

**MINUTES OF THE SPECIAL MEETING OF THE
BOARD OF DIRECTORS RUNNING SPRINGS WATER DISTRICT
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
NOVEMBER 14, 2018**

The Special Meeting of the Board of Directors of the Running Springs Water District was held on Wednesday, November 14, 2018 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:
Errol Mackzum, Vice-President
Mike Terry, Director
Mike Milliorn, Director
Bill Conrad, Director

President Tony Grabow was absent

Also present were the following:
Ryan Gross, General Manager
Joan C. Eaton, Board Secretary/Treasurer/Administration Supervisor
Ward Simmons, Legal Counsel, Best, Best & Krieger
George Corley, Fire Department Chief
Greg Fankhanel, CPA, Partner, Van Lant & Fankhanel, LLP
Scott Manno, CPA, CGMA, Partner, Rogers, Anderson, Malody & Scott, LLP
Sunny Kim, Staff Accountant, Rogers, Anderson, Malody & Scott, LLP

Visitors Present:
Gerhard Hilgenfeldt, Running Springs Resident
Paul and Rita Bender, Running Springs Residents

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 Vice-President Mackzum and Director Terry led the assembly in the pledge of allegiance to the flag.

2. Recognize and Hear From Visitors/Public Comment

No public comments.

3. Approval of Consent Items

- A. Approve September 19, 2018 Regular Board Meeting Minutes
- B. Ratify September and October 2018 Expenditures and Cash Summary
- C. Consider Receiving and Filing the Assessment District No. 10 Continuing Disclosure Annual Report for the Fiscal Year Ending June 30, 2018
- D. Consider Adopting Resolution No. 19-18, Setting the Schedule for Regular Board Meetings

Beginning January, 2019, the Regular Board Meetings of the Board of Directors shall continue to be conducted on the third Wednesday of each month at 9:00 A.M.

Upon motion by Director Terry, second by Director Milliorn and carried by a 4 to 0 vote, the Consent Items were approved. (Resolution No. 19-18 on file in the District Office)

4. Action Items

The meeting moved to Action Item 4.D. by Vice-President Mackzum.

- D. Consider a Customer Opt-Out Policy for Automatic Meter Reading (AMR) Technology Upgrade Program

Manager Gross opened by saying this item is being returned to the Board due to customer concerns with the Automatic Meter Reading (AMR) Program. A Proposition 218 Hearing would be required for the District to establish an Opt-Out Policy fee and Manager Gross said the District would consider an individual customer agreement or other options.

Paul and Rita Bender were introduced stating they reside at #7 Fredalba Road and requested that the District exempt them from the AMR program and offer an opt-out program to the customers of Running Springs due to exposure concerns. Mr. Bender presented written professional opinions regarding smart meter safety and discussion continued regarding possible options for customers that include meter relocation, an opt-out program and individual customer agreements. Manager Gross will return AMR program options to the Board in December, 2018.

Upon motion by Director Milliorn, second by Director Conrad and carried by a 4 to 0 vote, Considering a Customer Opt-Out Policy for Automatic Meter Reading (AMR) Technology Upgrade Program, was approved.

Paul and Rita Bender were excused from the meeting.

A. Consider Receiving, Filing and Authorizing the Distribution of the District's Fiscal Year 2017-2018 Annual Financial Report and Audit Results

Greg Fankhanel, Partner with Van Lant & Fankhanel, LLP (VLF) presented the District's Audit Report for Fiscal Years Ended June 30, 2018 and 2017. 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, 2018 and 2017 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, as well as accounting systems prescribed by the California State Controller's Office and state regulations governing special districts.

Mr. Fankhanel summarized the audit reports saying 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. In the course of their audit, VLF did not identify any non-compliance issues nor did they encounter any difficulties or disagreements with management. Mr. Fankhanel said the findings indicate that District staff are doing a great job.

Discussion continued that included the CalPERS Pension Liability and Actuarial Reports, Wastewater Treatment and Collections Fund Allocations and Uncollectible Ambulance Charges and suggestions were made to clarify information in the financial report. Manager Gross said the discussed revisions will be made in the final financial statements.

Upon motion by Director Conrad, second by Director Terry and carried by a 4 to 0 vote, Receiving, Filing and Authorizing the Distribution of the District's Fiscal Year 2017-2018 Annual Financial Report and Audit Results with revisions, was approved.

Mr. Fankhanel was excused from the meeting.

B. Financial Presentation

Scott Manno, Partner with Rogers, Anderson, Malody and Scott, LLP (RAMS) presented the District's Financial Statements for the years ended June 30, 2018 and 2017 and opened the presentation by reviewing the financial highlights. The District's total net position decreased by \$80,333 from the prior year due to the increase of CalPERS actuarial pension expenses. The total net position decreased 0.5% due to a 12% increase in total revenues and 24% increase in total expenses. Cash and temporary investments increased due to the rate increase and a decrease of construction in progress and long term liability increased by \$815,275 due to the increase of 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) for revenues, expense and cash flows stating the current ratio for Business Type Activities increased from 4.75 in 2017 to 6.4 in 2018 and he confirmed the higher ratio is better. Discussion continued that included concerns regarding the financial position of the Wastewater Treatment Plant and Manager Gross concluded by stating the District has been in the black for approximately four years in all Divisions.

Upon motion by Director Conrad, second by Director Terry and carried by a 4 to 0 vote, the Financial Presentation was approved.

Scott Manno and Sunny Kim were excused from the meeting.

C. Consider Adopting Resolution No. 20-18, Initiating Proceedings for the Annexation of the Getaway House Property

Manager Gross reported on Resolution No. 20-18 regarding annexation of the property on Wilderness Road that is now the Getaway House property. Annexation of the property was a condition of the Temporary Outside Water and Sewer Service Agreement approved by the Running Springs Water District on August 28, 2018.

Upon motion by Director Conrad, second by Director Milliorn and carried by a 4 to 0 vote, RESOLUTION NO. 20-18, INITIATING PROCEEDINGS FOR THE ANNEXATION OF THE GETAWAY HOUSE PROPERTY, was adopted. (Resolution No. 20-18 on file in the District Office)

5. Information Items

A. Quarterly Investment Report

B. Water Production and Precipitation Report

Manager Gross reported on the Ayers Acres Well saying the water production level has remained lower than expected. The Harris and Sidewinder wells were down for several months this year resulting in an increase in purchased imported water.

6. General Manager's Report

Manager Gross reported on the Automated Meter Reading (AMR) system saying it is 98% complete and the District is pleased with the results. The AMR system was an \$800,000 project with 50% principal loan forgiveness and the project should be complete by Thanksgiving. The AMR system provides efficient leak detection and consumption reports and the District is expecting the first \$460,258 disbursement from the State Water Board. Manager Gross said the District is currently evaluating Water Division staffing requirements with implementation of the new AMR system.

Manager Gross then reported on the recent Pali Mountain Hearing by the Local Agency Formation Commission (LAFCO) and the proposed reorganization to include annexation to the Running Springs Water District (RSWD). Currently, fire protection services are provided by the San Bernardino County Fire Protection District (County Fire), however, the District is currently first on-scene for fire and emergency medical services at the Pali Mountain camp due to the proximity of Fire Station 51. Upon approval from LAFCO, the area would be detached from County Fire and RSWD would assume responsibility for fire protection services. Discussion continued and Manager Gross said the County Fire Chief attended the hearing and stated his opposition to the proposed reorganization. The LAFCO hearing was continued until January 16, 2019 with the request that Running Springs and the County Fire Departments meet with the property owner on December 6, 2018 to work through the issues. Chief Corley closed by clarifying the Running Springs Water District ambulance and fire service boundaries.

A Personnel Committee Meeting will be scheduled in January, 2019 to discuss the Cost of Living Adjustment (COLA) and District succession planning.

Manager Gross and Supervisor Eaton reported on the NBS Continuing Disclosure Report regarding Assessment District No. 10 saying the West Coast Torah Retreat and Camp Center are owners of property in Assessment District No. 10 with unpaid assessments in excess of 5% of the total unpaid assessments. Supervisor Eaton confirmed that the West Coast Torah Retreat assessments are not delinquent and the Assessment District No. 10 bond payments are expected to be complete in 2023.

Discussion turned to the Rimwood Ranch Vista Serena San Bernardino Mountain Land Trust property that is in the process of transferring ownership to the United States Forest Service. The District does not receive assessments from the Mountain Land Trust property so the transition to the Forest Service will not impact District revenue.

7. Report From Legal Counsel

Attorney Simmons confirmed that Senate Bill 998, regarding discontinuing of residential water service was approved and becomes effective April 2020. Best, Best & Krieger will provide additional information when it is time to revisit District policies.

Attorney Simmons confirmed that Proposition 3, the Water Supply and Water Quality Act of 2018, did not pass.

8. Board Member Comments/Meetings

Director Mackzum and Chief Corley commented on forest management and Chief Corley said the District is supportive of the local Hazard Abatement Program.

Supervisor Eaton said the San Bernardino County Elections Office will provide the certification documents in early December regarding the newly elected Board members.

The Mountain Trails Alliance Committee will meet in the District Board Room at noon on Thursday, November 29, 2018.

9. Meeting Adjournment

The meeting was adjourned at 11:22 A.M.

Respectfully Submitted,



President, Board of Directors
Running Springs Water District



Secretary of the Board of Directors
Running Springs Water District