

**MINUTES OF SPECIAL MEETING AND WORKSHOP
BOARD OF DIRECTORS OF RUNNING SPRINGS WATER DISTRICT
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA**

January 12, 2011

A special meeting and workshop of the Board of Directors of the Running Springs Water District was conducted on Saturday, January 12, 2011, 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
Kevin Kellems, Vice-President
Pamella Bennett, Director
Michael Terry, Director

Director Paul Shouse was absent.

Also present were the following:

Sam Massey, General Manager
Joan Eaton, Administration Supervisor/Board Secretary/Treasurer
Tony Grabow, Fire Chief
Randy Bobroff, Water Department Supervisor
Trevor Miller, Wastewater Treatment Division Supervisor
Isaiah Hall, Wastewater Collection Division Supervisor
Ed Brittain, Consultant
Brian Thomas, Engineer, Engineering Resources
Mike Riddell, Attorney, BB&K LLP

Board President Ken Ayers led the assembly in the Pledge of Allegiance.

President Ayers thanked everyone for their attendance and for the time that had been required to prepare for the workshop. He then asked staff to proceed with the presentation.

General Manager Sam Massey initiated the discussion by stating that the annual workshop is an extremely important process that allows the District's Departments to discuss what they would like to have in the budget for the upcoming year. He stated that the process was initially started by General Manager Jim Towns many years previously. He provided an overview of the

discussion which would include for each Department a discussion of the actions from the 2010-2011 Fiscal Year, a recap of the accomplishments for the year, a discussion of planned projects for the upcoming 2011-2012 Fiscal Year, and then a discussion of future projects beyond the upcoming year. He stated that the projects would include not only capital projects but also purchases and that the expenditures would then be refined and reflected in the budget subsequently presented to the Board.

Fire Chief Tony Grabow began with his presentation regarding the Fire Department. He said that the projected revenue for the 2010-2011 Fiscal Year had fallen short by approximately \$107,000 due to a decline in property values and a corresponding decline in tax revenue. However, he stated that the Fire Department had adjusted and was doing fine. As a recap of Fiscal Year 2010-2011 projects, Chief Grabow specifically discussed the pursuit of grant opportunities, the preparation of a financial master plan, the purchase of winter jackets, the replacement of a water tender which was put on hold due to reduced revenue, obtaining a capnography module for the Department's 12 lead monitors, which had not yet been required by ICEMA, and the replacement of turnout gear for Fire Department personnel.

For the planned projects and purchases for Fiscal Year 2011-2012, Chief Grabow indicated that the proposed budget would include funds for capnography which would not be purchased unless required, the purchase of additional turnout gear, the replacement of breathing apparatus bottles, and the implementation of a fire hazard abatement program to replace the program that had been administered by the County.

For planned future projects beyond Fiscal Year 2011-2012, Chief Grabow mentioned replacement of the Squad 51, the installation of an exhaust removal system for the fire stations (hopefully to be funded by grant money), replacement of the Snowcat, and the construction of a new central fire station. He also mentioned ultimate plans to create one limited term or paid call firefighter position per shift, and the continued purchase of breathing apparatus.

Turning next to Administration, Joan Eaton provided a recap of Fiscal Year 2010-2011 projects, mentioning in particular the new telephone system, new color printers, and the Paymentus billing program. For 2011-2012 projects, Ms. Eaton mentioned the engagement of a financial consultant to use in addition to the District's auditor, a planned computer system upgrade, and an upgrade to the Xerox printer. For planned future projects beyond that, Ms. Eaton identified the potential acquisition of new billing folder/inserter equipment, and assessment of Administration procedures and practices.

Turning next to a recap of 2010-2011 projects in the Water Department, Randy Bobroff discussed the back lot meter relocation program, installation of the Nob Hill hydropneumatic tank (which was still pending), inspection of the District's water storage reservoirs, preparation of the water master plan (which had been

completed), preparation of the financial master plan (also completed), installation of pressure regulators (pending), purchase of an additional portable storage container, recoating of the Luring Pines tank (pending), and development of the "Ayers Acres" well field, which was in progress.

Turning to the projects and capital purchases planned for Fiscal Year 2011-2012, Mr. Bobroff discussed continuation of the back lot meter relocation program, continued inspection of the water storage reservoirs, and continued development of the "Ayers Acres" well development project.

With respect to planned future projects, beyond Fiscal Year 2011-2012, Mr. Bobroff identified well development in general, new water main installation programs, implementation of the new groundwater rule once adopted by the EPA, compliance with the anticipated radon gas treatment requirements, and development of a computerized maintenance management system.

Turning to the Wastewater Collection Division, Isaiah Hall began with a recap of the Fiscal Year 2010-2011 projects, specifically identifying development of the sewer system management plan (completed), replacement of the jetter (completed), repair of the Interceptor Road concrete (completed), development of the financial master plan (completed), installation of the Dell personal computer work station for the collections supervisor (completed), repair and maintenance of the collections system, replacement of the utility/plow/emergency vehicle (completed), installation of a new storage container for inventory (completed), rehabilitation of the manhole on the School Trunk Line (completed), refurbishment of the overflow tank for Lift Station No. 1 (in progress), construction of the collection building front porch (completed), and the purchase of confined space equipment (which would be completed by the end of the fiscal year).

With respect to planned projects and capital purchases for Fiscal Year 2011-2012, Mr. Hall identified compliance with the waste discharge requirements set forth in the Sewer System Management Plan, the purchase of a new service truck, paving at the Harris property, further repair and maintenance of the collections system, installation of the Arrowbear crossover connection, installation of the overflow tank for Lift Station No. 1, and repair of the sewer line sag on the School Trunk Line.

With respect to planned future projects beyond Fiscal Year 2011-2012, Mr. Hall mentioned replacement/rehabilitation of Lift Station Nos. 1, 2 and 3, replacement of generators for Lift Station Nos. 1, 2 and 7, construction of the Collection Division Operations Building, further repair of the collections system, installation of flow meters and force main valves at Lift Station Nos. 1 and 2, and completion of the repair of the sewer sag on the School Trunk Line.

Turning to the Wastewater Treatment Division, Trevor Miller provided a recap of the Fiscal Year 2010-2011 projects, specifically identifying modification of the

drying beds (completed), replacement of the head works blower (not yet completed), development of the financial master plan (completed), replacement of the influent flow meter (which would be completed by the end of the fiscal year), and the purchase of additional membranes for the MBRs (which would be completed by the end of the fiscal year).

For the planned projects and capital purchases for the Fiscal Year 2011-2012, Mr. Miller mentioned purchase of a new service vehicle, purchase of replacement cartridges for the original MBRs, and replacement of the outfall line.

With respect to planned future projects, beyond Fiscal Year 2011-2012, Mr. Miller identified the purchase of a new standby generator to replace the existing aging generator, the purchase of a new sludge handling belt press, the development of wildlife habitat at the percolation ponds, and the development of the green belt irrigation project.

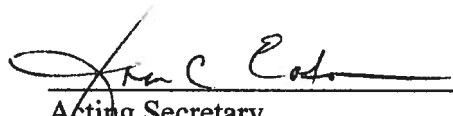
General Manager Sam Massey concluded the discussion by discussing in particular the completion of the financial master plan. He noted that the Board will need to go through protest hearings under Proposition 218 for any rate adjustments. He also stated that the District needs to review and update its financial policies, and that he intended to work with the financial consultants on that project. He also stated that the District needs to develop a policy regarding internal financial practices, also in consultation with the consultants. He stated that the District's policies had been developed over a period of years and needed to be updated. Mr. Massey also stated that there are two issues that need to be addressed with Arrowbear Park County Water District and CSA 79, including renegotiation of the terms of the agreement between the three entities to address the capacity needed to deal with flows during storm events, and also the issue of possible consolidation. Mr. Massey took advantage of the opportunity to thank staff for their heroic efforts in handling the crisis created by the unusual storm events and the damage to District facilities.

There being no further business to discuss at the workshop, the meeting was adjourned at 1:56 p.m.

Respectfully submitted,



President



Acting Secretary