

**MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS RUNNING SPRINGS WATER DISTRICT
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
NOVEMBER 19, 2014**

The Regular Meeting of the Board of Directors of the Running Springs Water District was held on Wednesday, November 19, 2014 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
Everett "Ed" Brittain, Vice-President
Pamella Bennett, Director
Mike Terry, Director
Henry Heredia, Director

Also present were the following:

Ryan Gross, General Manager
Joan C. Eaton, Secretary/Treasurer/Administration Supervisor
Tony Grabow, Fire Chief
George Corley, Battalion Chief
Brian Thomas, Engineer, Engineering Resources
Ward Simmons, Attorney, Best, Best & Krieger
Scott Manno, CPA, CGMA, Partner, Rogers, Anderson, Malody and Scott (RAMS)
Sunny Kim, Staff Accountant, Rogers, Anderson, Malody and Scott (RAMS)

Visitors Present:

Gerhard Hilgenfeldt, Resident
Chet Zalewski, Resident
Greg Fankhanel, CPA, Van Lant & Fankhanel, LLP (VLF)
Joan Moseley, Resident, Media Reporter

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 and Director Heredia led the assembly in the pledge of allegiance to the flag.

2. Recognize and Hear From Visitors/Public Comment

The visitors introduced themselves for the record.

3. Public Hearing and Consideration to Allow or Overrule any or all Objections or Protests to the Proposed Removal of Weeds and/or Wastes that have been Declared as a Public Nuisance

- A. Open Public Hearing:** The Public Hearing was opened at 9:01 A.M.
- B. Fire Chief's Report:** Chief Grabow reported on the Public Hearing that will allow any protests regarding the Hazard Abatement Program.
- C. Written Objections or Protests:** None received
- D. Oral Objections or Protests:** Visitor Chet Zalewski reported on two Hazard Abatement Assessments that he received regarding his property and he said he has taken care of the weeds and the dead tree. Mr. Zalewski questioned why he was assessed more than once with Chief Grabow explaining that property owners are allowed thirty (30) days to comply and then they will be assessed again with each violation starting a new clock. Discussion continued regarding dead trees and bark beetle outbreaks and Visitor Zalewski had no further comments.
- E. Board Discussion:** None
- F. Close Public Hearing:** The Public Hearing was closed at 9:08 A.M. by President Ayers.
- G. Consider allowing or overruling any or all objections or protests to the proposed removal of weeds and/or wastes that have been declared a public nuisance, whereupon the Board of Directors shall acquire jurisdiction to proceed and perform the work of removing the public nuisance.**

No action required

4. Approval of Consent Items

The following consent items were listed for approval:

- A. Approval of Meeting Minutes for October 22, 2014 Regular Board Meeting**
- B. Ratify October 2014 Expenditures**

Regarding the October expenditures, Manager Gross confirmed that the \$600 expense for Environmental High Tech Engineering was for survey services regarding the Sewer Lift Station No. 2 Improvement Project.

- C. Consider Receiving and Filing the Assessment District No. 10 Continuing Disclosure Annual Report for Fiscal Year Ending June 30, 2014.**

Upon **motion** by Vice-President Brittain, **second** by Director Terry and **carried by a 4 to 0 vote**, with Director Heredia abstaining, the October 2014 Expenditures were ratified and the Consent Items were approved.

The meeting moved to Information Item 6.A. Audit Presentation by Greg Fankhanel, VLF followed by the Financial Presentation by Scott Manno, RAMS

Mr. Fankhanel reported on the Annual Financial Report and Independent Auditor's Report for Fiscal Years Ended June 30, 2014 and 2013 that based on their opinion, presents 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, 2014 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. Fankhanel confirmed they did not have any significant audit findings during the process and found no material weakness in the internal controls and referred to the Independent Auditor's Report and Management's Discussion and Analysis located in the Annual Financial Report. In closing, Mr. Fankhanel reported on reallocation of costs and recommended that the District separate the Ambulance from the Water and Sewer Funds and thanked District staff for their support during the audit process.

Mr. Manno provided the Financial Presentation that identified the District's total net change in position for the year ended June 30, 2014. In summary, all departments have reported operating losses for both the year ended June 30, 2014 and June 30, 2013 which means charges to customers for sales and services are not covering the costs of delivering those services. Discussion continued regarding the financial status of the District and highlights that included cash and temporary investments that decreased due to net loss and acquisition of capital assets and Construction in Progress (CIP), fire salaries and wage increase and ambulance salaries and wage decrease due to a change from 50/50 to 75/25 split, enterprise fund owed to governmental fund as the result of the Fire Department paying the Ambulance costs and a total decrease in revenues due to DWR loan repayment charges, leachate load charges and property tax.

5. Action Items

A. Consider Receiving, Filing and Authorizing the Distribution of the District's Fiscal Year 2013-2014 Annual Financial Report and Audit Results

Upon **motion** by Director Bennett, **second** by Director Heredia and **carried by a 5 to 0 vote**, Consider Receiving, Filing and Authorizing the Distribution of the District's Fiscal Year 2013-2014 Annual Financial Report and Audit Results, was approved.

B. Consider Transfer of Funds

Manager Gross reported on the recommendation of the District Financial Consultants for the Board to consider a transfer of funds in the amount of \$198,892.85 from the Ambulance Fund to the Fire Fund for salary costs incurred in 2013-2014 and also the transfer of funds in the amount of \$360,000 from the Fire Fund to the Sewer Fund to cover current operations, capital asset acquisition and various project costs. Discussion continued and Manager Gross stated the transfer of surplus property tax funds from the Fire Department will help cover a deficit in the Sewer Department.

Upon **motion** by Director Heredia, **second** by Director Bennett and **carried by a 5 to 0 vote**, the Transfer of Funds was approved.

The Board took a recess at 11:05 A.M. and reconvened at 11:19 A.M.

C. Consider Adoption of Resolution No. 26-14, Commending Anthony Grabow for District Service

Manager Gross and President Ayers acknowledged Anthony (Tony) Grabow for twenty-seven (27) years of service with the District and announced his retirement on December 8, 2014. Chief Grabow has shown leadership in the Fire Department and previously the Wastewater Department and he was presented with Resolution No. 26-14.

Upon **motion** by Director Terry, **second** by Vice-President Brittain and **carried by a 5 to 0 vote**, Resolution No. 26-14, Commending Anthony Grabow for District Service, was adopted. (Resolution No. 26-14 on file in the District office)

6. Information Items

A. Financial Presentation

B. Cancellation of December 17, 2014 Regular Board Meeting

7. Reports from Management

A. Water Division Report

Manager Gross reported for the Water Department stating there were recent issues with the hydro tank generator transfer switches and a hydro pneumatic pump located at Nob Hill. Manager Gross also reported on a water main break located on Highway 18. Discussion continued regarding water loss with Manager Gross saying he refers to the end of the year water loss report for accuracy and said if the District is under 10% in water loss, then the Water Department is doing a good job.

B. Wastewater Division Report

Manager Gross reported for the Wastewater Division stating staff is working on annual maintenance for the Bio-Reactor No. 2 and also researching electricity cost savings programs. The Treatment Division is also waiting on the submittal for the new Turbo Blowers at the plant. Manager Gross confirmed the plant is only utilizing one pond and discussion continued regarding recycled water.

C. Wastewater Collection Division Report

Manager Gross stated that Trinity Construction is completing the rehabilitation of the wet wells and Sewer Lift Stations No. 7, 8 and 9 and the seal coating and point repairs have been completed with no issues.

D. Fire Department Report

Chief Corley announced Mike Vasquez as the new Fire Battalion Chief. Chief Corley also reported on Prevention Month and stated there were approximately fifty (50) responses last month. The Department is working on the reinspections for the Hazard Abatement Program, they finished the yearly fire hydrant inspections and began the newly required Ebola Virus Training. Chief Grabow added that the County Health Officers require all Pre-Hospital Care Providers to get flu shots beginning this year.

E. Administration Report

Supervisor Eaton stated that Administration has been focused this last quarter on the Fiscal Year Ending Audit and transition with the new Financial Consultant. Manager Gross has approved the final contract with Paychex, the new payroll reporting program that is expected to save the District approximately \$8,000 to \$10,000 per year and Supervisor Eaton stated the savings will be used toward the purchase of the new accounting billing system. Administration participated in the Emergency Services Day at the Fire Department and handed out informational materials to the public. Supervisor Eaton closed by reminding the Board of the Ethics Training deadline requirement.

F. General Manager's Report

Manager Gross opened by reporting on the San Diego City Council that approved their Pure Water San Diego project taking sewer water and turning it into drinking water through reverse osmosis. Manager Gross has visited the pilot plant and he explained the process of the reclaimed water system and regulations.

8. Report From Engineer

Engineering Resources is finalizing the Ayers Acres project rebid with Engineer Thomas stating they have clarified the bid items and costs by changing some of the design and streamlining the process. The bids will be held in January, 2015 with construction expected to begin in March 2015.

9. Report From Legal Counsel

Attorney Simmons reminded the Board of the upcoming Association California Water Agencies (ACWA) conference in San Diego and invited the Board to the Client Appreciation Dinner sponsored by Best, Best & Krieger on December 5, 2014.

10. Board Member Meetings

No comments

11. Board Member Comments

No comments

12. Closed Session

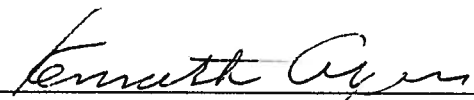
A. Conference with Legal Counsel - Anticipated Litigation. Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9, Potential cases: claim for refund of sewer charges

At 11:51 A.M., the Board retired to Closed Session with Legal Counsel pursuant to Government Code Section 54956.9 to discuss a claim received from Arrowbear Park County Water District for a refund of charges related to the operation and maintenance of joint use sewer facilities. The Board reconvened in Open Session at 12:20 P.M. and Attorney Simmons stated that there was no reportable action from the Closed Session discussion.


13. Meeting Adjournment

The meeting was adjourned at 12:21 P.M.

Respectfully Submitted,



President, Board of Directors
Running Springs Water District



Secretary of the Board of Directors
Running Springs Water District