

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

**November 18, 2009**

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

**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 October 20, 2009. 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 demand in October is what was anticipated and is currently being met with only the shallow wells. He also noted that the production chart shows that there was an overall 15% reduction in use during the summer months, which would not have happened without the additional conservation efforts required under a Stage 2 Water Shortage Condition.

**FINANCIAL REPORT:**

The Financial reports for September and October were available for review. The General Manager explained that the October reports were prepared using the new financial software and staff is able to provide more timely reporting due to the method of accrual method with the new system. He noted that both the old and new versions of the Balance Sheet and Income Statement are included in the packet, and that staff would like the Board's input regarding the new versions, which he believes report AMWC's financial data more in line with the Generally Accepted Accounting Practices.

**CONSERVATION REPORT:**

The Conservation report was available for review. The General Manager reported that staff has reviewed the usage history of shareholders who have taken advantage of the landscape rebate programs and found their usage is down an average of 17% - 34%. The programs have been highly effectively in reducing water use and exceeded staff's expectations.

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

**WATER DEMAND:**

Demand for October was 24.9% below the forecast and 17.3% below last October.

**NACIMIENTO WATER PROJECT (NWP):**

The latest estimate shows the project is 95% complete and deliveries could begin before July. The General Manager attended an NWP finance committee meeting recently, where a capital reserve fund was discussed. AMWC staff voiced its support of a capital reserve fund and its concern about accumulating too large a sum in the fund. Aside from one other NWP participant, other committee members agreed with the need for a reasonable capital reserve fund. It was decided that capital reserve fund revenues will increase as the project depreciates, which will keep the reserves at a reasonable level.

**CHALK MOUNTAIN TANK:**

The roof is being removed and will be replaced with an aluminum dome roof.

**NWP RECHARGE & RECOVERY BASINS:**

The recharge basin is complete and ready for final inspection.

**FACILITY EXPANSION:**

Work on the garage and storage barn is underway, and design work for the administration building continues.

**TECHNOLOGY IMPROVEMENT PROGRAM:**

The new financial system is operational, and design sessions for the new customer information system are scheduled to begin in December or January.

**NEXT MEETING DATE AND TIME:**

The next meeting is scheduled for December 9, 2009, at 6:30 p.m.

***The following new business was discussed (requestors present):***

**WAIVER OF CONNECTION FEE INCREASE, 9370 SHAYNA LANE:**

Mr. Jim Pope requested he be allowed to pay the connection fee for 9370 Shayna Lane at the pre-May 15 rate. Mr. Pope and other investors obtained the property through a deed-in-lieu process; however, AMWC's customer account information shows Phoenix Recovery Group as the shareholder of record. The General Manager's recommendation is to deny the request.

The property is covered by a Deferred Connection Fee agreement, and the General Manager reported that AMWC records show that a letter informing Phoenix Recovery Group of the agreement was mailed to them in January 2009. According to comments in the customer account records, Ron Barry of Phoenix Recovery Group came into the AMWC office in February to say he was not going to sign a new Deferred Connection Fee agreement because the fee would be handled through escrow. A notice regarding the connection fee increase was mailed to the same address in March 2009 after the Board adopted the new fees.

Mr. Pope spoke to the Board and explained that the investors were not aware of the connection fee increase because they were never contacted, and that they would have paid the fees at the lower rate had they known about the increase. He and Mr. Jossierand, a representative from Phoenix Recovery Group, explained that there was confusion regarding the connection fee, but they did find out it was owed and knew about the \$12,500.00 fee.

Copies of all pertinent AMWC documents were distributed to the investors who were present and to Mr. Jossierand for review. Mr. Jossierand said he opens all of the mail for Phoenix Recovery

Group and that the letter regarding the connection fee increase would have caught his attention, and Mr. Pope suggested that it might be possible that the notice was lost in the mail.

After discussing the issue and reviewing all correspondence and agreements, a motion was made and seconded to deny Mr. Pope's request to pay the connection fee for 9370 Shayna Lane at the pre-May 15 rate. The motion carried 3 to 0 with Jackie Lerno abstaining.

*The following old business was discussed:*

**CONNECTION FEE RATES FOR SECOND RESIDENTIAL DWELLING UNITS, APARTMENT UNITS, AND MOTEL UNITS**

The General Manager reported that he is bringing this discussion item from last month back this month as an action item. He iterated that he performed analysis to determine the typical impact of second dwelling units and performed a similar analysis for apartments and motels/hotels. His analysis found that the average impact on water resources of single-family residential properties with second units and apartments units is less than previously estimated, which justifies adjusting the connection fees for these types of units. Motel/hotel units had an impact on water resources commensurate with the connection fee being charged.

Based on those analyses, the General Manager is recommending that the connection fee for second units be reduced from \$19,600 to \$12,740, and that the connection fee for apartment units be reduced from \$13,720 to \$9,800, with an effective date of May 15, 2009. A motion was made and seconded to adopt the rates and effective date as proposed by the General Manager. The motion carried 4 to 0.

**FACILITY EXPANSION PROJECT:**

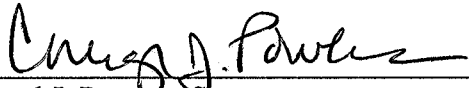
Frank Seiple, AMWC's architect for the project, presented examples of furniture that could be used in the Board room. There was discussion regarding the ability to rearrange the modular furniture, the capabilities and placement of audio visual equipment, and lighting for the Board room.

*The following new business was discussed:*

**WATER RATES:**

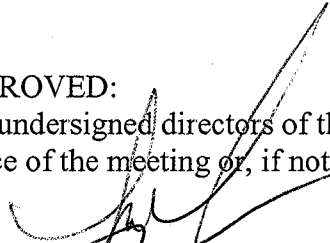
The General Manager reported that he used the same method to calculate water rate increases this year as he has in the past two years, and he discussed the tables in the agenda item that show the estimates of how much typical water bills would increase. He asked the Board if it would like to see a different method used, consider adding a 5<sup>th</sup> tier for single-family residential customers, or have staff prepare alternative cash flow projections based on different assumptions. He explained how the proposed rates will affect the long-term revenue needs of the Company. The Board suggested it is satisfied with the method used to determine the rates and would like to see a 5<sup>th</sup> tier for its consideration at a future Board meeting.

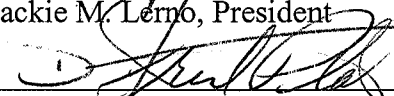
The meeting was adjourned at approximately 8:35 p.m.

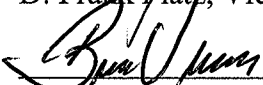
  
Cheryl J. Powers, Secretary

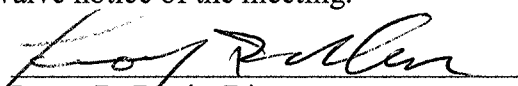
APPROVED:

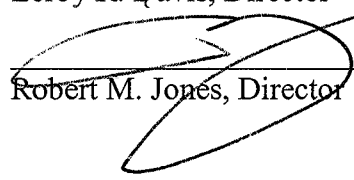
The undersigned directors of the Company approve the foregoing minutes of directors and acknowledge notice of the meeting or, if notice was not properly given, waive notice of the meeting.

  
Jackie M. Lerno, President

  
D. Frank Platz, Vice-President

  
Brian C. Vierra, Director

  
Leroy R. Davis, Director

  
Robert M. Jones, Director