

MINUTES OF REGULAR MEETING
BOARD OF DIRECTORS
ATASCADERO MUTUAL WATER COMPANY

July 9, 2008

The meeting convened at the office of Atascadero Mutual Water Company, 5005 El Camino Real, Atascadero, at 6:30 p.m., President Robert Jones presiding. Others present were Vice-President Jackie Lerno, Directors Leroy Davis 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 Fraser Seiple would be presenting information to the Board regarding the facility expansion.

APPROVAL OF MINUTES:

A motion was made and seconded to approve the minutes of the regular meeting of June 11, 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. He showed graphs demonstrating water services versus demand using 1993, the year AMWC's conservation program commenced, up to the present. He noted that customers/services are increasing at a much higher rate than average monthly water demand.

QUITCLAIM DEED, COLONY SQUARE:

Bob Winslow spoke regarding the request for a quitclaim deed for this project, and explained that AMWC required an easement when the water main was abandoned years ago. The General Manager explained that with the development of Colony Square, AMWC has no need for an easement – it's been AMWC's policy to not construct new mains on private property, so AMWC will have no mains/facilities in the new development. He recommended the Board authorize the President to execute a quitclaim deed as presented in the Action Item. A motion was made and seconded to authorize the President to execute a quitclaim deed for the 50-foot-wide water line easement in the Colony Square project site in substantial conformance with Attachment B of the Action Item. The motion carried 4 to 0.

FINANCIAL REPORT:

The Financial reports for May were available for review. The General Manager noted that operating revenue is slightly higher than expected.

CONSERVATION REPORT:

The General Manager reported that the residential water survey program is receiving a lot of interest, and one of the Board members shared that he had the survey done at his home and was very pleased with the experience. The General Manager reported that the Conservation Manager is involved in many community outreach programs, and the workshops have been very well attended.

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

WORKERS COMPENSATION INSURANCE:

Although AMWC has not experienced a lost-time injury in almost three years, due to the method used to calculate workers compensation experience modification rates, or "mod" rates, AMWC's mod rate has increased from 115% to 129% for the next policy year – the mod rate is based on previous years' accident history, which in this case is 2003 – 2007, a time during which AMWC experienced some lost-time injuries. The increase in the mod rate will result in increased workers compensation premiums.

Morris & Garritano presented staff with two quotes, one from AMWC's current workers comp carrier, State Compensation Insurance Fund (SCIF), and one from Cypress Insurance; three other carriers were contacted and declined the invitation to provide quotes. Cypress quoted a lower rate, so staff made the decision to switch from SCIF to Cypress.

Morris & Garritano advised staff that an OSHA survey of the premises is to be expected and that staff can contact OSHA and request a consultation to prepare for the inspection. Staff will also work closely with Morris & Garritano's loss control representative to guide them through this process.

NACIMIENTO PIPELINE PROJECT:

The General Manager reported that the project is still moving along, but the Notice of Availability to allow access onto Camp Roberts has still not been issued. The contract documents assume access would be available by June 1, and John Hollenbeck will likely be sending a letter regarding claims being filed.

The General Manager explained the buy-in policy for new participants. The new partners would pay in at the same rate as existing partners and pay cash to buy in. For example, to buy 200 acre-feet of water per year, a new partner would pay approximately \$4.5 million. He also noted that partners can sell water to make up/reduce their costs.

NWP RECHARGE & RECOVERY BASIN:

The public review period has ended and there were no comments, so staff is working on the final plans and looking at doing a pilot study for UV equipment for disinfection.

EL CAMINO REAL CAST IRON MAIN REPLACEMENT:

Bids for the project are due 7/10/08, and potential contractors have expressed a lot of interest.

NEXT MEETING DATE AND TIME:

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

The following new business was discussed:

FINANCIAL STATEMENTS, FYE 04/30/08

The General Manager reported that staff distributed the audited financial statements to Board members June 19, 2008, and that questions from Board members were addressed by staff. He noted that the graph depicting wage and benefit trends assumes a 4% increase in costs, but there was actually a

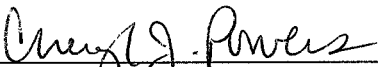
reduction in benefits and wages resulting in a 3.3% net increase, which is in line with what staff anticipated. A motion was made and seconded to approve the audited financial statements as presented. The motion carried 4 to 0.

The following old business was discussed:

FACILITY EXPANSION:

The layout of the Boardroom for the new facility was reviewed. Staff explained that Fraser Seiple is working on different layouts for various uses for the Boardroom and needs direction from the Board regarding the concept for the room because they are trying to get the construction drawings started. The Board doesn't see any reason to make the Board Room open to the lobby and would rather keep the walls fixed. The idea of using closed-circuit television for times when there is overflow was discussed. Seating of the Board members was also discussed. Fraser and Seiple reported that they will probably have more information available at the next Board meeting.


The meeting was adjourned



Cheryl J. Powers, Secretary

APPROVED:

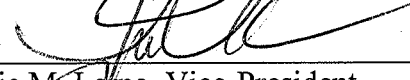
The undersigned directors of the Company approve the foregoing minutes of directors and acknowledge notice of the meeting or, if notice was not properly given, waive notice of the meeting.



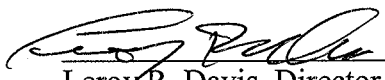
Robert M. Jones, President



Brian C. Vierra, Director



Jackie M. Lemo, Vice-President



Leroy R. Davis, Director



D. Frank Platz, Director