

MINUTES OF REGULAR MEETING
BOARD OF DIRECTORS
ATASCADERO MUTUAL WATER COMPANY

March 11, 2009

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 February 18, 2009. 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 even though there have been some recent rains, the water levels are not coming up, possibly because the deep wells have been running continuously. Staff is hoping demand stays down long enough to get water to the shallow wells.

He reported that staff has enacted the Stage 1 Water Shortage Conditions passed by the Board last month and may come back next month and ask that a Stage 2 Water Shortage Condition resolution be passed. He also reported that AMWC will need to realize a 15% reduction in demand this summer, a decrease from 11 million to 8.5 million, to meet peak demand. He updates the demand study continuously and reported that demand is the lowest it has been since 1993.

FINANCIAL REPORT:

The Financial reports for January were available for review. The General Manager reported that a couple of new meters have been sold and that revenue is ahead of projections and operating expenses are on track with what was budgeted.

CONSERVATION REPORT:

The Conservation Manager reported that notices regarding the Water Shortage Condition are going out in bill inserts as well as being posted on the AMWC web site. She also reported that: AMWC is partnering with Cuesta College's North County campus to promote a series of workshops that will be free to AMWC customers and will replace the workshops previously held at AMWC; notices regarding the water-conserving landscape awards will be in the newspaper, on the AMWC website, and in the bill inserts; and that the drought water drop signs around town have been slightly modified and are also in the newspaper.

The Conservation Manager spoke with hotel managers to let them know she is available to answer questions regarding water conservation, and she reported that the Holiday Inn has notices in rooms regarding customers not having towels washed daily. She reported that there have been no updates to the legislative activity previously reported on, that she assisted with interviews for a water conservation manager for the City of Paso Robles, the school conservation education programs are starting up, and she gave an update of the status of the rebate program.

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

RAINFALL:

Rainfall has been well below normal, 9.97" through March 4, and there is little chance that adequate rainfall will be received before the end of the rain year on June 30.

NACIMIENTO WATER PROJECT:

The project is on schedule and under budget.

NWP RECHARGE & RECOVERY BASINS:

The project will go back before the Planning Commission in April.

FACILITY EXPANSION:

The City approved the plans for the grading and shop buildings.

CHALK MOUNTAIN TANK ROOF REPLACEMENT:

The project has been submitted to the City for its third plan check.

EL CAMINO REAL CAST-IRON MAIN REPLACEMENT:

The project is nearly complete.

SAN MARCOS TANK PAINTING:

Painting of the tank is scheduled to begin next week.

NEXT MEETING DATE AND TIME:

The next meeting is scheduled for April 8, 2009, at 6:30 p.m.

The following old business was discussed:

CONNECTION FEE INCREASE:

Last month the General Manager presented what he thought would be an appropriate rate fee increase based on the analysis presented and discussed. He recommended the rate increase be calculated using a blended approach, where the cost of the Nacimiento Water Project (NWP) as well as the cost to develop new wells is used, which brought the cost of the connection fee rate down; the Board agreed with this approach. He also recommended that a 20% water supply contingency be maintained, and used Well 2a as an example of the appropriateness of a 20% contingency since it currently represents approximately 16% of AMWC's total production and its failure would significantly diminish AMWC's ability to meet peak summer demands.

He explained the method used to determine the number of new services that could be served with the NWP and new wells, a total of 3,214. A Board member asked if there was communication with the City regarding this estimate, and he said there wasn't but that there would be more water available than the City's projected build-out projections through 2025 after NWP comes online. He also reviewed the capital costs associated with water development and explained that by dividing that figure by the number of potential services, the amount for the new connection fee would be \$19,600 for a 5/8" meter and that connection fees for meters larger than 5/8" would be proportionately higher.

There was discussion regarding the water treatment plant, as well as the cash flow models presented, and the General Manager said that it is difficult to predict the cash flow beyond five years. He reported that if no meters were sold, the worst case scenario, some of the cost of the NWP would have to be passed on to the rate payers.

Mr. Tom Carter asked about overhead costs and monthly revenue AMWC gets from water users. The General Manager explained that the Board of Directors made a decision that new water resource development would be paid by new development considering that existing rate payers are at risk with AMWC's participation in the Nacimiento Water Project and the debt obligations incurred with that project.

Mr. Carter explained that he is in the process of building a home and that there have been delays, especially because his architect recently passed away, otherwise he would have already had his permit. He is hoping the Board will consider having a grace period of 90 – 120 days before putting the connection fee increase into effect for people who may be in the process of trying to obtain a building permit.

A Board member stated that the recommended date for the new connection fees going into effect is May 15, and he asked Mr. Carter if he thought he would have a problem getting a building permit by then. He said he isn't sure, but his plans are ready and he intends to submit them to the City by the end of the week, but he is not sure how long it will take for the City to approve them. The Board decided to discuss the issue further in Executive Session and said the General Manager would report the decision to Mr. Carter.

The following new business was discussed:

CAPITAL PROJECTS LIST, FISCAL YEAR ENDING 4/30/10:

The General Manager explained that the first step in the budget process is to review the upcoming capital projects and programs. He discussed the following major capital expenses: the facility expansion project; replacing the casing in Well 4; the technical improvement program, which would begin with the replacement of the existing Customer Information System and the Financial Information System – staff has hired a software consultant from Black & Veatch to oversee this project; the water main extension on Lakeview.

The General Manager also reported that the new administrative building is included in the major capital expenses plan, and that concerns him due to the projected cash flow over the next several years. It was suggested that he may want to meet with a mortgage broker to discuss mortgage options, since it is a good bidding climate for doing the project.

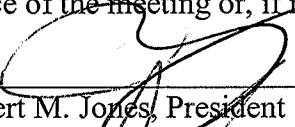
The meeting was adjourned at approximately 7:50 p.m.



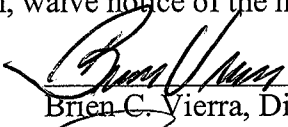
Cheryl J. Powers, Secretary

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.



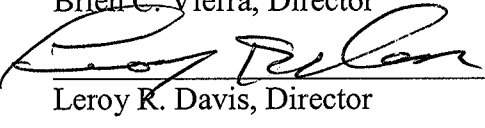
Robert M. Jones, President



Brian C. Vierra, Director



Jackie M. Lemo, Vice-President



Leroy K. Davis, Director



D. Frank Platz, Director