

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
RUNNING SPRINGS WATER DISTRICT
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
FEBRUARY 16, 2011

The Regular Meeting of the Board of Directors of the Running Springs Water District was held on Wednesday, February 16, 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:

Ken Ayers, President
Kevin Kellems, Vice-President
Paul Shouse, Director
Pamella Bennett, Director
Mike Terry, Director

Also present were the following:

Sam Massey, General Manager
Joan Eaton, Secretary/Treasurer/Administration Supervisor
Tony Grabow, Fire Chief
Randy Bobroff, Water Division Supervisor
Trevor Miller, Wastewater Treatment Division Supervisor
Isaiah Hall, Collections Division Supervisor
Brian Thomas, Engineer, Engineering Resources
Mike Riddell, Attorney, Best, Best & Krieger, LLP

Visitors present:

Tom Dodson, Tom Dodson and Associates
Cole Gunnoe, Eagle Boy Scout
Debbie Gunnoe, Mother of Cole Gunnoe
Chris Ehe, PLS, Environmental Hightech Engineering
Gerhard Hilgenfeldt, Customer

The meeting was called to order at 9:00 A.M. by President Ayers.

Called to Order

Director Terry led the Assembly in the Pledge of Allegiance.

Pledge of Allegiance

All visitors were introduced.

Visitors

Visitor Cole Gunnoe, Eagle Boy Scout, stated construction of the Basketball Court on the District downtown property is now complete. Cole thanked the District for helping him achieve Scouting's highest rank and he presented a plaque to the Running Springs Water District and the Board of Directors in appreciation of providing the downtown property for the project. President Ayers and the Board acknowledged Cole for his effort and stated the project is an asset to the community.

Cole Gunnoe, Eagle
Boy Scout
Downtown Basketball
Project

MINUTES – FEBRUARY 16, 2011

PAGE TWO

Chris Ehe
High Tech
Engineering

Chris Ehe stated he came to speak about the surveying services he offers through High Tech Engineering and resources available to the District in the community. Mr. Ehe provided the Board and District with copies of the Association of Building Contractors 2008 Membership Directory and asked that the District consider utilizing local contractors for District projects. Discussion continued regarding the role of the surveyor and the process of project bidding. Manager Massey stated the District has used local contractors for District projects and noted that Engineering Resources is the Engineering Consultant for all District projects. Engineer Thomas added that Engineering Resources has District records dating back to the formation in 1959. Engineer Thomas also mentioned that he does not charge the District for attending the monthly Board Meetings and his firm has not raised rates to the District since 2006. Mr. Ehe was advised that he would be contacted if the District required his services.

Tom Dodson

Tom Dodson will report to the Board regarding the Outfall Line Repair Project later in the meeting.

Selection of 2011
Committees

As per District Bylaws, President Ayers stated the President will appoint the Board Standing and Ad Hoc Committees at the beginning of each year. The following committee members were appointed.

Standing Committees

Finance – Kevin Kellems and Mike Terry

Personnel – Mike Terry and Paul Shouse

District Policies – Pamella Bennett and Paul Shouse

Public Relations Board Coordinator – Pamella Bennett

Ad Hoc Committees

Water Development – Pamella Bennett and Paul Shouse

LAFCO – Ken Ayers and Pamella Bennett

Other Representations

Special Districts – Ken Ayers

Upon motion by Director Bennett, second by President Ayers and carried by a 5 to 0 vote, the 2011 Board Committee Members were selected.

Board Meeting
Minutes
January 19, 2011

Upon motion by Vice-President Kellems, second by Director Shouse and carried by a 5 to 0 vote, the Regular Board Meeting minutes of January 19, 2011 were approved.

January 2011
Expenditures

Upon motion by Director Shouse, second by Director Terry and carried by a 5 to 0 vote the expenditures through January 31, 2011, were approved.

MINUTES – FEBRUARY 16, 2011
PAGE THREE

Supervisor Bobroff opened by stating the majority of damage from the recent weather event has been repaired. There is some housekeeping still required in Sidewinder Canyon that will be addressed in the spring. Supervisor Bobroff stated the District had produced over 90% of their own water in January, 2011. Consumption was high due to leaks in customer lines that were not winterized properly. Supervisor Bobroff stated several customers have received bills from \$300 to amounts in excess of \$1200 due to water leaks that were not detected immediately. Production was at 100% toward the end of January, allowing four (4) District wells to be turned off. Discussion continued regarding leaks and the importance of winterizing homes. Staff confirmed that customer information is posted on the District website regarding shut off valves and winterizing homes.

OPERATIONAL
REPORTS
(Water)

Supervisor Miller reported on the Treatment Plant Expansion Project and stated his department has not been able to work on the project due to the weather. Supervisor Miller then reported on Highway 330 and road 1N09 that was washed out during the rain event. The cost estimate to repair road 1N09 is between \$5,000 to \$6,000 to repair the damaged road and the costs will be submitted to the state for possible reimbursement through FEMA (Federal Emergency Management Agency).

(Treatment)

Supervisor Hall reported on the Interceptor Failure at Little Mill Creek that has been repaired and a bridge installed at the site by Jeff's Crane, Vulcan Steel and Bacon/Wagner and the tie in was completed on February 3, 2011. Supervisor Hall mentioned that a final report will be submitted to Gary Stewart and the Santa Ana Regional Water Quality Control Board which will detail all activities. The District will repaint the bridge a natural color in late spring or early summer at the request of Joe and Carolyn Harich, property owners adjacent to the site. Engineering Resources will be reviewing the existing Collections system maps and will be involved in the annual maintenance plan for the bridge. Supervisor Hall stated that local contractors were used in the Little Mill Creek project. Supervisor Hall closed by reporting on the projects from last month's weather event and mentioned that all equipment is in good order. Manager Massey will send a thank you letter to the Harich Family for accommodating District staff and contractors during the emergency project.

(Collections)

Chief Grabow updated the Board regarding the Highway 330 road closure and stated the road closure affects the Department emergency equipment and patient transportation by a minimum of one hour. Chief Grabow will be meeting with the Highway Patrol, Caltrans, Sheriff's department and contractors on March 9, 2011 regarding the road closure issues.

(Fire)

Supervisor Eaton stated the 2010/2011 Statement of Economic Interest Form 700 deadline is April 1, 2011. The reporting period covered by the annual statement is January 1, 2010 through December 31, 2010. The Form 700 packets were provided to the Board for completion and the website to obtain Form 700 information is www.fpcc.ca.gov

(Administration)

Administration is actively preparing the 2011/2012 Fiscal Year Budgeting Financial Plan and supporting all departments in compiling budget information and records.

Supervisor Eaton provided the Board with a copy of the District Newsletter for February 2011 that included information regarding the new Paymentus credit card payment option program. The newsletter will be included in the February customer bills. The Paymentus Payment program information will be discussed later in the meeting.

Supervisor Eaton reported on the State Controller's Report for Local Government Compensation requirement by Government Code (GC) Section 12463 and stated the information regarding Special Districts is now available on the State Controller's website at www.sco.ca.gov.

(General Manager) Manager Massey mentioned that District staff has been busy with projects related to the storm damage from last month. Manager Massey and Engineer Thomas attended a FEMA/OES applicant's briefing on February 10, 2011 to gain information for submitting claims for damage sustained during the December storms. Engineer Thomas will be assisting the District in completion of the required documentation.

The meeting moved to Action Item IX.A.

Outfall Line Repair Project Mitigated Negative Declaration And Mitigation Monitoring and Reporting Program

Manager Massey reported on the Outfall Line Repair Project and stated in memorandum that due to the onerous nature of the permitting process the District contracted with Tom Dodson and Associates to assist the District in obtaining the required permits from the regulatory agencies that have an interest in the outfall line repair. Tom Dodson and Associates has completed the Initial Study, Notice of Intent and the Notice of Completion. The completed documents have been sent to the State Clearing House (SCH) for circulation. The SCH will distribute the document to any Responsible or Trustee State Agencies and to any other agencies which may have relevant expertise in the subject or otherwise have a reason to review the document. The review process has been completed and the next step will be obtaining the permits from the responsible statute agencies. Manager Massey stated that Tom Dodson and Associates have prepared a Mitigated Negative Declaration which must be approved by the Board before the project is allowed to proceed and continue through the CEQA process and satisfy requirements. Manager Massey asked Tom Dodson to comment on the Mitigated Negative Declaration and Mitigation Monitoring and Reporting program.

Mr. Dodson reported on the Mitigated Negative Declaration for the Outfall Line Repair Project. CEQA requires a Negative Declaration to consist of the Initial Study: copies of comments: any responses to comments, and any other project related material prepared to address issues evaluated in the Initial Study. Any responses to comments, combined with the Initial Study and Mitigation Monitoring and Reporting Program constitute the Final Mitigated Negative Declaration package that will be used by the District to consider the environmental effects of implementing the proposed project. Due to mitigation measures that are required for the project to reduce potentially significant impacts to a less than significant level, the Mitigation Monitoring and Reporting Program (MMRP) is required to be adopted as part of the final MND Package. Discussion continued regarding the project and Mr. Dodson stated it usually takes 90 days to acquire the necessary permits. Upon motion by Director Shouse, second by Director Bennett and carried by a 5 to 0 vote, the Outfall Line Repair Project Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program, was adopted. With no further information to report, Mr. Dodson was excused from the meeting at 10:20 A.M.

The Ayers Acres Groundwater Development Project will be discussed later in the meeting during closed session.

Ayers Acres

Supervisor Miller reported on the Outfall Line Repair project and stated construction of the structures was completed by Bacon/Wagner Excavating the week of January 31, 2011. Construction was designed to help prevent the temporary bypass line supports from washing out in the event of a storm. The structures are temporary and no permits were required. The diversion structures will remain in place until the permanent repairs to the outfall line can be made.

Outfall Line Repair
Project

The Interceptor Line Failure in Little Mill Creek was discussed earlier in the meeting during the Collections Department Operational report.

Interceptor Line Failure
in Little Mill Creek

President Ayers asked the Board to take a 15 minute break at 10:33 A.M.

Recess

The Board reconvened at 10:48 A.M.

Reconvened

Supervisor Eaton reported on the status of the Paymentus Corporation Bill Paying Service that will provide District customers the option of making water/sewer and ambulance payments by credit or debit cards and electronic checks. The implementation date is projected for February 22, 2011. Administrative staff participated in a web telephone conference training session with Paymentus on February 7, 2011 and the program is user friendly. The District website will be updated to include customer links and provide information regarding the Paymentus program.

Paymentus Bill
Paying Service

Local Agency Investment Fund The Local Agency Investment Fund Quarterly Remittance Advice ending December 31, 2010 was provided to the Board as an information item only. The interest earned on deposits for the quarter was 0.46% for a total of \$2,770.84.

Request for Proposals for Professional Audit Services Supervisor Eaton stated the District has contracted with RAMS (Rogers, Anderson, Malody and Scott) to provide both auditing and accounting services for over 25 years. Due to certain independence standards, RAMS has proposed to the District that they continue to provide accounting services to the District by taking on the role of Financial Consultant. As the Financial Consultant, RAMS could assist the District with a broader scope of services which were limited by them serving as auditors. If RAMS were retained as the District Financial Consultant and a new auditing firm hired to complete the annual audit, the additional cost to the District beginning Fiscal Year 2011/2012 is estimated to be \$5,000 to \$9,000 per year.

A meeting was held on December 15, 2010 with President Ken Ayers, Vice-President Kevin Kellems, Consultant Ed Brittain, Manager Sam Massey and Supervisor Joan Eaton to discuss the Financial Consultant proposal. It was determined that an RFP (Request for Proposal) should be conducted to interview outside Certified Public Accounting firms for auditing services, to confirm the estimated costs that were provided by RAMS and to determine financial feasibility for the District. RAMS has stated they will assist the District in obtaining an outside Certified Public Accountant and they provided a copy of the RFP that will be mailed to qualified firms. The RFP was reviewed by the above mentioned Board members and District staff. RAMS will mail the RFP to selected firms with a deadline of February 25, 2011, review the RFP's received in conjunction with District staff and interview the top three firms with their recommendation to the Board. The selection of the firm by the Board and District staff is expected to be completed by March 31, 2011. The term of engagement will be a one year contract that is subject to an annual review with approval by the Board of Directors. Attorney Riddell added that the RFP process for the selection of an auditor is not legally required but is a wise decision in choosing the appropriate auditing firm.

SDRMA Board of Directors Notice of Nominations 2011 Election SDRMA has provided the Board of Directors with a Notice of Nominations for the Special District Risk Management Authority (SDRMA) Board of Directors 2011 Election as in accordance with the SDRMA Sixth Amended and Restated Joint Powers Agreement. Three Director seats are up for election and the nomination filing deadline is May 4, 2011. Nomination qualifications and information was provided to the Board for their review. The Board will review the packet of information and discuss the issue further at a future Board Meeting prior to the deadlines.

Manager Massey reported on the Local Agency Formation Commission (LAFCO) Municipal Service Review and Sphere of Influence Study. In May of 2008, the District submitted an extensive response to a LAFCO information request regarding the District's Municipal Service Review and Sphere of Influence Update (MSR and SOI Update) and a meeting was held with LAFCO and District staff in August of 2008. In July 2009, a meeting was held with Arrowbear Park County Water District, CSA-79 and the District to discuss the potential for consolidation of public water, wastewater and fire services as part of the LAFCO MSR and SOI update for all three agencies named the Hilltop Community.

LAFCO
Municipal Service
Review and Sphere
of Influence Study

LAFCO is finalizing the Service Review and Sphere of Influence Study for the Hilltop Community Agencies. A draft version of the report will be available to the District in February, 2011 and a meeting will be scheduled to discuss the study. No action is required at this time.

At the February 17, 2010 Board meeting, the Board approved a Consulting Agreement with Ed Brittain, retired General Manager to assist the District as needed. The agreement was effective on February 8, 2010 and continued for a period of six months. The Board wishes to utilize the services of Ed Brittain again and asked that the agreement be revised to a twelve month period. Upon motion by Vice-President Kellems, second by Director Bennett and carried by a 5 to 0 vote, the Consulting Agreement between Running Springs Water District and Ed Brittain effective January 1, 2011 for a period of twelve months, was approved.

Ed Brittain
Consulting Agreement

At the January 19, 2011 Board Meeting, the Board approved to dispose of computer and miscellaneous property that was declared surplus and of no further value to the District. Additional surplus equipment has since been identified and a listing of the property was provided to the Board. The surplus items will be disposed by the most appropriate means possible. Upon motion by Director Shouse, second by Director Terry and carried by a 5 to 0 vote, Board Declaration that District Computer and Miscellaneous Equipment is Surplus Property and Authorization to Dispose of Property, was approved.

Authorization to
Surplus Property

Manager Massey reported on Utility Cost Management LLC (UCM) that is a California Special Districts Association (CSDA) "Endorsed Affiliate" which has saved California customers over \$90 million in utility bill savings. UCM analyzes utility bills, identifies billing errors and obtains savings and refunds for their clients. Manager Massey stated that UCM's fee is a percentage of refunds and savings that the District would actually receive. If the work that UCM performs fails to bring savings, there would be no compensation paid.

Utility Cost
Management LLC

A copy of the Agreement to Provide Utility Bill Auditing Services was reviewed by Legal Counsel and provided to the Board for review. The agreement stipulates that a 42% compensation fee is due to UCM if the District receives a refund or credit identified by UCM. Any future savings realized by the District and identified by UCM are also paid to UCM during a three year savings period. Manager Massey stated six former clients of UCM have been contacted and three of the clients received some benefit in the way of savings or rebates and the other three received no benefit and paid no fees. All six agencies were pleased with the services received from UCM. After further discussion Manager Massey asked the Board to consider the above information and approve entering into an agreement with UCM. Upon motion by Director Bennett, second by President Ayers and carried by a 5 to 0 vote, the Agreement with Utility Cost Management LLC to Analyze District Utility Bills, was approved.

Customer Request For Fee and Charge Adjustment to January Water/Sewer Bill

Manager Massey reported on a request the District received from customers David and Mary Leedom asking the Board to consider an adjustment of their water/wastewater bill for the January 2011 billing period. The request concerns high water consumption that occurred due to a leak in the customer's sprinkler system. The customer acknowledged they had a leak in their system but are asking for the District's help with this situation. Manager Massey stated the customer was informed that the District would reduce the sewer usage fee of \$151.05 attributed to the leak and they were provided the option of paying the water usage fee that was also attributed to the leak, over a twelve (12) month period. Supervisor Eaton confirmed that all customer payment arrangements include documentation that is acknowledged and signed by the customer and a lien is placed on the property immediately if payments are not made as arranged. Discussion continued regarding payment arrangements and District staff will draft and prepare a payment arrangement policy to be presented at the March 16, 2011 Board Meeting. Staff confirmed that the District website and yearly newsletter contains information regarding the importance of winterizing homes. After further discussion that included averaging water meters and bills, the Board identified District policy that states the customer is responsible for their water system and all water use on the customer side of the water meter. Upon motion by Director Bennett, second by Vice-President Kellems, and carried by a 5 to 0 vote, the Customer Request for Fee and Charge Adjustment to the January Water/Sewer Bill is to provide payment arrangements for the water use contributed by the leak for up to twenty four (24) months for David and Mary Leedom and for consideration of payment arrangements for twenty four (24) months for any other customers affected by a large leak, was approved.

Supervisor Bobroff reported on the Water Division Utility Vehicle Unit #51 1995 Nissan 4x4 truck with 78,188 miles that has reached the end of its useful life at the District. Staff requests that the Board declare the vehicle surplus and authorize staff to sell the vehicle with a minimum bid of \$2,000 utilizing a sealed bid process. Upon motion by Vice-President Kellems, second by Director Shouse and carried by a 5 to 0 vote, the Water Division Utility Vehicle Unit Number 51 be Declared Surplus Property and Authorization to Sell the Vehicle at a minimum price of \$2,000, was approved.

Surplus Property
Water Division
Utility Vehicle
Unit #51

Manager Massey reported on the storms of December 2011 that caused damage to the District's water and wastewater infrastructure that may exceed \$400,000 in repair costs and was declared a federal major disaster declaration FEMA-1952-DR, authorizing federal assistance to government agencies in the affected areas. The Federal Emergency Management Agency (FEMA) will cover 75 percent of eligible costs, California Emergency Management Agency (Cal EMA) will cover 18.75 percent of eligible costs and the District will be responsible for the remaining 6.25 percent.

Resolution No. 03-11
Designating
Applicant's Agent
Resolution with
California Office of
Emergency Services

Engineer Thomas and Manager Massey attended a FEMA/Cal EMA briefing on February 10, 2011 and were informed that the Board of Directors are required to adopt a resolution which designates the agents responsible for providing to Cal EMA for all matters pertaining to state disaster assistance the assurances and agreements required in obtaining federal financial assistance. Upon motion by Director Terry, second by Vice-President Kellems and carried by a 5 to 0 vote, RESOLUTION NO. 03-11, DESIGNATING APPLICANT'S AGENT RESOLUTION WITH CALIFORNIA OFFICE OF EMERGENCY SERVICES, was adopted. (Resolution No. 03-11 on file in the District Office)

Engineer Thomas opened by reporting on Christopher Ehe, Land Surveyor and provided documentation regarding two prior incidents including Citation 5065-L that resulted in a four (4) year probation period and a \$250 fine for negligent surveys. Engineer Thomas asked the Board to exercise caution if they consider utilizing Christopher Ehe for his land survey services.

Engineer's Report

Engineer Thomas provided District maps to the Board for review and reported on two landslides that were located on a Ferndale and Enchanted Way easement. At the FEMA meeting he recently attended with Manager Massey, FEMA stated they generally do not reimburse any costs conducted on private property outside of District easements. Engineer Thomas continued by reporting on the erosion and several options to correct the two issues.

Manager Massey and Engineer Thomas then reported specifically on the Ferndale property and noted there are two sewer easements on the property. Discussion continued regarding the possible construction of a retaining wall to prevent further erosion and protect the District's easement and sewer line. The expense should be reimbursable by FEMA and the cost to construct a retaining wall could be approximately \$120,000.

Engineer Thomas then reported on the Enchanted Way issue and stated a preliminary soils report has been completed by Hilltop Geotechnical and it was determined that the District sewer line was not the cause of the slope failure. Engineer Thomas stated the District will be required to make repairs to the sewer easement damaged by the storms. Manager Massey stated a meeting has been scheduled with Hilltop Geotechnical and a final report will be provided to the District. Engineer Thomas added that FEMA will review all storm related projects and determine participation. President Ayers stated that further discussion regarding these issues will be discussed in closed session when additional information is received. Engineer Thomas will assist the District by completing and submitting required documentation to FEMA.

Attorney's Report

Attorney Riddell reported on the state water supply and mentioned that the water allocation has been increased to 60%. The storms early in the year helped replenish the reservoirs and the allocation to the Crestline-Lake Arrowhead Water Agency far exceeds the demand for Agency water. A portion of the Agency's allocation that is not used will be available for carry over into next year. Attorney Riddell noted that the San Luis Reservoir is now 95% full and the outlook is good in terms of water supply.

Closed Session

The meeting moved to closed session at 12:35 P.M. to consider the following items:

- A. Conference with Real Property Negotiator
Property: APN: 0328-291-20
Property Negotiator: Sam Massey, General Manager
Negotiating Parties: District and Steve Miholancan
Under Negotiation: Price and Terms of Payment for Easement

Open Session

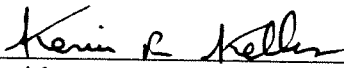
The meeting moved into open session at 12:52 P.M.

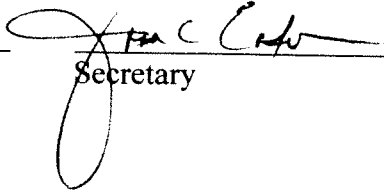
Upon motion by Vice-President Kellems, second by Director Shouse and carried by a 5 to 0 vote, Mr. Micholancan's counter offer to sell the District an easement for utility purposes, ingress and egress across his property at 1946 Poplar Drive in Running Springs for the purchase price of \$6,500.00, was accepted.

MINUTES – FEBRUARY 16, 2011
PAGE ELEVEN

Adjournment The meeting was adjourned at 12:54 P.M.

Respectfully Submitted,


Vice- President


Secretary

