

San Miguelito Mutual Water Company
Minutes of the Special Board of Director's Meeting

3:00 P.M., Wednesday, July 8, 2015
Indian Hill Clubhouse, 6375 Firehouse Canyon Road, Avila Beach, California

I. CALL TO ORDER AND ROLL CALL

Meeting called to order by Board Vice President Ben Banks at 3:03 p.m.

Board Members Present:	Ben Banks, Rick Koon, Tom Athey, Vic Montgomery, Gerri Hall and Rob Rossi
Absent:	John Delehant
Staff Members Present:	Accounting and Administrative Assistant, Michelle Edson; Customer Service and Operations Support, Dawn Barlow
Consultants Present:	Legal Counsel, Tim Carmel
Guests:	Multiple San Luis Bay Estates Shareholders/Residents

General Manager Koon welcomed all shareholders and residents who were in attendance at the Special Board of Directors' Meeting. He introduced the Board members present, as well as several special attendees – Hannah Miller, Legislative Assistant for SLO County District 3; Pat Arnold, 3080 Rockview Place, LLC (Lot 69); and Dana Severy, SCM Avila Beach Partners (Cottage Parcel).

II. WATER DEMAND AND SUPPLY ISSUES FACING SMMWC – (A copy of General Manager Koon's presentation is attached for reference.)

General Manager Koon opened the meeting with an overview of discussion topics:

Review of SMMWC Service Area

Current Subdivisions

Proposed Developments

Project List and Descriptions

Will Serve Proposals

Looking Forward

Sustainability at Current Level of Service

Sustainability with the addition of proposed projects

Water Resource Supply Analysis

A map of SMMWCs Service area was shown. General Manager Koon then presented a project list with descriptions as well as their locations as noted on the service area map:

Projects within SMMWC Service Area: Lot 69 – Community Center; Lot 8 – Avila Village;

Avila Beach Resort – Lot 279; Cottage Parcel; Parcel 2 and Parcel 3

Projects outside SMMWC Service Area: Chevron, Harbor Terrace, Sycamore Mineral Springs, Wild Cherry Canyon

A list of projects included in the 1995 Master Plan and within our service area was reviewed. The project size and system impact was included:

Small – Lot 69, Modest Impact

Medium – Parcel 2 & 3, Minimal Impact; Lot 8, Modest Impact

Large – Cottages, Minimal Impact

Very Large – ABR, Significant Impact; Pacho, Extensive Impact

SMMWC has begun a Water Resource Supply Analysis (WRSA) using the civil engineering firm Garing Taylor & Associates (GTA). The Board approved the analysis in their June 2015 meeting. The analysis is expected to take 3 to 4 months. The WRSA will examine current water resources and their quality, quantity & reliability as well as their historic, current and projected levels of use. GTA will also determine possible development of new local resources – State water, SMMWC's existing wells, future

well development as well as the types of treatment required for each. GTA will also investigate direct potable water reuse.

The WRSA will also include analysis of the 1995 Master Plan anticipated use versus proposed water use.

III. Shareholder Comments Regarding These Issues

General Manager Koon invited attendees to come forward with any questions/concerns they may have.

Ray Feeser, Indian Hill: What is needed to develop new water sources? He also said he is concerned SMMWC might be overcommitted.

GM Koon: GTA will be doing the research for new water sources. We are currently receiving 20% of our requested state water. Our state water also includes a 100% drought buffer.

Elvera Hornung, Indian Hill: Due to the severe drought, will there be a ban on new building?

GM Koon: If the study shows an impact, the Board will discuss the possibility.

Ann Feeser, Indian Hill: If there is a ban on building, will/would there be any legal ramifications?

Tim Carmel, Legal Counsel: Cal Water Code, Section 350 provides a mechanism for the BOD to stop and condition building based on supply and demand.

Saul Goldberg: Does the SLO County planning Department have a Will-Serve letter for Lot 8? How can they have a will serve letter if we don't have enough water?

GM Koon: No will serve letter has been sent to SLO Planning for Lot 8.

Legal Counsel, Carmel: No will serve letters have been issued. No final will serve letters have been issued for any of these.

Martin Suits, Indian Hill: Lot 8 sent a request for a revised will serve. Do they have a letter dated May 11?

GM Koon: There is a will serve letter for a restaurant and pool. There is no final will serve. The one from May 11 is a conditional will serve letter. Megan Martin at the planning department has been advised, in writing, that it is only conditional.

Carol Goldberg, Indian Hill: Tim stated something about a final will serve. Does the planning department think that a final is the same as a conditional?

GM Koon: We issue conditional will serve letters. Some of the conditions might be to require upgrades to our water and wastewater system done at the developer's cost. The planning department knows that the conditional letters outline the work that will be required to be completed before a final will serve is issued. Once the work is complete, there are other SLO County public works departments that will need to verify the work is complete and meets county/state requirements. Public works needs to approve the work, and then a bill of sale is made to SMMWC for the improvements.

Sherry Danoff, Pelican Point: 1. Will the WRSA include the safe yield of existing wells? 2. What is the status of the golf course well? 3. Does the pursuit of new water resources also include conservation?

Sherry also had information regarding the re-use of gray water from washing machines that she gave to GM Koon. She asked that consideration be given to form a committee to investigate conservation programs.

GM Koon: 1. The existing wells will be included in the study. 2. It has been requested that usage at the golf course well (Well 3), be reduced by 35%. SMMWC does monitor the water generated from this well. The BOD would look at other conservation methods. 3. The study doesn't deal with recycling it will concentrate more on new and current resources.

Pat Sweet, Heron Crest: In regard to the Board members, do some of you have a greater interest other than as a home owner?

GM Koon: If there is a financial element of a board members involvement, the board member is asked to leave the meeting/room during the discussion.

Betty Hartig, Kingfisher: Would that be considered a conflict of interest?

GM Koon: If it appears there might be a conflict of interest for any of the board members, they are asked to leave the meeting/room. They are also not allowed to vote on any matter that may be considered a conflict of interest.

Geri BeDell, Quail Canyon: What happens to partially treated water? She also asked that the Board look at a kit she brought which contains items that can be used in homes to reduce water use, and detect leaks. She said that the kit was issued to her for some homes she has in Los Angeles and encouraged the Board to consider acquiring some for SMMWC to give to customers. She said she would be happy to let GM Koon take the kit back to the office so staff and Board members could see what it contained.

GM Koon: All partially treated water goes to the sewer plant. Once potable water touches something it is considered contaminated. He thanked Geri and said staff would also have the kit available for any customers who wanted to see its contents. He also said that most irrigation systems in our area are inefficient and customers should make sure to check their systems are working properly.

Greg Jackson, Pelican Point: 1. Can we serve new projects with our current infrastructure? 2. Can we get any of the desalinated water from Diablo Canyon? 3. What percentage of the sewer plant is working?

GM Koon: 1. In the by-laws, any new projects would be required to pay for and complete all required expansions/upgrades to our infrastructure. There would be no cost to SMMWC. 2. We have no rights to the desalinated water yet. The water from Diablo will probably use the pipeline currently being used for Lopez and State water. Typically the desalinated water is considerably more expensive – approximately \$2,200/acft vs State water at \$1,200/acft. 3. The maximum capacity of our sewer plant is 150,000 gallons/day. The flows at the plant are currently between 70,000 to 90,000 gallons/day.

Saro Rizzo, Kingfisher: 1. Are the people involved in the new projects shareholders? If not, would they be required to become shareholders? 2. What about the Wild Cherry project; is that within our district?

GM Koon: 1. Some of the projects do have shares, however there may not be enough shares for the project, 1 share equals 1 unit. The project would need to go before the board to request new shares to be issued. 2. The Wild Cherry project is not within our service area.

Legal Counsel Carmel: Some of the projects have shares, others – Wild Cherry, Chevron are not shareholders. Those projects would need to be annexed into our service area. In order to annex those projects, a vote must be made by the shareholders to allow or deny the annexation.

Mark Pinto, Pelican Point: Chevron should not get a share. 1. What about the shares for building at the golf course? 2. State water was supposed to be guaranteed; now it's switched to rely on our wells. If we go to our wells, will there be a moratorium on building? We need to protect our water for the people who are already here, not provide for new people coming in.

GM Koon: 1. One share equals one lot OR one room, for example- 140 shares would equal 140 lots OR 140 rooms. Any issuance of new shares must be brought before the board. 2. Historically we were relying on state water more than our wells. That ratio has shifted from 95% state water to 70% wells/30% state water. The WRSA will look at the reliability of our wells and state water. Once the study is complete, the BOD will review the material to determine if a moratorium on building is necessary.

Carol Hayden, Kingfisher: 1. What is the cost difference between potable vs non-potable water? 2. Do we supply non-potable water to anyone? Do we charge for non-potable water? 3. If it comes from our aquifer, do we charge for it?

GM Koon: 1. A new, separate system would need to be built to make sure that there is no cross contamination with our potable water. A non-potable system would be expensive – the cost for installation could be as much as \$200 per foot. 2. SMMWC does not provide non-potable water. We currently do not charge for the use of non-potable water. 3. The study will help determine where our water comes from.

Dave Brooks, Indian Hill: We all cut back on water usage. We need a commitment from the Board not to issue any will serve letters. We're not saving water for future development.

GM Koon: The Board will determine whether or not will serve letter(s) will be issued.

Ann Feeser, Indian Hill: We want the Board to issue a moratorium on all new builds.

Bob Pusanik, Heron Crest: 1. In 1993, before state water the County required creek flow mitigation with the developer that they would have to use the well at the golf course. What is the status of that? 2. Have we thought about using tertiary treatment at the wastewater plant? What about an off-site package plant at a lower elevation?

Board Member Rossi: 1. There has been no reversion. That agreement was modified.

GM Koon: 1. We will look into this. 2. The cost for tertiary treatment would be about \$8 million. The study will look at tertiary treatment costs as a cost for new water supply. The study is only for water, wastewater processing is another study.

Gail Blue, Heron Crest: How many houses remain to be built in Kingfisher?

GM Koon: There are 6 lots in Heron Crest and 17 in Kingfisher. These 23 houses are included in our current infrastructure.

General Manager Koon announced that the Board had approved a resolution limiting the use of potable water for irrigation. The resolution limits irrigation to Tuesdays and Fridays, after 5:00 p.m. to 10:00 a.m.

Russell Henry, Indian Hill: We need more transparency, better communication. SMMWC needs a website with will serve issues and other information.

GM Koon: All shareholders are welcome to attend the Board of Directors meeting which is held the 3rd Wednesday of every month in our office. We have a website and update it frequently.

Denny Wheeler, Indian Hill: 1. I've seen water trickling above the weir. 2. If the Board of directors approves anything, they're going to have a war on their hands!

Larry Bittner, Heron Crest: Why restrict irrigation on Tuesday and Friday, why those particular two days?

GM Koon: Those days when there is less on the system.

Saul Goldberg, Indian Hill: How were notices sent out about this meeting?

GM Koon: Notices were posted at the PO boxes on Lupine Canyon; a copy was posted on our office door. We also printed it on the bills that were mailed out on July 1, 2015, and we asked Manderley to do a mass email to all SLBE residents.

Saro Rizzo, Kingfisher: Will the study be available electronically?

GM Koon: When the study is finalized it will be put on our website.

Question: Why do hotel rooms get one full share?

Legal Counsel Carmel: It's how the by-laws were written in 1983.

Question: Can the by-laws be changed?

GM Koon: The by-laws can be changed by a vote of the shareholders.

Question: Who is doing the study?

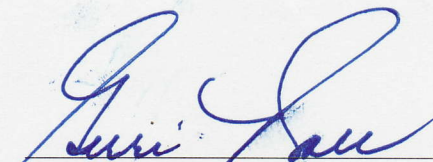
GM Koon: Garing Taylor and Associates.

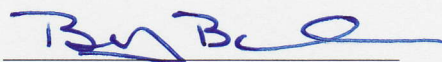
There were no further questions. General Manager Koon thanked the attendees for coming to the meeting. The Special Board of Directors meeting was adjourned at 4:45 p.m.

Proceeding reported by: Dawn Barlow, Customer Service and Operations Support.

Respectfully Submitted,

Approved:


Gerri Hall, Secretary


Ben Banks, Board Vice-President