

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

SEPTEMBER 16, 2003

President McGehee called the Regular Meeting of the Board of Directors of Crestline Village Water District to order at 3:00 PM, on Tuesday, September 16, 2003, at the regular meeting place of said Board at its office in Crestline, California.

ROLL CALL: Present were President C. N. McGehee, Directors William Valko, Alan Clanin and Charles Spinks. Absent was Director William Huckell. Staff members present were Manager/Secretary Norman L. Hunt, Attorney Ronald Van Blarcom, Auditor Jay Zercher and Field Supervisor Don Wagner. Absent were Engineer Fred Hanson and Office Manager Karl Drew.

MINUTES OF PREVIOUS MEETING: On a motion by Director Spinks and a second by Director Valko, the minutes for the Regular Meeting of July 15, 2003 were unanimously approved as submitted.

On a motion by Director Spinks and a second by Director Valko, the minutes for the Regular Meeting of August 19, 2003 were unanimously approved as submitted.

PUBLIC COMMENTS: None.

PRESENTATION OF AUDIT REPORT FOR FISCAL YEAR ENDING APRIL 30, 2003: Jay Zercher, the District's auditor, presented the audit report for the fiscal year ending April 30, 2003 to the Board. The audit report includes an unqualified opinion from the auditor stating that the financial statements fairly present the financial position of the District. Mr. Zercher reviewed and discussed the financial statements with the Board.

The District is in a good financial condition with a ratio of current assets to current liabilities of 3.51:1. The auditor's guideline for this ratio is 1.5:1. The District's long-term debt is 15.73% of the net utility plant. The District's "Pay-as-You-Go" plan has been effective in keeping this percentage well below the maximum level of 50% that the auditor uses as guideline.

The District's cost for Purchase Water was \$717,365 which represents an increase of 20.2% over the prior year. The increase in the cost of Purchased Water is mainly due to the continued drought conditions that have existed for the past 3 years.

The District experienced an Operating Loss for the second consecutive year. The Operating Loss was \$175,653. The Operating Loss for the Prior Year was \$62,539. The District had an Income Before Contributions of \$23,082. The District has not had a water rate increase since 1993 and the increased Purchased Water costs due to the drought conditions, along with other increased costs have resulted in an Operating Loss.

The District's Cash and Cash Equivalents at End of Year decreased by \$219,664 while the amount spent on the purchase of Utility Plant increased by \$391,904.

There was general discussion about the District's cash needs over the next six years, the amount of cash that the District currently has and the District's water rates. It has been ten years since the water rates were last increased. There was also a brief discussion regarding employee benefits and the future costs of health benefits.

PROGRESS REPORT ON PINECREST, CHAMOIS AND FELSEN WELLS: Field Supervisor Wagner reported that the Chamois Vertical Well source assessment has been completed and submitted to the State Department of Health Services. The District is planning to blend the well water with the water in the Chamois Tank to reduce the high radioactivity levels and the health department appears to be agreeable to this approach.

Edison is scheduled to bring power to the Felsen Vertical Well on September 22, 2003. The District is scheduling its contractor to complete the electrical wiring of the Pinecrest Vertical Well, so that it will be ready for power as soon as Edison can get power to that location.

PROGRESS REPORT ON CHILLON AND SAXON STORAGE TANKS: Manager Hunt reported that the painting and coating of the Saxon Tank is completed and the painting crew is working on the exterior of the Chillon Tank. The Chillon Tank was taken out of service so the painting of the exterior can be completed. The Saxon Tank is back in service and it is expected that both tanks will be in service next month.

HIGHWAY 138 - CRESTLINE MOUNTAIN PARK MAINLINE EXTENSION PROJECT: Manager Hunt reported the District had received the easement documents from the two property owners and the easements and agreements have been recorded. Manger Hunt has made contact with the management firm of the mobile home park and has reached an agreement for the easement across their property. The Department of Fish and Game has approved the creek crossing and the materials for the crossing have been ordered.

Manager Hunt and Attorney Van Blarcom discussed with the Board the circumstances of extending the water main across the old Crestline Mountain Park which is now owned by the school district. The District has an agreement with the school district where the school district is responsible for the cost of installing the main across their property. It is unknown if the school district currently has the funds available for this purpose. District staff will contact the school district to discuss this project.

REMOVAL OF DEAD AND/OR INFESTED TREES: Manager Hunt discussed the removal of dead trees. This is an ongoing project that will continue until the work is completed. The District has made an agreement to have the cut trees hauled from the District's property to the mill and the District will be paid \$200 per load. It is estimated that there will be 16-20 loads of trees that will be hauled to the mill.

MANAGER'S REPORT: Manager Hunt reported that Office Manager Drew is scheduled to return to work on October 1, 2003.

There was a brief discussion regarding the monthly financial reports. Manager Hunt reported that the water bill from Crestline-Lake Arrowhead Water Agency for last month is similar to last year's bill.

The District has received a copy of the request for the dismissal of the lawsuit by Mary Gable. A settlement has been reached with Ms. Gable.

DIRECTORS' REPORT: Director Clanin requested that the October Board Meeting be rescheduled from October 21, 2003 to October 14, 2003, since he has a scheduling conflict. After discussion, the Board rescheduled the October meeting to October 14, 2003.

Director McGehee made a request for approval to attend the ACWA/JPIA Fall Conference in December 2003. This item will be discussed at the next meeting.

As there was no further business, the meeting was adjourned at 5:04 PM. The next Regular Meeting is scheduled for Tuesday, October 14, 2003 at 3:00 PM.