

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF
DIRECTORS OF CRESTLINE VILLAGE WATER DISTRICT**

SEPTEMBER 18, 2012

CALL TO ORDER AND FLAG SALUTE: President Farrell called the Regular Meeting of the Board of Directors of Crestline Village Water District to order at 3:00 pm, on Tuesday, September 18, 2012, at the regular meeting place of said Board at its office in Crestline, California.

ROLL CALL: Present were President Steven Farrell, Directors William Huckell, Kenneth Stone, Darel Davis and Rosemarie Wiegand.

Staff members present were General Manager Karl B. Drew, Attorney Ronald Van Blarcom, Engineer Wally Franz, Auditor Scott Manno, Field Supervisor Chris Heryford and Office Manager Larrie Davis.

MINUTES OF PREVIOUS MEETING: On a motion by Director Stone and a second by Director Davis, the minutes of the Adjourned Regular Meeting of August 28, 2012 were unanimously approved as corrected.

CASH DISBURSEMENTS: The Board reviewed the cash disbursements for the month of August 2012. On a motion by Director Davis and a second by Director Huckell, the cash disbursements for August 2012 were unanimously approved.

PUBLIC COMMENTS: None.

PRESENTATION OF THE ANNUAL AUDIT REPORT FOR FISCAL YEAR 2011-2012: The District's Auditor, Scott Manno, of Rogers, Anderson, Malody & Scott, LLP, Certified Public Accountants, presented the audit report for the fiscal year ending April 30, 2012. The audit report includes an unqualified opinion from the auditor stating that the financial statements fairly present the financial position of the District.

Mr. Manno explained the purpose of the annual audit and the role of the auditor with both the Board and the District staff. Mr. Manno stated the District appears to be going in the right direction by reducing expenses and sustaining assets with some growth. From an operational standpoint the District is doing great. Currently the District has no debts other than current payables, is operating on a pay as you go basis and has a positive cash flow.

Mr. Manno reviewed and discussed the various financial statements, schedules and notes in the audit report with the Board. The ratio of current assets to current liabilities is 22.0:1 as compared to 5.5:1 for last year. This ratio has increased from 8.8:1 to 22.0:1 over the past five years. The increase is due to the early retirement of the 2004 Water Agreement debt and the CVCWD Water Facilities Corporation Leasehold Mortgage Bonds of 1979 debt. The auditor's minimum guideline for this ratio is 1.5:1. The District had an Operating Income (Loss) of \$301,852. In the previous year, the

District had an Operating Income (Loss) of \$204,458. Loss of revenue and an increase in outside services was the main reason for the change in operating income.

DISCUSS PENSION REFORM (AB 340): Manager Drew shared recent pension reform legislation signed by the governor and several articles on the same subject. The greatest impact of this legislation will be on new hires hired after January 1, 2013 and employee cost sharing which will take effect no later than 2018. Manager Drew will update the Board as more information becomes available on the Governor's Pension Reform Act of 2012.

UPDATE ON 2011 URBAN WATER MANAGEMENT PLAN: Manager Drew provided the Board with a proposed schedule for plan adoption. Engineer Franz plans to have the draft 2011 Urban Water Management Plan to the Board at least one week prior to the October Board meeting for final board comment.

BI-ANNUAL REVIEW OF DISTRICT'S CONFLICT OF INTEREST CODE: The Political Reform Act requires every local government agency to review its conflict of interest code biennially. Attorney Van Blarcom reviewed the District's Conflict of Interest Code with the Board.

REVIEW PHASE I REPORT AND CONSIDER PHASE II OF THE GROUNDWATER RESOURCES EVALUATION: Manager Drew informed the Board that Michael Bracher of Independent Geo-Environment Consultants has determined the District property on Valle Drive looks to be the better choice for well exploration. There is an earthquake fault going directly through the Adam's property which makes it less desirable. Mr. Bracher is waiting on the exact location of the fault before making a final determination. The Board requested that Mr. Bracher make a presentation at the October board meeting.

DISCUSS DIRECTOR IN GOOD STANDING POLICY: Director Stone led a discussion on if the District should adopt a policy on proper conduct of directors. Attorney Van Blarcom stated that other entities regulate director conduct through such things as the annual Statement of Economic Interest and required ethics and discrimination classes. Director Stone would like Attorney Van Blarcom to do further research on the topic. President Farrell thanked Director Stone for addressing the topic.

CONSIDER RESCHEDULING OCTOBER 16, 2012 BOARD MEETING: Director Stone will be out of state on the next regularly scheduled October 16, 2012 meeting. On a motion by Director Davis and a second by Director Stone the Board unanimously agreed to set the next board meeting date to October 23, 2012 at 3:00 pm.

MANAGER'S REPORT:

SURPLUS PROPERTY: Manager Drew informed the Board that he will soon be requesting the Board to declare several pieces of equipment and the three right hand drive jeeps as surplus property.

METER REPLACEMENT PROGRAM: The District has almost completed the meter replacement program. There are still 27 meters needing replacement. Completion of the project is on hold until additional meters are received. The sales representative has guaranteed delivery this month.

MUELLER VALVE REPLACEMENT: We have been notified of a design flaw in the stem and packing of 8" Mueller valves which will cause the valve to seize. Staff is currently in the process of replacing the affected valves. Supervisor Heryford reported there are 23 valves, 9 of which are under warranty.

VANDALISM AND THEFT: Manager Drew shared a problem that some purveyors are having with the theft of fire hydrant parts. Hydrants are being recycled for cash. So far the District has not experienced any theft, but there was vandalism at the Beacon tank site. District property was not damaged, but as a result staff has reinforced District property in an effort to thwart future damages. Director Huckell questioned if the District has adequate inventory to replace parts should there be any future damage or theft of hydrants. Supervisor Heryford assured the Board that the District has an adequate inventory of standard parts.

DIRECTORS' REPORT: President Farrell attended Crestline Sanitation District's strategic planning meeting. Peter Lewis developed a mission statement for the Sanitation District.

President Farrell announced that on September 19, 2012 ACWA is holding a regional briefing on the "Future of California Water" and on October 4, 2012 ACWA Region 9 will meet.

Director Wiegand notified the Board that she and her husband have purchased a home outside District boundaries. They are still making improvements to the home and have not yet moved in full time.

FUTURE AGENDA ITEMS: President Farrell encouraged Manager Drew to follow-up on the purchase of water bottles. The bottles would make a good give away. Conservation information could be inserted in the bottle.

As there was no further business to discuss, the meeting was adjourned at 5:18 pm. The next meeting has been rescheduled for Tuesday, October 23, 2012 at 3:00 pm.