

**MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS RUNNING SPRINGS WATER DISTRICT
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
JANUARY 15, 2014**

The Regular Meeting of the Board of Directors of the Running Springs Water District was held on Wednesday, January 15, 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
Mike Terry, Vice-President
Everett "Ed" Brittain, Director
Pamella Bennett, Director
Henry Heredia, 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
Mike Riddell, Attorney, Best, Best & Krieger
Brian Thomas, Engineer, Engineering Resources

Visitors Present:

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 9:03 A.M. by President Ayers who also led the assembly in the Pledge of Allegiance.

2. Recognize and Hear From Visitors/Public Comment

Gerhard Hilgenfeldt introduced himself for the record.

3. Approval of Consent Items

The following consent items were listed for approval:

A. Approval of Minutes for December 18, 2013 Special Board Meeting

Supervisor Eaton reported on revisions to the unapproved December 18, 2013 Special Board Meeting Minutes.

B. Ratify December 2013 Expenditures

Manager Gross clarified the expenditure for Ovivo USA, LLC, who is the supplier for the Treatment Plant Membrane Bio-Reactors. The expenditures for Southern California Edison are separated by locations and processed individually for account tracking purposes and to monitor energy inconsistencies.

Upon motion by Director Bennett, second by Director Terry and carried by a 5 to 0 vote, the Minutes for December 18, 2013 Special Board Meeting were approved as revised and the December 2013 Expenditures were approved.

4. Action Items

A. Consider Adopting Resolution No. 01-14, Board Member Expense Reimbursement Policy

Manager Gross reported on the purpose of the Reimbursement Policy reviewed by Legal Counsel, which sets forth the District's policy for reimbursing members of the Board of Directors for actual and necessary expenses incurred in the performance of their official duties and clarifying Board Member meeting, expense reimbursement and compensation currently contained in District Resolution No. 11-11, Amending and Restating the Bylaws of the Board of Directors.

Attorney Riddell also reported on the Reimbursement Policy that proposes more specific requirements and President Ayers noted that there has been no District abuse of expense reimbursement over the years. The approval for attendance at all meetings listed is set at \$100 per day of service or the Board Members can agree to a lesser amount for service. Director Heredia asked if the Bylaws should be modified to address the new Resolution with Attorney Riddell responding that there are no inconsistencies in the Bylaws, and they can be changed anytime. Manager Gross stated suggestion revisions to the Bylaws will be presented for review by the Board at a future Board meeting.

Upon motion by Director Heredia, second by President Ayers and carried by a 5 to 0 vote, RESOLUTION NO. 01-14, BOARD MEMBER EXPENSE REIMBURSEMENT POLICY, was adopted. (Resolution No. 01-14 on file in the District office)

B. Consider Acceptance of Fiscal Year 2013 Homeland Security Grant Program Funds

Chief Grabow reported on the 2013 Fiscal Year Homeland Security Grant Program (HSGP) funds in the amount of \$10,377 that was approved by Cal OES (California Office of Emergency Services) for three portable generators that will be used by first responders and stated the old generators will be utilized if they are usable. Vice-President Brittain thanked the Fire Department for doing a great job and it was confirmed that retired Battalion Chief Mike Olsen will be removed from all future correspondence.

Upon motion by Director Terry, second by Vice-President Brittain and carried by a 5 to 0 vote, the Fiscal Year 2013 Homeland Security Grant Program Funds were accepted.

5. Information Items

A. Quarterly Investment Report

Manager Gross provided the Board with the Local Agency Investment Fund Remittance Advice for quarter ending December 31, 2013. The interest earned was \$793.07 with an interest rate of 0.26%.

B. Quarterly Budget/Financial Update

Manager Gross provided the Board with a Budget/Financial Summary for the second quarter of Fiscal Year 2013/2014 and a Cash Flow Summary as of December 31, 2013. The Budget Analysis dated December 31, 2013 states the Water revenues are on budget, Sewer revenues are 12% below budget and Ambulance revenue is 29% more than budgeted with total District expenses at 4.7% under budget and 20% higher than last Fiscal Year.

C. Fiscal Year 2014/2015 Budget Planning Workshop

This item was deferred to later in the meeting.

6. Monthly Reports from Management

A. Water Division Report

Supervisor Bobroff opened by saying that the Sidewinder motor pump failed and they are obtaining another pump to put the well back on line. He also mentioned the drought situation and said they have throttled back some of the wells. Supervisor Bobroff said that all of the meters are being read now due to the weather and everything else is running smoothly.

Manager Gross also reported on the drought situation saying we are in the driest year on record and the mountains have only received approximately 20% of precipitation this

year. Manager Gross will bring back the Water Conservation Ordinance to the Board in February for review and changes. He also pointed out that water sales in the Water Department budget are off due to the unanticipated drought. Supervisor Bobroff said the Water Department is researching Automatic Meter Reading (AMR) systems that will be discussed further in the Board workshop.

B. Wastewater Treatment Division Report

Supervisor Miller opened by reporting on the Bio-Solids Dewatering Equipment stating they only had two (2) loads of sludge to haul last month.

Supervisor Miller also reported on the Membrane Reactor 2 (MBR) and said they completed installation of the remaining cassettes but experienced issues limiting the hydraulic capacity and are investigating the matters with the manufacturer. Supervisor Miller stated the Regional Board is up to date regarding elevated levels and the effluent quality. He also said the reactor should be on line by January 17, 2014 and the department is focused on resolving the issues. Director Heredia asked about the quality of the effluent since installation of the MBR with Supervisor Miller responding that the current samples exceed the permit limit with the MBR operating at reduced capacity but overall the quality of the effluent when the MBR is operating at its rated design capacity far surpasses that of the previous treatment plant. Discussion continued regarding the change in chemical content that may be the result of the treated Heaps Peak leachate loads. Supervisor Miller stated the main focus is to get the reactor working correctly with Manager Gross saying loads will no longer be accepted by Heaps Peak until the issue is resolved.

C. Wastewater Collection Division Report

Supervisor Hall reported that the Collections Department is working on low voltage issues at Lift Station No. 5 and they are dealing with Southern California Edison and waiting to hear from the Quality Team Representative regarding the matter. Supervisor Hall also mentioned that two pumps at Lift Station No. 4 are down with backup pumps in place and he closed by stating there was impellor damage at Lift Station No. 2. Director Bennett asked for clarification regarding footage listed on the Collections System Maintenance Activities Report under Hot Spots and FOG (Fats, Oil and Grease) with Supervisor Hall explaining there is quarterly line cleaning footage added when sags or problem areas are discovered and also said the quarterly numbers are not exact. The sags on Lightfoot Way and Spring Oak have been repaired and may have been the result of poor compaction, design or a possible leak. Supervisor Hall confirmed that Lift Station No. 5 is located on Alder Court and was built in 2001 and Lift Station No. 6 is located on Poplar and Willow and Lift Station No. 4 was built in 2004. He also clarified that the programming issues meeting held on December 18, 2013 with TESCO was regarding the \$93,000 contract for the SCADA and Telemetry upgrade and he confirmed the District contracts with Houston and Harris, PCS, Inc. who has videotaped 250,000 out of 306,000 feet of sewer lines.

D. Fire Department Report

Chief Grabow stated Cal Fire will be here through February, 2014 and he noted that ambulance runs have been down due to the weather and lack of Snow Valley Ski Resort calls. Chief Grabow clarified the Citizens Emergency Response Team (CERT) who has combined forces across the mountain resulting in better team work.

E. Administration Report

Supervisor Eaton reported on the Affordable Care Act (ACA) and impact to the District Medical Reimbursement Plan, stating the District will no longer be able to reimburse employees for out of pocket payments of individual health policies. The District can continue to reimburse employees for their out of pocket payment of their spouse's group health policy as long as the reimbursement is treated as taxable. Manager Gross confirmed that Administration is currently consulting with Best, Best & Krieger regarding revisions to the District Medical Reimbursement Plan to comply with the ACA. Attorney Riddell stated the new law requires that our employees have health insurance plans and individual self-insurance is not an option. Chief Grabow said the ACA will also affect the ambulance reimbursements and discussion continued with Battalion Chief Corley noting that the Fire Department volunteers may be exempt from ACA requirements.

F. General Manager's Report

Manager Gross reported on items in the Board Correspondence Packet and noted the Local Agency Formation Commission Special District Selection Committee nomination period opening February 3, 2014 and ending on March 4, 2014. The notification officially opens the nomination period for the position of Regular and Alternate Special District member on LAFCO and nominations for the position must be submitted by District vote. Board members should notify Supervisor Eaton or Manager Gross of any nominations that will be added to the February Board Meeting agenda. Manager Gross also stated he is working with Brian Thomas, Engineering Resources and Tom Dodson, Tom Dodson and Associates regarding the loan application for possible funding from the State Water Resources Control Board Clean Water State Revolving Fund (CWSRF) regarding the Lift Station Sewer Project, stating this item is on the priority list. Manager Gross said he is still working with the United States Department of Agriculture (USDA) Rural Development Funding Program and he is waiting to hear back from the specialist regarding whether or not the District may be eligible for principal forgiveness.

Manager Gross asked the Board to provide optional dates and times to schedule a tour of the District and he also reported on a recent Alpenhorn newspaper article stating it was in regards to the proposed cross over connection between Green Valley Lake and

Arrowbear Park County Water District (APCWD) with APCWD re-evaluating the project at this time.

7. Report from Engineer

Engineer Thomas reported that he has researched solar cost options for the Treatment Plant saying solar panels would require maintenance and repairs and the rate of return on the lease of solar panels is thirty (30) years. Engineer Thomas said there is not enough wind to generate a turbine, therefore, he does not see solar as an option.

8. Report from Legal Counsel

Attorney Riddell stated that this water year is tracking to be the driest year on record in the State Water Project watershed, with no significant precipitation predicted in the foreseeable future. He said that the current allocation from the Project is only 5%, which for Crestline Lake Arrowhead Water Agency (CLAWA) would be only 290 acre-feet for the entire year if that allocation is not increased later. However, he stated that fortunately CLAWA has a significant amount of “carry over” water stored in the San Luis Reservoir from prior year allocations that were not taken and used, which will be available to use in this low allocation year. He said that CLAWA has also entered into exchange agreements with San Bernardino Valley Municipal Water District and with San Geronio Pass Water Agency, in which CLAWA water was delivered to them in previous years in exchange for the right to take water back in a year like this. Attorney Riddell said that while it is important to conserve water as much as possible in a year of drought like this, thus far CLAWA has not discussed the need to allocate water deliveries to any of its own customers, and that the District should be able to get the imported water it needs from CLAWA this year.

The meeting moved to Agenda Item 5.C. Fiscal Year 2014/2015 Budget Planning Workshop

Manager Gross opened by stating that the purpose of the Board Workshop is to review accomplishments of past years and to discuss plans for future years including District operations, organizational structure, infrastructure repair and replacement, finances, policies and other considerations. He then reviewed several accomplishments beginning with Administration that included the ADP Workforce Now Program, Records Retention, District Policies and Funding applications. The Fire Department accomplishments mentioned were grants received for approximately \$20,000 from Homeland Security and CalFire and for Projects and Programs, Manager Gross mentioned the CalFire Mutual Aid Agreement and replaced Station 50 appliances and continuation of the Breathing Apparatus Replacement Program. He also reported on the Water Division accomplishments that include approximately \$380,000 in capital projects and the Collections Division who are finishing the Supervisory Control and Data Acquisition (SCADA) Improvement Project and the Little Mill Creek Easement Repair.

Manager Gross completed the review of accomplishments by stating the Treatment Division Projects total approximately \$710,000 and include completion of the Outfall Pipeline Replacement, Bio-Solids Dewatering Process and MBR upgrades. President Ayers noted that a

percentage of the Wastewater Treatment Plant projects expense will be reimbursed by the upstream users.

Manager Gross then reviewed operations for each Division stating Administration has five (5) fulltime employees who are responsible for General and Board of Directors Administration, Customer Service, Public Information and Outreach, Budget and Finance, Human Resources, Personnel, Risk Management and Information Technology. The Fire Department has nine (9) fulltime and approximately seventeen (17) paid call employees, two (2) fire stations, response to 600-800 alarms per year and a \$1.9 million annual operating budget. The Water Division has five (5) fulltime employees, imported water, forty-five (45) miles of water mains, eleven (11) water storage tanks, 500 acre-feet per year consumption and a \$1.6 million annual operating budget. The Collections Division has four (4) fulltime employees, sixty (60) miles of sewer collection pipeline, 2.25 miles of force main pipeline, nine (9) sewer lift stations, seven (7) standby generators, 2,000 sewer manholes and a \$650,000 annual operating budget. The Treatment Division has three (3) fulltime employees and one (1) vacancy, one (1) MGD MBR Treatment Plant, 1.6 miles effluent outfall pipeline, eighteen (18) acre effluent disposal site, thirteen (13) percolation ponds and spray irrigation and a \$800,000 annual operating budget. Manager Gross then referred to the District Organization Chart and he reported on the Treatment Plant vacancy that will be filled by one employee who will be cross trained for Water, Collections and Treatment Plant operations. Manager Gross stated the District continues to strive to maintain our highly skilled and motivated staff. Manager Gross also mentioned that Nancy O’Rafferty, District Accountant, has retired from Rogers, Anderson, Malody & Scott, LLP (RAMS) but will remain on contract with RAMS. The District has hired an outside company for an analysis of the District financial accounting processes and the plan will be to hire a part time contract Finance Manager to replace Ms. O’Rafferty who prepares for the audit and provides financial management to the District.

Manager Gross then reported on Infrastructure Repair and Replacement and noted the majority of the projects identified in the 2010 Water and Sewer Master Plan have been deferred with twenty-six (26) deferred water projects for a total of \$6,500,000 and seven (7) deferred Wastewater projects for a total of \$2,500,000. A table was provided that identified the projects, costs and schedules. President Ayers asked about the status of the Vista Serena/Hawk Estates project with Supervisor Bobroff stating most of the property was purchased by the San Bernardino Mountains Land Trust and will not be developed.

Manager Gross reported on the proposed 5-Year Plan outlining Capital Improvement needs for all Divisions and referred to the 2014/2015 proposed projects. Beginning with the Fire Department, he reviewed the capital equipment needs with Chief Grabow confirming the \$2,500 total cost for three recliner chairs for the department. The Administration Division is currently researching new billing software that is capable of fund accounting and is compatible with the proposed automatic meter reading system. The Water Division projects include Water Development and Ayers Acres Groundwater Infrastructure with Manager Gross stating he is researching low interest loans to help with the cost of water projects and he also reported on the proposed implementation of new Automatic Meter Reading Technology. In regards to the Collections Division, Manager Gross reported on annual line cleaning, maintenance activities

and equipment replacement mentioning the District has applied for funding through the state. The Treatment Division projects noted were replacement of the Bobcat, MBR 2 upgrade project and repaving of the Treatment Plant road. Manager Gross confirmed that the Upstream Users will be responsible for approximately 66% of the total Treatment Plant costs.

Manager Gross then reported on energy efficiency measures and provided the preliminary energy audit findings for building retrofits totaling \$75,000 with a 7-15 year payback, Lift Station and the Wastewater Treatment Plant totaling \$173,000 with a 2-10 year payback and Water Distribution for a total of \$100,000 with a 1-5 year payback. The estimated costs and paybacks were based on typical industry average values for the specific measures as it applied to the RSWD sites on a high level basis and were provided for informational purposes only.

Manager Gross provided the Board with the Fiscal Year 2014/2015 Project Summary by Department for a total of approximately \$2,678,500 with funding source information that include the CWSRF and USDA Rural Development loans and the Water and Wastewater CIP reserves. In regards to Debt Service Costs, Director Brittain asked about the proposed loan repayments that may become part of the fixed monthly fees with Attorney Riddell saying if the repayment were considered a tax, it would require 2/3 voter approval. The Wastewater Treatment Plant Loan will be paid in 2017 and the District has applied for an approximate \$2.4 million dollar loan at 2.1% interest for the sewer lift station improvements. Assessment District maintenance projects will be covered by Assessment District funds.

In reference to District finances and the annual operating costs for Fiscal Year 2013/2014, Manager Gross said the goal is no more than 3% annual increases in operating expenses. Discussion continued regarding District finances including the \$65 per year Fire Suppression Fee that was put in place in 1980 with Manager Gross saying if the fee had been adjusted for inflation, the fee would now be \$160 per year and the District will need to consider increasing the fee to retain local control of the Fire Department. Manager Gross confirmed that the District Fire Suppression Fee is not related to the State of California Fire fee of \$150 per parcel. The Fiscal Year 2014/2015 expected property tax revenue is \$1.4 million dollars with Manager Gross stating a decision should be made regarding whether the property tax funds will be shared between the Water, Wastewater and Fire Department.

Manager Gross recommended that the Board consider adopting a five-year rate plan and two-year budget this next year and he also reported on the District reserve funds. President Ayers commented on the development of Ayers Acres and the potential savings to the District with Manager Gross confirming the District would purchase less imported water with the \$500,000 investment.

Discussion continued with Manager Gross confirming that Tom Harder, Hydrologist identified other water supply opportunities in the project area and stated he will provide the Board with the financial details of the project.

Manager Gross mentioned Policies for Infrastructure, Reactive versus Proactive and Pay As You Go versus Additional Debt Service saying the District needs to consider which is more fair and

equitable for rate payers. Manager Gross suggested the District put some solid five (5) to twenty (20) year plans in place and work toward goals as outlined in the Cash Reserve Policy. Manager Gross also reported on the Cost of Living Adjustment (COLA) and asked the Board to consider what the District will use in preparation of the Fiscal Year 2014/2015 Budgets which may be approximately 1% based on the CPI-W. A Personnel Committee Meeting will be scheduled to discuss the District's California Public Employees Retirement System (CalPERS), employee benefit costs, new and changing regulations and technology and unforeseen conditions and occurrences. President Ayers commented on a recent CalPERS report that indicated the retirement investment portfolio income has increased by approximately 13.7% with Manager Gross stating the increase will most likely not affect the Employer Paid Member Contributions. The total paid to CalPERS by the District for employee retirement was approximately \$721,000 per year with the Employer Contribution of approximately \$548K and Employee Paid Member Contribution of \$173K.

Manager Gross said his recommendation is to consider adopting a five-year rate plan this June and a two-year budget in June 2014. Manager Gross also said without a rate increase of approximately \$6.00 to \$7.00 a month, the majority of projects will remain deferred. He reminded the Board that the District did not increase rates as recommended by the Financial Master Plan and the District will no longer receive County Leachate revenue that totaled approximately \$1.4 million dollars a year. President Ayers commended Manager Gross for providing a clear picture of the District finances and issues and discussion continued regarding the proposed five-year plan.

Chief Grabow briefly reported on the Mutual Aid Agreement with CalFire and noted that in regards to the proposed two-year budget, adjustments could be made as needed. Chief Grabow also reported on transports and fire department calls.

Mr. Hilgenfeldt asked for clarification regarding the District financial condition with Manager Gross stating that the last couple of years, there has been a negative net income and not enough revenue to cover expenses so the District is proposing to shift funds to cover expenses and to fund reserves for a dedicated source or repayments. Manager Gross said the Board adopted a policy that identifies a positive free cash flow so the District is not operating in the deficit, which means the revenues cover the expenses and the free cash flow will fund all of the mentioned projects. Ideally there will be another reserve fund that will lessen the impact of rate spikes for less expensive projects.

Manager Gross said if the District adopts a 4% to 6 % annual rate increase every year for five to seven years and borrows approximately \$3 million dollars the District may reach its policy goals. Without raising rates, the District will be in the negative and not able to fund necessary projects. President Ayers explained that the Board has deferred the rate increases over the past years and the District has reached a point where something must be done. Projects will be prioritized and the District will also look at outside sources for funding with Battalion Chief Corley stating grants are more difficult to obtain with so many cities in dire straits. Director Brittain expressed concerns with the situation in the State of California and President Ayers stated the Running

Springs Water District is not in trouble yet. Director Brittain commented on the recent premium increases for home insurance with Chief Grabow stating the average premium increase is 28%.

9. Board Member Meetings

The Finance Committee Meeting was confirmed for February 5, 2014 at 9:00 A.M. and the Personnel Committee meeting will be scheduled in February, 2014.

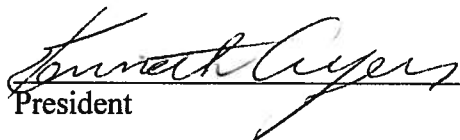
10. Board Member Comments

No further comments

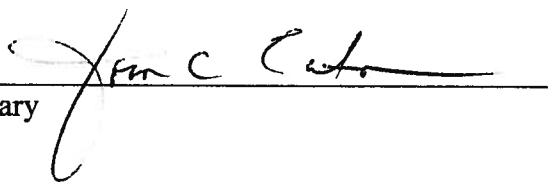
11. Meeting Adjournment

The meeting was adjourned at 11:20 A.M.

Respectfully Submitted,



President



Secretary