

MINUTES OF REGULAR MEETING
BOARD OF DIRECTORS
ATASCADERO MUTUAL WATER COMPANY

June 11, 2008

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

PUBLIC COMMENT:

There was no public comment.

CHANGES TO AGENDA:

The General Manager reported that there is an additional agenda item, Cell Site Lease Assignments, to be added to the agenda, and that the Lot Line Adjustment for 4745 El Verano Avenue agenda item has been pulled from the agenda at the owner's request.

APPROVAL OF MINUTES:

A motion was made and seconded to approve the minutes of the regular meeting and the Annual Meeting minutes of May 7, 2008. 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 all wells are operational and running. He presented two different charts for the "Year Usage" report and asked the Board to advise which format they would prefer to see in the future.

FINANCIAL REPORT:

The financial reports for April were available for review. The year-end budget summary for 07/08 was discussed, and the General Manager noted that the balance of the WRDR fund was approximately \$400,000 higher than he previously projected, expenses were 90% of what was projected, and revenue was 10% higher than projected.

CONSERVATION REPORT:

The Conservation Manager reported that there has been a lot of interest in the Home Water Survey and high-efficiency washing machine rebate program and that the other programs are going well also. She is very busy with community activities and workshops and reported that "Water Fest" is scheduled to be held in Arroyo Grande next year, but will likely be held in Atascadero in future years. She also explained that she will be proposing a change to the current bathroom retrofit program to switch from giving rebates for low-flow toilets, which most homes already have, to high-efficiency toilets, which use 1.3 gals. per flush versus 1.8 gals. for the low-flow toilets.

The General Manager reported that he has submitted a press release to the Atascadero News in response to the Governor's declaring drought conditions throughout the state. The press release explains

that AMWC is not affected by these drought issues, as its source is groundwater, but that AMWC customers still need to conserve to reduce the strain on the aquifer.

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

ELECTION OF OFFICERS:

A motion was made and seconded to appoint officers as follows: President, Grigger Jones; Vice President, Jackie Lerno; Treasurer, Frank Platz; Assistant Treasurer and Secretary, Cheryl Powers; and Assistant Secretary, Lorraine Halderman. The motion carried 4 to 0.

SHUT-OFF POLICY:

The General Manager reported that the revised shut-off policy has resulted in many fewer shut offs each month.

NACIMIENTO WATER PROJECT (NWP):

The required NEPA legal notice has been published by the Flood Control District, and at the end of the 30-day public review period, estimated to be in mid-July, work should allowed to continue on Camp Roberts. The General Manager reported that the architect is currently doing work at the site, which should save time.

NWP RECHARGE/RECOVERY BASIN:

The City has published the legal notice required for the negative declaration for the project, which opens a 30-day public review period.

FACILITY EXPANSION:

The Planning Commission is scheduled to review the Conditional Use Permit in mid-July.

EL CAMINO REAL CAST IRON MAIN REPLACEMENT:

The Wallace Group is about 90% complete in its design of the replacement of the cast iron main in El Camino Real between Rosario Avenue and Atascadero Creek. The project will go out to bid next week, and bids will be due in mid-July.

NEXT MEETING DATE AND TIME:

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

The following new business was discussed:

EAGLE RANCH PRESENTATION:

John Knight of RRM Design, the planner and project manager for the Eagle Ranch development project, reported that they have been working with the City to get the portion of the development that is not currently in the City limits annexed into the City, and that the City Council has authorized its staff to move forward in processing the plans for the project. Eagle Ranch wanted to come to the AMWC Board to start the annexation process that will be required to obtain water for the portion of the project that is outside of AMWC's existing service area, so he, along with owners Greg and Jeff Smith, and Vic Montgomery, another project engineer from RRM Design, presented a slide show demonstrating their vision for the development.

The vision includes creating a low-impact, low-density, environmentally-sensitive residential subdivision, with a lot of open space where cattle can be run, following the Santa Lucia Preserve

concept. The project will contain a mix of housing, including multi-family and very large homes, as well as a small village center, an equestrian resort, and walking paths. Construction on the project is anticipated to begin in approximately four years.

There was discussion regarding whether the water would be supplied through the Nacimiento Water Project, and the General Manager reported that AMWC is currently updating its master plan which may help determine an estimate of what would be needed for the project. There was also discussion about what water resources currently exist on the property, and the owners replied that there are springs and a well, which they would like to continue using for irrigation. The springs are outside the area proposed for annexation into the AMWC service area.

The owners asked what the next step is to move forward, and the Board responded that annexation cost payment agreements should be brought back as an action item.

NACIMIENTO WATER PROJECT, RESPONSE TO GRAND JURY:

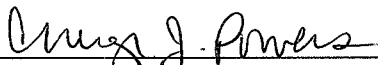
The General Manager recommended that the President be authorized to sign a response he had written to the Grand Jury report – the letter was attached for review. A motion was made and seconded to approve the General Manager’s recommendation as presented. The motion carried 4 to 0.

CELL SITE LEASE ASSIGNMENTS:

The General Manager reported that Wireless Capital Partners, a large leaseholder that takes over management of cell site leases, has contacted him regarding paying AMWC a lump-sum payment covering up to 40 years for the Crown Castle, T-Mobile, and Cingular Wireless cell site leases. He explained that he did a present value analysis of the existing leases, assuming they would exercise all five-year extension options, and he presented the results in a table. The analysis indicated that there could be a loss of income over the life of the leases, if the lease extension options are exercised.

There was discussion regarding the risk of losing income being reduced, since Wireless Capital Partners will lease the site(s) to someone else if the current lessee(s) do not renew, and that the leases are somewhat problematic administratively. The Board indicated it would like to see more analysis before making a decision.

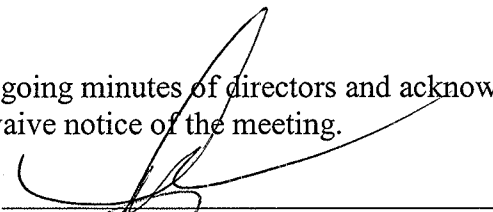
The meeting was adjourned at approximately 7:45 p.m


Cheryl J. Powers, Secretary

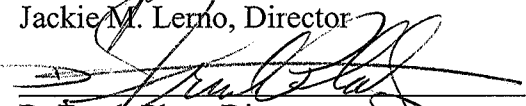
APPROVED:

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


Jackie M. Lerno, Director


Robert M. Jones, Vice-President


D. Frank Platz, Director


Brian C. Vierra, Director