

Forest Lakes Mutual Water Company
910 Fern Avenue, Felton, CA 95018
(831) 335-5774
June 2, 2002

Type of Meeting: Annual Stockholders Meeting

Facilitator: John Purchase, President

Recording Secretary: Kerri Crandell; *Final Edit by Debbie Madsen*

Board Members Present: Mary Carroll, Dick Greco, Scott Greco, David Ellison, John Purchase, Keith Cicero

Board Members Absent: Michael Bini

(1:05pm – 2:20pm)

Call to Order-John Purchase

Invocation-Terry Pink

Flag Salute – Lucille Lupini

Special Recognition Ceremony-Lucille Lupini

Lucille Lupini has been serving our community for over 30 years. Janelle Marinas spoke of Lucille and her extensive service and commitment to Forest Lakes. She was first woman on the board and has served as Board Member, President, and Secretary/Treasurer. She was presented a plaque thanking her for 30 years of dedicated service. Lucille is retiring but is willing to help out when needed. Thanks Lucille!

Introductions of Board

John Purchase-acting president after Hillary Wilson

Floor Nominations

- ❑ 2 Absentee Nominations were submitted for Terry Pink and Ed Harr. Terry Pink declined and Ed Harr was not available.
- ❑ John Purchase: Current President is re-running for the board
- ❑ Keith Cicero: has been on board for 6-7 months, enjoys being on the board. Keith has lived in Forest Lakes for about 7 years.
- ❑ David Ellison: has lived here for 15 years, and been on board for 6 years
- ❑ Henry Burnett: has recently moved here with wife Karen several months ago and is anxious to getting to know and serving the community.

Election of New Directors; the votes were collected

Reports

❑ ***Presidents:***

Report by John Purchase. He gave the big picture for the overview of the state of company. (Reference Attached Letter by John Purchase). 15 years ago began complete renovation of water system. The redwood tanks have been replaced by steel tanks and are 50% done. This year improvements have been made to keep up with

demand of water. Thank you to Jerry Green for his input and expertise this past year on the water committee.

Now we need multi-year plan to keep up with demand. Matt and Karen have both received Grade I water operator certificate. Board is very happy with staff. Dick Greco recently has been assigned Water Supervisor (an unpaid position). Thank you to Dick for taking on this responsibility. Water quality-shareholders will be receiving a report this month.

Secondary factors, iron and manganese levels are the only problems, which are not, a health concern. Increased water conservation, increased storage and maintenance will help to prevent a problem with these issues. We will vote this year on what to do about the situation (*later*). The budget committee is going to be formed to help to fund for future renovations. People with financial experience are encouraged to volunteer for this committee. Forest Lakes has paid off a long-term debt. Terry Pink accomplished this by FEMA reimbursement funds; with his extensive follow-up work. Thank you Terry. There is concern in the community involvement. The same people give most of the service and are getting burned out. As an example, Kimberly Christensen is no longer recreation director. June 19 will be first meeting for recreation committee. Without more involvement from the community the assessment will have to be raised.

❑ ***Treasurers Report***

Debbie Madsen handed out the year-end budget reports. No questions were asked. Forest Lakes was over budget in 2001 but was able to sustain through beginning balances and FEMA reimbursement money. The Audit committee met and reviewed financial accounts. The audit committee consisted of Tammy Vige, Elaine Kennedy, and Kelly Greco. All accounts were in order.

❑ ***Audit Committee Report:-***Tammy Vige not present

❑ ***Water Committee Report***

Scott Greco indicated that this year we had some issues where we had to truck in water. The options: dig new wells or increase capacity with the wells we have. Jerry Green has contributed suggestions for the latter. Tank 6 on early drive capacity was increased by 50% by adding upper rim. Another tank added by Tank 4 on Lee Drive. All pipelines were cleaned. Six (6) new well pumps and new chlorinators were installed throughout system to improve water quality. The Water committee doesn't foresee the need to truck in water this year. The Water Committee did a tremendous job this year. Thank you to Jerry Greene, Terry Pink, Scott Greco, and Matt Faneuf. This last weeks' water problem was due to a power outage at the Corp yard which knocked the pumps off-line for about 48 hours. The Water Conservation plan that was recently distributed is designed to inform the community of the water status.

❑ ***Water Operations Report***

John Ekizian is the Forest Lakes Water consultant. He indicated that the Iron and Manganese levels are still high. Super chlorination, green sand filter, and sequestration are three options, which could be implemented to take care of the problem. Iron and Manganese are not a health concern; they are purely aesthetic problem with coloring of water. The levels we have are barely above the MCL. The

state has asked us to address the problem. Last year the shareholders voted to delay the solution. The problem is not from the water in the well, but from the sediment in the older tanks getting stirred up. We need to vote to close this issue. We can spend \$50K to treat 1/10 per one ppb whereby there will probably be no change anyway. A motion was made by Terry Pink that we disband the issue, 2nd by Jerry Green. Question by Al Jacobs regarding the safety. John Ekizian stated if system is maintained properly, Iron and Manganese will no longer be an issue and there are no health concerns with the secondary constituents. If we decide to do nothing, the state will go away. The changes that we have made resulted in 80% improvement in our water quality already. More improvements are still necessary, such as replacing Tank 2 which is a redwood tank which still has iron sludge at the bottom. This will be addressed next year. The state is requiring this vote. Vote by Stockholders to close issue: All in favor, None opposed, No Abstaining.

Questions and Comments of Stockholder

- ❑ Al Jacobs questioned clarification of the Grade water levels. Grade 1 Water operator is the first level in becoming a state licensed operator. Both of the Forest Lakes maintenance people are Grade 1 operators. Both Jerry Green and John Ekizian have Grade 2 licenses. John Ekizian has further licensure and advanced education. John Ekizian works both with the county and state.
- ❑ Darlene Thrasher questioned about the watershed area for expansion? This is accurate; more information about the geological make-up needs to be obtained. A new well would reduce testing and maintenance costs by reducing the number of smaller wells needed.
- ❑ There was a tremendous amount of water being used last year, which was discussed last year out of the Scenic tank? Problem went away after the stockholders meeting.
- ❑ Al Jacobs questioned status on meters. There are two major multi year projects being reviewed; they are the installation of a super well and meters. It will take many years to implement and pay for both of these. Meters should be high priority so we can have pay per use. FEMA money has been used to pay SBA loan, surplus will be put into CD's this month to save for these projects. Until everyone is on meters, Forest Lakes cannot change billing practices. When metering comes into effect we will go into a base variable billing procedure. Assessments will still be in effect due to road maintenance and operating costs.
- ❑ Question about Redwood tree cutting and the possibility of fines for cutting down trees without the board approval. The truth is board has enough problems with water issues and aren't willing to police other issues as well. Recently a house violated the law by cutting down too many. The county was involved but only delayed the very end of the cutting. Commercial harvesting is still permissible by the county where homeowners are not allowed to sell timber. The rules clearly state that the Board must be notified if cutting Redwoods greater than 15" in diameter for any reason.
- ❑ What kind of volunteers are needed? There were sign up sheets for pipeline water installation help, recreation committee help, audit committee help, recorder help, and board member and committee participation. Come look at sign-up sheets. Auditing, manual labor, budget and recreational committees, stuffing envelopes, working on the

newsletter, etc. The more volunteer work performed, the less cost to stockholders to pay for these services.

- ❑ Lifeguards from last year are returning. Forest Lakes is still trying to arrange for backups.
- ❑ Provide your email address for information and contact when projects come up and volunteers are needed.
- ❑ Thanks to Larry Zimmerman for his volunteer efforts.
- ❑ Question concerning the dirt sliding on Lakeside by the K-Rails. This is a county road. Now that Redwood road is finished, it is the County responsibility to clean up this area. Stockholders can put pressure on the county to get this done.

Election Results-Lucille Lupini

John Purchase-87 votes

Keith Cicero-84 votes

David Ellison-84 votes

Henry Burnett-86 votes

Meeting Adjourned-2:20pm

Respectfully submitted

Debbie Madsen
Secretary/Treasurer
Forest Lakes Mutual Water Company

President's Speech at 2002 FLWMC Shareholders Meeting

I want to provide the shareholders with a big picture overview of the current state of the company, and our plans for the future. Starting 15 years ago, the company began a complete renovation of the water system. This renovation started with the installation of new PVC mains to replace the original iron mains installed in the 30s. More recently, the redwood tanks have been replaced with steel tanks. In the last couple years, many of the pumps have been replaced, and the main electrical panels in the corp. yard have been rewired. We are roughly 50% of the way thru this program of renovation. The conduct of this program has been ad-hoc and the progress in-consistent. Last year, the board formed a water committee, and empowered it to draft a water awareness plan, perform an assessment of the water system, and develop recommendations for improvements. Specific improvements have been implemented this year, which will significantly increase our storage capacity, optimize our well production, and provide backup water sources to deal with peak summer demand. The board wants to thanks the water committee, especially Jerry Green, for bringing an analytic and innovative focus to our renovation program. This year, the board will once again rely heavily on the water committee to develop a multi-year plan for capital improvements.

Turning to the subject of water operations. In the past several years, the company has suffered from high turnover and poor board oversight of the water operations staff. Matt (our lead operator) and Karen have now been with the company for over a year, and have both gained their certification as grade-1 water operators. Due to the high cost of living in this area, and the scarcity of water operations personnel, it is exceedingly difficult to find effective staff. The board is very pleased with the current staff and hopes that they will stay for a long period of time. Recently, the board decided to appoint Dick Greco (who is both a member of the board and the water committee) to the unpaid position of water supervisor. This decision was made to increase the focus on the implementation of our renovation program. The board is grateful to Dick for taking on this level of involvement in day-to-day operations, which really has been a missing link in the company since Dave Montgomery retired.

On the subject of water quality, every shareholder will be receiving a water quality report this month. We have healthy water which meets or exceeds state requirements in most respects. The primary issue we have with the state involves the secondary factors, specifically iron and manganese levels. The level of shareholder complaints to the state concerning 'brown water' has resulted in increased oversight by the state. Most of the episodes of brown water have occurred as a consequence of flushing mains, or running low on water due to excessive peak demand or a catastrophic loss of water. We are trying to address this issue with water conservation, increased storage, and improved maintenance. The state has asked us to address the issue with major capital improvements involving large-scale iron/manganese filters. John Ekizian, our professional health and safety consultant, will once again present these options to the shareholders for a vote. Last year the shareholders voted to defer a decision on the issue.

I am very encouraged right now that we have the dedication, the talent, and the funds to make significant progress on our renovation program. To fund this program, a budget committee will be forming in September to develop an operational and capital budget for next year. I encourage community members with a background in budgeting to consider joining this important committee. The 2001 budget did not provide a sufficient capital budget and emergency reserve, and we ended the year more than 15% over budget. In the face of this deficit, skyrocketing electricity rates, significant long-term debt, and the need to budget for major capital improvements, we made the painful decision to boost annual shareholder dues. However, the financial condition of the company is much better than we projected last fall. Electricity rates (which is one of our major costs), have moderated some. We are free of long-term debt as a result of the reimbursement we received early in the year from FEMA. This allowed us to recover most of our costs from the El-Nino repair. The board wants to thank Terry Pink for his persistence in this matter over the last 3 years.

The final topic in my overview concerns community involvement. It seems like it is the same cast of characters who volunteer their time and talent to the community. Some of these people have given so much that they have reached a level of burnout, and need to take a timeout. In general, it seems like the community takes many of these people for granted, and tend to not appreciate their efforts. A case in point is the position of

recreation director. Everyone in the community assumed that Kimberley Christiansen would continue on, forever, in this role. This is not the case; please do not call her when a recreation issue comes up. A new recreation committee is forming and will have its first meeting on June 19th. This is another way in which shareholders can become involved (Signup at the table). The board would be very pleased to see some new faces and new energy from the community. Without an increased level of shareholder involvement, the board will have to spend money on outside contractors and annual fees will go up even more. The lake is ready for opening on the Saturday June 15th. The board would like to express its appreciation to all the volunteers who spent several Saturdays working by the lake. However, we as a community cannot expect that the same people will continue to shoulder the bulk of the volunteer work. So, that pretty much wraps up the big picture overview. I'd now like to yield to the Vice-President of the board, and the chair of the water committee (drum roll), Scott Greco.