

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

**September 17, 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, Frank Platz, and Brien Vierra, 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 July 9, 2008. 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 that use has been lower than usual all year, which is also reflected in the revenue figures of the budget. Water levels are what we would expect at this time of the year.

**FINANCIAL REPORT:**

The Financial reports for July were available for review. The General Manager noted that operating revenue is down and probably won't be as high as budgeted. Meter sales are also down, and we probably won't sell even half as many as in a typical year. He suggested that water rate increases and connection fees be discussed in the near future, and said he will present a cash flow model at the next meeting.

**CONSERVATION REPORT:**

The General Manager reported that staff is still receiving requests for residential water audits and high-efficiency washing machine rebates, and that the Conservation Manager is very busy with many community outreach programs, such as the Creek Clean-up and North County Garden Tour.

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

**OSHA CONSULTATION:**

Due to AMWC's Workers' Compensation insurance modification rating ("Mod" rate) recently increasing to over 125%, which could prompt an OSHA inspection, staff was advised by Morris & Garritano to be proactive and schedule a consultation meeting with the Occupation Safety and Health Administration (OSHA). Staff met with the OSHA consultant on September 16, and he inspected AMWC facilities and found no serious problems. The consultant stated that AMWC would have received a "Golden Gate" award except for two minor issues. Staff will make all corrections advised by

the consultant and will schedule another inspection in approximately nine months, at which time the "Golden Gate" award could be given.

**NACIMIENTO WATER PROJECT:**

The General Manager reported that excavation of the intake structure is complete and work on the horizontal shaft has begun. The District has been given access to Camp Roberts, and the project is slightly ahead of schedule and slightly below budget.

**NWP RECHARGE & RECOVERY BASIN:**

Additional hydrogeologic modeling was done by Fugro to determine the travel time between the ponds and the recovery wells, and it was determined that a 5 -7 day retention time could be achieved by moving the recovery wells. The Department of Public Health was very impressed with AMWC's approach for treating the Nacimiento water and has indicated that other treatment, such as ultraviolet light, may not be necessary, which would save AMWC a significant amount of money.

**FACILITY EXPANSION:**

The planning commission unanimously approved the CUP. Staff has submitted plans for Phase 1 and received plans for the pole barn and garage. An oral presentation will be given by staff later in the meeting.

**CHALK MOUNTAIN TANK ROOF REPLACEMENT:**

Staff has entered into a contract with Speiss Construction and the project is currently in the plancheck process.

**SAN MARCOS TANK:**

Painting of the tank is scheduled to begin in October. Staff has received color samples and will be discussing them with the neighbors who live near the tank.

**EL CAMINO REAL CAST IRON MAIN REPLACEMENT:**

The project is going well. Staff will work with the City to ensure adequate traffic control when the project is at/near the Traffic Way/El Camino Real intersection.

**EAST RIVER WELLS:**

Staff is working to get permits from Fish & Game and Corps of Engineers for the river crossing for the main.

**NEXT MEETING DATE AND TIME:**

The next meeting is scheduled for October 8, 2008, at 6:30 p.m.

***The following old business was discussed:***

**FACILITY EXPANSION:**

The General Manager showed the proposed floor plan and explained that the footprint has not changed. He explained that a fixed, rather than movable, wall has been integrated into the plan since there is ample seating for any anticipated uses of the room. He pointed out the open space towards the back of the building and explained that the open floor plan would be better for heating and cooling of the building.

There was discussion regarding whether the Board would like staff to consider designing the building to meet the LEEDS (Leadership in Energy and Environmental Design) certification requirements, which would win a stamp of approval from the Green Building Council and, although would result in higher project costs, could result in savings over the life of the building. (Some examples of the requirements are solar energy and treating storm water.) The Board expressed that it is interested in pursuing the certification at the basic level, and it was noted that many of the required elements will be included whether the LEEDS certification is pursued or not. Staff will bring more information to the next meeting for the Board's consideration as it becomes available.

**CELL SITE LEASE ASSIGNMENTS, WIRELESS CAPITAL PARTNERS:**

Staff received a proposal from Wireless Capital Partners to purchase all of AMWC's current cell site leases at Pine Mountain and the Santa Ana Tank for a lump sum of \$607,774. Staff prepared an "Existing Lease Value Analysis" showing potential revenue AMWC would receive if it keeps the leases versus accepting the proposal by Wireless Capital Partners. The analysis demonstrates that there is a potential loss of revenue of \$732,000 over 20 years. There is a possibility that AMWC could lose revenue if a current lease is not renewed, but staff noted that this seems unlikely. A motion was made and seconded to reject the lump-sum offer by Wireless Capital Partners for the assignment of AMWC's cell site leases at the Pine Mountain and Santa Ana Tank sites. The motion carried 5 to 0.

*The following new business was discussed:*

**DEFERRED FEES REQUEST, 8315 MORRO ROAD:**

Staff recently discovered that rather than paying for and installing seven meters for this project, as was represented on the Will-Service letter and meter application for this project, the owner used the existing meter that served the underlying parcel to serve all the parcels in the subdivision. The owner's response to a letter sent by AMWC staff is that he doesn't have the funds to pay for the additional six meters and has asked that the fees be deferred. Staff has been advised by its legal counsel that the water cannot be turned off because there are tenants in some of the condos, so staff is seeking direction from the Board regarding this matter.

There was discussion regarding the possibility of recording a document against the property so a title search will show there are unpaid fees if the property is sold, and the Board advised staff to speak to legal counsel to see if this can be done. A motion was made and seconded to deny the request by Mr. Kelly Gearhart to defer payment on installation and connection fees for six lots in Tract 2840, and to require the installation of separate water meters and payment of connection fees and installation fees for each lot within the subdivision. The motion carried 5 to 0.

**INSURANCE, COMMERCIAL PACKAGE:**

The General Manager advised the Board that, after speaking with four of the Board members, staff has renewed its commercial insurance package through Rural Special Districts and is seeking affirmation of this decision. He explained that the commercial package expires on September 1 every year and staff typically does not receive the quotes until a few days prior to the expiration of the policy.

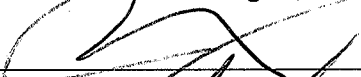
The General Manager also explained that the commercial package has previously included fiduciary coverage but it is no longer included in the package, so staff purchased a separate fiduciary policy. He reported that John Hancock offers a warranty for its 401(k) plan, but after reviewing the warranty, he did not feel it would provide sufficient protection. A motion was made and seconded to affirm a one-year renewal of the commercial insurance package through Rural Special Districts, including the fiduciary liability rider. The motion carried 5 to 0.

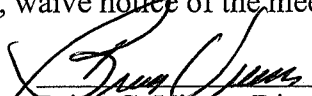
The meeting was adjourned.

  
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Cheryl J. Powers, Secretary

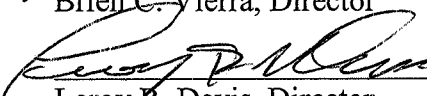
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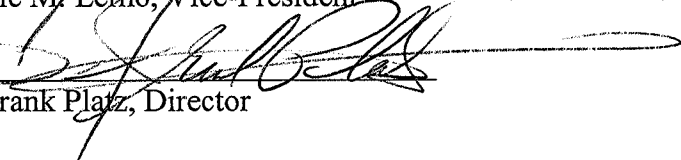
The undersigned directors of the Company approve the foregoing minutes of directors and acknowledge notice of the meeting or, if notice was not properly given, waive notice of the meeting.

  
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Robert M. Jones, President

  
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Brian C. Yierra, Director

  
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Jackie M. Lemo, Vice-President

  
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Leroy R. Davis, Director

  
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D. Frank Platz, Director