates, our company's water is still less than half the cost of surrounding water companies.

Monthly Bill for a Connection with a 3/4" Meter

Usage (CCF/mo)	O'Connor	Palo Alto	Menlo Park	Cal Water	EPA
4	\$31	\$65	\$69	\$83	\$61
7	\$46	\$97	\$98	\$100	\$87
9	\$57	\$125	\$119	\$123	\$103
14	\$83	\$195	\$179	\$179	\$145
21	\$119	\$292	\$271	\$266	\$204

Note: Calculated monthly bills have been rounded to the nearest dollar

This is because our volumetric rate and our meter fees are much lower than those of surrounding water companies.

	O'Connor		Palo Alto		Menlo Park		Cal Water		EPA	
Tier	Usage	Rate	Usage	Rate	Usage	Rate	Usage	Rate	Usage	Rate
1	all	\$5.20	0-6	\$9.29	0-6	\$8.84	0-6	\$3.18	all	\$9.32
2			over 6	\$13.94	7-12	\$10.96	7-18	\$11.27		
3					over 12	\$13.22	19-35	\$13.97		
4							over 35	\$20.71		

Monthly Service Charges (Per Meter per Month)

Meter Size	O'Connor	Palo Alto	Menlo Park	Cal Water	EPA
5/8"	\$10.00	\$27.63	\$33.53	\$46.72	\$28.06
3/4"	\$10.00	\$27.63	\$33.53	\$70.08	\$28.06

Q: How long will the meters last?

A: Meters have a 20-year life span. There is a 10-year full warranty and a second 10 years of gradually declining warranty.

Q: Is the meter fee a connection fee? Or is it to replace the meters?

A: The meter fee is used by all water companies to make sure there is a fixed income. Water consumption varies due to drought, occupancy, and other factors. The Company's goal is to have 1/3 of its revenue from the meter fee, so that a third of our revenues are fixed, so that all of our revenues are not variable.

Q: Once you reach the meter fee target in 2030, will it be fixed?

A: After 2030, the meter fees may be increased to a level where one-third of our revenues are fixed.

Mr. Frank moved, and Ms. Windt, to accept the rate increase and the budget as proposed. 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.

Three current directors and two current alternates have volunteered to serve on the Board in 2026: David Jones, Judy Windt, Todd Rosenthal, Jane Ratchye, and Ana Pedros. Brief profiles on each director were also provided.

Mr. Jones thanked Mr. Frank and Mr. Garcia for their contributions to the Company as Directors.

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 (given this is a virtual videoconference

meeting). 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 2025, with the following results:

Name	Votes	Percentage of Those Voting
David Jones	70.1444	100%
Judy Windt	70.1444	100%
Ana Pedros	70.1444	100%
Jane Ratchye	70.1444	100%
Todd Rosenthal	70.1444	100%

Mr. Jones presented the current Alternates: Ruggero Castagnetti, Sagar Savla, Gary Westby, Satish Mummareddy, Court Skinner, and Jagan Subbiah, who all agreed to stay on as Alternates for 2026. Mr. Mike Frank and Mr. Nelson Pedreiro volunteered to serve as Alternates in 2026.

Mr. Jones moved, and Mr. Rosenthal seconded, to accept the Alternates to the Board. Carried.

8. Member Presentation and Questions:

There were no other questions, and the meeting was adjourned at approximately 9:33 pm. Members congratulated and thanked Mr. Jones and the Board for all the work done.

9. Adjournment

To the Regular Meeting February 12, 2026, by Zoom teleconference.