

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
RUNNING SPRINGS WATER DISTRICT
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
MARCH 21, 2012

The Regular Meeting of the Board of Directors of the Running Springs Water District was held on Wednesday, March 21, 2012, 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
Mike Terry, Vice-President
Pamella Bennett, Director
Everett "Ed" Brittain, Director

Director Paul Shouse was absent

Also present were the following:

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

Visitors present were:

Gerhard Hilgenfeldt, Customer

The meeting was called to order at 9:02 A.M. by President Ayers.

Called to Order

Director Brittain led the Assembly in the Pledge of Allegiance.

Pledge of Allegiance.

Customer Gerhard Hilgenfeldt introduced himself for the record.

Visitors

Upon motion by Director Terry, second by Director Bennett and carried by a 4 to 0 vote, with Director Shouse absent, the minutes of the Rescheduled Board Meeting of February 22, 2012 were approved.

Rescheduled Board
Meeting Minutes
February 22, 2012

Upon motion by Director Bennett, second by President Ayers and carried by a 4 to 0 vote, with Director Shouse absent, the expenditures through February 29, 2012 were approved.

February Expenditures

OPERATIONAL
REPORTS
(Water)

Supervisor Bobroff opened by stating that because the water meters were averaged in February due to inclement weather, there would be no water loss report for the month.

The Brookings Booster Pump failed at the end of February and was approximately fifteen (15) years old reaching its life expectancy. The cost to replace the pump is \$3,900 and the project will be completed in house. Weiss Canyon will be offline until the pump is replaced and Supervisor Bobroff stated the Weiss Canyon Well produces approximately twelve (12) gallons a minute.

President Ayers asked about excessive employee sick leave in the District Departments and Supervisor Miller and Manager Massey mentioned that a flu virus has been going around. Supervisor Bobroff also noted that one Water Department employee was out several days due to elective eye surgery.

(Wastewater)

Supervisor Miller reported on the Ultraviolet (UV) System at the Wastewater Treatment Plant that was installed in 2003 and mentioned the system has not been used because the water is not being reclaimed but added that the system can be used to disinfect the water in the event of an Outfall Line failure. The Wastewater Treatment Plant is acknowledged by the Santa Ana Regional Water Quality Control Board for using the UV disinfection process. Supervisor Miller stated everything else was going well and they are waiting for better weather to continue work on the Treatment Plant.

(Collections)

Supervisor Hall stated everything is going well in his Department and he reported on the Collection Department employee sick leave stating that one employee has been assisting an ill family member.

Supervisor Hall mentioned that leachate removal has been reduced in comparison to last year and the District has a four (4) year agreement with the County to remove leachate.

(Fire Department)

Chief Grabow provided the Board with a Running Spring Fire Department Ambulance Membership Program (AMP) proposal draft document as an information and discussion item only. The purpose of the program is to provide affordable emergency ambulance service to residents of Running Springs, Arrowbear Lake and Green Valley Lake. The program is a voluntary program that for a membership fee would cover co-payments and deductibles and offer a discounted rate if there was no insurance available. Discussion continued regarding the AMP program and additional revenue for the Fire Department. This program is currently being utilized in Big Bear City and Chief Grabow will obtain additional information regarding the program that includes the current participation rate of the program. This item will be discussed further at the April 18, 2012 Board meeting.

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Chief Grabow also reported on AB 678 that provides an additional 50% reimbursement to public agencies for Medicare and Medi-Cal patients that utilize ambulance transportation. The bill is expected to be in effect by the fall of 2012.

Supervisor Eaton reminded the Board that the deadline for filing the Form 700 Statement of Economic Interest is April 2, 2012 and thanked those who have already submitted their forms.

(Administration)

In collaboration with Supervisor Bobroff, Administration has been preparing the Fiscal Year 2012/2013 Water Department Budget.

Supervisor Eaton then referenced the 2010/2011 Fiscal Year Audit and Manager's report prepared by Teaman, Ramirez and Smith, Inc. (TRS) and the recommendation for internal controls to establish formal policies and procedures concerning the ambulance billing process. Nancy O'Rafferty, Financial Consultant met with Fire Chief Grabow and staff on March 14, 2012 regarding establishing an Ambulance Billing Write Off Policy and to assist in development of a policy regarding levels of review required for the billings and accounting procedures relating to the ambulance receivables and delinquencies. Administration has appointed a District employee who has completed a medical transcription course to review the billing documentation on a regular basis and also cross train in the ambulance billing process. A draft ambulance billing write off policy will be established and reviewed by Consultant O'Rafferty and legal counsel to comply with the recommendation of TRS.

Supervisor Eaton also reported on the recommendation by TRS for the District to consider development of an accounting system that more accurately reflects the District's reporting requirements providing for greater efficiency and effectiveness in the financial reporting process. Supervisor Eaton and Consultant O'Rafferty attended a telephone conference with Grant Foraker, Systems Administrator for the District Comet Billing System, to develop and establish a new chart of accounts that would separate the Fire (Governmental) and Ambulance, Water and Sewer (Business Type Funds) as per the recommendation of TRS. Mr. Foraker has begun to build a conversion program that will be submitted to the District for review and approval in preparation of the transition.

President Ayers had questions regarding the Health Insurance Portability and Accountability Act (HIPPA) law and public records in relation to the Ambulance billing and Attorney Riddell stated he will research the statute regarding disclosure exemptions and to ensure compliance. Supervisor Eaton noted that all District employees acknowledge and are expected to comply with the HIPPA and confidentiality regulations.

(General Manager) Manager Massey provided a listing of the most significant activities and endeavors that he has been working on since the last Board Meeting and mentioned that they would be discussed as information items later in the meeting. Manager Massey also mentioned that he attended a Farmers Market meeting on March 20, 2012 because the committee had initially expressed an interest in utilizing the District Downtown property for the event. The committee ultimately decided that the event would be held on Commercial Way.

Consolidation of Special Districts Manager Massey then updated the Board regarding the Special District's Hilltop Community Consolidation Committee and stated the District received a follow up letter from the San Bernardino County Counsel on March 1, 2012 stating they would comply with the modified request for videos and documentation regarding the CSA 79 sewer collection system. In addition, the District has provided Supervisor Rutherford with financial and budgetary District information as requested. Manager Massey also provided the Board with a newspaper article regarding the proposed consolidation that was published in the Alpenhorn newspaper on March 8, 2012.

Director Brittain asked Supervisor Miller about the recent Inflow and Infiltration (I&I) from CSA 79 and Supervisor Miller stated the information will not be available until next month.

President Ayers shared a recent newspaper article with the Board members regarding the Lake Arrowhead Community Services District and an investigation order dated December 7, 2011 by the Lahontan Regional Water Quality Control Board (Lahontan) for a 9.5 million gallon wastewater spill that occurred during the 2010/2011 wet weather season. The article stated that Lahontan attributed the high discharge to inflow and infiltration while referring to past incidents where "significant discharges of raw and partially treated sewage from the collection system and wastewater treatment system to surface waters" occurred and "continue to occur". I&I is described as groundwater and/or storm water entering the dedicated wastewater system to where the system is overwhelmed causing overflows of sewage when the sewer system is unable to direct the flow to a pumping station or treatment plant. President Ayers cautioned that future storms could affect the District if the issue is located upstream.

Manager Massey stated that according to the Arrowbear and CSA 79 upstream contracts, the agreement can be renewed by submitting a letter three years in advance for automatic renewal. President Ayers asked if we could require that the upstream users inspect their system and Manager Massey responded that according to the current contract, they are allowed enormous flows.

Discussion continued regarding the upstream users proportionate share of capital improvements to the Wastewater Treatment Plant and Manager Massey stated that District staff will review the contracts with legal counsel to amend the terms prior to the renewal expiration of June 2017. Attorney Riddell will review the upstream users contracts and mentioned that the agreement should be based on peak flows so in a major event, the capacity would accommodate the flows. Manager Massey mentioned that the flows are different for the Arrowbear and CSA 79 communities but the terms and conditions are similar. Manager Massey will research the sewer payment delinquency factor of Green Valley Lake residents and will report back to the Board regarding how the delinquencies are handled.

Attorney Riddell updated the Board regarding the Wastewater Treatment Plant Outfall Line Project and negotiations with Best, Best & Krieger and the California Department of Fish and Game (CDFG) who stated they would accept a proposal from the District to plant ten (10) five-gallon alder trees once construction is completed and also required that the District contribute sufficient funds to the Inland Empire Resource Conservation District (IERCD) for the active restoration of 0.25 acres of riparian streambed habitat at an approximate cost of \$43,922.00. BB&K has continued to negotiate with CDFG for less costly and burdensome mitigation measures that may include planting the trees and monitoring of the system. Attorney Riddell will update the Board as information and a decision is received from the CDFG.

Wastewater Treatment
Plant Outfall Line
Project

Manager Massey then provided the Board with a draft version of the Wastewater Department 2012/2013 Fiscal Year Budget and analysis which identified the significant changes between the approved Fiscal Year 2011/12 budget and the proposed 2012/2013 Fiscal Year Budget. The operating revenue decreased by 3.41% due to the removal of Assessment District #7 funds that were included in the 2011/12 Budget and the total operating expenses have also been reduced by 4.73%. Manager Massey reported on a major change that proposed shifting the status of the Wastewater Department Supervisors from non-exempt to exempt status and stated the yearly savings to the District for the Wastewater Department would be \$6,800 and the yearly savings for the Water Department Supervisor would be \$7,729 for a total District savings of approximately \$14,600 because there would be no monetary compensation paid for overtime hours worked.

Fiscal Year 2012/13
Wastewater Department
Budget

Supervisor Miller also reported on the proposed Wastewater Department 2012/2013 Fiscal Year budget and specifically discussed the purchase of a new belt press for the Treatment plant that was not included in the proposed budget and issues with hauling of bio-solids. The belt press will be customized for the facility and the funds to purchase the new belt press will be utilized from the leachate account. The life span of the belt is approximately two (2) years and additional information regarding the belt press purchase will be presented at the July 2012 Board Meeting.

Supervisor Miller confirmed that the Wastewater Department employees are using their gym memberships.

Discussion continued regarding the possibility of a two or three year budget and Director Brittain expressed concerns with the changes in Sacramento that could potentially affect the future of the District. In closing Manager Massey and the Board acknowledged the Wastewater Department Supervisors for a job well done in preparation of the budget.

**Harich Request
For Outside Service
Agreement**

In regards to the Harich request for an Outside Service Agreement, Manager Massey stated that he contacted the Local Agency Formation Commission (LAFCO) asking if the Long Point Ranch could be served with a sewer connection without annexing into the District. The property could be served as long as there was a possibility of annexation sometime in the future. President Ayes questioned a twenty (20) year term contract and expressed concerns with unexpected cost and inflation factors. Engineer Thomas confirmed that they have accounted for only five homes on the property and the agreement will be adjusted by the Consumer Price Index (CPI) and the Engineering News Record (ENR). Engineer Thomas and Manager Massey are working on the terms and conditions of an agreement and the updated information will be reviewed by legal counsel before it is finalized. The updated information will be returned to a future Board meeting for review and approval.

**General Manager
Position Search**

Manager Massey updated the Board regarding the new General Manager Position search and stated the General Manager Job Announcement was posted on the District website along with the job application and supplemental questionnaire. Advertisements were also placed on four job websites including the California Special Districts Association (CSDA), Water Jobs Online, BC Water Jobs and American Water Works Association (AWWA). Advertisements were also placed in the San Bernardino Sun, Mountain News and the Alpenhorn newspapers. The District has received a total of twelve (12) applications to date with three (3) from outside the country and the submittal deadline is March 23, 2012. The Board tentatively scheduled the interviews for April 28 and May 5, 2012 and the confirmed dates will be announced.

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At the February 22, 2012 Board Meeting, Fire Chief Grabow presented the 2012/13 Fire Department Budget for the Board's review and recommended a new position of Senior Administrative Assistant be added to the Fire Department wage scale. After considerable discussion it was determined that the District Personnel Committee would review position descriptions and report back to the Board. A copy of the proposed Senior Administrative Assistant Position Description was provided to the Board with a copy of the Administrative Assistant Position Description for comparison and Chief Grabow noted the new position included coordination of the Hazard Abatement program. President Ayers stated that after review of the job descriptions, the summary of work performed and/or functions did not change for the positions and that he failed to see specialized training, education or skills that would justify the new position. President Ayers also expressed his concerns regarding the impact that the creation of a new position would have on other similar positions in the District. Manager Massey stated the District provides certification pay for eligible District employees who have achieved advanced training and qualifications. Visitor Hilgenfeldt commented on issues surrounding adjusted salaries and the retirement system. Discussion ensued regarding the Fire Department Administrative Assistant position and employees who have reached the top of their wage schedule. Chief Grabow will research comparisons for the Fire Department Administration Assistant position and meet with Manager Massey to discuss options. Information will be returned to a future Board Meeting.

Fire Department
Administrative
Assistant/Senior
Administrative
Assistant Position
Description Review

The Board took a recess at 11:00 A.M. and reconvened at 11:24 A.M.

Recess/Reconvened

The District is in receipt of the Assessment District No. 10, 2011/12 Annual Report prepared by NBS that indicates as of June 30, 2011, the Reserve Fund balance exceeds the reserve requirement and prepayment credit amount that would be given if all property owners were to pay off their respective assessments. NBS has recommended that the District transfer the surplus of \$1,775.00 to the Redemption Fund in accordance with the District's formation documents and use the surplus to help ensure sufficient funds are available to make future debt service payments. Upon motion by Vice-President Terry, second by Director Bennett and carried by a 4 to 0 vote, with Director Shouse absent, Transfer of Surplus Funds in the amount of \$1,775.00 from the Bank of New York Assessment District No. 10 Reserve Account to the Redemption Fund at the Recommendation of NBS, was approved.

Transfer Funds
Assessment District
No. 10 Reserve
Account to the
Redemption Fund

Upon motion by Director Bennett, second by Vice-President Terry and carried by a 4 to 0 vote, with Director Shouse absent, the Safety Committee Minutes of December 7, 2011 for Submittal to SDRMA for Reduction in Liability Insurance Premiums, were approved.

Safety Committee
Minutes
December 7, 2011

Resolution No. 03-12, Fixing and Levying Fire Suppression Fees

Manager Massey reported on the annual Fire Suppression Availability charges of \$65.00 per improved parcel, approved as an annual tax by the voters of the Running Springs Water District on November 4, 1980, pursuant to the applicable California Government Code. Upon motion by President Ayers, second by Vice-President Terry and carried by a 4 to 0 with Director Shouse absent, RESOLUTION NO. 03-12, FIXING AND LEVYING FIRE SUPPRESSION AVAILABILITY CHARGES FOR FISCAL YEAR 2012/13, was adopted. (Resolution No. 03-12 on file in the District office) Discussion continued regarding the Fire Suppression Availability charge and inflation and Attorney Riddell stated it would require two thirds of voter approval and a benefit assessment to increase the charge and impose a special tax.

Resolution No. 04-12, Fixing Water Standby or Availability Charges for Fiscal Year 2012/2013

In accordance with the California Water Code the District charges a water standby or availability charge on eligible undeveloped property within the District that is adopted by resolution each year. Upon motion by Director Brittain, second by Director Bennett and carried by a 4 to 0 vote, with Director Shouse absent, RESOLUTION NO. 04-12, FIXING WATER STANDBY OR AVAILABILITY CHARGES FOR FISCAL YEAR 2012/2013, was adopted. (Resolution No. 04-12 on file in the District office)

Resolution No. 05-12, Fixing Sewer Standby or Availability Charges for Fiscal Year 2012/13

The District charges a sewer standby or availability charge on eligible undeveloped property within the District that must be adopted by resolution each year. Upon motion by Director Bennett, second by President Ayers and carried by a 4 to 0 vote, with Director Shouse absent, RESOLUTION NO. 05-12, FIXING SEWER STANDBY OR AVAILABILITY CHARGES FOR FISCAL YEAR 2012/13, was adopted. (Resolution No. 05-12 on file in the District office)

Resolution No. 06-12, Records Retention And Destruction Policy and Repealing Resolution No. 10-98

The District approved Resolution No. 10-98 in 1998 which adopted a records retention policy to regulate the retention and destruction of files and documents in accordance with Government code requirements. Significant amendments to the Government code became effective in January of 2005, establishing new requirements for retaining and disposing of special district records. Legal Counsel assisted the District in providing an updated policy and resolution that will provide guidelines to staff regarding the retention or destruction of records of the District to ensure compliance with legal and regulatory requirements. Supervisor Eaton reported on the District records retention system and confirmed that District records date back many years with the majority of original documentation retained. Administration staff has been organizing the records file room and the new records retention policy will be implemented immediately.

Upon motion by Director Brittain, second by President Ayers and carried by a 4 to 0 vote, with Director Shouse absent, RESOLUTION NO. 06-12, RESOLUTION OF THE BOARD OF DIRECTORS OF THE RUNNING SPRINGS WATER DISTRICT ADOPTING A RECORDS RETENTION AND DESTRUCTION POLICY AND RECORDS RETENTION SCHEDULE AND REPEALING RESOLUTION NO. 10-98, was adopted. (Resolution No. 06-12 on file in the District office)

Resolution No. 06-12,
Adopting a Records
Retention and
Destruction Policy and
Records Retention
Schedule and Repealing
Resolution No. 10-98

Manager Massey stated that public agencies are required to annually adopt implementing procedures for administering their responsibilities under the California Environmental Quality (CEQA) Act. A memorandum was provided to the Board from Best, Best & Krieger that summarized the 2012 changes to Local CEQA Guidelines which should be adopted by the District. Attorney Riddell stated there is a new provision that requires agencies to provide certain environmental documents, including draft EIR's, draft Negative Declarations and Draft Mitigated Negative Declarations, in electronic format and the District may charge reasonable fees for reproducing environmental documents. Attorney Riddell mentioned there are specific exemptions and BB&K has provided the District with a copy of the "Local Guidelines for Implementing the California Environmental Quality Act (2012 Revision)" which is on file at the District office and available for inspection by the public. Upon motion by President Ayers, second by Vice-President Terry and carried by a 4 to 0 vote, with Director Shouse absent, RESOLUTION NO. 07-12, ADOPTING LOCAL GUIDELINES FOR IMPLEMENTING THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, was adopted. (Resolution No. 07-12 on file in the District office)

Resolution No. 07-12,
Amending and Adopting
Local Guidelines for
Implementing the
California Environmental
Quality Act

At the February 22, 2012 Board Meeting, President Ayers directed staff and Attorney Riddell to draft a policy allowing Board Directors to participate in the District's insurance programs, paid 100% at the Director's expense. Supervisor Eaton stated that if a Board Member elects to participate in the group medical, dental or vision plan, the monthly premiums would be submitted directly to the District. As stated in the resolution, Attorney Riddell noted that the entire cost borne by the Director shall be on an after-tax basis. Upon motion by President Ayes, second by Director Bennett and carried by a 4 to 0 vote, with Director Shouse absent, RESOLUTION NO. 08-12, APPROVING PARTICIPATION OF BOARD MEMBERS IN THE DISTRICT'S EMPLOYEE BENEFIT PROGRAMS, was adopted. (Resolution No. 08-12 on file in the District office)

Resolution No. 08-12,
Allowing Participation
Of Board Members in
the District's Employee
Health Benefit Program

The District has received notice from the California Special Districts Association (CSDA) Elections and Bylaws Committee calling for nominations to fill the expiring term of Region 5, Seat A. The District may nominate one person, a board member or managerial employee for election to the CSDA Board of Directors. There were no nominations made.

CSDA Board of
Directors Call for
Nominations

Running Springs
Area Chamber of
Commerce Request
To Use the
Downtown Property
For an Easter Egg
Hunt

The Running Springs Area Chamber of Commerce asked for District permission to use the Downtown property for an Easter egg hunt on Sunday April 1, 2012 from 12:00 P.M. to 2:00 P.M. A copy of the certificate of liability insurance was provided to the Board for their review. Upon motion by President Ayers, second by Vice-President Terry and carried by a 4 to 0 vote, with Director Shouse absent, the Running Springs Area Chamber of Commerce Request to use the Downtown Property for an Easter Egg Hunt, was approved.

Engineer's Report

Engineer Thomas opened by reporting on the San Bernardino County Live Oak Repaving bid opening that he attended and stated the bid came in at \$1,098,000 from the Matich Corporation. The manhole adjustment for the District was anticipated to be \$900 with the bid coming in at \$710 for each one. The project will begin after Memorial day and be completed by mid-July with notices distributed in mid-May. The District will be invited to attend a pre-construction meeting that will provide additional information regarding the project.

Engineer Thomas also reported on an informational meeting that he attended in Victorville regarding new manhole lining technology made from an epoxy concrete to stop inflow and infiltration. The new technology is anticipated to provide a fifty (50) to seventy-five (75) year lifetime. The first installation in California was in special districts and the cost is approximately \$400 per vertical foot installed with an average of four (4) to thirty-eight (38) feet in depth. Supervisor Hall stated he would attend an install demonstration with Engineer Thomas to preview the products. Engineer Thomas stated the main concern is the chemical reaction between the hydro aspheric acid generated by the sewage versus the calcium carbonate in the concrete. Further discussion ensued and Engineer Thomas stated the new technology is attractive because there is no confined space entry. Engineer Thomas stated the technology is impressive and must be cost effective to the District. Additional information will be presented to the Board when received.

Attorney's Report

Attorney Riddell reported on a change regarding the Fair Political Practices Commission (FPPC) regulations that he previously discussed at the February 22, 2012 Board Meeting. Attorney Riddell had reported on a recent opinion from the California Attorney General which provides that members of the governing body of a public agency would have to recuse themselves from participating in discussion or action that would result in their appointment to another position if a stipend is paid for attending meetings in that new position. The FPPC has changed the regulation so that if a Board appoints members to another Board that is a compensated position, it does not create a conflict.

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Attorney Riddell mentioned one change in the new version of the Brown Act affecting executive level salary discussions in Board meetings. All closed sessions to discuss the salary of an executive level employee must occur in a Regular Board meeting and may not occur in a Special Board meeting.

Attorney Riddell closed by responding to a question from Director Brittain regarding information on the Obama Health Care initiative and stated that he has not heard anything other than opinion regarding this issue. Director Brittain expressed concern that private insurance companies may go out of business with the Health Care initiative and that it might drive up the costs to insure District employees. Discussion continued regarding this controversial issue and the financial impact to the District. Staff will provide two year projections in the 2013/2014 budget workshops and financial plans.

President Ayers updated the Board regarding the March Special District's meeting that included a presentation regarding solar energy. Technology has changed and may now be beneficial to the District. President Ayers will appoint a committee to research energy costs savings for the future.

Director's Business

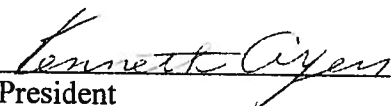
The Association of the San Bernardino County Special Districts will be sponsoring a one day seminar regarding grant funding information and the District is interested in sending a representative to the class. President Ayers will provide class dates when they are available.

President Ayers reminded the Board that the District's Consolidation Committee will attend the Running Springs Area Chamber of Commerce meeting on Thursday, March 22, 2012 at 11:30 A.M. at the Hootman Center to provide updated consolidation information within the community. Chief Grabow will not be able to attend the consolidation meeting due to a conflict of schedule.

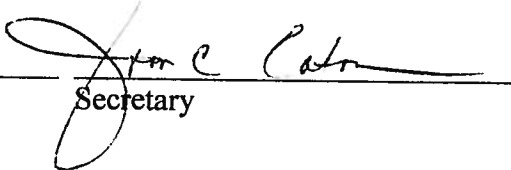
The meeting was adjourned at 12:21 P.M.

Adjournment

Respectfully Submitted,



President



Secretary