

**MINUTES OF THE REGULAR MEETING OF THE  
BOARD OF DIRECTORS RUNNING SPRINGS WATER DISTRICT  
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA  
MAY 21, 2014**

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The Regular Meeting of the Board of Directors of the Running Springs Water District was held on Wednesday, May 21, 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  
Everett "Ed" Brittain, Vice-President  
Mike Terry, Director  
Pamella Bennett, Director  
Henry Heredia, Director

Also present were the following:

Ryan Gross, General Manager  
Joan C. Eaton, Secretary/Treasurer/Administration Supervisor  
George Corley, Fire Division, Battalion Chief  
Trevor Miller, Wastewater Treatment Plant Division Supervisor  
Randy Bobroff, Water Division Supervisor  
Mike Riddell, Attorney, Best, Best & Krieger

Visitors Present:

Gerhard Hilgenfeldt, Resident  
Adolf Wetzstein, Resident  
Connie Riach, President, Running Springs Chamber of Commerce

**MEETING MINUTES**

**AGENDA ITEMS**

**1. Call Meeting to Order and Pledge of Allegiance**

The meeting was called to order at 9:01 A.M. by President Ayers and Vice-President Brittain led the assembly in the pledge of allegiance to the flag.

**2. Recognize and Hear From Visitors/Public Comment**

The visitors introduced themselves for the record. Visitor Hilgenfeldt commented on the Proposition 218 Hearing Notice to Property Owners Proposed Rate Adjustment saying he realizes that the District needs to raise rates, but he felt the proposed rate increases were excessive and expressed his concerns with the rates and fees listed on the informational table.

Manager Gross explained that for an average customer, the proposed increase for the first year will be \$13.59 per month and he said additional revenue is needed to replace aging infrastructure and to meet the requirements and levels of the District Cash Reserve Policy. Manager Gross offered to meet with Mr. Hilgenfeldt to discuss necessary future capital projects and he stated that the District and Board of Directors have been collaborating for months to prepare a five-year plan. President Ayers noted that due to the declining economy in 2008 and 2009, the District stepped back from rate increases for the customers, but was now obligated to move forward. Director Heredia said that he appreciates Mr. Hilgenfeldt's concerns and noted that the June 18, 2014 Public Hearing will address all information regarding the proposed rate increases. President Ayers closed by stating that the five-year plan is flexible.

**The meeting moved to Action Item 5.F. Request from Chamber to Plant Trees on Downtown Property**

Visitor Connie Riach reported on the request from the Running Springs Area Chamber of Commerce (Chamber) for the District to approve an Eagle Scout project to plant five (5) Douglas Fir (evergreen) trees by the end of July on the District Downtown property. The County of San Bernardino installed water lines on District property where the trees will be planted and discussion continued regarding the County's responsibility of the water service line and District liability. Attorney Riddell stated a simple permission letter with the County would be required in addition to a permission letter with the Boy Scouts. Ms. Riach confirmed that the District would not be responsible to maintain the system. Upon motion by President Ayers, second by Director Bennett and carried by a 5 to 0 vote, authorizing Manager Gross to send a letter to the County of San Bernardino and to sign the Boy Scout Eagle Scout Project proposal to plant trees on the District Downtown property, was approved.

**3. Public Hearing and Consideration of Adopting Ordinance No. 42, Establishing Fees for Ambulance Services**

**A. Open Public Hearing:** The Public Hearing was opened at 9:43 A.M. by President Ayers.

**B. Staff Presentation:** Manager Gross said this procedure is routine to consider the new revised rates from the Inland County Emergency Medical Agency for Fiscal Year 2014/15 Ambulance rate adjustments. Battalion Chief Corley clarified the Rural Wilderness Operating Areas stating there is a set criteria based on response times and other factors like snow and road conditions and he noted that Rural Wilderness Area rates are higher than Urban Operating Areas.

**C. Written Public Comment:** Manager Gross confirmed there were no written comments received.

**D. Oral Public Comment:** There were no oral public comments made.

**E. Board Discussion/Comments:** Director Brittain commented on Healthcare Reform and asked if future ambulance rates will be paid by Medi-Cal with Battalion Chief Corley saying the County has expressed an interest in taking over some of the ambulance services. Director Brittain said he read that 30% of residents of San Bernardino County are on Medi-Cal. President Ayers stated the additional revenue will pay for the services that the Fire Department provides.

**F. Close Public Hearing:** The Public Hearing was closed at 9:49 A.M. by President Ayers.

**G. Consider Adoption of Proposed Ordinance No. 42, Establishing Fees for Ambulance Services**

Upon motion by Director Terry, second by Vice-President Brittain and carried by a 5 to 0 vote, ORDINANCE NO. 42, ESTABLISHING FEES FOR AMBULANCE SERVICES, was adopted. (Ordinance No. 42 on file in the District office)

**4. Approval of Consent Items**

The following consent items were listed for approval:

**A. Approval of Minutes for April 16, 2014 Regular Board Meeting**

**B. Ratify April 2014 Expenditures and Review Cash Summary**

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

**5. Action Items**

**A. Consider Approving Contract for Financial Consulting Services**

Supervisor Eaton reported on the Financial Consultant accounting services and said that with the retirement of Nancy O’Rafferty, CPA, the District has received proposals from Edie and Payne, LLP (E&P) and Rogers, Anderson, Malody and Scott (RAMS) and interviewed both firms for the position. Supervisor Eaton said both accounting firms were qualified with RAMS having past experience and knowledge of the District. The proposals include accounting and financial management tasks on a monthly and quarterly basis in addition to the year-end requirements in preparation of the audit and financial statements. President Ayers expressed concerns with a new firm that may be inclined to change processes with Director Brittain stating he was impressed with the proposal from E&P and especially the clause that stated they will present any reportable findings and recommendations that merit attention by the Board and that they will be available to attend other committee/Board meetings and provide routine consultation when requested. Supervisor Eaton confirmed that Scott Manno, Partner with RAMS will also report to the Board quarterly by attending District Board Meetings. Director Brittain recommended

that if we contract with RAMS, it is on a year to year basis with Manager Gross stating that the Financial Services contract allows the District to terminate with a seven-day notice. President Ayers reminded Administration staff of their responsibility to notify the Board of any issues or concerns they may have with the accounting firm.

Upon motion by Director Heredia, second by Director Bennett and carried by a 5 to 0 vote, a One-Year Contract with Rogers, Anderson, Malody and Scott to be Reviewed Monthly for Financial Consulting Services, was approved.

**B. Consider Financing Alternative for Groundwater Well Infrastructure with Municipal Finance Corporation**

Manager Gross reported on alternative financing options for the Ayers Acres Groundwater Well Infrastructure Project to bring the well online to provide additional local water supply. Manager Gross stated the District made application for financing of the project with the United States Department of Agriculture (USDA) Rural Development program at a 4.2% interest rate and the application process requires that the District expend additional funds for an environmental review and supplemental engineering report to comply with the federal rules. Manager Gross then spoke with Municipal Finance Corporation (MFC) who provided two alternatives to finance the project at a lower interest rate and no additional fees. Manager Gross asked the Board for authorization to proceed with providing the required information to MFC to proceed with the loan and to use the Water Capacity Charge Reserve Fund with a balance of \$60,287 and a portion or \$50,047 of the District's Water Capital Improvement Reserve Fund that currently has a balance of \$250,047. Manager Gross confirmed construction could begin in September or October of 2014 and be completed in approximately one year with loan approval. Mr. Hilgenfeldt asked about water right issues related to this project with Manager Gross saying any issues would have been addressed in the California Environmental Quality Act (CEQA) review. Vice-President Brittan expressed concerns with possible El Nino weather events that could cause potential future damage resulting in the need to utilize District reserve funds with President Ayers expressing his concerns of paying interest on a loan. Manager Gross confirmed the revenue to pay the loan would be pledged from the Water Proprietary Fund.

Upon motion by President Ayers, second by Director Bennett and carried by a 5 to 0 vote, to use the balance in the Water Capacity Charge Reserve Fund and a portion of the Water Capital Improvement Reserve Fund and authorization to proceed with the Municipal Finance Corporation Loan, was approved.

**C. Consider Adjustment to Legal Services Billing Rates**

At the request of Attorney Riddell, this item was tabled to a future date.

**D. Consider Approving Letter of Support for Rim of the World Recreation and Park District Grant**

Manager Gross reported on a draft letter of support to Rim of the World Recreation and Park District regarding a proposed planning grant to design a trail alignment that will permit safe walkways and bikeways to Hoffman Elementary School, Brulte Park and Hootman Center and he confirmed there is no financial support commitment for the District.

Upon **motion** by Director Heredia, **second** by Director Terry and **carried by a 5 to 0 vote**, Letter of Support for Rim of the World Recreation and Park District Grant, was approved.

**E. Consider Proceeding with Acquisition of Surplus Property from County of San Bernardino**

Manager Gross presented additional information regarding the acquisition of surplus property from the County of San Bernardino that was originally offered to the District in April 2013 for \$1.00 plus administrative costs anticipated to be \$4,850. Additional costs have been identified in relation to the property with Legal Counsel recommending a Phase I Environmental Site Assessment at an estimated cost of \$3,000, Preliminary Title Report at \$1,000 and Title Insurance at \$1,100 for a total estimated cost of \$9,951. Discussion continued regarding the benefits of acquiring the property that included access to a future ground water well site. Attorney Riddell clarified the procedure to surplus property by stating the County is required to offer the property to a public agency first then a private party. The funding source would be split between the Water and Wastewater Divisions Capital Improvement Reserve Accounts.

Upon **motion** by President Ayers, **second** by Director Terry and **carried by a 5 to 0 vote**, Proceeding with Acquisition of Surplus Property from the County of San Bernardino, was approved.

**F. Consider Request from Chamber to Plant Trees on Downtown Property**

This item was moved to the front of the agenda.

**G. Consider Adopting Resolution No. 12-14, Pledging Revenues and Funds for the Payment of Obligations Due Pursuant to a State Water Resources Control Board Installment Sale Agreement**

Manager Gross reported the Board approved a similar Resolution last month with the caveat that the State and District attorneys may revise the wording to read the District hereby dedicates and pledges the net revenues of the District's "Sewer Proprietary Fund" for payment of any and all Clean Water State Revolving Fund and/or Water Recycling Funding Program Installment Sales Agreements for the Running Springs Water District Lift Stations Nos. 1-3 Improvements (Project No. 7879-110). Attorney Riddell confirmed the substance of the Resolution was not changed and Manager Gross said there is no commitment at this point in the application process.

Upon motion by Director Bennett, second by Director Heredia and carried by a 5 to 0 vote, RESOLUTION NO. 12-14, PLEDGING REVENUES AND FUNDS FOR THE PAYMENT OF OBLIGATIONS DUE PURSUANT TO A STATE WATER RESOURCES CONTROL BOARD INSTALLMENT SALE AGREEMENT, was adopted. (Resolution No. 12-14 on file in the District office)

The Board took a recess at 10:46 A.M. and reconvened at 10:57 A.M.

**H. Consider Authorizing Staff to Purchase Replacement Aeration Process Air Blower Equipment**

Supervisor Miller recommended that the District surplus and replace the current Wastewater Treatment Plant Membrane Biological Reactor (MBR) Process Air Blower with a new MBR Process Air Blower. The reasons for his recommendation are more energy efficiency, existing blower in service since 1980, Southern California Edison (SCE) incentive of \$13,640, estimated annual savings on electricity of \$8,675, estimated annual savings on maintenance and repair costs of \$5,500 and the estimated payback period of 2.5 years. Supervisor Miller reported on the operations of the MBR and the District has negotiated with the supplier for a five-year warranty. To clarify the cost, the subtotal of the MBR after the SCE Incentive is \$53,537 with upstream user CSA 79's proportionate share of \$9,948, Arrowbear's proportionate share of \$7,447 and an approximate balance of \$36,142 for the District. Supervisor Miller stated replacement of the MBR was not included in the Fiscal Year 2013/2014 budget but due to the incentive and savings and upstream proportionate share reimbursement, in addition to the short payback period, he recommended to proceed with the project and use funds from the Wastewater Capital Improvement and Capacity Charge Reserve Funds.

Upon motion by Director Heredia, second by Director Terry and carried by a 5 to 0 vote, Authorizing Staff to Purchase Replacement Aeration Process Air Blower Equipment Utilizing Funds from the Facility Capacity Reserve Fund and Declare Existing MBR "Process Air" Blower and All Appurtenances Surplus, was approved.

**I. Consider Accepting Settlement Offer Related to Casmalia Disposal Site**

Manager Gross reported the District received notification from the United States Environmental Protection Agency (USEPA) that the Running Springs Water District was named as a waste generator on one or more manifests for hazardous wastes sent in 1989 to the Casmalia Site in Santa Barbara County. The USEPA has offered the District an opportunity to resolve its potential liability for the costs and offered two options to settle. Option A requires a payment of \$3,591 and release for any potential future liability and Option B requires a payment of \$2,749 with the USEPA reserving the right to require additional funds if the cleanup cost is greater than the anticipated share with Attorney Riddell saying there is always the potential for a future lawsuit that could involve everyone.

Discussion continued regarding waste disposal and potential liability with President Ayers stating the District has always disposed of waste legally.

Upon **motion** by President Ayers, **second** by Director Heredia and **carried by a 5 to 0 vote**, Accepting Settlement Offer Option A Related to Casmalia Disposal Site and Authorizing the General Manager to Sign the Consent Utilizing General Funds from the Water, Wastewater and Fire Department Divisions, was approved.

**J. Consider Providing Direction to Staff Regarding Further Evaluation of Downtown Groundwater Wells**

Manager Gross reported on the Downtown groundwater wells and provided a proposal from Thomas Harder and Company, Groundwater Consulting for the scope of work and cost estimate of \$77,990 for additional Hydro-geological Analysis and pump testing of Downtown Well Nos. 2, 3, and 6. The wells were previously drilled and constructed by Harich Enterprises between 1990 and 1996 and additional information is necessary to confirm the suitability as municipal supply wells. Supervisor Bobroff confirmed that wells Nos. 3 and 6 are located on District property and it was further noted by President Ayers that the District has no water rights or funding to proceed with the Downtown wells. Manager Gross suggested that he provide the proposal to Joe Harich and Action Item 5.J. was tabled for further discussion.

**6. Information Items**

**A. Quarterly Investment Report**

Manager Gross reported on the Local Agency Investment Fund Remittance Advice for quarter ending March 31, 2014 with an interest rate of 0.23% and \$877.28 interest earned.

**B. Quarterly Budget/Financial Update**

The Quarterly Budget/Financial Update was provided by Manager Gross as of April 30, 2014 with percentages listed that compare the fiscal year to date actual to 10/12<sup>th</sup> or 83% of the budget. The total District revenue is 3% higher than budget and 22% higher than prior year and the total District expenses are 7.5% under budget and 14% higher than prior year.

**C. Energy Audit Final Report**

Manager Gross reported on the Energy Network created by the California Public Utilities Commission to help eligible public agencies in Southern California harness their collective action, save energy, reduce operating costs and protect precious resources. On behalf of the Energy Network, Lincus, Inc. completed a comprehensive audit of the Running Springs Water District's facilities and identified several energy efficiency

opportunities that have potential to reduce total electricity costs. The District is waiting on the financial proposal from the Energy Network and Manager Gross stated there was no cost to the District other than staff time and Director Bennett commented that it was money well spent.

## **7. Reports From Management**

### **A. Water Division Report**

Supervisor Bobroff stated the Water Division will begin water leak locating when the fire hydrant inspections are complete and they will then begin valve maintenance and routine inspections. Supervisor Bobroff noted an accounting revision in the water loss report.

### **B. Wastewater Treatment Division Report**

Supervisor Miller stated they are on schedule for one load of bio-solids per month and he reported on surplus items and scrape metal at the Wastewater Treatment Plant. Discussion continued regarding the solids disposal expense that has been reduced due to the new Huber Screw Press Dewatering Equipment and Supervisor Miller said they may reschedule to one load every other month.

### **C. Wastewater Collection Division Report**

Manager Gross reported in the absence of Supervisor Hall stating the new Variable Frequency Drives have been installed and completed at Lift Station #5.

### **D. Fire Department Report**

Chief Corley stated the Department is completing the Fire Hydrant, Hazard Abatement and Inland Counties Emergency Medical Agency (ICEMA) Ambulance Inspections in June, 2014 in addition to pursuing Grant Funding. In regards to the Hazard Abatement Program, Chief Corley confirmed that more property owners are compliant and notices and/or fines are imposed for non-compliant property owners resulting in property clean up by outside contractors.

### **E. Administration Report**

Supervisor Eaton stated the annual Availability bills were mailed the first week of May, 2014 and are due by July 1, 2014 for unimproved properties. Administration has been researching accounting firms regarding the new Financial Consultant position, reviewing new payroll processing systems and also collaborating with WSP Corporate Benefits and Insurance Services, Inc. regarding the upcoming renewal regarding employee health insurance plans.



**F. General Manager's Report**

Manager Gross noted the District has placed Water Conservation Posters on District property and the 2013 Consumer Confidence Reports will include water conservation information.

**8. Report from Engineer**

No Engineering Report available

**9. Report from Legal Counsel**

Attorney Riddell reported on the water supply situation in Sacramento saying that the issues do not directly affect the District but do affect the Crestline-Lake Arrowhead Water Agency (CLAWA) and he mentioned there are discussions of amending and extending the terms of the State Water Project Contracts that expire in 2035. Attorney Riddell also reported on the Delta Improvement project and bond issues. Attorney Riddell also reported on exchange arrangements and conservation measures and he noted that although the state does not have a real crisis, everyone needs to conserve water for the future.

Attorney Riddell also reported on water bond legislation that if approved, will place a measure on the upcoming election ballot to authorize the sale of bonds to pay for projects throughout the state. With approval, some funds will be available to pay for Delta environmental improvements and could affect the District in the future by increased water and energy costs.

**10. Board Member Meetings**

The next Regular Board Meeting and Protest Hearing will be held on June 18, 2014 at 6:00 P.M.

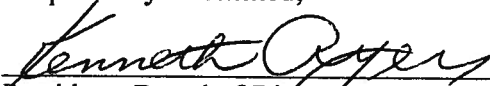
**11. Board Member Comments**

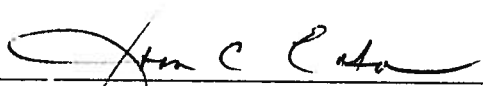
No comments were made

**12. Meeting Adjournment**

Upon motion by President Ayers, second by Vice-President Brittain and carried by a 5 to 0 vote, the meeting was adjourned at 11:58 A.M.

Respectfully Submitted,

  
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President, Board of Directors  
Running Springs Water District

  
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Secretary of the Board of Directors  
Running Springs Water District