

**LADY CREEK WATER SYSTEM
WELCHES, OREGON**

**MINUTES OF THE ANNUAL MEMBERS' MEETING
VIA TELECONFERENCE
JULY 17, 2023, 7:00 P.M. PT**

With no objections noted, Mark Allred, Board President, presided as Chair of the meeting. All present were welcomed, and the head table was introduced as follows:

BOARD MEMBERS:

Mark Allred	President
Doug Hartley	Vice President
Geoff Carr	Secretary
Adam Abplanalp	Treasurer
Rob Haught	Director
Holly Robinson	Director

GUESTS:

David Jacob	Water Master
Josh Rup	Recording Secretary, Minutes Solutions Inc.

ABSENT:

David Babad	Director
Matt Dolan	Director

1. CALL TO ORDER

Mark Allred called the annual meeting of members to order at 7:03 p.m. All Board members present introduced themselves and highlighted their backgrounds and their tenure on the LCWS Board. Mark Allred introduced David Jacob and highlighted his accomplishments during his stewardship.

2. APPROVAL OF THE MINUTES OF THE PREVIOUS ANNUAL MEMBERS' MEETING

On a motion made by Rob Haught, Road 20, Lot 65, seconded by Doug Hartley, Road 12, Lot 77, it was resolved to approve the minutes of the annual members' meeting held on August 15, 2022, as presented. Motion carried.

3. PRESIDENT'S REPORT

Mark Allred presented the President's Report and began by reiterating Lady Creek Water System's mission statement. LCWS' accomplishments in 2022 were highlighted as follows:

- A new record was set regarding low water flow as water consumption was reduced to 7.8 million gallons in 2022. As of June 2023, the run rate, if doubled by year end, would be 6.4 million gallons which, if achieved, would be another new low flow record.
- The Zig Zag River mainline crossing replacement at Road 20E and Road 24 was

completed. The project was completed in collaboration with the U.S. Fish and Wildlife Service (USFS) as the restoration of the salmon habitat was already underway in the Zig Zag River.

- Assisted the USFS with the removal of two older dams on Lady Creek. LCWS previously utilized water from Lady Creek and a log dam was placed to divert water to the water system. The log dam was replaced by a concrete dam and, at the present time, well water is used. The dams were left in the Lady Creek stream and prevented salmon from travelling upstream.
- The application for the fourth well has been revised.
- Administrative expenses were reduced by approximately \$4,200. Bookkeeping and accounting services have been changed in the last several years in an effort to reduce costs.

A high-level summary of key operating statistics was presented. Total gallons in 2022 was 7.8 million compared to 8.1 million in 2021. Minimum water flow was 5 gallons per minute in 2022 and 2021, and the number should be as close to zero as possible. There were no unplanned days without water service and no test failures. Zero test failures are a reflection of the clean and safe aspect of the mission statement. Zero unplanned days without water are a reflection of the reliability aspect of the mission statement.

A graph illustrating annual water use was presented. In 2008, over 22.2 million gallons of water were pumped. In 2009, a leak reduction program was implemented which resulted in an immediate return as water use decreased to 12.4 gallons. Annual water use has declined by approximately two thirds since 2008. Water leak investigations are completed frequently and leaks could occur in cabin plumbing or service lines. New service lines adopt modern technology; therefore, they are likely to operate efficiently over many years. If leaks are detected in cabin service lines, members will be contacted by the Board or the Water Master. Leaks found in the Lady Creek portion of the system are repaired once detected.

Starting in 2022, there was a 50% to 60% increase in the Forest Service permit fee and advance notice was not provided. The increase was absorbed and resulted in an increase of operating dues in 2023 by \$25 per year and up to another \$15 if required. Despite the increase, the fees are not as high as 2009 charges. If members detect leaks in the Lady Creek main line water system, they can submit a report on the Lady Creek website.

The floor was opened to questions and comments regarding the President's Report.

Linda Greenman, Road 27, Lot 20, asked for a status update regarding the Road 27 water main upgrade.

Mark Allred responded that a status update will be provided during the capital improvement plan discussion that will be held later in the meeting. The upgrade has been deferred to 2024.

4. WATER MASTER'S REPORT

David Jacob presented the Water Master's report. He noted the cold temperature on December 22, 2022, resulted in service breaks in cabins. A graph illustrating the minimum flow during the month of December, 2022, was presented. During weekdays, usage was typically low and increased during weekends. Water flows decreased around December 22, 2022, as cold temperatures occurred and these temperatures resulted in frozen pipes in the crawlspace inside cabins. If copper pipes are being used, the pipes could break. This was a busy time for water system operators in the northwest as cold temperatures without snow impacted pipes.

As frozen pipes thawed, they began to break resulting in water leakage. Several years ago, the Board elected to install radio read meters for the water system. The meters allow convenient tracking and provide alerts if leaks have occurred just by driving by and receiving wireless data. According to the graph, sudden increases and decreases in flows were a result of David Jacob identifying leaks and turning them off. If the decrease in water flow did not occur, the total flow would have increased to approximately above 70 gallons per minute. If the radio read meters had not been installed to detect leaks, there would have been more water outflowing than the wells could produce and the water source would have been dry in a matter of several days. The leaks were under control around December 27, 2022, and a windstorm on December 28, 2022, resulted in additional leaks. The windstorm destroyed cabins and one cabin's pipe was destroyed by a tree which led to a 20 gallon a minute leak.

Around the first week of January, 2023, water flows returned to normal levels as leaks were detected and turned off. David Jacob recommended that members disconnect their water and drain it if they are away from their cabin during the winter season. Replumbing pipes with pex piping reduces its chances of failing; however, they are not completely invulnerable.

The floor was opened to questions and comments regarding the Water Master's report.

Linda Greenman, Road 27, Lot 20, inquired if all cabins have radio read meters installed. **David Jacob** responded that all cabins have radio read meters installed except for one. It is in the capital plan to find the meter for this cabin. In the next 10 years, the water main may be replaced and the meter will be identified.

5. **FINANCIAL REPORT**

Adam Abplanalp presented a high-level summary of the unaudited financial statements for 2022 fiscal year. At the end of 2022, total cash was approximately \$381,000 which was a slight decrease compared to 2021 due to investments in the water system. Other current assets consist of prepaid expenses paid at the end of 2022 for the 2023 fiscal year. The net amount of fixed assets was approximately \$861,000. The total water system assets increased by approximately \$81,000.

Major liabilities consist of prepaid assessments and accounts payable due to the timing of invoices. Overall, there is \$1.2 million in net assets and \$192,000 of this amount is restricted for future capital improvements.

Total income was \$69,000 which was slightly higher than budgeted. Operating expenses were \$64,226 which was \$2,000 over budget due to the purchase of additional materials and supplies. Administrative expenses were under budget by approximately \$2,300. Overall, there was an operating loss of \$11,600 which was less than expected. Operating dues were not increased for 2022 as operating reserves were utilized.

Total capital assessments were \$62,000 including \$2,500 from a new member. Overall, the system brought in approximately \$18,000 more than expenses. The next fiscal year was presented which included the operating assessment increase to \$175. Fees were budgeted according to historical performance and approximately \$78,000 was budgeted for operating income. Operating expenses are based on the compensation agreement with the Water Master. Increased hourly charges were budgeted for the Water Master and his team as the system may require further maintenance. A budget of \$70,000 was set for operating expenses for the year.

Approximately \$12,000 was budgeted for administrative expenses. The total budgeted expenses are expected to exceed operating income by approximately \$4,200. There is approximately \$220,000 in unrestricted operating cash. The membership had authorized the Board to increase operating dues in 2024 by up to \$15.

The floor was opened to questions and comments regarding the financial report.

Kassim Ferris, Road 28A, Lot 8, inquired about the increase in the permit fee and questioned if this was a result of a rate increase or due to other factors.

Adam Abplanalp responded that permit fees are set federally and all rate schedules were increased. The Zig Zag Region was placed in a higher tiered category that had an increased per foot rate.

Kassim Ferris, Road 28A, Lot 8, inquired if rates have increased throughout the country.

Adam Abplanalp noted that rates have continued to increase for cabin assessments.

Kassim Ferris, Road 28A, Lot 8, inquired if the actuals were included in the report.

Adam Abplanalp noted that the actuals were similar to the previous year and the only changes of note is the increased compensation for the Water Master and utility expenses.

Mark Allred noted that all schedules and financial statements will be available for review on the Lady Creek website.

6. CAPITAL IMPROVEMENT PLAN UPDATE

Mark Allred presented the capital improvement plan update and reiterated that the current plan is a five-year process from 2021 to 2025. Prior to 2024, the plan may be revised to account for funding sources and to organize projects and provide for permitting. In 2022 we had planned for \$270,00 for capital improvements which we under-spent on due to the lower cost of the Zig Zag crossing project. When somebody becomes a new member they have to “buy in” by paying a fee this gave us additional capital spending funds.

Funds were spent on an unplanned tie in connection project in 2022 for road 27. There was another project where the older mainline should be decommissioned and this will be done in the next few fiscal years. The cost of the Zig Zag River crossing project was \$80,000, and \$200,000 was initially budgeted. Several smaller projects were not completed in 2022. This gave us \$120,000 to spend on other capital improvement projects. There are no shortage of these.

A total of \$252,000 is available to utilize towards the capital improvement projects for this year. The Road 27 mainline replacements will be deferred to next year as contractors were unable to bid in 2023 due to the delay in the delivery of the RFP. Due to Forest Service regulations, digging in the national forest near a waterway can only occur during a “fish window” between July 15 to August 31 to protect salmon spawning habitat.

An extension of the mainline on Road 28A by 760 feet will be done this year. Non-priority projects were scheduled for this year and a small amount of funds were allocated to the fourth well project. This year capital improvements will total approximately \$40,000 and most of the funds will be spent during the last two years of the capital improvement plan.

Regarding funding, annual assessments can be increased and a portion of the operating surplus can be allocated to capital improvements. Prioritized planned expenditures are balanced against funding sources with a little bit of cushion for contingencies. We can also take operating surpluses to capital improvements pending member approval at the AMM.

The floor was opened to questions and comments regarding the capital improvement plan.

Linda Greenman, Road 27, Lot 20, inquired whether the Road 27 mainline replacement is LCWS's top priority for 2024.

Mark Allred responded that that project is a priority for 2024 and it is the last mainline requiring a replacement but you never know what is going to happen. An application can be made to extend the permit for the project if need be.

Kassim Ferris, Road 28A, Lot 8, inquired if the Board could provide clarity regarding work scheduled for Road 28A.

Mark Allred noted that once a mainline is installed, the old mainline is functioning until the new mainline is installed, tested and ready. Once the new mainline is ready for operation, the connections are changed. There is minimal disruption to cabin service.

David Jacob noted that, if possible, the new mainline will be installed with the old mainline intact. The old mainline was installed with substandard material and, once authorization is received, the materials will be ordered. The materials will take approximately two weeks to arrive and there will be two weeks of construction. Each night, the road will be clear for traffic and, during the day, work will commence with 100 to 200 feet of pipe installed per day. At the end of each day, holes will be filled to ensure there are no disruptions to traffic. Work will be done during the weekdays, not on weekends, and there will be ongoing communication with members utilizing their cabins. If water cannot be maintained in the old mainline or if it breaks, a boil water notification will be sent to members. At the end of the project, the new pipe will be pressure tested, chlorinated, disinfected, and sampled before the old pipe is disabled. There should not be a significant impact in the vicinity of Road 28A, Lot 8. The Road 28A water system may be turned off for one day as valves are replaced. Lots around the corner of Lot 28A should not experience service disruptions other than minimal disruptions regarding access.

Linda Greenman, Road 27, Lot 20, inquired whether a bid was received for Road 27 for 2024 and, if not, when would a bid be expected.

Mark Allred responded that two bids were received; however, they were not accepted as the work could not commence during the Fish Window between July 15 and August 31. The RFP will be reissued in February, 2024, and new bids will be requested.

7. FOURTH WELL PROJECT UPDATE

Geoff Carr provided an update regarding the fourth well project. There are currently three wells that have been installed since the 1980s and a fourth well will be constructed in the next several years to meet future needs as wells can deteriorate over time. The Forest Service has the water right. An updated transfer application will be obtained from the Oregon Department of Water Resources and there has been a delay as staffing at the state of Oregon has decreased by 30%. LCWS' request was expedited and it may take another six to 12 months before it is approved. There are sufficient funds to complete the project and to update electric service to the headworks and there may be additional wells installed in the future.

8. NOMINATION/ELECTION OF CANDIDATES

a. Nominations

Holly Robinson advised that we have a 9 member board. There are three Board members standing for re-election and one vacant Director position for the term of 2021 to 2024.

The following candidates had previously announced their intention to run for re-election for a three-year term:

1. Adam Abplanalp, Road 35, Lot 109
2. Holly Robinson, Road 20, Lot 52
3. Mark Allred, Road 12, Lot 81

No nominations were received from the floor regarding the vacant Board position.

b. Acclamation of Directors

On a motion made by Rob Haight, Road 20, Lot 65, seconded by Geoff Carr Road 27, Lot 24, it was resolved to approve the proposed slate of Directors. Motion carried.

The following candidates were acclaimed to the Board for a three-year term:

1. Adam Abplanalp, Road 35, Lot 109
2. Holly Robinson, Road 20, Lot 52
3. Mark Allred, Road 12, Lot 81

During the first Board meeting following the annual general meeting, the Board of Directors will appoint positions and owners will be notified. Mark Allred advised members to consult the Lady Creek website if they are interested in joining the Board.

9. OTHER BUSINESS

Mark Allred noted that this is your meeting! The Board noted the satisfactory attendance of members for the AMM, and further growth in attendance is desired for next year. Members can submit questions and comments on the Lady Creek website. Documents such as the financial reports, bylaws, and past meeting minutes are available on the website. The web site is Ladycreek.org.

10. ADJOURNMENT

There being no further business of the Corporation to transact; the meeting was closed at 8:39 p.m.

DISCLAIMER

The above minutes should be used as a summary of the motions passed and issues discussed at the meeting. This document shall not be considered a verbatim copy of every word spoken at the meeting.