

MINUTES OF REGULAR MEETING
BOARD OF DIRECTORS
ATASCADERO MUTUAL WATER COMPANY

January 9, 2008

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

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 December 13, 2007. The motion carried 3 to 0.

The following reports were reviewed:

OPERATIONS REPORT:

The Operations Report was available for review. The General Manager reported that the shallow wells are out of service and demand has dropped considerably. He noted that 2007 was the highest production year ever.

FINANCIAL REPORT:

The Financial reports for November were available for review. The General Manager reported that revenue is what was projected and connection fee revenue is still on track. He also noted that staff has invested most of the previously uninvested monies and that interest rates are low.

CONSERVATION REPORT:

The Conservation Manager reported that all of the rebates available for the washing machine program have been used and the request for 100 more rebates has been submitted. Requests for permits for the Water Watch signs have been submitted to the City, and future bill inserts will include the water drop, which will show new rainfall totals and drought conditions, as well as conservation tips. She reported that plans for WaterFest 2008 are getting started and that approximately 2,000 people are expected to attend.

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

NACIMIENTO WATER PROJECT (NWP):

The project has started and AMWC has started hearing from contractors. The General Manager and Director Leroy Davis will look at AMWC's Halcon property to determine how the easement should be adjusted.

NWP RECHARGE AND RECOVERY BASINS:

The project is moving along. The City has reviewed the CUP submitted. Fugro has done the perc tests and they were good, so the size of the ponds can be minimized. The project will need to go to the Dept. of Public Health for a permit amendment, and they will be looking at how close the pond is placed to the wells. Boyle Engineering looked at the hydraulics and the results were positive, as it shows no impact on the pressures, so pipeline improvements will likely not be needed.

EAST RIVER WELLS:

Two exploratory wells have been drilled that indicate there could be productive wells on the property. AMWC has hired an archaeologist and an engineering firm to start the process.

UNION NEGOTIATIONS:

Negotiations are continuing and will be discussed further in Executive Session.

ASSEMBLY BILL NO. 817, MAZE:

The General Manager has sent letters to State Assembly members, the Governor, and the press. The bill is currently stalled in the State Senate.

SAN GREGORIO ROAD PRV STATION UPGRADE:

The new PRV station has been operational since the middle of last week, and the old station is scheduled to be removed.

SAN MARCOS TANK ROOF REPLACEMENT:

A building permit is needed for this project and should be received tomorrow. Staff is getting ready to drain the tank, and the variable speed drives (VFD) are operational in the San Gabriel Booster Station, so all residents in the San Marcos Zone will be kept in service.

ELECTION OF PRESIDENT

Vice-President Robert Jones reported that he had spoken with Mary Beth Collins, AMWC's corporate attorney, and she advised that a new Board President be appointed due to Rodger Vierra's passing. There was discussion among the Board members regarding who should be appointed, and Leroy Davis was appointed to the position of President by unanimous vote.

NEXT MEETING DATE AND TIME:

The next meeting is scheduled for February 13, 2008, at 6:30 p.m.

LAND LEASE, BMX TRACK:

The General Manager reported that since the City cannot afford to staff the BMX track full-time, the track will not be opened to the public as originally planned but will only be open to NBL (National Bicycle Assn.) members during NBL events. Due to this change, he is bringing the land lease agreement back to the Board for reaffirmation of their prior decision to lease the property to the City. He explained that the City is going to provide assistance to anyone who is interested in becoming a member of the NBL so that those interested in using the track would be able to do so. The Board unanimously reaffirmed their decision to allow the City to lease the property.

Brady Cherry, the City's Community Services Director, was present at the meeting and reported that it is the City's goal to make sure no child gets turned away and the City would like to open the track to the public in the future.

GRANT OF EASEMENT – RIVER PARCEL:

The General Manager explained that Kelly Gearhart had requested an access easement for this property in March 2002 but that staff thought it would be best to grant the easement to City for liability reasons. The process of the City accepting the improvements on the property has held the finalizing of the easement up for several years, but the City has now agreed it would be the grantee for the easement. The Board voted unanimously to approve the easement as presented.

SHUT-OFF POLICY REVISIONS:

The General Manager explained that staff has made the changes regarding removing a due date and instead having a notice of when late charges will be applied, and language regarding all charges being due upon receipt is included on the bills. He showed an example of the proposed bill, and the Board asked that the statement regarding the charges being due upon receipt be printed in bold type. He asked if the Board is in agreement with the proposed bill and the issues of all charges being due to avoid service being shut-off, customers only being called once for shut-off, and the Board approved all changes recommended.

FACILITY EXPANSION:

Architects Frank Seiple and Bruce Fraser presented Powerpoint slides showing the current configuration, including the site plan and the floorplan, for the new facility. Frank explained that the most significant changes, specifically moving the pole barn, were made to reduce the grading. The access has been changed in response to the City's review of the project, but the building location has not changed.

They showed the slide show and explained many of the features, such as the placement of the building taking advantage of northern and southern exposures, the flexible window system, window placement to allow as much natural light as possible, a roof color that will that cause the least amount of heat to be produced, a grape trellis that will provide shade, and the use of gravel and other natural materials.

AMWC consultant Ken Weathers explained that a submittal to the City will be made in approximately 2 – 3 months and approvals from the Board will be needed at the next two Board meetings. Ken needs to meet with field staff to go over the areas they will occupy, but no significant changes are expected. There was also discussion regarding the ability to expand in the future, and the architects explained that there is plenty of room for expansion and that the walls could be made less permanent.

The following new business was discussed:

LAND LEASE - 4955 SYCAMORE AVENUE:

The General Manager reported that AMWC has received a request for a license agreement from William Martinez, the owner of the property at 4955 Sycamore Avenue. The Board approved granting a license to Mr. Martinez.

LONG-RANGE CASH FORECAST:

The General Manager presented the Board with spreadsheets showing three different cash flow scenarios he created using various assumptions regarding AMWC's income and expected population and inflation rates. He reviewed the details of the scenarios and looked at trends as they move into the future through year 2041.

The first projection showed connection fees escalating at the same rate as the bond interest rate (5.7%). The operations fund generally escalates until inflation exceeds water rate increases, at which time the ECR (Expense Coverage Ratio) begins to decline. The present value of year 2041 connection fees under this scenario would be \$20,523. Expenses are estimated at inflation, and growth rate and income is estimated only on growth rate. He explained that this projection is based on an ECR (Expense Coverage Ratio) of at least 1 for WRDR.

The second projection assumed the growth rate drops faster in years 2008 – 2011.

The third projection includes the water treatment plant expense, which is not expected to be built until 2021. No change in growth was shown and only a moderate increase in connection fees was used. The project would be funded by using connection fee revenue and water rate revenue equally.

After discussion, the Board decided it would like to wait until there is a full Board to vote on adopting a budget and on raising connection fees.

PAYMENT ASSISTANCE PROGRAM:

The General Manager explained that the City of San Luis Obispo has a program they feel is very successful in helping their customers who need assistance paying their water bills. The program is administered by the EOC, which is responsible for reviewing the applicants' applications and determining if assistance is warranted. AMWC currently sends customers to the Salvation Army for assistance. All Shareholders would be asked if they are interested in contributing to the fund, and AMWC could match any contributions up to a predetermined limit. This program would provide one-time help for customers. The Board asked that this item be brought back for review when there is a full Board.


The meeting was adjourned.



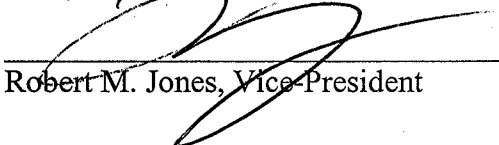
Cheryl J. Powers, Secretary

APPROVED:

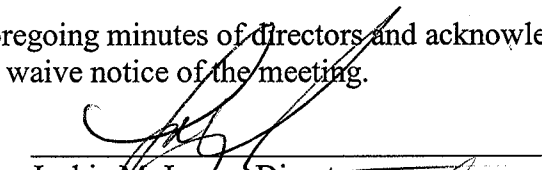
The undersigned directors of the Company approve the foregoing minutes of directors and acknowledge notice of the meeting or, if notice was not properly given, waive notice of the meeting.



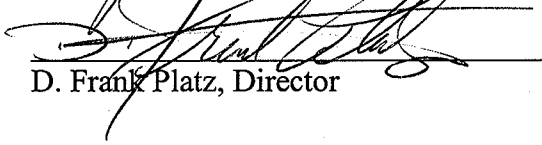
Leroy R. Davis, President



Robert M. Jones, Vice-President



Jackie M. Lerno, Director



D. Frank Platz, Director