

**MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS RUNNING SPRINGS WATER DISTRICT
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
NOVEMBER 20, 2013**

The Regular Meeting of the Board of Directors of the Running Springs Water District was held on Wednesday, November 20, 2013 at the hour of 6:00 P.M. at the District office located at 31242 Hilltop Boulevard, Running Springs, California.

The following Directors were present:

Kenneth Ayers, President
Mike Terry, Vice-President
Everett "Ed" Brittain, Director
Pamella Bennett, Director
Paul Shouse, Director

Also present were the following:

Ryan Gross, General Manager
Joan Eaton, Secretary/Treasurer/Administration Supervisor
Tony Grabow, Fire Chief
George Corley, Battalion Chief
Randy Bobroff, Water Division Supervisor
Trevor Miller, Wastewater Treatment Division Supervisor
Isaiah Hall, Wastewater Collections Division Supervisor
Ward Simmons, Attorney, Best, Best & Krieger
Brian Thomas, Engineer, Engineering Resources
Nancy O'Rafferty, Accountant, RAMS

Visitors Present:

Greg Fankhanel, CPA, Van Lant & Fankhanel, LLP
Brett Van Lant, CPA, Van Lant & Fankhanel, LLP
Gerhard Hilgenfeldt, Running Springs Resident

MEETING MINUTES

AGENDA ITEMS

1. Call Meeting to Order and Pledge of Allegiance

The meeting was called to order at 6:00 P.M. by President Ayers and Director Shouse led the assembly in the Pledge of Allegiance.

2. Recognize and Hear From Visitors/Public Comment

Gerhard Hildenfeldt introduced himself 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. The Public Hearing was opened at 6:01 P.M. by President Ayers.
- B. Chief Grabow reported on Resolution No. 13-13, Finding that Certain Properties Located in the District Constitute a Public Nuisance and Ordering Notification to Property Owners and Setting a Public Hearing, and he stated the Public Hearing is to consider any objections to the Hazard Abatement Program notices that were mailed to non-compliant property owners.
- C. The Department received no written objections per Manager Gross.
- D. The Department received two (2) oral protests that have been resolved per Chief Grabow.
- E. Director Brittain asked if the document titled Exhibit “A” List of Properties was a consolidated list with Manager Gross responding that this Public Hearing was continued from last month allowing sufficient time for property owners who had not received their written notice.
- F. The Public Hearing was closed at 6:04 P.M.
- G. Upon motion by Director Brittain, second by Vice-President Terry and carried by a 5 to 0 vote, Consider Acquiring Jurisdiction to Proceed and Perform the Work of Removing the Public Nuisance, was approved.

4. Approval of Consent Items

The following consent items were listed for approval:

- A. Approval of Minutes for October 23, 2013 Special Board Meeting**
- B. Ratify September 2013 Expenditures**
- C. Consider Declaring Certain Equipment as Surplus and Authorize Staff to Dispose of Property**

President Ayers asked about the process to dispose of the surplus property and Manager Gross stated the Treatment Division equipment has some value and will either be recycled by the District or disposed of through the equipment’s representative for scrap value. The Fire Department turnouts that are no longer usable will be donated to the Rim High School Regional Occupational Program (ROP) Fire Science program for training purposes and the electronics will be disposed properly. Supervisor Hall confirmed that

District staff will damage the old tires further so they cannot be used any longer and then recycled.

D. Consider Receiving and Filing the Assessment District No. 10 Continuing Disclosure Annual Report for the Fiscal Year Ending June 30, 2013

Upon motion by Vice-President Terry, second by Director Bennett and carried by a 5 to 0 vote, the consent items were approved.

5. Action Items

A. Consider Receiving, Filing and Authorizing the Distribution of the District's Fiscal Year 2012-2013 Annual Financial Report and Audit Results

Manager Gross introduced Nancy O'Rafferty, District Accountant and Greg Fankhanel and Brett Van Lant, Auditors, Van Lant & Fankhanel, LLP.

Mr. Fankhanel thanked the Board for allowing them to attend the board meeting and stated it is good to know the Board is concerned with the results of the audit. Mr. Fankhanel reported that the audit process went very well, the accounting records were prepared and their recommendations from last year were implemented in a timely manner. Regarding recommendations, Nancy O'Rafferty reported on fund balance separation per the District Cash Reserve Policy and stated there are some difficulties regarding the District's billing software because it is not equipped for fund accounting. In collaboration with Ms. O'Rafferty and the billing software systems administrator, District staff will research options to implement fund balance separations. Supervisor Eaton also mentioned that the Ambulance Billing Procedural Manual is being developed. Mr. Fankhanel was pleased to announce that the District has full disclosure and transparent accounting records and financial reporting and he stated that they appreciate the efforts of District staff and the Financial Consultant during the audit process.

Mr. Fankhanel then reviewed the Annual Financial Report for Years Ending June 30, 2013 and 2012 reporting briefly on assets, revenues over expenditures, cash flows and fund balances. Mr. Fankhanel confirmed they did not have any significant audit findings during the audit 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. Director Brittain thanked Mr. Fankhanel, Mr. Van Lant and Ms. O'Rafferty for doing a nice job during the audit.

Director Brittain then referred to the Letter of Transmittal for Annual Financial Report and Independent Auditor's Report for Fiscal Year Ending June 30, 2013, specifically the Financial Condition of the District, stating increases in rates are needed to build District reserves. Discussion continued regarding the Cash Reserve Policy, Proprietary Fund Ratios and District assets with Accountant O'Rafferty suggesting that the District also take into consideration the property taxes that have been exclusively allocated to the Fire

Department the last few years. Mr. Fankhanel stated the purpose of the audit is to state an opinion on District records but not to make recommendations regarding the District's financial condition.

Director Brittain asked about industry standard comparisons to neighboring water districts in regards to financial status and Mr. Fankhanel stated each District is different and said he has access to financial reports from several agencies if needed. Manager Gross said the operating revenues or charges for services are not covering the operating expenses and we are approximately four to five years away from meeting the goals established in the Cash Reserve Policy and discussion included the recommended multiple year moderate rate increases and certain increases in expenses that are beyond the control of the District such as electricity, gas and purchased water. Director Shouse referred to the debt ratios as stated in the Financial Reports and Ms. O'Rafferty addressed the decreased operating revenues and operating losses for the last three years. President Ayers then referred to the Statements of Revenues, Expenses and Changes in Net Position Proprietary Fund – Water, Ambulance and Sewer Departments for Years ended June 30, 2013 and 2012 and most specifically the Operating Loss of \$779,845 with Manager Gross expressing concern and stated it will be discussed further at the January 2014 Board Workshop. Ms. O'Rafferty and Manager Gross reported on the CalPERS Side Fund that was a \$1.4 million dollar loan to the District at 7.4% interest and will be paid in 2026 with President Ayers expressing concerns regarding the pension plan contributions and additional liability for governmental entities and Director Brittain stating he was pleased that the Sewer Treatment Plant 2001 loan will be paid in 2017. Ms. O'Rafferty also referred to the Governmental Accounting Standards Board (GASB) No 68 *Accounting and Financial Reporting for Pensions* that will be effective for fiscal years beginning after June 15, 2014 stating that GASB No. 68 will have a major impact on government entities. Discussion continued regarding fraud processes and Mr. Fankhanel stated he is a Certified Fraud Examiner and noted that fraud is a confidential issue that if ever discovered would be communicated and handled appropriately. Mr. Fankhanel, Mr. Van Lant and Ms. O'Rafferty were excused at 6:47 P.M.

Upon **motion** by Director Shouse, **second** by Vice-President Terry and **carried by a 5 to 0 vote**, Receiving, Filing and Authorizing the Distribution of the District's Fiscal Year 2012-2013 Annual Financial Report and Audit Results, was approved.

Manager Gross provided a brief explanation to Mr. Hilgenfeldt regarding the Annual Financial Report stating the fees that the District charges for services, which are the operating revenues, are not enough to cover the operating expenses for the last three years with President Ayers commenting on the District audit and operating revenues and expenses. Manager Gross suggested that Mr. Hilgenfeldt refer to the District Financial Condition listed on pages 82 and 83 of the Financial Report for additional clarification.

B. Consider Request from Arrowbear Park County Water District for Increased Cost Share Amount for the Sewer Lift Station Interconnection

Manager Gross reported that Arrowbear Park County Water District (APCWD) has submitted a request to the District for an additional cost share amount for the APCWD Cross Connection between their lift station and the CSA-79 sewer lift station that was discussed and tabled at the October 23, 2013 Board Meeting. APCWD estimates the total project cost to be \$97,425 and APCWD is requesting that the Running Springs Water District contribute an additional \$26,959.70 for a total cost share of \$48,712.50 for the project that will begin in the spring of 2014. The connection would benefit the District during maintenance, repair work and/or emergency conditions where shut down of the District's Sewer Lift Station #2 was required. Manager Gross reported on the alternative of renting or purchasing a portable trash pump similar to the ones APCWD was currently using and stated he does not feel the District could justify spending \$48,712.50 on this project. Director Brittain expressed concerns regarding the condition of Lift Station No. 2 and the possibility of a spill into Deep Creek with Supervisor Hall reporting on pumping options and confirming the District has equipment in place to bypass and turn off equipment with limited liability. Manager Gross will discuss this issue further with Norman Huff, General Manager of APCWD and the item was tabled with no action taken.

C. Consider Adopting Resolution No. 16-13, Approving the Department of Forestry and Fire Protection Agreement #7FG13133

Chief Grabow reported on the Running Springs Fire Department's 2013 Volunteer Fire Assistance (VFA) application that has been selected by the Department of Forestry and Fire Protection for funding in the amount of \$3,763. The Fire Department applied for matching funding through the VFA program for equipment and if approved, this agreement would provide up to 50% of the cost of the equipment. The remaining costs of \$3,763 will come out of the Special Equipment Fire Department Budget.

Upon motion by Director Brittain, second by Director Shouse and carried by a 5 to 0 vote, RESOLUTION NO. 16-13, THE DEPARTMENT OF FORESTRY AND FIRE PROTECTION AGREEMENT #7FG13133, was approved (Resolution No. 16-13 on file in the District office)

D. Consider Adopting Resolution No. 17-13, Authorizing the General Manager to Apply for Funding from the California Department of Public Health Safe Drinking Water State Revolving Fund

Manager Gross reported on authorizing the General Manager to sign and submit an application to be considered for low interest loan and grant funding through the California Department of Public Health Safe Drinking Water State Revolving Fund. The application will allow the District to be considered for funding opportunities with no commitments. Projects that may be considered for funding include the Ayers Acres groundwater infrastructure, water storage tank rehabilitation/replacement, water main replacement and other various projects included in the District's Water Master Plan.

Manager Gross stated he has already made application with the State Water Resources Control Board Division of Financial Assistance for the Clean Water State Revolving Fund Program on the sewer side administered by the State Water Resources Control Board for replacement of our Sewer Lift Stations Nos. 1, 2 and 3 for a twenty (20) to thirty (30) year term, 2.1% interest loan with possibly some principal forgiveness. Discussion continued regarding loan options and funding and President Ayers asked if it would be beneficial for the District to develop the water source at Ayers Acres stating the District will save in the purchased water account with Manager Gross responding that it does pencil out based on the qualifiers. Manager Gross stated these items will be discussed further at the January 2014 Board Workshop and closed by stating that Engineering Resources has almost completed the plans and specs on the infrastructure for Ayers Acres.

Upon **motion** by Director Bennett, second by Vice-President Terry and **carried by a 5 to 0 vote**, RESOLUTION NO. 17-13, AUTHORIZING THE GENERAL MANAGER TO APPLY FOR FUNDING FROM THE CALIFORNIA DEPARTMENT OF PUBLIC HEALTH SAFE DRINKING WATER STATE REVOLVING FUND, was adopted.
(Resolution No. 17-13 on file in the District office)

E. Consider Adopting Resolution No. 18-13, Commending Director Paul Shouse for Distinguished District Service

With Director Paul Shouse leaving office on December 6, 2013, the Board and staff acknowledged Director Shouse for his service as a member of the Running Springs Water District Board of Directors since 2009. Director Shouse thanked the Board and stated that it was a pleasure working with everyone at the District.

Upon **motion** by President Ayers, **second** by Vice-President Terry and **carried by a 4 to 0 vote** with Director Shouse abstaining, RESOLUTION NO. 18-13, COMMENDING DIRECTOR PAUL SHOUSE FOR DISTINGUISHED DISTRICT SERVICE, was adopted (Resolution No. 18-13 on file in the District office)

6. Information Items

A. Consider Fiscal Year 2014-2015 Budget Planning Schedule

Manager Gross provided projected dates for the 2014-2015 Budget Planning Schedule and stated the next regularly scheduled Board Meeting will be held on December 18, 2013 at 9:00 A.M. The December agenda will include nominations of Board officers and committees and an action item to consider changing all Board Meetings to 9:00 A.M. with Manager Gross stating that Henry Heredia's first meeting will be on December 18, 2013.

7. Monthly Reports from Management

A. Water Division Report

Supervisor Bobroff reported on unaccountable water loss and noted the numbers are based on several contributing factors stating the only way to get accurate records would be to install an automated meter reading system. Supervisor Bobroff reported that last year, the District was at about 10 inches less than the normal average and this year our records indicate 50% less on record than in 2013. He also stated that with this trend in precipitation, the District will end up with one hundred acre feet less in production than what was predicted in the budget resulting in an approximate 35% increase in the budget item. Supervisor Bobroff also reported on pumping costs at Sidewinder Canyon and Manager Gross added the District should weigh all the options for the Ayers Acres well Project and he will consult with Municipal Finance for funding options.

B. Wastewater Treatment Division Report

Supervisor Miller reported on the new Huber Screw Press Dewatering Equipment that was installed by GM Excavating during the week of October 21, 2013 and stated the unit was running within three (3) hours with the plant producing solids at an average of 19½%. Supervisor Miller reported on sludge volume and stated the cost for transportation of the sludge will be \$60 per ton with a load predicted for transport every ten days with the annual District savings in bio-solids expense expected to be approximately \$46,000 to \$50,000 a year. Supervisor Miller stated the system is fully automated and working better than expected with Manager Gross mentioning that with the upstream users, the payback will be no more than four (4) years and he stated this was a highly successful project for the Treatment Plant. Supervisor Miller said they will discuss the possibility of integrating the system with the Supervisory Control and Data Acquisition (SCADA) during the upcoming Board workshop and he concluded by reporting on operation and energy efficiency of the system.

C. Wastewater Collection Division Report

Supervisor Hall stated everything is great in the Collections Division and they are ready for winter.

D. Fire Department Report

Chief Grabow distributed and reported on a “Fire House” article regarding a recent fire in Oakland California and wild land inspections of property and hazard abatement. The article states that the residents of Oakland Hills rejected the renewal of a \$78.00 per parcel per year tax to pay for wildfire prevention measures. Chief Grabow mentioned that last year, the Fire Department spent approximately \$14,000 on the Hazard Abatement program and has received approximately \$11,900 which is about \$2,100 short and he added that this year, the Department has received about \$4,400 from the \$95 per parcel fees. Director Bennett commented on the number of properties that have been abated and

Chief Grabow responded saying the program is working. Chief Grabow concluded by stating he has no new information regarding the Ground Emergency Medical Transport (GEMT) program and stated the concern now is the Exclusive Operating Area (EOA) Ambulance Service Agreement that is currently under study by the Inland Counties Emergency Medical Agency (ICEMA).

E. Administration Report

Supervisor Eaton opened by reporting on the Records Retention Program and stated the District will receive a high tech Xerox scanner on December 5, 2013 to use free of charge for 30 days.

The District Employee Recognition Holiday Luncheon will be held on December 13, 2013 from 11:30 A.M. to 1:30 P.M. at Rocky's Roadhouse in Running Springs to recognize employees for their career service achievements over the year, in place of the traditional annual District Holiday Potluck. Board Members are welcome to attend the luncheon, however, any outside guests will be required to self pay for their lunch. Whitney Mesna and Toni Nicassio, Holiday Luncheon Committee members may be contacted for further information.

Supervisor Eaton confirmed that the Statement of Facts document will be filed with the State of California due to the November 5, 2013 election and change in Board Member seats. RSWD Board members will take the Oath of Office no later than noon on December 6, 2013 at which time they will assume office with the exception of new Board Member Henry Heredia who will not assume office until approximately December 12, 2013.

F. General Manager's Report

Manager Gross reported that he attended the Chabad property sale at the County courthouse and there were no bids on the property. The starting bid was approximately \$62,000 for five acres. Manager Gross stated the sheriff will reinstate the sales process at a cost of approximately \$800 that will be included in the property sale.

Manager Gross stated that the District has been officially included in the list of water agencies in the Santa Ana and the Mojave Watershed Project Authority Integrated Regional Water Management Plans. Both plans will assist the District in receiving any state revolving or loan funds that may be available for capital projects and Manager Gross will attend future meetings to represent the District.

Manager Gross will be attending the Association of California Water Agencies (ACWA) fall conference from December 3rd through December 6th, 2013 and he reminded the Board of the Best, Best & Krieger (BB&K) sponsored Client Appreciation dinner that will be held in Los Angeles.

Manager Gross then reported on *The Energy Network* and provided the Board with a packet of information regarding the program funded by the California Public Utilities Commission (CPUC) that provides a free energy audit and will assist the District in putting together plans and specifications.

8. Report from Engineer

Engineer Thomas reported on the California State of Emergency Services Certification course for Safety Assessment programs that he completed and said his credentials will allow him to assist the District in shoring up infrastructure in preparation of a disaster. The training was centered on infrastructure and Engineer Thomas stated the District would benefit by having in-house trained staff to help shore up areas and to assist in establishing self-sufficiency in the event of a catastrophic disaster. Engineer Thomas will schedule time to meet with District staff regarding the program and he will not charge the District for his time. Engineer Thomas will provide additional information when received.

9. Report from Legal Counsel

Attorney Ward Simmons had no information to report.

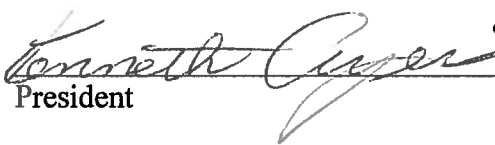
10. Board Member Comments

Manager Gross confirmed that staff will provide new Board Member Henry Heredia with an orientation packet that includes training courses for new Board members.

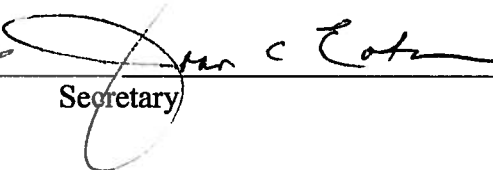
11. Meeting Adjournment

The meeting was adjourned at 7:57 P.M.

Respectfully Submitted,



President



Secretary