

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

**October 8, 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 Directors Leroy Davis, Frank Platz, and Brien Vierra, General Manager John Neil, and Secretary Cheryl Powers. Vice-President Jackie Lerno arrived late.

**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 September 17, 2008. The motion carried 4 to 0.

*The following reports were reviewed:*

**OPERATIONS REPORT:**

The Operations reports were available for review. The General Manager reported that water levels are what would be expected at this time of year, production is less than projected, and demand per service appears to be slightly on the decline.

**FINANCIAL REPORT:**

The Financial reports for August were available for review. The General Manager noted that water revenue is slightly ahead of what was budgeted, partly due to rate increases. He reported that connection fees are quite a bit below what was projected, and that he will discuss this further when the water use rates agenda item is addressed.

**CONSERVATION REPORT:**

The General Manager reported that the Conservation Manager is very active with many community outreach programs, particularly with the Autumn Garden Tour that will be held Oct. 12, and that the City of Paso Robles hired her as a consultant to do a presentation; staff had discussions with the City of Paso Robles regarding using the Conservation Manager as a consultant for other projects, but an agreement could not be reached regarding a fee the City would pay for her services.

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

**NACIMIENTO WATER PROJECT:**

The General Manager mentioned the accident on the portion of the project in Paso Robles last week where two workers who were working for a contractor were killed. He reported that an excavator was advancing in the trench and hit a water line when the workers were removing bracing inside the pipe, and the workers were caught in the pipe. An investigation is underway.

The District now has access onto Camp Roberts and has done the unexploded ordinance work. There are 22 miles of pipe left to install, and Whitaker Construction is approximately three months ahead of schedule. There was an issue with the Rocky Canyon tank – the concrete ring didn't cure to strength and had to be replaced. The vertical and horizontal shafts have been completed and the lake tap is in progress.

**NWP RECHARGE & RECOVERY BASIN:**

Staff is responding to comments from the Department of Public Health (DOPH) and a draft amendment is being prepared. DOPH is going to impose conditions regarding operations on surface water, which would require additional monitoring. The project has been submitted to the City for plan check, and staff is coordinating the site grading for the recovery ponds with the facility expansion so the dirt can be moved where it can be used for the facility expansion project.

**MASTER PLAN UPDATE:**

The Wallace Group will be updating AMWC's Master Plan, which was last done in 1993. Staff has reviewed the initial draft and had a meeting with Wallace today; Wallace will come back with a revised, phased list of capital improvement projects.

**FACILITY EXPANSION:**

The bids for site grading, the pole barn, and garages are due October 10.

**CHALK MOUNTAIN TANK ROOF REPLACEMENT:**

Staff has entered into a contract with Speiss Construction and is currently waiting on a response from Speiss regarding comments from the City.

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

There have been very few complaints regarding the project causing noise or traffic issues. After a complaint from the Carlton Hotel, a revised method of breaking of the asphalt was employed to reduce noise issues.

**NEXT MEETING DATE AND TIME:**

The next meeting is scheduled for November 5, 2008, at 6:30 p.m.

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

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

Last month staff brought a proposal from Wireless Capital Partners to the Board 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, which the Board rejected. Wireless Capital Partners responded with a revised proposal offering a lump-sum of \$678,000.

Staff revised the "Existing Lease Value Analysis" reviewed at the September meeting to show the potential revenue AMWC would receive with the new proposal, and determined that it would take approximately 15 years for the lump-sum payment to equal the payments that would likely be received from the current lessees. A motion was made and seconded to reject the revised 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:*

**CELL SITE LEASE, CROWN CASTLE:**

Staff was contacted by Crown Castle, the current assignee of the GTE Mobilnet lease at the Santa Ana Tank, regarding extending the lease, which is scheduled to expire January 31, 2011. Staff is seeking authorization from the Board to extend the lease under the new terms previously established for cell site leases, i.e., \$2,000 per month; a 5-year initial term, plus two 5-year extensions, plus one additional extension; and a 4% annual increase. The expiration date of the lease would be April 1, 2028.

A motion was made and seconded to authorize the General Manager to enter into a new communications site lease agreement with Crown Castle for the existing telecommunications site at the Santa Ana Tank under the new terms described above. The motion carried 5 to 0.

**WATER RATES:**

Last September, the Board reviewed various alternatives for determining water rates, such as fixed percentage increase, variable percentage increase, and variable rates by meter class. At that time, the Board asked staff to utilize a variable rate increase, with a net 8% revenue increase. The Board adopted a rate schedule for 2008 and tentatively adopted a schedule for future years.

The General Manager discussed the rate schedules shown in the agenda report and noted that they are based on the same tables used in last year's report. He reported that the rate structures in the report target residential use, as those users have the greatest flexibility in their water use. He has updated the long-range cash flow based on those rates to give the Board an idea of how the water rates will affect future years. He explained the assumptions he made and noted that staff will continue to analyze the data each year so adjustments can be made as needed.

He also reported that the biggest assumption made in updating the cash flow is connection fees. He has projected selling 20 meters per year for the next three years, which he believes is a conservative estimate, and he reviewed with the Board the assumptions on escalating connection fees.

The Board then discussed whether a short-term loan should be considered for the facility expansion project versus paying cash. The General Manager explained that he used conservative estimates for the cash flow, assumed that none of the River properties would sell in the near future, and that the money would be borrowed from the Water Resource Development Reserve (WRDR) fund. The Board suggested it would like staff to find out about getting a "take-out" loan for the facility expansion.

The General Manager reported he would like to explore financing and that a decision needs to be made regarding connection fees. He is anticipating the need to build a new water treatment plant and could probably get a bond for the project and pay it over 20 years. He is assuming that half of the funds to build the plant will come from connection fees and half from water rates. The Board suggested it is pleased with the direction he is moving in.

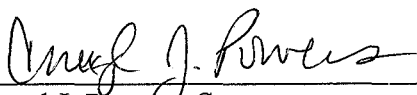
Last year staff addressed the issue of establishing a water rate schedule for entities that do not have much flexibility in their water use, such as the City. At that time, the Board did not want to

consider implementing special rates for the City until it demonstrated it was making an attempt to be more conscious of water use practices, thereby creating an incentive to conserve. Since that time, the City has spent \$40,000 on equipment to reduce water use at Paloma Park and appears to be curbing its water use.

Staff is now seeking direction from the Board regarding encouraging further conservation by doing a match-for-match water savings program, where the City could be awarded a discount if its water use is reduced. At some point, the Board could consider offering special rates for specific City facilities, which may present an opportunity to spread the conservation message through the City parks.

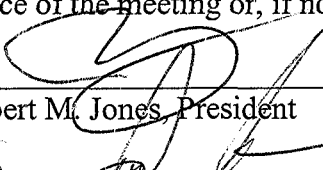
The Board directed the General Manager to bring back an action item regarding water rates for the City at the next meeting.

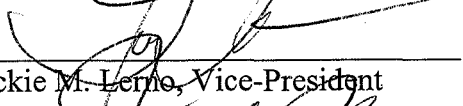
The meeting was adjourned at approximately 7:15 p.m.

  
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.

  
Robert M. Jones, President

  
Jackie M. Lerno, Vice-President

  
D. Frank Platz, Director

  
Brian C. Vierra, Director

  
Leroy R. Davis, Director