

**MINUTES OF THE SPECIAL MEETING OF THE
BOARD OF DIRECTORS RUNNING SPRINGS WATER DISTRICT
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
APRIL 27, 2015**

The Special Meeting of the Board of Directors of the Running Springs Water District was held on Monday, April 27, 2015 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
Everett “Ed” Brittain, Vice-President
Pamella Bennett, Director
Mike Terry, Director

Director Henry Heredia was absent

Also present were the following:

Ryan Gross, General Manager
Joan C. Eaton, Secretary/Treasurer/Administration Supervisor
Isaiah Hall, Wastewater Collections Division Supervisor
Trevor Miller, Wastewater Treatment Division Supervisor
Mike Riddell, Attorney, Best, Best & Krieger

There were no visitors present

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 President Ayers and Director Bennett led the assembly in the pledge of allegiance to the flag.

2. Recognize and Hear From Visitors/Public Comment

No visitors present.

3. Action Items

A. Consider Adopting Resolution No. 10-15, Clean Water State Revolving Fund Reimbursement Resolution

Manager Gross reported that the State Water Resources Control Board (SWRCB) Division of Financial Assistance has approved the ability to increase the loan amount for the Sewer Lift Station Nos. 1, 2 and 3 Project from \$1,800,000 to \$2,800,000 and they also approved a change in the scope if the District would like to eliminate Sewer Lift Station No. 3 from the project. Manager Gross recommended that the District increase the loan amount to \$2,800,000 and award the Construction Contract to Trinity Construction Company for their low bid of \$2,791,500.

Manager Gross stated the 2001 Wastewater Treatment Plant loan is scheduled to be paid off in March, 2017 and close to the same time, the new Clean Water State Revolving Fund (CWSRF) first debt service payment will be due, which is one year after completion of construction. The term of the new CWSRF loan is twenty (20) years with a 1.90% interest rate. For a loan amount of \$2,800,000, the scheduled annual debt service payments would be approximately \$169,575. The Fiscal Year 2014/2015 rates, fees and charges included a new \$2.25 per month equivalent dwelling unit (EDU) Infrastructure Repair and Replacement (IR&R) charge to fund the repayment of a portion of this debt service. At that time and subject to Proposition 218, District staff recommends that the existing \$3.00 per month per EDU Wastewater Treatment Plant loan repayment charge be eliminated and the existing IR&R charge be adjusted from \$2.25 to \$4.75 per month per EDU resulting in a rate decrease of \$0.50 per month per EDU. The new \$4.75 per month per EDU IR&R charge would be sufficient to fund the annual debt service payment of \$169,575.

Manager Gross said the \$3.00 per month revenue in 2017 was slated to help fund other projects that will now need to be deferred or have a rate structure on a pay as you go basis. Manager Gross said that in order to move forward, the District requires adoption of a new Reimbursement Resolution and a revised credit letter will be received within one week. The District will receive a new Finance Agreement and a Notice to Proceed document would be issued in early June, 2015. Trinity Construction Company will begin construction on Lift Station Nos. 2 and 3 simultaneously and then move to Lift Station No. 1 with Manager Gross saying the construction time frame is six (6) to nine (9) months dependent on the start date and weather.

Discussion continued regarding the Reimbursement Resolution, and Attorney Riddell stated that the Internal Revenue Service (IRS) allows the District to use the funds received to recover expenditures from within the past sixty (60) days of the date the resolution was adopted. Attorney Riddell also mentioned that the District will be required to sign an amended Finance Agreement that could also be authorized by the Board of Directors today. Director Bennett said the Lift Station Nos. 1, 2 and 3 project has been on the books for fifteen (15) years and should not be put off any longer. President Ayers agreed saying the issue he has is in raising rates for the Wastewater project and the Fire Department and he suggested that staff inform the public of the project with Manager Gross saying he will post quarterly progress information and pictures of the Sewer Lift Station Nos. 1, 2 and 3 project on the District website.

Manager Gross expressed his concerns that the \$3.00 a month that will be freed up in 2017 was going to be used for other Wastewater Division projects totaling approximately \$600,000 so the District will need to ensure there will be sufficient cash flow from the rates without borrowing more money.

Supervisor Hall said the Lift Station Improvement Project will eliminate maintenance and free up his staff to focus on other repairs and projects in the system. Supervisor Miller reported on required Wastewater Treatment Plant projects saying there are issues that need to be addressed in the system. Discussion continued regarding the Membrane Bioreactor (MBR) and Wastewater Treatment processes with Manager Gross saying the upstream users will pay 33% of the project costs. Manager Gross has provided the upstream users with a copy of the Wastewater budget sheet outlining the projects for the next five years.

Upon motion by Vice-President Brittain, second by President Ayers and carried by a 4 to 0 vote, RESOLUTION NO. 10-15, CLEAN WATER STATE REVOLVING FUND REIMBURSEMENT RESOLUTION AND AUTHORIZE THE GENERAL MANAGER TO SIGN THE REVISED FINANCE AGREEMENT, was adopted (Resolution No. 10-15 on file in the District office)

B. Consider Awarding Construction Contract for Sewer Lift Station Nos. 1, 2 and 3 Improvements Project

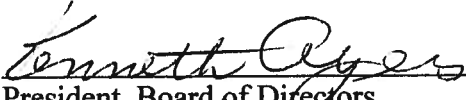
Manager Gross reported on the results of the Sewer Lift Station Nos. 1, 2, and 3 bids received and he recommended that the low bid is awarded to Trinity Construction Company in the amount of \$2,791,500 and authorize the General Manager to execute the Construction Contract and approve change orders if needed. The approximate projected savings in operation and maintenance (O&M) costs were provided to the Board for their review and Manager Gross stated there will be some incentive money for energy efficiency rebates. Manager Gross reiterated concerns regarding potential Lift Station Nos. 1, 2 and 3 failures that would result in issues with the regulatory agencies.

Upon motion by Director Bennett, second by Director Terry and carried by a 4 to 0 vote, a Construction Contract for the Sewer Lift Station Nos. 1, 2 and 3 Improvement Project was awarded to Trinity Construction Company in the Amount of \$2,791,500, the General Manager was authorized to Execute the Construction Contract and to approve change orders for the project during the course of the project as required not to exceed 10% of the original construction contract amount, all Conditional Upon the District Receiving and Executing the Revised Finance Agreement from the State Water Board, was approved.

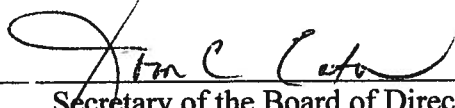
4. Meeting Adjournment

The meeting was adjourned at 9:34 A.M.

Respectfully Submitted,



President, Board of Directors
Running Springs Water District



Secretary of the Board of Directors
Running Springs Water District