

MINUTES OF REGULAR MEETING
BOARD OF DIRECTORS
ATASCADERO MUTUAL WATER COMPANY

December 13, 2007

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

PUBLIC COMMENT:

Jesse Woodard explained to the Board that he purchased a parcel a couple of months ago and that a water main runs under the property. He said that he received a Will-Serve Letter from AMWC and now wants water service but AMWC is requiring an easement before the property can be served.

John Neil explained that a line easement was granted on the property in the 1960's by the Luebbers (the prior owners), and that an easement with some width is needed due to problems in the past with encroachments, specifically people building over water mains. He also reported that Mr. Woodard did not want to give AMWC an easement without remuneration. He also reported that he had advised the City of the easement issue and asked them to include certain conditions for building on the property, but the City did not do so.

The General Manager reported that the original Will-Serve Letter was for the underlying parcel, prior to the subdivision. That Will-Serve Letter stated that the plans for the subdivision would need to be reviewed to determine if the parcels could be served. When the property was subdivided, the General Manager put a condition requiring an easement on the Will-Serve Letter.

Mr. Woodard said he was aware of the easement and has started building two of the houses and wondered how landscaping would be affected and who would be responsible for damage to landscaping if the easement was used (the homes are outside of the easement). He said he would like to see what can be done to satisfy both parties. He suggested that he is interested in compensation for the part of the land that would be lost due to the easement. He has a home that is three weeks away from completion and needs a water meter. He wants a response quickly.

A Board member suggested that the issue be addressed in Executive Session and that AMWC staff will get back to Mr. Woodard tomorrow, since the Board would not make a decision without reviewing all of the information first. They said they would need to see a plot plan, and Mr. Woodard had one with him and gave it to John Neil. The properties affected are 2865, 3005, and 3015 Chico Road.

LAND LEASES, 4965 SYCAMORE AVENUE:

The General Manager explained that Mr. and Mrs. Fisher have requested their lease at the subject property be continued. His recommendation is to deny the request, based on the Board's decision to not extend any leases along Sycamore Avenue beyond February 2008. He reported that the Fishers are taking good care of the property and that if the Board wishes to continue to allow them to use the property, a license agreement could be used. The Fishers were present at the meeting and expressed how much they enjoy the property. The Board said they appreciate the Fishers concern and upkeep of the property and approved entering into a license agreement with the Fishers. The Fishers will be provided a copy of the license agreement and will meet with AMWC staff to execute the agreement.

LAND LEASES, 4995 SYCAMORE AVENUE:

The General Manager explained that Mr. and Mrs. Valentine have requested their lease at the subject property be continued. His recommendation is to deny the request, based on the Board's decision to not extend any leases along Sycamore Avenue beyond February 2008. He reported that if the Board wishes to continue to allow them to use the property, a license agreement could be used. The Valentines were at the meeting and would like to enter into a license agreement. The Board approved entering into a license agreement with the Valentines.

APPROVAL OF MINUTES:

A motion was made and seconded to approve the minutes of the regular meeting of October 17, 2007. The motion carried 4 to 0.

The following reports were reviewed:

OPERATIONS REPORT:

The Operations Report was available for review. The General Manager reported that the shallow wells have been depleted. He also reported that water demand is less than projected, and that increases in demand are not keeping up with growth. He feels that AMWC's strong conservation program and public awareness in general have contributed to this.

FINANCIAL REPORT:

The Financial reports for October were available for review. The General Manager reported that all but \$100,000 of the funds in the Edward Jones Capital account has been fully invested and that staff is now working on the funds in the Investment account.

He also reported that the income for the WRDR account will likely be a little less than projected due to fewer meters being sold than anticipated. He will present some long-range information at the January meeting showing scenarios relating to meter sales.

CONSERVATION REPORT:

The Conservation report was available for review. The Conservation Manager reported as follows: residential water surveys are still being requested; she is working with the City to develop some BMPs (Best Management Practices) regarding water conservation areas, such as turf reduction at parks; all of the 50 high-efficiency clothes washer rebates have been used; we are continuing with radio and newspapers spots; the WaterWatch signs will be going up in January; the Woodlands and Watersheds calendars have been sent out; toilets are continuing to be replaced through the bathroom retrofit program; and "The Story of Our Water" is being presented in the classrooms at local elementary schools.

The General Manager explained that staff may come back to the Board requesting a break in the rates for the City if it can meet certain conservation criteria, and that any public agency could be considered. This would create an incentive to conserve water, and the impacts on revenue would be insignificant.

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

NACIMIENTO WATER PROJECT:

The General Manager reported that the construction schedules for the project are being formulated and that the County is continuing to work on easements. He has approached the County regarding moving the easement on AMWC's property that is south of Halcon Road. Archaeological issues are still a problem at Camp Roberts.

NWP RECHARGE & RECOVERY BASINS:

A Conditional Use Permit has been submitted to the City. Percolation tests performed by Fugro indicate the strata is continuous. Boyle Engineering's evaluation found high delivery rates, so there is a need to figure out the piping.

EAST RIVER WELLS:

The General Manager reported that the cuttings from the exploratory borings look promising, so AMWC may want to consider developing a well there as soon as possible. The Board directed him to get it budgeted and proceed.

FACILITY EXPANSION:

The facility expansion is continuing and progress is being made. The General Manager will present the most recent revisions to the floor plan at the January Board meeting. PG&E is working on getting the utilities moved.

BMX TRACK:

The City had previously approved the proposed BMX track plans but has since changed City Attorneys and wants the new attorney to review the agreement. There are some changes to the public use aspect of the agreement, and Brady Cherry of the City will come to the January Board meeting to explain this.

UNION NEGOTIATIONS:

The General Manager reported that the union contract expired on November 30 and that an agreement has not yet been reached. The next meeting between AMWC and the union representatives is scheduled for January 8, 2008.

ASSEMBLY BILL NO. 817, MAZE:

The General Manager explained that the subject bill, which would require mutual water companies to have supervisory committees in addition to a board of directors, is making progress. The concern of Assemblyman Maze is that there isn't enough transparency for shareholders of mutual water companies; this is based on four allegations of mutual water companies operating "under the cover of darkness." The General Manager pointed out that these issues are already addressed in the Corporations Code, and that he has attempted to contact Sam Blakeslee, who voted in favor of the bill, and Jim Patterson to gather more information.

The following new business was discussed:

SHUT-OFF POLICY REVISIONS:

The General Manager reviewed the proposed changes to the subject policy. He showed a sample of AMWC's current bill and explained the confusion for customers regarding the due date. The Board suggested that there not be a due date, rather that the bills read that payment for charges is due upon receipt. The issue of when late charges should be assessed was discussed, and the Board would like to see a notice on the bill that states that charges are delinquent after 30 days. Staff will make these changes and bring policy back to the Board for approval in January.

ONE-STOP REBATE PROGRAM:

The Conservation Manager explained that last February AMWC entered into a contract to participate in the One-Stop Rebate program. This program allowed AMWC grant funds from Prop 50 for a rebate program for high-efficiency washers. Idler's has been promoting the program, and all 50 rebates that were allotted to AMWC have been used. The Conservation Manager is now proposing 100 more rebates, for an initial cost to AMWC of \$18,000, however, AMWC would recoup half of the monies as the rebates are submitted. The program would cover 100 high-efficiency washing machines and 30 ultra-low-flow toilets.

A motion was made and seconded to authorize the General Manager to enter into an agreement with the California Urban Water Conservation Council (CUWCC) for additional participation in the One-Stop Rebate program as presented in the agenda report. The motion carried 5 to 0.

RECOVERY FEE INTEREST RATE ADJUSTMENT:

A motion was made and seconded to maintain the recovery fee interest rate of 8%, effective January 1, 2008. The motion carried 5 to 0.

401(k) PLAN EMPLOYER CONTRIBUTION:

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

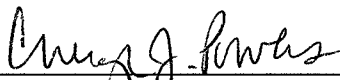
BE IT RESOLVED: That, effective January 1, 2008, Atascadero Mutual Water Company's discretionary non-elective employer contribution will be 4% of all participants' plan compensation.

The motion carried 5 to 0.

NEXT MEETING DATE AND TIME:

The next meeting is scheduled for January 9, 2008, at 6:30 p.m.

The meeting was adjourned


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.

Rodger E. Vierra, President

Robert M. Jones, Vice President

Jackie M. Lerno, Director

D. Frank Platz, Director

Leroy R. Davis, Director

BOARD POLICY

355.30 ADMINISTRATION OF COLLECTIONS- DELINQUENT SHUT-OFFS

January 9, 2008

APPROVED

POLICY:

All payments are due upon receipt. Delinquent fees will be assessed to accounts not paid by the 1st day of the second month following the billing period; for example, an account that was billed in December and remains unpaid on February 1 would be assessed a late fee. At least 10 days prior to the Shut-off date, Shut-off notices are sent to Shareholders who have a 60-day past-due balance greater than \$10.00. Payment of all past-due charges is required to avoid water service being shut off.

Any Shareholder who has never been contacted for a shut-off in the past will be called. If AMWC is unable to contact a Shareholder by phone, a door hanger will be posted in a conspicuous place on the property a minimum of 24 hours prior to the actual Shut-off date.

If it is known that a shut-off is for a commercial account or an occupant with a known medical condition, an additional review step will be taken with the General Manager prior to shutting the water off.

Promises to extend the payment date until 10 days after the Shut-off date will be taken from owners only. A Shut-off fee is charged to accounts once the Customer Service Technician is dispatched from the office. No extension will be given after that point.

The Customer Service Technician will leave a card in the meter box informing the Shareholder that the water was shut off for non-payment. The card will also warn the Shareholder that an additional shut-off fee will be charged if the water is turned back on.

The amount required to restore service will be all past-due balances, plus any shut-off fees and after-hour turn-on fees.

PURPOSE:

Shutting off a Shareholder's water service is one of the last steps used to collect an unpaid water bill. AMWC'S goal is to reduce the number of shut-offs through good communication with Shareholders prior to the Shut-off date. The fees collected for shut-offs are intended to recover the costs incurred in shutting water services off.

The purpose of requiring all past-due charges to be paid to avoid water service being shut off is to ensure the account balance is brought up to date.

BACKGROUND:

Prior to 1996, as a courtesy to owners, AMWC billed tenants as customers. To protect its status as a mutual water company, AMWC now only bills Shareholders. Duplicate copies of bills and shut-off notices are mailed to a tenant or agent if a Billing Option form is submitted by the Shareholder. Because the Shareholder is ultimately responsible for all charges, the tenant cannot negotiate payment extensions.

Prior to January 2008, a shut-off could be avoided by paying only the most delinquent charges on the account. This resulted in many accounts carrying past-due balances until the water service was actually shut off and the required payment of all past-due charges was made. To avoid accounts constantly carrying past-due balances, the policy has been changed to require all past-due amounts to be paid to avoid water service being shut off.

In addition, any Shareholder who had not been called in the past six months regarding their water service being shut off was called. This policy has changed so only Shareholders who have never been contacted regarding water service being shut off will be called. This will reduce the workload of the AMWC Customer Service staff, which will result in providing more equitable service to all Shareholders.