

**MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS RUNNING SPRINGS WATER DISTRICT
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
JUNE 18, 2014**

The Regular Meeting of the Board of Directors of the Running Springs Water District was held on Wednesday, June 18, 2014 at the hour of 6:00 P.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

The following Director was absent:

Henry Heredia, Director

Also present were the following:

Ryan Gross, General Manager
Joan C. Eaton, Secretary/Treasurer/Administration Supervisor
Tony Grabow, Fire Division, Chief
Trevor Miller, Wastewater Treatment Plant Division Supervisor
Randy Bobroff, Water Division Supervisor
Ward Simmons, Attorney, Best, Best & Krieger

Visitors Present:

Connie Riach, President, Running Springs Chamber of Commerce
Joan Moseley, Resident, Media Reporter
Adolf Wetzstein, Resident
Brian Twomey, Resident
Richard Luczynski, Resident
Karl Berger, Resident
Mike Scullin, Resident
Dennis Baker, Resident
Anne Fernandez, Resident
Roger Ellis, Resident
Darryl Frisbie, Resident
Craig Rasmussen, Resident

MEETING MINUTES

AGENDA ITEMS

1. Call Meeting to Order and Pledge of Allegiance

The meeting was called to order at 6:01 P.M. by President Ayers who also led the assembly in the pledge of allegiance to the flag.

2. Recognize and Hear From Visitors/Public Comment

Visitor Connie Riach, Running Springs Chamber of Commerce Representative, reported on the proposed Eagle Scout project to plant five (5) Douglas Fir trees on the District Downtown property adjacent to the library that was discussed at the May 21, 2014 Regular Board Meeting. The Board authorized Manager Gross to provide a letter to the County of San Bernardino regarding the project, and the County responded saying they will be responsible for maintenance of the water system. The County expressed concern regarding liability of the project with Manager Gross stating the District requires an updated insurance certificate that includes language naming the Running Springs Water District as an additionally insured. Ms. Riach will take this requirement back to the Chamber of Commerce and provide the required certificate to the District.

3. Public Hearing and Consideration of Adopting Resolution No. 13-14, Establishing Water and Wastewater Rates, Fees and Charges for District Services and Adopting the Fiscal Year 2014/2015 District Budget

A. Open Public Hearing: The Public Hearing was opened at 6:05 P.M. by President Ayers

B. Staff Presentation: Manager Gross opened the Proposition 218 Public Hearing with a power point presentation regarding the proposed water and wastewater rates, fees and charges for District services and for consideration of the Fiscal Year 2014/2015 District Budget. Manager Gross stated the proposed water and wastewater rate increases are due primarily to the loss of the non-operating revenue that will no longer be collected from the County of San Bernardino for the disposal of leachate from the Heap's Peak landfill, to offset lower property tax allocations, funding for capital improvement projects, to fund deferred repair and replacement of aging infrastructure and for the development of additional local groundwater. Manager Gross stated the District recently completed an outside financial assessment that validated concerns regarding inadequate District reserves and he stated the proposed increases will minimize the use of designated reserves to fund expenses and will build reserves to target levels as outlined in the District Cash Reserve Policy. In reference to the District's Cash Reserve Policy that was adopted last year, Manager Gross stated the goal is to reach the fund balance targets with a four-month reserve for water and wastewater operating expenses and a six-month reserve for fire and ambulance operating expenses. Manager Gross noted the current total District operating reserve balance has an approximate \$1.2 million dollar shortfall based on the Cash Reserve Policy. Manager Gross also mentioned the importance of retaining highly skilled and qualified professional staff and he noted the District will be preparing for succession planning with approximately 40% of full time staff expected to retire within the next five (5) years.

In reference to the District Fiscal Year 2014/2015 Budget, Manager Gross said the goal was to hold the expenses to no more than a 3% increase with the District achieving the goal with an overall 0.7% budget increase. Manager Gross then reported on the Ambulance Division that is operating in the negative with no anticipated revenue increase expected. The Running Springs Fire Department relies solely on property taxes for revenue and Manager Gross reported on the issue of financially sustaining the Fire Department after operating in the negative for the previous five years. Manager Gross explained that the District consists of four Divisions being Water, Wastewater and Ambulance which are enterprise funds and the Fire Department that is the governmental activities all governed by the Board of Directors. The annual \$65 Fire Suppression fee was adopted by Ordinance No. 9 on March 11, 1980 and if adjusted for inflation, the fee would be \$158 in year 2014. The Board of Directors has directed staff to proceed with obtaining the necessary information to place a measure on the ballot for the voters to consider increasing the Fire Availability Fee to \$158 per year in 2015 with an annual inflationary increase as suggested in the District's 2010 Financial Master Plan that requires a ballot measure with a 2/3 voter approval. Mr. Luczyksi had questions regarding voter privileges and it was recommended that questions from the visitors are related to the topics being discussed. With the Fire Availability Fee increase, the Fire Department would begin to see a positive net income beginning in Fiscal Year 2014/2015 and the District would be able to maintain local control of the Department. It was noted that the California Department of Forestry and Fire Protection (Cal Fire) Fire Prevention Fee imposed on mountain residents is not related to the Running Springs Fire Department. Chief Grabow also confirmed that a Cal Fire engine is stationed at the Running Springs Fire Department providing service to the Running Springs community and he said his department does not receive any revenue for the service.

Manager Gross then reported on the proposed rate adjustments for Fiscal Year 2014/2015 to Fiscal Year 2018/2019 and he noted the proposed increase for Fiscal Year 2014/2015 of \$7.73 per month for water service and \$5.86 per month for sewer service and a 5% per year increase for Fiscal Years 2015/2016 to Fiscal Year 2018/2019 for water and 7% per year for Fiscal Years 2015/2016 to Fiscal Year 2018/2019 for sewer service. Discussion continued regarding the proposed rate increases that include monthly loan repayments to complete the Ayers Acres groundwater well projects and to fund improvement projects for Sewer Lift Stations infrastructure that is approximately forty (40) years old and in need of repair. The proposed loan repayments that are included in the rate increases will be the responsibility of the customers and discussion also included optional one-time loan payment options with Director Brittain explaining the necessity of upgrading the District's aging infrastructure and the potential liability in the event of a failure. Manager Gross reiterated that the Board and District staff has reviewed all rate and fee increase options for the last six months and the five-year plan is the result of their extensive collaboration and research.

In regards to the County of San Bernardino (County) leachate contract, Manager Gross confirmed that the District has received over \$1,000,000 (one million dollars) in revenue over the last ten years from the County for leachate disposal. Visitor Moseley added that

the County leachate contract was never permanent with Manager Gross stating it is non-operating revenue. Manager Gross also provided the Board and visitors with the Mountain Area Water Rates Comparison chart for Fiscal Year 2013/2014 noting that Running Springs Water District falls in the middle of the chart. Manager Gross stated that the combined projected water and sewer rate impacts for an average use customer would be approximately \$13.59 per month and the total residential water/sewer bill for an average use customer would be approximately \$111.42 per month. President Ayers pointed out that the Running Springs Water District rates in the comparison chart include the proposed Fiscal Year 2014/2015 increase but the comparison chart does not include the anticipated rate increases for the other Mountain Districts. Manager Gross then reported on infrastructure repair and replacement projects and said the majority of the projects were identified in the 2010 Water and Sewer Master Plan and have been deferred. He also summarized the Construction in Progress Plans and Energy Efficiency Measures for each Division before conclusion of his presentation.

C. Written Public Comment: Supervisor Eaton confirmed there were five (5) written Protest Letters received.

D. Oral Public Comment: President Ayers opened the forum to comments from the public with visitor Anne Fernandez stating that she understands the need for rates increases, but would like to see the initial increase at a lower percentage. Visitor Mike Scullin asked about operating expenses at the Wastewater Treatment Plant with Manager Gross saying he expects to hold the operating expenses to no more than 3%. Manager Gross continued by saying the District is currently researching energy efficient plans and he confirmed the current Wastewater Pollution Control Plant (WPCP) loan will be paid off in 2017 with the Board deciding then if the loan repayment fee of \$3.00 per month per customer will roll into the monthly fixed sewer charge or be eliminated. Mr. Scullin also asked if the District has considered the future CalPERS Governmental Accounting Standards Board (GASB) requirements for unfunded liability with Manager Gross responding that the District has factored in everything known to date. Discussion turned to the Residential Sewer Usage Charge fee and loan payment options for future improvement projects with visitor Frisbee suggesting that the District consider allowing customers to pay a lump sum per improved parcel instead of obtaining a loan for future capital projects. Manager Gross commented again on the District Fire Department saying the Board of Directors could lose local control if the County of San Bernardino or Cal Fire ran the Running Springs Fire Department and concerns were expressed regarding loss of the local fire and ambulance service in our community. President Ayers added that the District cannot continue to work with forty (40) year old equipment and Manager Gross reported on the new Wastewater Treatment Plant Screw Press and said that with the new equipment, the District can expect to save approximately \$60,000 per year.

Manager Gross continued by stating that the District eliminated two (2) Superintendent positions and are constantly looking at ways to save money. Ms. Fernandez asked if the proposed rates and fees five-year plan is final with President Ayers responding that the plan can be changed at anytime, however the District has studied this information for a

long period of time and may have made a mistake by not increasing rates sooner. Discussion continued and Vice-President Brittain invited everyone in the community to attend the District Board Meetings that are held on the third Wednesday of each month, to obtain a better understanding of the District. Discussion turned to water conservation with Vice-President Brittain stating we are currently in a drought and he commented on District wells that produce about 50% of the water provided to our customers with 50% of District water purchased from the Crestline-Lake Arrowhead Water Agency (CLAWA). Discussion continued that included concerns regarding escalating costs to maintain the District in addition to the drought situation across the state and country.

E. Board Discussion/Comments: No further comments were made

F. Close Public Hearing: President Ayers closed the Public Hearing at 7:49 P.M.

4. Public Hearing and Consideration of Adopting Resolution No. 13-14, Establishing Water and Wastewater Connection Fees and Capacity Charges

A. Open Public Hearing: President Ayers opened the Public Hearing at 7:50 P.M.

B. Staff Presentation: Manager Gross stated this Public Hearing was in regards to the Water and Wastewater Connection Fees and Capacity Charges for new connections.

C. Written Public Comments: No written comments were received.

D. Oral Public Comments: Discussion included the proposed increase in the Water and Wastewater Service Connection Fee based on the 1.2% Consumer Price Index (CPI) and restricted growth in the Running Springs District due to limited vacant property available for development and property owners that are hesitant to rebuild after recent mountain fires.

E. Board Discussion/Comments: Director Brittain reported and commented on the connection fees and charges stating the infrastructure must be maintained, repaired and replaced at all costs.

F. Close Public Hearing: President Ayers closed the Public Hearing at 7:58 P.M.

5. Action Items

A. Consider Adopting Resolution No. 13-14, Establishing Water and Wastewater Rates, Fees and Charges for District Services, Connection Fees and Capacity Charges and Adopting the Fiscal Year 2014/2015 District Budget

Manager Gross recommended that the Board adopt Resolution No. 13-14 regarding charges for the 2014/2015 Fiscal Year and District Budget. President Ayers suggested a

change to the paragraph related to photocopying service by eliminating the word “outside” regarding charges for governmental agencies.

Upon motion by Director Terry, second by Vice-President Brittain and carried by a 4 to 0 vote, RESOLUTION NO. 13-14, ESTABLISHING WATER AND WASTEWATER RATES, FEES AND CHARGES FOR DISTRICT SERVICES, CONNECTION FEES AND CAPACITY CHARGES AND ADOPTING THE FISCAL YEAR 2014/2015 DISTRICT BUDGET, was adopted. (Resolution No. 13-14 on file in the District office)

B. Consider Authorizing Staff to Proceed with the Nob Hill Hydro Tank Replacement Project

Supervisor Bobroff reported on the Nob Hill Hydro Tank that was installed in 1964 and provides pressure to customers within close proximity of the tank. Supervisor Bobroff stated the tank has exceeded its life expectancy with inspections indicating small leaks beyond repair. The District purchased an emergency replacement tank in 2004 that has been in storage for ten years and he recommended that it now be installed with the project expected to take four to five weeks to complete. Documentation was provided detailing the estimated cost of \$6,300 to install the new tank, utilizing funds from the Water Facility Capacity Charge Reserve Fund, which has a balance of \$60,287.

Upon motion by Director Bennett, second by Director Terry and carried by a 4 to 0 vote, Authorization to Proceed with the Nob Hill Hydro Tank Replacement Project, utilizing funds from the Water Facility Capacity Charge Reserve Fund, was approved.

C. Consider Authorizing Purchase of Pumps for Sewer Lift Station No. 7

Manager Gross reported on Sewer Lift Station No. 7 that is currently operating on one backup pump installed from the Collections Building and the other pump that is close to failure and stated it is staff’s recommendation to purchase two replacement shredder pumps in the total amount of \$9,500 from Evans Hydro.

Upon motion by Vice-President Brittain, second by President Ayers and carried by a 4 to 0 vote, Authorizing the Purchase of Pumps for Sewer Lift Station No. 7, utilizing funds from the Wastewater Capital Improvement Reserve Fund, was approved.

D. Consider Appointing an Ad Hoc Committee to Examine the Renegotiation of the 1977 Wastewater Transportation, Treatment and Disposal Agreements with Arrowbear and CSA-79

This item was tabled to the July 16, 2014 Board Meeting.

Recess

The Board took a break at 8:14 P.M. and reconvened at 8:20 P.M.

6. Approval of Consent Items

The following consent items were listed for approval:

- A. Approval of Meeting Minutes for May 21, 2014 Regular Board Meeting
- B. Ratify May 2014 Expenditures and Cash Summary
- C. Consider Approval and Adoption of Resolution No. 14-14, Establishing Appropriations Limits for Fiscal Year 2014/2015

Upon motion by President Ayers, second by Director Terry and carried by a 4 to 0 vote, the consent items were approved.

7. Information Items

A. Consumer Confidence Report for 2013

The Board acknowledged District staff for preparation of the CCR reports.

8. General Managers Report

Manager Gross asked the Board to take note of the pre-audit letter from Van Lant and Fankhanel, LLP, Certified Public Accounts. Manager Gross also stated that Fire Chief Tony Grabow has announced his retirement from the District Fire Department on September 1, 2014.

9. Report From Engineer

No Report Available

10. Report From Legal Counsel

No further information to report from Legal Counsel

11. Board Member Meetings

President Ayers reported on the June Special Districts Meeting saying the program regarding the current water supply issue was excellent. President Ayers also said the District will get through this year with the state supplied water and if there is no moisture this winter, the District will receive further directive from Sacramento.

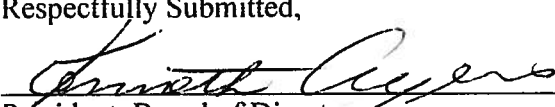
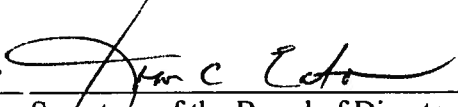
12. Board Member Comments

President Ayers thanked Manager Gross for his presentation regarding the Public Hearing.

13. Meeting Adjournment

The meeting was adjourned by President Ayers at 8:27 P.M.

Respectfully Submitted,

	
_____ President, Board of Directors Running Springs Water District	_____ Secretary of the Board of Directors Running Springs Water District