

**MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS RUNNING SPRINGS WATER DISTRICT
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
NOVEMBER 15, 2017**

The Regular Meeting of the Board of Directors of the Running Springs Water District was held on Wednesday, November 15, 2017 at the hour of 9:00 A.M. at the District office located at 31242 Hilltop Boulevard, Running Springs, California.

The following Directors were present:

Kenneth Ayers, President
Pamella Bennett, Vice-President
Mike Terry, Director
Errol Mackzum, Director

Director Tony Grabow was absent

Also present were the following:

Ryan Gross, General Manager
Joan C. Eaton, Board Secretary/Treasurer/Administration Supervisor
George Corley, Fire Department Chief
Randy Bobroff, Water Division Supervisor
Isaiah Hall, Wastewater Collections Division Supervisor
Scott Manno, Rogers, Anderson, Malody and Scott, Partner, CPA
Sunny Kim, Rogers, Anderson, Malody and Scott, Staff Accountant
Brett Van Lant, Van Lant & Fankhanel, LLP, Partner, Auditor

No Visitors Present

MEETING MINUTES

AGENDA ITEMS

1. Call Meeting to Order and Pledge of Allegiance

The meeting was called to order at 9:00 A.M. by President Ayers who also led the assembly in the pledge of allegiance to the flag.

2. Recognize and Hear From Visitors/Public Comment

3. Approval of Consent Items

A. Approve Meeting Minutes

B. Ratify Expenditures and Cash Summary

Manager Gross confirmed that Treatment Plant improvement expenses are capitalized, added to the fixed asset list and treated as shared cost with upstream users.

C. Consider Receiving and Filing the Assessment District No. 10 Continuing Disclosure Annual Report for the Fiscal Year ending June 30, 2017

Manager Gross confirmed the West Coast Torah Retreat and Camp Center has unpaid assessments in excess of 5% of the total unpaid assessments as of June 30 2017. The information in Section 2.8 of the Continuing Disclosure Annual Report represents the property owner's total unpaid assessments (as of June 30th) throughout the remaining life of the Assessment District. This property owner is current in payment on their six parcels and they are only notable because they represent such a large portion of the remaining assessments to be collected in future years.

Discussion moved to the Financial Statements Hazard Abatement expense that increased due to abatement of properties by outside contractors and revenue increases due to penalties paid by property owners for property abatement in Fiscal Year 2016/2017.

Upon motion by Director Terry, second by Director Bennett and carried by a 4 to 0 vote, the Consent Items were approved.

4. Action Items

A. Consider Receiving, Filing and Authorizing the Distribution of the District's Fiscal Year 2016-2017 Annual Financial Report and Audit Results

Brett Van Lant, Partner with Van Lant & Fankhanel, LLP (VLF) presented the District's Audit Report for Fiscal Year Ended June 30, 2017 and 2016. The Financial Report states that VLF conducted their audit in accordance with governmental accounting standards and the independent auditor concluded, based upon the audit, that in their opinion the District's financial statements present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2016 and the changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Mr. Van Lant summarized the auditing reports and stated this was an unmodified or clean opinion on the comparative financial statements and regarding internal control, the audit did not identify any material weaknesses or reportable significant deficiencies and in the course of their audit, they did not identify any non-compliance issues in review of District contracts and agreements. Mr. Van Lant said they encountered no difficulties or disagreements with management and they did not identify any issues regarding segregation of administration duties and there were no concerns

regarding the District appropriations limits. Manager Gross noted that the District is approximately three (3) million dollars below the appropriations limit.

Manager Gross reported on the Ambulance salaries saying the District adjusted the allocation of the Fire Department salaries to 65% and Ambulance salaries to 35% in Fiscal Year 2016/2017 which is the reason for the increase in the Ambulance operating expenses. Director Mackzum requested additional information regarding the Ambulance uncollectable allowance and receivables and discussion continued. Chief Corley confirmed that most of the ambulance uncollectable accounts are Medicare and Medicaid and are partially reimbursed by the Ground Emergency Medical Transportation (GEMT) and the Intergovernmental Transfer (IGT) Programs with Manager Gross saying Board policy is seven (7) years for an ambulance account to be considered uncollectable. Manager Gross confirmed that in 1983, ambulance service was established in the District.

Mr. Van Lant was excused at 9:32 A.M.

Upon motion by President Ayers, second by Director Mackzum and carried by a 4 to 0 vote, Receiving, Filing and Authorizing the Distribution of the District's Fiscal Year 2016-2017 Annual Financial Report and Audit Results, were approved.

B. Financial Presentation

Scott Manno, Rogers, Anderson, Malody and Scott, LLP (RAMS) Partner presented the District's Financial Statements for the years ended June 30, 2017 and 2016 and opened his presentation by reviewing the financial highlights. The District's total net position increased by \$598,817 from the prior year due to rate increases, water consumption, Fire Department payroll reimbursement revenue and an increase in property tax revenue. The total net position increased 4% due to a 4.15% increase in revenues and an increase of 3.5% in total expenses. Cash and temporary investment increased by \$815,138 due to the rate increases and decrease of construction in progress due to completion of the Ayers Acres Groundwater Well and three (3) Sewer Lift Stations. The key factors in the increase of \$1,695,073 in long term liability were additional loan and net pension liability. Mr. Manno then reviewed the Government Wide Summary and District Balance Sheets for the Governmental Fund (Fire) and Business Type Activities (Water, Sewer and Ambulance) revenues, expenses and cash flows stating the current ratio for Business Type Activities increased from 3.23 in 2016 to 4.75 in 2017 with the higher ratio the better. Discussion continued and Mr. Manno said based on his opinion, the District financial status is good. Manager Gross stated the District is still not at the levels set by the cash reserve policy but are trending in the right direction. Manager Gross said the District will need to consider the five (5) year rate adjustment plan that ends in 2019 and Mr. Manno and Ms. Kim were excused at 9:57 A.M.

No motion required.

C. Consider Appointing Ad Hoc Committee to Review Proposed Trails Project for the Running Springs (Hilltop) Area

Manager Gross and Director Bennett reported on the October 18, 2017 presentation by Bruce Daniels regarding the proposed Trails Project for the Running Springs (Hilltop) Area. Director Bennett said the presentation covered an enormous amount of area to review and she suggested the Board review the proposal to identify District participation. Discussion continued regarding formation of an Ad Hoc Committee to consider revitalization of the Downtown Running Springs area and possibly securing grant funding.

Upon motion by President Ayers, second by Director Mackzum and carried by a 4 to 0 vote, Appointing Directors Bennett and Terry to the Ad Hoc Committee to Review the Proposed Trails Project for the Running Springs (Hilltop) Area, was approved.

D. Consider Authorizing Purchase of Replacement Fire Chief Vehicle

Chief Corley reported on the Fire Department 2000 Dodge Durango staff vehicle that has over 147,000 miles, has reached the end of its useful life and is scheduled for replacement in fiscal year 2017/2018 with Manager Gross saying the District will try to surplus the 2000 Dodge Durango. Quotes for the replacement vehicles were provided to the Board that included a 2017 Dodge Ram 2500 gas engine at approximately \$48,000 and a Ford F250 diesel engine at approximately \$52,222 through the Cal Fire contract. The vehicle purchase will be funded from the Fire Department Operating Reserve Fund with a balance of \$723,530 and Manager Gross said replacement of the staff vehicle is a \$50,000 budgeted item in Fiscal Year 2017/2018. Discussion continued and District staff will research county fuel contracts.

Upon motion by Director Bennett, second by Director Terry and carried by a 4 to 0 vote, Authorizing Purchase of the Replacement Fire Chief Vehicle 2017 Ford F250 Diesel Truck for approximately \$52,222, was approved.

E. Consider Authorizing Expenditure for Replacement Sidewinder Canyon Groundwater Booster Pump and Motor

Supervisor Bobroff recommended that the Board authorize an expenditure for the replacement of the Sidewinder Groundwater Well Booster Pump and Motor in an amount not to exceed \$18,000. The Sidewinder Groundwater Well Booster Pump and Motor were installed in 1981 and rebuilt in 2001 and is the main booster for the canyon. Supervisor Bobroff provided a repair estimate by Brithinee Electric in the amount of \$5,293 and a replacement estimate from Harich Enterprises Co. Inc. in the amount of \$13,899. Director Mackzum expressed concerns regarding single source procurement and Manager Gross said the District is spending an additional \$6,000 per month with the well off line and confirmed this is an urgent item. If approved, the funding source will be the Water Capital Improvement Reserve Fund with a balance of \$151,370. The District did receive

two additional quotes of \$20,260.70 and \$14,639.86 from two additional vendors but the information was not available at the time of the agenda posting.

Upon **motion** by Director Mackzum, **second** by Director Terry and **carried by a 4 to 0 vote**, Authorizing Urgent Item Expenditure for Replacement of Sidewinder Canyon Groundwater Booster Pump and Motor not to exceed \$18,000, was approved.

5. Information Items

A. Water Production and Precipitation Report

B. November 2017 Newsletter

Manager Gross recommended that the Information Items are bypassed at this time to move to closed session.

6. Closed Session

A. Conference with Legal Counsel – Anticipated Litigation. Significant Exposure to litigation pursuant to Paragraph (2) of subdivision (d) of Section 54956.9 Number of cases: One

Upon **motion** by Director Bennett, **second** by Director Terry and **carried by a 4 to 0 vote**, the Board moved to Closed Session for Conference with Legal Counsel, Anticipated Litigation, Significant Exposure to Litigation Pursuant to Paragraph (2) of Subdivision (d) of Section 54956.9, Number of cases: One, at 10:31 A.M. by the following roll call vote.

Kenneth Ayers - Yes
Mike Terry - Yes
Pamella Bennett - Yes
Errol Mackzum – Aye

7. Open Session

A. The Board and/or Legal Counsel will report any action taken in Closed Session

Manager Gross stated the Board came out of closed session at 11:48 A.M. and there was no reportable action.

8. General Manager's Report

Manager Gross reported that Lewis Murray with the San Bernardino County Supervisors Office is working with the Local Agency Formation Commission (LAFCO) regarding the

necessary studies for potential annexation requested by Green Valley Lake area residents. Manager Gross confirmed there is no cost implication to the District at this point and time.

Manager Gross reported on the Wastewater Treatment Plant MBR 1 upgrade project that is now complete. Manager Gross stated the District budgeted \$75,000 to complete the project and because staff completed the work in house, the final cost was under budget at approximately \$60,000. Manager Gross also reported on the completed Bacon Wagner contract to install the new metering manhole at the plant.

Manager Gross provided a brief power point presentation regarding the Downtown Sewer Slip Lining Project.

Manager Gross updated the Board regarding a cracked retaining buildup wall at Fire Station No. 51 that will be covered by the Special District Risk Management Authority (SDRMA) property liability insurance. Discussion continued and Manager Gross said the estimated cost will be \$50,000 to \$60,000 and the District will proceed with the claim.

The State Revolving Fund (SRF) Loan Program for the Automated Meter Reading (AMR) Project is at the final review step by legal counsel. Manager Gross said the project is expected to begin in the spring of 2018.

Manager Gross will be meeting with a company called Getaway House who is a potential buyer for the Camp Helendade property to discuss groundwater rights and possible annexation into the District.

Manager Gross closed by reporting on various issues.

9. Report From Legal Counsel

None

10. Board Member's Comments

Director Bennett requested that the District schedule the first Ad Hoc Committee Meeting regarding the Proposed Trails Project for the Running Springs (Hilltop) Area after January, 2018. The District will send a note to Bruce Daniels regarding the planned Ad Hoc Committee Meeting.

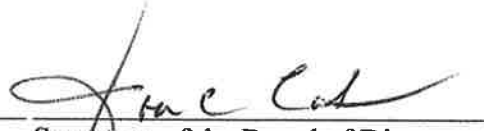
The December Board Meeting will be held as scheduled at this time.

11. Meeting Adjournment

The meeting was adjourned at 12:14 P.M.

Respectfully Submitted,


President, Board of Directors
Running Springs Water District


Secretary of the Board of Directors
Running Springs Water District