

Minutes: Lake Canyon Mutual Water Board Meeting

Wednesday Jan 18, 2023 7:00 p.m.

Held via Zoom Audio and/or Video Conference

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PUBLIC FORUM: Any member of the public may address and ask questions of the Board relating to any matter within the Board's jurisdiction, if the matter is not on the agenda or pending before the Board.

Call to Order: Ru called the meeting to order at 7:07 pm

Roll Call: Jim DiZoglio, Mindi Porebski, Ru Rajapakse, Sam Monga, Casey Farrand

Also in Attendance: Bud Everts, Aaruna Godthi, Kirk Epperly

Consent Agenda: Financial, Water, Staff, Projects, and Maintenance reports (2 min)

- Note on Quickbooks: Quickbooks is now charging a 1% fee on Quickbooks payments. Bud has contact information to learn more
- Note on Mike Soultanian labor costs: This is catch-up for the bridge work (e.g. removing and replacing to the new bolt types)
- Tax preparation services are for our annual taxes each year
 - Bud to share itemized invoice for tax preparation services

Jim makes a motion to approve the financials

Casey seconds

Motion passes 4-0

Reports: Communication, and Correspondence Reports (10 min)

- The spring is producing very well, and so much water is coming that it is backing all the way up to the spring. So we are well over 100%. The water quality is up, with turbidity down.
- They have every pipe open on both sides of Lake Ranch to send all of the water possible down to us in order to try to prevent it from going into the overflow situation at Lake Ranch.
- At next month's meeting Bud recommends the board considers rescinding the state of water emergency
- Volunteer Opportunity: '**Adopt-a-Drain**'
 - Community members learn where our street drains are and 'adopt a drain' to monitor and maintain if the need arises. Simple clearing of leaves or debris helps everyone.

Mindi makes a motion to accept the reports

Casey seconds

Motion Passes 4-0

Business

• **[Ru / All]** San Jose Water merger project and grant application

- There was a meeting today with SJW, Ru, Bud, Sam, and LACO (grant writer) and the SJW team
- We are still on track to submit the application but there are two options to proceed
 - 1) Give the entire project to SJW as the builders, they will have contractors build it, it will be an in-house build and all we have to do is help with the application and share our portion of the cost
 - 2) We build the pipeline and we hand it over to SJW
- However, regardless of who builds it, there is a 16% overhead, like a surcharge over the cost given,

called the “developer fee”

- LACO is sharing this is somewhat unusual, and is usually charged as a developer fee if there were a new housing development being built
- The cost of the project has gone up significantly and now this steep developer fee on top of it is also a surprise
- Ru's follow up did clarify that this fee will apply regardless of who builds it
- We have not yet clarified if this would apply for other options (e.g. SJW provides us water and we maintain distribution)
- There is a meeting coming up on Friday with Braxia. They have the cost estimate and drawings and will give us their opinion.
- We also spoke to someone at GHD, who is very familiar with these types of projects (they have 11 like this going on right now) and they do all in-house design including pump house design, etc. And they can do all of the project, engineering, etc. from A - Z under SJW requirements
- Were we to stop the project now, we have paid the \$6,000 retainer to LACO. Even if we spend the \$12,000 to LACO and either get the grant and decide not to go forward or don't get the grant, we will learn a lot along the process
- Ideas for dealing with the new overage charge
 - Idea to make a formal petition to SJW, such as a formal letter, to ask them to consider honoring their original cost estimate without the developer fee
 - Another idea to go to the state or other local officials about the overhead fee and see if the state can put pressure on them about this. If the state is encouraging small companies to merge into larger ones, they may have incentive to help this happen
- LACO's engineers looked at the project and design and thought it was a little high. Ru suggests we have Braxia look at the project as well to see if they think it can be done under their estimate.
- It is also unclear if we will qualify for the loan at this high of a cost
- Jordan laid out the sequence of events and some information. You are dealing with the state so it is slow, lots of red tape, and lots of delays.
 - Application: You submit the application and the website says the awardees will be notified on March 31st, but historically he says you find out in July/August
 - If the grant is awarded, you sign a grant agreement which takes 2 months
 - Then you design the system, and that needs approval, which then goes out to bid
 - Around this time is when we start applying for the drinking water loan. We could also wait to start the project until we get approved for the loan
 - Then you select the bid and pick the contractor
 - Then you start the work, which would be 2024-2025. Work would be complete in 3-6 months with final hookup, and get LAFCO to finalize the consolidation.
 - He warned us there will be a lot of back and forth, and usually there are surprises and these projects don't go smoothly. So for example, Jordan told us that today's 16% overage surprise is one of many to come.
- LACO shared some information about materials costs. SJW was projecting materials costs to go down since supply chain issues were resolving, and as they are estimating capital costs going forward those should be favorable. But there is no assurance.
- Board members are concerned about increasing costs and hidden fees, and conflicting information being given about fees
- There is an option to take the year, and spend that time learning more and investigating more options about the easements, the project costs, get better estimates, etc.
- Options for alternative uses of the grant: if we laid the two inch line to the vault, so that SJW is our provider of filtered water but we still do distribution etc. but that does mean that when taking state funds it needs to be public bids and all the red tape. We would also replace the 70,000 gallon tank due to its limited lifespan. Spending 400,000-500,000 to replace that tank would also help future-proofing. In this case, the only reason we would apply is because this is a consolidation project.
 - State money will require OSHA, paying prevailing wage, and would need a consultant to handle
 - If we get the grant but choose not to use it we can walk away but will have paid \$12,000 to

LACO for the grant writing process

- By Friday, we need to decide if LCMWC will be the builder or if SJW will be the builder. If LACO is correct and the SJW estimates are a bit high, there might be reason for LCMWC to be the builder, and we could ask Braxia on our call on Friday if they also have feelings about the estimates given to SJW.
- For this type of loan you do not need to put up collateral like you do with a personal loan. Instead, it is assured through the fact that you have the ability to recoup the funds - for example, through rate raises
- If we continue to move forward with the grant submission process we would spend at most an additional \$6,000, and may continue to learn more about the grant process, about what working with San Jose water means.
- To draw a parallel with the Comcast project, the contract tripled or more in a year or so. There were surprises, but at a much smaller financial impact.
- If we get to a place where we need to truck in water, it would be both extremely high in cost, possibly hundreds of dollars a day. Plus to top this off, if many communities were in dire need of water it might be a situation of price gouging or inability to even source the water
- We could approach them now with our concerns or approach them later after we have vetted the engineering more closely.

Jim motions to cease the project as 13M is too expensive.

There is no second

Motion fails

- There is some discussion on the board member's positions in regards to the request for a meeting next week and how to collect more information between now and then
- At the current estimates and with the new developer costs, Jim calculates this has the potential to increase current monthly bills by \$200.
- Discussion against was the potential cost of trucking in water.

Jim makes a motion to take the meeting on Friday with Braxia to collect information and have a special meeting next meet to review it

Sam seconds

Motion passes 3-0

- How to reach out to the state: We could, meanwhile, reach out to the State to inform them about the 16% developer fee and inform them of the financial situation this would place on our small water company and small community.
- More details on Friday's meeting with Braxia: They have not seen any details about this project, so this will be their first chance to look at the plans and provide their perspective on the project
- To be successful we need to keep this project at or under the 11M mark, as that is the only way we can be successful.
- As part of this project San Jose Water has said we will have to survey the road so that they understand where the pipeline is and where their legal easement is. There is the possibility that we could hand over the LCMWC easement to SJW
- Board intends to keep the additional cost above the average bill below the \$100/month mark but ideally in the \$60-70 range
- Additional information: Sue owns the entire private road that curves through her property
- Additional information: SJW considered a second location in the neighborhood for the pump station but then learned that is in flood plain so that is less desirable.
- Board will host a special meeting to follow-up on Wednesday Jan 25th at 7pm

Review of Meeting Minutes from this meeting

Jim motions to approve the minutes

Mindi seconds

Motion Passes 3-0

Meeting Adjourned at 10:07 p.m.