

# Villa del Monte Mutual Water Company

P.O. Box 862  
Los Gatos, CA 95031-0862

## Shareholder's Annual Meeting Agenda

April 2, 2019  
7:30P.M.

Christ Child Church Community Room

### Determination of a quorum –

Number of shareholders = 127

One third of shareholders/members, including proxies = 50

### Introductions

#### Board Members

- Mike Miller
- John Overstreet
- Jim Culp
- Fred Eggers
- Pradeep Sanders

#### Key Sub-Contracted Personnel

- Jennifer LaForce
- Gary MacKenzie
- David Montion

### Election of (2) Directors:

Jim Culp and Pradeep Sanders for (2) year terms

VDM News.....

**We have a new website!!!**

<https://www.vdmwater.com/>

### Annual Operations Report

#### Item-1 Filter plant and pumping

- The filter plant has been out of service and will remain out of service until the storage tank replacement project is completed.
- For the most part, the temporary tank farm has worked. With limited storage (+/- 1 full days use of water), we are dependent on the operation of water delivery from San Jose Water Company (our alternate source). As many of you remember we had an outage for several hours on Christmas Day.
- The uphill pressure system is still active and working well

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## **Item-2 Source water from Laurel Creek**

- During our storage tank replacement project we have not been able to utilize the water from Laurel Creek
- 
- The concrete spill way showed damage from the last two years storms and required some patching and repair work.
- The pumping station has no issues at this time

## **Item-3 Supplemental source water from SJW company (Montevina pipeline)**

- We receive supplemental water from San Jose Mutual Water Company.
  - The water runs from the treatment plant at Lexington Reservoir up Old Santa Cruz highway and down summit road.
  - It passes through (3) pump stations owned and operated by SJW company and (1) pump station owned jointly by Villa Del Monte and Big Redwood Park.

- Last year (2017) SJW changed from “chlorine” disinfection to “chloramine” disinfection.

This is significant because our VDM treatment plant was designed to disinfect our water with chlorine and the two methods are not compatible

Blending chlorine treated water with chloramine treated water destabilizes the disinfection properties. And nullifies the ability for either method to work properly.

This has caused us to initiate an upgrade to our treatment plant. As part of our project we are adding systems and controls to allow us to use chloramine disinfection in our system as well.

## **Item-4 Tank condition**

- The roof structure on our 50 plus year old water storage tank is failing!  
We have taken our large storage tank out of service.  
We have initiated a storage tank replacement project  
(See the attached project summary)

## **Item-5 Distribution**

- Pipe conditions
  - Our distribution piping is old and in need of repair.
  - We have reviewed several grant options to help fund a large pipe replacement project, but we do not qualify because of our average income levels.
  - We continue to repair leaks and replace pipe sections as our budget allows.

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- Newly enforced “mandatory” rules for cross connection control.
  - Cross connection is a concern for any home connected to a public water system that may have an alternate source of water that could back feed into our distribution system.
  - We have been directed to implement a “Cross Connection Control Plan” that includes surveying individual properties to identify this risk. (State Board’s Division of Drinking Water Titles 17 and 22 California Code of Regulations)
  - Most notably this would be a property with a private well. And the well shares or is connected to the potable water at the home. (VDM water)
  - When this occurs, a special backflow prevention device would be required to be installed and tested annually.

## **Item-6 Storage tank and disinfection project**

- See attached project review

## **Treasurer’s report and presentation of the 2018 Budget; projected expenditures and financial needs of the company:**

- John Overstreet, Treasurer
- Jennifer LaForce, Book keeper

## **Questions and suggestions to the Board**

## **Adjournment**

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## Water treatment and water storage project review

April 2, 2019

### Water Treatment issues

#### 1. Our system

- a. VDM's primary source water is from Laurel Creek using our own water treatment plant which uses chlorine disinfection treatment methods. Additionally, supplemental water is provided by SJWC distributed through the Montevina pipeline. This has worked well for more than 20 years.

#### 2. What changed?

- a. Last year (2017) SJWC notified us they would be changing from **chlorine**-based disinfection to **chloramine**-based disinfection later in the year. (Chloramine is a blend of chlorine and ammonia, specifically mono-chloramine)

#### 3. Why the change?

- a. When Chlorine is used for disinfection, by products form that can be harmful to humans at certain levels. They are Trihalomethanes and Haloacetic acids (THMs and HAAs)
- b. By carefully administering the chlorine dosage, these byproducts are kept below the health risk levels.
- c. Chloramine disinfection is just as effective as chlorine disinfection and produce substantially lower concentrations of disinfection byproducts in the distribution system. So many believe this is a healthier approach.

#### 4. The issue

- a. The new chloramine-based disinfection treatment method is not compatible with our chlorine-based treatment method. When the two waters blend together, the disinfection properties are reduced.
- b. Additionally, the effectiveness of the chloraminated water does not last as long in are large storage tank.
- c. As our water system cannot produce 100% of our water, we had to shut down our treatment plant switching solely to SJW purchased water.

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## Water Storage

### Issue

1. The center support post of our 300,000-gallon water storage tank has failed.
2. We contracted Preferred Tank and Inspection company to come out and perform a complete tank inspection. In their report, they concluded the tank is beyond repair.



## Temporary Storage

1. We have completed a temporary storage tank farm utilizing (6) 5,000-gallon poly storage tanks placed up by the reservoir. The plan was reviewed and approved by the county and is now in operation.
2. This allows us to utilize the SJWC water without concerns about disinfection deterioration.
3. The temporary tanks will also allow us to replace the existing tank without interruption of service.
4. The cost was covered by the VDM reserve funds in our bank account.

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## **Water treatment and storage solutions**

1. Our Board has concluded that we need to resolve both the water treatment issue and the water storage issue at the same time.
2. We hired Pacific Crest Engineering to perform a geotechnical report.
  - a. The report shows we can utilize the existing site for a replacement storage tank in the same location as the existing tank.
  - b. This report has been submitted to Santa Cruz County Environmental Planning department for review and is pending their response.
  - c. The engineering and SCCEP processing fee has been funded from our existing reserves.
3. We have hired MNS Engineers to design a treatment system upgrade and compatible new water storage tank.
  - a. They have prepared their initial design for review.
  - b. They have prepared a preliminary budget associated with their design.
    - i. See the attached budget summary spread sheet
  - c. We have reviewed the engineering recommendations and determined the best approach.
  - d. We have authorized MNS engineering to create the engineering drawings for the California State Water Resources Control Board to review and approve.
    - i. These have been submitted are in review.
  - e. We have authorized MNS engineering to create permit drawings to submit to Santa Cruz County Building Department (Pending CSWRCB approval)
  - f. The engineering costs have been funded from our reserves.

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## 4. Our next steps

- a. Water Resource Control board design approval
- b. Santa Cruz County Environmental review
- c. MNS construction drawing completion (+/- 3-weeks after design approval)
- d. Construction drawing submission to Santa Cruz County building department.
- e. Contractor bids
  - i. This is when our budget for the work becomes valid.
- f. Get financing in place in order to fund construction.

There will be two options for our members.

- i. Allow members to pay a one-time assessment.
  - Based on the projected budget of \$850K, each member's portion would be +/- \$6,750
  - Still variable until the contractor bids are received
- ii. Take out a loan.
  - With support from California Rural Water, the Villa del Monte Mutual Water Company does qualify for financing without having any of our member homes become collateral.
  - This would be a 20-year loan for the entire amount of the project or a lesser amount if some of our members choose to pay the assessment upfront.
  - The members choosing the loan option would become part of a 20-year loan with monthly payments added to their individual monthly water bills.
  - The loan program does not allow for early payment payoff during the progress of the loan, so this should be weighed in the members decision
- g. Begin construction
  - i. With contractor support create a construction schedule

**Villa Del Monte Mutual Water Company**  
**Replacement tank and chloramination project**  
 Budget update 7/29/2018

**Tasks and costs already completed**

Temporary tank farm		
Site preparation	Dave Norman Construction	\$2,818.30
Tanks	Green Rubber Kennedy Ag	\$16,655.00
Piping	Furlo & Furlo	\$9,530.00
Controls support	Tesco	\$4,310.00
Misc	Gary & David	\$14,656.91
Engineering		
Geotech report	Pacific Crest Engineering	\$7,590.00
Preliminary engineering part	MNS Engineering	\$11,334.00
	<b>Total cost spent to date</b>	<b>\$66,894.21</b>

**Future costs**

Engineering		
Detail design	MNS Engineering	\$39,235.00
Permit support	MNS Engineering	\$12,455.00
Bidding & Construction support	MNS Engineering	\$24,315.00
Construction budget	See MNS work sheet <a href="#">Rev-1</a>	\$530,000.00
Owner contingency	10%	\$53,000.00
Permits	Allowance	\$31,800.00 (Assume 6% of construction costs)
Project management	Allowance	\$84,000.00 (Assume 6 months at 80 hours per month at \$175/hr)
	<b>Total projected future costs</b>	<b>\$774,805.00</b>
	<b>Total projected project costs</b>	<b>\$841,699.21</b>

127 # of members  
 \$6,627.55 Project cost per member



**Villa Del Monte Mutual Water Company  
2019 Profit & Loss Budget**

<b>Income</b>	
<b>Assessment ~ VDM Ops</b>	152,712
<b>Assessment ~ SJWC</b>	13,608
<b>Assessment ~ SRF</b>	84,672
<b>Water Sold</b>	
<b>Regular Fee</b>	39,450
<b>2nd Tier Fee</b>	35,467
<b>3rd Tier Fee</b>	32,918
<b>4th Tier Fee</b>	17,583
<b>5th Tier Fee</b>	2,975
<b>Total Water Sold</b>	<u>128,393</u>
<b>Other Operating Income</b>	
<b>Late Accounts-Fee&amp;Int Income</b>	0
<b>Membership Income</b>	0
<b>SRF Dep Act Interest Income</b>	0
<b>Total Other Operating Income</b>	<u>0</u>
<b>Total Income</b>	<u>379,385</u>
<b>Cost of Goods Sold</b>	
<b>Purchased Water</b>	
<b>San Jose Water Co.</b>	70,000
<b>SJWC Service Fees</b>	16,000
<b>Total Purchased Water</b>	<u>86,000</u>
<b>Testing, Chemicals, &amp; Compliance</b>	6,000
<b>Utilities</b>	
<b>Propane</b>	1,000
<b>Big Red/VDM or Monte/VDM</b>	3,000
<b>VDM PG&amp;E</b>	10,000
<b>Internet &amp; Phone</b>	500
<b>Total Utilities</b>	<u>14,500</u>
<b>Operations &amp; Maintenance</b>	
<b>Generator Maintenance</b>	1,000
<b>Op &amp; Maint - Labor</b>	70,000
<b>Op &amp; Maint - Materials</b>	15,000
<b>Total Operations &amp; Maintenance</b>	<u>86,000</u>
<b>Emergency Maintenance</b>	
<b>Emer Maint - Labor</b>	50,000
<b>Emer Maint - Mtrls</b>	2,000
<b>Total Emergency Maintenance</b>	<u>52,000</u>
<b>Total COGS</b>	<u>244,500</u>
<b>Gross Profit</b>	<u>134,885</u>

**Villa Del Monte Mutual Water Company  
2019 Profit & Loss Budget**

**Expense**

<b>Bank &amp; Service Provider Charges</b>	
EService Fees	440
Advanced comm & eCommerce	2,000
WF Checking	491
SRF Maint Fees	135
<b>Total Bank &amp; Service Provider Cha</b>	<u>3,066</u>
<b>Bookkeeping &amp; Administration</b>	
Labor	15,600
Independent Audit	10,000
Supplies	2,662
<b>Total Bookkeeping &amp; Administratio</b>	<u>28,262</u>
<b>Easement Lease</b>	500
<b>Insurance</b>	
Commercial	3,000
Montevina Pipeline	2,500
<b>Total Insurance</b>	<u>5,500</u>
<b>Debt Service Costs</b>	
SRF Interest	84,672
<b>Total Debt Service Costs</b>	<u>84,672</u>
<b>Licenses, Permits &amp; Fees</b>	2,230
<b>Professional Fees</b>	
Engineering	0
Tax Preparation	895
<b>Total Professional Fees</b>	<u>895</u>
<b>Taxes</b>	
Franchise	2,500
<b>Total Taxes</b>	<u>2,500</u>
<b>Total Expense</b>	<u>127,625</u>
<b>NET</b>	<u><u>7,260</u></u>