

**MINUTES OF REGULAR MEETING**  
**BOARD OF DIRECTORS**  
**ATASCADERO MUTUAL WATER COMPANY**

**December 14, 2011**

The meeting convened at the office of Atascadero Mutual Water Company, 5005 El Camino Real, Atascadero, at 6:30 p.m., President Brien Vierra presiding. Others present were Vice-President Leroy Davis, Directors Robert Jones, Jackie Lerno, and Frank Platz, General Manager John Neil, and Secretary Cheryl Powers.

**PUBLIC COMMENT:**

There was no public comment.

**APPROVAL OF MINUTES:**

A motion was made and seconded to approve the minutes of the regular meeting of October 12, 2011, and the special meeting of October 27, 2011. The motion carried 5 to 0.

*The following reports were reviewed:*

**OPERATIONS REPORT:**

The Operations reports were available for review. The General Manager reported that all wells are operational and all preventative maintenance is up to date; goals are being met for installing new services, maintaining and upgrading fire hydrants, and replacing meters; and water demand is very low, with the past two months at the same level as 1991.

**FINANCIAL REPORT:**

The financial reports for October were available for review. The General Manager reported that revenue is approximately 12% higher than this time last year and expenses are approximately 1% higher than last year.

*The General Manager's Report was available for review as follows:*

**WELL LEVELS:**

The water level of Monitoring Well No. 11 was 23.2 feet below ground surface on November 28.

**NACIMIENTO WATER PROJECT:**

As of December 2, Nacimiento Lake is at 67% capacity, with a surface elevation of 775.9' and 253,690 acre-feet of storage.

**UNION CONTRACT:**

On December 1, the Union members voted 100% in favor of ratifying a new three-year contract. Significant changes to the contract include: reduction of the standard annual wage increase from 3% to 2%; a provision that allows AMWC to implement an alternative work schedule (either 4/10 or a 9/80 work schedule); modification to jury duty paid leave from 6 days/year to 10 days/24 months; and an

increase in family sick leave days from 6 days to 8 days. There was also clarification regarding on-call pay.

**HIGH-USAGE ADJUSTMENT POLICY:**

The General Manager explained that some shareholders are not happy that AMWC's current High-Usage Adjustment policy only allows for a one-time adjustment. He reported that he has done some research to see how other water agencies handle adjustments, and some alternatives were discussed. He asked if the Board would like to see a proposed revision of AMWC's policy at the next meeting, and the Board members indicated they would.

**BILL INSERT, FREE TAX PREP SERVICES:**

The Community Action Partnership (CAP) requested AMWC insert a flyer regarding CAP's free tax preparation services in AMWC's water bills. The Board reiterated that water bill inserts should be limited to AMWC-related topics.

**CIVIL ENGINEERING MAGAZINE ARTICLE:**

An article in the October 2011 issue of "Civil Engineering" magazine features the Nacimiento Water Project, which is one of five nominees for the outstanding civil engineering project of the year.

**NEXT MEETING DATE AND TIME:**

The next meeting is scheduled for January 11, 2012, at 6:30 p.m.

*The following new business was discussed:*

**COMMUNICATIONS SITE LEASE, VERIZON:**

Verizon submitted a letter of interest to AMWC regarding a cell site lease at the Pine Mountain Tank site, with the following conditions: initial rental rate of \$1,667 per month, a 3% increase each year after the initial five-year term, a five-year initial term with two five-year extensions (to expire 4/1/2028), and Verizon paying for all costs of operation and development of the site.

The General Manager has advised Verizon representatives that the terms they are proposing do not conform to AMWC's standard terms for these types of leases. The Board directed the General Manager to continue with negotiations using AMWC's standard terms and rental rates, with the initial rental rate being an average of the current rates for the three existing cell sites on the property.

**RECOVERY FEE INTEREST RATE:**

The General Manager reported that staff is recommending the current recovery fee interest rate remain at 6% for 2012. A motion was made and seconded to maintain the current recovery fee interest rate of 6%. The motion carried 5 to 0.

**401(K) PLAN EMPLOYER CONTRIBUTION:**

A motion was made and seconded to adopt the following resolution:

BE IT RESOLVED: That, effective January 1, 2012, Atascadero Mutual Water Company's discretionary non-elective employer contribution will be 4% of all participants' plan compensation. The motion carried 5 to 0.

**CASH FLOW PROJECTIONS:**

The General Manager presented and discussed his cash flow projections for the next four years. He presented five projections, as follows:

Projection 1: no water rate increases, no increase in water sales in FY 2013 – 2016, 23 new connections/year in FY 2013 - 2016

Projection 2: 15% water rate increase in FY 2013, no increase in water sales in FY 2013 – 2016, 23 new connections/year in FY 2013 - 2016

Projection 3: 15% water rate increase in FY 2013, no increase in water sales in FY 2013 – 2016, 23 new connections/year in FY 2013 – 2016, postpone construction of new administration building beyond FY 2016

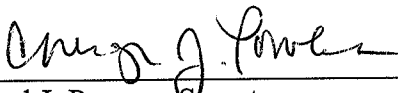
Projection 4: 15% water rate increase in FY 2013, no increase in water sales in FY 2013 – 2016, 23 new connections/year in FY 2013 – 2016, deferred capital improvements

Projection 5: 7.5% water rate increase in FY 2013 and 2014, no increase in water sales in FY 2013 – 2016, 23 new connections/year in FY 2013 – 2016, deferred capital improvements

The General Manager explained that the capital improvements that would be deferred would not be for essential system improvements, such as valve replacements and service line renewals. He suggested that if Projection 5 were implemented, staff could reevaluate the cash flow projections after FY 2013 to determine if a higher adjustment would be necessary in FY 2014.


He also explained that he would like to get information to the public as soon as possible so the shareholders will understand that the need for the increases is due to expenses related to the Nacimiento Water Project; the Board members agreed. There will be further discussion regarding this issue at the January Board meeting.

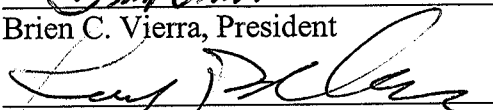
The meeting was adjourned at approximately 7:20 p.m.

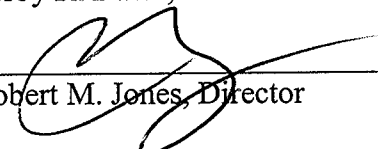
  
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Cheryl J. Powers, Secretary

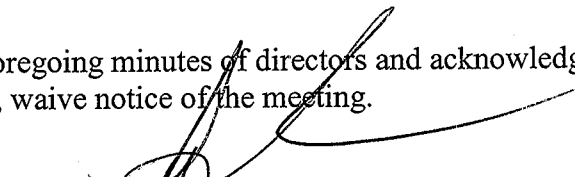
**APPROVED:**

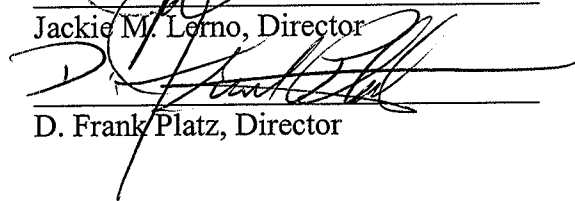
The undersigned directors of the Company approve the foregoing minutes of directors and acknowledge notice of the meeting or, if notice was not properly given, waive notice of the meeting.

  
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Brien C. Vierra, President

  
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Leroy R. Davis, Vice-President

  
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Robert M. Jones, Director

  
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Jackie M. Lerno, Director

  
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D. Frank Platz, Director