

**MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS RUNNING SPRINGS WATER DISTRICT
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
JANUARY 20, 2016**

The Regular Meeting of the Board of Directors of the Running Springs Water District was held on Wednesday, January 20, 2016 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
Henry Heredia, Director
Pamella Bennett, Director

Also present were the following:

Ryan Gross, General Manager
Joan C. Eaton, Secretary/Treasurer/Administration Supervisor
George Corley, Fire Chief
Trevor Miller, Wastewater Treatment Division Supervisor
Randy Bobroff, Water Division Supervisor
Isaiah Hall, Wastewater Collections Division Supervisor
Ward Simmons, Legal Counsel, Best, Best & Krieger
Tony Grabow, Retired Fire Chief, Paid Call Firefighter

Visitors Present:

Gerhard Hilgenfeldt, 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 and Director Heredia led the assembly in the pledge of allegiance to the flag.

2. Recognize and Hear From Visitors/Public Comment

Visitor Gerhard Hilgenfeldt and Paid Call Firefighter Grabow introduced themselves for the records.

3. Election of Officers

Manager Gross stated that according to the District Bylaws of the Board of Directors, the Board shall convene and elect one of its members as President and one member as Vice-President, and appoint members to the Finance and Personnel Committees with each to serve a two-year term.

With Manager Gross calling for nominations of the Board for President, upon **motion** by Director Bennett to nominate Director Ayers, **second** by Director Terry and **carried by a 5 to 0 vote**, Director Ken Ayers was elected President of the Board for a two-year term.

With President Ayers calling for nominations of the Board for Vice-President, upon **motion** by Director Bennett to nominate Director Brittain and **second** by Director Heredia, with Director Brittain declining. President Ayers recalled the nominations of the Board for Vice-President, upon **motion** by President Ayers, **second** by Director Terry and **carried by a 5 to 0 vote**, Director Bennett was elected Vice-President of the Board for a two-year term.

The Board then appointed the Standing Committees as follows:

Finance Committee – Chairman Pam Bennett and Ed Brittain
Personnel Committee – Chairman Mike Terry and Henry Heredia

4. Approval of Consent Items

The following consent items were listed for approval:

A. Approval of Meeting Minutes

B. Ratify December 2015 Expenditures

C. Project Acceptance and Filing Notice of Completion for Ayers Acres Groundwater Well Backbone Infrastructure Construction Contract

Manager Gross reported on the Ayers Acres Groundwater Well Project stating Bacon-Wagner Excavating, Inc. has completed the construction phase of the project. The final contract amount was \$684,703.89 which is approximately 1% less than the original contract amount and there were ten (10) change orders issued totaling a \$6,023.29 credit back to the District. Manager Gross projected the well will be on line within thirty (30) to forty-five (45) days and the funding sources were a combination of a \$550,000 loan and the Water Capital Improvement and Water Facility Capacity Charge Reserve Funds.

D. Consider Granting the Running Springs Area Chamber of Commerce Permission to Utilize the Running Springs Water District's Downtown Property for their 2016 Events

The Running Springs Chamber of Commerce requested permission to utilize the Running Springs Water District's Downtown Property for their 2016 Events and provided the

2016 Hold Harmless Agreement for Board consideration. President Ayers asked that the Chamber emphasize no alcohol and cleanup. Supervisor Eaton stated that District billing inserts will take priority over Chamber inserts.

Upon motion by President Ayers, second by Director Heredia and carried by a 5 to 0 vote, the expenditures were ratified and the Consent Items approved.

5. Action Items

A. Consider Adopting Resolution No. 01-16, Authorizing the Sale of Common Stock and Authorizing the General Manager to Conduct Financial Transactions with Computershare Investor Services and StanCorp Financial Group, Inc. on Behalf of the Running Springs Water District

Supervisor Eaton stated the District currently owns 606 shares of common stock in StanCorp Financial Group, Inc. that was provided by Standard Life Insurance Company for enrollment in the District Employee Group Life and Disability Insurance beginning in 1992. The District has received annual dividend payments and the stock is currently valued at approximately \$113 per share or \$69,029. The District consulted with Legal Counsel and the District's Investment Policy does not provide for investment of District surplus funds in the stock of private companies. With Board approval, the stock will be liquidated and the funds will be deposited in the District's General Fund. Discussion continued regarding allocation of the funds between all District Divisions and Legal Counsel will research this issue further.

Upon motion by Director Heredia, second by Director Terry and carried by a 5 to 0 vote, Proceeding to Liquidate District Stock after consulting further with Best, Best & Krieger regarding allocation of the funds, RESOLUTION NO. 01-16, AUTHORIZING THE SALE OF COMMON STOCK AND AUTHORIZING THE GENERAL MANAGER TO CONDUCT FINANCIAL TRANSACTIONS WITH COMPUTER SHARE INVESTOR SERVICES AND STANCORP FINANCIAL GROUP, INC. ON BEHALF OF THE RUNNING SPRINGS WATER DISTRICT, was adopted. (Resolution No. 01-16 on file in the District Office)

B. Consider Agreement for Payment of Delinquent Special Assessments

Manager Gross provided the Board with a copy of the agreement between Michael and Tina Loboda Family Trust and ABRA Management, Inc., new owners of the former Chabad property to pay delinquent special assessments to the District over a twelve (12) month period. The San Bernardino County Superior Court issued a Judgment in favor of the District on behalf of Assessment District No. 10 for \$53,353.58 in delinquent installments of special taxes, penalties, interest and administrative fees regarding four parcels. The amount due for a twelve (12) month payment arrangement will be \$94,567.08 as of November 30, 2016 that includes interest and attorney fees. Manager Gross said the District has no obligation to waive any interest or fees.

Upon motion by Director Brittain, second by President Ayers and carried by a 5 to 0 vote, the Agreement for Payment of Delinquent Special Assessments, was approved.

C. Discuss and Provide Staff with Direction Regarding Options for Additional Future Groundwater Development at Boy Scout Camp Property

Manager Gross stated a representative from the Boy Scouts of America has contacted the District regarding Camp Helendade in Running Springs that they plan to list for sale. The camp property is located outside the District Service area, and was previously identified as a potential future groundwater development site by the District's Consulting Hydro Geologist. Manager Gross stated the District currently does not have resources available to purchase the property and discussion continued regarding drilling a test well and possibly purchasing a portion of the property with President Ayers saying the property would be an investment in future water. District staff will research the property further and return with additional information for Board consideration.

No action was taken.

6. Information Items

A. Quarterly Capital Improvement Project Report

Manager Gross opened by reporting on the Ayers Acres Groundwater Well Project, Funding Sources, Fiscal information and Construction Contract that was awarded to Bacon/Wagner for \$690,727 and is expected to be completed this month. The approximate annual cost per acre foot is \$680 and the payback period for the project is twenty (20) years compared to the cost of imported water.

Manager Gross then reported on the Sewer Lift Station Nos. 1, 2 & 3 Improvement Projects, Funding Sources, Fiscal information and Construction Contract that was awarded to Trinity Construction for \$2,791,500 and is expected to be complete by the spring of 2016.

B. Quarterly Budget/Financial Update

Manager Gross provided the Board with a copy of the Running Springs Water District Designated Reserve Fund Balances as of December 31, 2015. In summary, the Water Division revenues are under budget primarily due to decreased water sales as a result of water conservation and expenses are 1.6% lower than the prior year through the second quarter. The Sewer Division revenue is 13.5% higher than the prior year not considering the transfer in of \$360,000 from the Fire Department Fund last year and 6.9% higher than the prior year. Ambulance revenue is 21.1% lower and the Fire Department revenue is 10.3% higher than prior year through the second quarter and the Fire and Ambulance Department expenses are 6.6% higher than the prior year. Manager Gross said the

District is focusing on how to use the Assessment District funds in the next few years. Manager Gross expressed concerns regarding the low District Reserve Accounts.

C. Water Production and Precipitation Report

Manager Gross provided the RSWD Total Water Production Report stating the District reduced water by 21% due to conservation.

D. Fiscal Year 2016/2017 Budget Planning

District staff has prepared the Fiscal Year 2016/2017 Budget Planning Presentation for review and discussion and the Board was provided with a copy of the tentative schedule for the upcoming Fiscal Year 2016/2017 Budget Development Process. The information included a Review of Accomplishments for all Divisions and details regarding the Reserve Fund Balances that are at extremely low levels. Manager Gross stated the Cost of Living Adjustment (COLA) for Year Ending October 2015 is 0.7% and he noted the CalPERS Employer Paid Member Contribution (EPMC) four (4) Year Transition approved by the Board in May of 2015. Discussion continued and staff recommended that the Board consider placing another Fire Availability Fee Measure on the November 2016 Presidential Election Ballot. In closing, the recommendation was for the Board to consider adopting the Budget on June 15, 2016 that continues to work towards the goals set out in the Cash Reserve Policy and provides funding for deferred projects.

7. General Manager's Report

Manager Gross reported on a meeting with Arrowbear Park County Water District and CSA-79 regarding the upcoming 2017 renewal of the Upstream Users Agreement. The District is proposing cost sharing based on Equivalent Dwelling Units (EDU) stating there are several agencies that use this type of billing method. Manager Gross will finalize the draft agreement for consideration in April or May, 2016 and effective by July, 2016.

8. Report From Legal Counsel

Attorney Simmons summarized the California Water Board Fact Sheet extending the Emergency Water Conservation Regulation calling for an extension of Urban Water Use Restrictions until October 31, 2016, should drought conditions persist with final adoption projected for February, 2016.

9. Board Member Comments

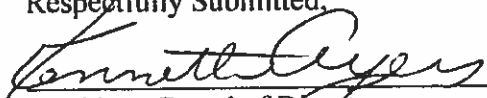
No additional Board Member Comments.

Supervisor Eaton confirmed notification from First Mountain Bank (FMB) who is in the process of finalizing a merger with Premier Business Bank (PBB) as of January 29, 2016 stating the District should not see major changes due to the merger.

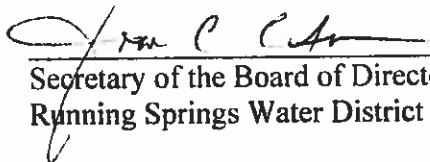
11. Meeting Adjourned

The meeting was adjourned at 11:03 A.M.

Respectfully Submitted,



President, Board of Directors
Running Springs Water District



Secretary of the Board of Directors
Running Springs Water District