

MINUTES OF REGULAR MEETING
BOARD OF DIRECTORS
ATASCADERO MUTUAL WATER COMPANY

December 9, 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, Brien Vierra, and Leroy Davis, 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 November 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 all wells except #4, #16, and #19 are operational. He also reported that statistics show that Atascadero has received 20+” of rain in any year where more than 2 inches of rain were received in October, which was the case this October. He also noted that to avoid scrapping meters in inventory in January 2010, when the regulation banning leaded brass goes into effect, staff has moved quickly to replace water meters that were scheduled for replacement this fiscal year.

FINANCIAL REPORT:

The Financial reports for November were available for review. The General Manager noted changes to the formatting of the reports due to using the new financial software and asked the Board to advise staff if they would prefer other formats. One Board member suggested that comments be added to the budget for accounts that are out of line with the budgeted amounts, and the General Manager gave explanations for the accounts that fell into that category in November.

CONSERVATION REPORT:

The Conservation report was available for review. The Conservation Manager reported that drought watch activity has decreased, and that she and the General Manager are working with Barnett-Cox to design new post-drought billboard messages. She updated the Board regarding Senate Bill No. 7 and the Model Water Efficient Landscape Ordinance, and she reported that she had recently met with City staff to discuss how the responsibilities of the ordinance will be shared between the City and AMWC. She also reported that there were a record number of Home Water Surveys this year and that the Prop. 50 funding for high-efficiency washing machines is back in place.

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

NACIMIENTO WATER PROJECT (NWP):

The project is over 95% complete and under budget, and water deliveries are expected by July 2010. The General Manager reported that the NWP Committee approved the creation of a capital reserve fund, as well as a 20% O&M contingency fund.

CHALK MOUNTAIN TANK:

Construction of the roof is underway; the roof is off, the columns are in place, and the aluminum dome is ready to be installed. The tank will be painted the same color as the Pine Mountain Tank.

NWP RECHARGE & RECOVERY BASINS:

The recharge basin is complete and ready for final inspection. The landscaping has been done and the area has been fenced.

FACILITY EXPANSION:

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

TECHNOLOGY IMPROVEMENT PROGRAM:

The new financial system is operational. Design sessions for the new customer information system will begin in January.

LEAD & COPPER RULE COMPLIANCE:

Staff has taken preliminary samples at some of the residences that showed higher levels of copper, and tests confirm the orthophosphate is bringing copper levels down, yet still not in compliance. Samples of all participating residences will be taken December 15.

NEXT MEETING DATE AND TIME:

The next meeting is scheduled for January 12, 2010, at 6:30 p.m.

EMERGENCY RESPONSE TRAINING:

The General Manager shared with the Board his experience attending an emergency response training in Emmetsburg, MD, the week of November 30. He explained that the City received a grant to have FEMA conduct the training and invited AMWC staff to attend. FEMA developed a scenario based on a 150-year flood in Atascadero. He reported that the drill demonstrated that City staff and AMWC are well prepared for such an emergency; however, the training presented an opportunity to make more specific determinations in the case of a water emergency, as well as creating a networking/partnership opportunity with the City.

The following old business was discussed:

WATER RATES:

The General Manager explained that in proposing water rate increases for 2010, he has continued with a rate increase structure that realizes an 8% overall increase and is in line with the 4-year program that began in 2007 to raise revenue to cover costs associated with the Nacimiento Water Project and

ongoing capital improvement projects. He discussed the Rate and Average Monthly Cost of Water tables included in the agenda item. When discussing the change in landscape irrigation costs, he mentioned that the City owns the property with the highest water use (for one of the parks), and perhaps it should be considered who is benefitting from the use and whether an adjustment to those rates should be made.

Blythe Montanaro addressed the Board regarding her apartment complex at the intersection of El Camino Real and Viejo Camino. She explained that the complex is unique because all of the units are individually metered, which results in much higher water costs. She also explained that she has a landscape meter that also serves the on-site laundry facilities and the pool. She stated that she has replaced most of the turf areas of the complex with native plants in order to conserve water, and that she needs a break in her water rates, particularly in this economy; it would be difficult for her to continue to make improvements towards conserving even more water if she were faced with an 8% increase in her water bills, and she would appreciate some consideration.

The General Manager reported that he would like to look at the Montanaro accounts and bring back information for a discussion at a future meeting. He suggested that the rate increase should not have a big impact on apartments at this time of the year.

He reported that he estimates that the proposed rate increase would result in an increase in revenue of approximately \$498,000 in 2010. A motion was made and seconded to adopt the water use rates recommended by staff in the agenda report. The Board also directed staff to bring back a study regarding apartment rates within 60 days (by the February meeting). The motion carried 5 to 0.

The following new business was discussed:

RECOVERY FEE INTEREST RATE:

The Secretary reported that staff is recommending the current recovery fee interest rate be reduced from 7% to 6%, based on the current prime interest rate of 3.25% and the volatility of interest rates at this time. A motion was made and seconded to reduce the current recovery fee interest rate to 6%. The motion carried 5 to 0.

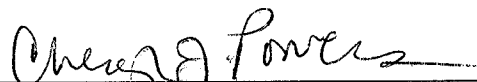
401(K) PLAN EMPLOYER CONTRIBUTION:

A motion was made and seconded to adopt the following resolution:

BE IT RESOLVED: That, effective January 1, 2010, Atascadero Mutual Water Company's discretionary non-elective employer contribution will be 4% of all participants' plan compensation.

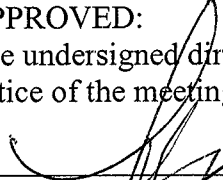
The motion carried 5 to 0.

The meeting was adjourned at approximately 7:45 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.



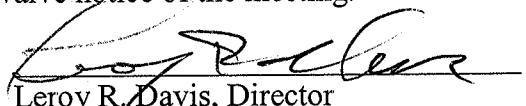
Jackie M. Lerno, President



D. Frank Platz, Vice-President



Brien C. Vierra, Director



Leroy R. Davis, Director



Robert M. Jones, Director