

MINUTES OF THE SPECIAL MEETING OF THE BOARD OF DIRECTORS  
RUNNING SPRINGS WATER DISTRICT  
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA  
APRIL 13, 2013

The Special Meeting of the Board of Directors of the Running Springs Water District was held on Saturday, April 13, 2013 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:

Mike Terry, Vice-President  
Everett "Ed" Brittain, Director  
Pamella Bennett, Director  
Paul Shouse, Director

President Kenneth Ayers was absent due to a family emergency

Also present were the following:

Ryan Gross, General Manager  
Joan Eaton, Secretary/Treasurer/Administration Supervisor  
Randy Bobroff, Water Division Supervisor  
Trevor Miller, Wastewater Treatment Division Supervisor  
Isaiah Hall, Collections Division Supervisor  
George Corley, Battalion Chief  
Mike Riddell and Ward Simmons, Attorneys, Best, Best & Krieger (BB&K)

Visitors present were:

Gerhard Hilgenfeldt, Running Springs Part-Time Resident  
James Weber, Mountain Shadows, Highland, CA

The meeting was called to order at 9:01 A.M. by Vice-President Terry who also led the Assembly in the Pledge of Allegiance.

Called to Order  
Pledge of Allegiance

Visitors Gerhard Hilgenfeldt and James Weber introduced themselves for the record. There were no comments from the visitors.

Visitors

Manager Gross opened by presenting the proposed Water Department Fiscal Year 2013/2014 draft Budget. Several alternatives to the draft budget were provided that included proposed water rate revisions. Alternative #1 would roll the \$3.90/mo DWR loan fee into the fixed monthly base rate plus include a \$0.75/mo increase to the base rate and a 4% increase in the water consumption charge with approximately \$190,000 generated to fund Capital Improvement Projects (CIP). Manager Gross also provided documentation and discussed several scenarios that described water and sewer rate change alternatives including the financial impact to District customers. Manager Gross confirmed that the Water, Wastewater and Fire Department Budgets include a 2% cost of living adjustment (COLA) and employee merit increases if applicable.

Review Proposed  
Water Department  
Fiscal Year 2013/14  
Budget and Alternative  
Rate Proposals

Visitor Hilgenfeld had questions regarding the \$3.90/mo DWR loan fee and Manager Gross explained that the \$1.5 million dollar DWR loan was paid off early in December 2010. Attorney Riddell mentioned that the District paid off the loan early to avoid additional interest fees and Manager Gross stated the interest on the loan was approximately 4%. The District is proposing that the current \$3.90/mo DWR customer loan fee be incorporated into the monthly water service fee and not cease when the loan is paid back in September, 2013. Mr. Hilgenfeld stated he felt it was a typical political move but added that it was a good idea and said he understood the District's reasoning for the adjustment.

Manager Gross asked the Board to review and consider the proposed rate adjustment alternatives and to provide staff with direction regarding the proposals. In compliance with Proposition 218, the District is required to notify water and sewer customers of proposed rate increases at least forty-five (45) days prior to the public hearing that will be held at 6:00 pm on June 19, 2013. The majority of the rates and fees in the Water and Wastewater Budgets for Fiscal Year 2013/14 include an increase to generate additional revenue needed to:

- Offset the loss of the leachate loads revenue from the County
- Offset lower property tax allocations
- Offset increases in operating expenses (electricity & gas)
- Minimize use of reserve funds
- Small increments in rate increases are needed to stay up with inflation and maintain debt service coverage
- Build reserve funds to target levels

Manager Gross also provided the Board with an actual customer bill that identified the different financial impacts depending on the alternative options. Manager Gross stated the goal for today is for the Board to provide direction regarding which alternative they support, so staff can distribute the Proposition 218 notices by May 1, 2013. The Board will make the final decision regarding the alternative rate revisions at the Public Hearing on June 19, 2013.

Discussion continued regarding the proposed Water Department Fiscal Year 2013/14 Budget and Manager Gross explained the projected increase in the Computer Technical Support account as workstation upgrades and the off-site Cloud Backup System. Supervisor Eaton added that the Computer Technical Support account is inconsistent and difficult to project.

Director Shouse expressed his opinion regarding the proposed budget and stated he does believe we need the water and sewer rate increases, however, he would like to look closely at the employee compensation and benefits, and referenced the proposed 2% COLA and merit increases for employees and the California Public Employees Retirement System (CalPERS).

Manager Gross stated the District's long range Master Financial Plan (MFP) recommended a 3% to 4% multiple year increase in customer rates and he also recommends that the District get back on track by following the MFP while educating the public about District deferred capital improvement projects and financial issues and goals. Manager Gross provided the Board with a Rate and Fee and Salary Comparison analysis of various mountain agencies and stated that the results confirm that the District is in the middle range and in line with other public agencies. Director Shouse stated he was concerned with the substantial salary increases that are included in the budget every year and said we need justification for increasing customer water and sewer rates and we should have a plan for increasing costs. Manager Gross stated the total budgeted cost to the District for the COLA and merit increases for Fiscal Year 2013/14 operating wages is \$48,389. Regarding COLA increases, Director Bennett mentioned that she is retired and will receive a 2% COLA increase this year in addition to a family member who is on social security. Supervisor Hall noted the proposed 2% COLA increase is minimal compared to the continually rising costs in employee medical premiums and stated the most recent increase was approximately 16% for District medical premiums that has significantly increased employee out of pocket deductions. Supervisor Hall also stated the District has dissolved significant positions over the past few years resulting in employees taking on additional responsibilities and providing significant savings for the District. Director Shouse agreed and stated that the District has dedicated employees and he has no problem rewarding those employees and he added that he would like to discuss the issues soon. Manager Gross suggested that the District schedule a Personnel Committee Meeting to discuss the issues addressed but said due to time constraints we need to move forward with the Fiscal Year 2013/14 Budget. Director Shouse then mentioned that he is employed by the City of Riverside and they have not had a COLA increase in three to four years and due to new pension reform laws, have required new employees to pay a portion of their retirement benefits and expect all employees will pay their full retirement by the year 2018. Manager Gross and Supervisor Eaton responded by confirming that the District also has new employees who pay approximately fifty percent of their retirement contributions due to the new pension reform laws. Director Bennett added that she did not feel the COLA increase for District employees was unfair because employee costs are going up and she added that the District was fortunate to have the additional leachate funds in the past to help with the costs, but noted that the funds also masked our need for fee increases the past few years. Supervisor Hall mentioned that the District water and sewer systems are over forty years old and will need substantial improvements soon.

Manager Gross reported on the Ayers Acres Groundwater Well Project and stated the pump test was promising, but the District will need to spend \$400,000 to get the well on line and noted if we can consistently pump 100 gallons a minute, the project would pay back in ten (10) to twelve (12) years reducing the amount of water the District will purchase from CLAWA and Arrowbear.

Director Brittain said he does not see the projected rate increases as dramatic and stated salaries and benefits for a school district are 90% of their budgeted expense and the District is not close to that percent. Director Brittain also expressed concerns with District reserves stating we need at least a year in reserves or approximately \$6,000,000 in the event of an emergency. Director Brittain stated we have an obligation to the community to ensure the system is the best and said District customers will be required to pay for the system. He also stated that without an adequate system in place, property values will decrease. Director Brittain closed by saying that the increase in customer fees would be approximately 4.1% with Alternative #1.

Manager Gross then asked the Board for direction regarding the water and wastewater alternative to move forward with the draft Proposition 218 Public Hearing Notice that will be provided to the Board at the April 17, 2013 Board meeting for approval. Attorney Riddell stated a motion is not required and Directors Terry, Bennett and Brittain stated they would support Alternative #1 for water and sewer rates and Director Shouse stated he supported Alternative #2 for water and Alternative #1 for sewer rates.

Review Draft  
Cash Reserve  
Policy

Manager Gross moved to review the Cash Reserve Policy draft version dated April 13, 2013 and stated the document will be presented at the April 17, 2013 Board Meeting. Revisions to the document were mostly terminology and clarification and an addition of an Ambulance Operating Fund. Manager Gross stated the policy establishes the Cash Reserve Policy and goals for reserve fund targets.

Commending the  
Finance Committee  
and Staff

Director Bennett thanked Directors Brittain and Terry and District staff for their work in preparation of the proposed Water Department Fiscal Year 2013/2014 Budget and rate proposals and stated the documentation gave the Board a good overview.


General Manager's  
Comments

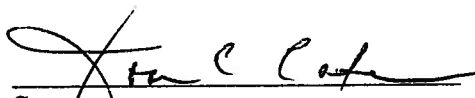
Manager Gross mentioned the agenda for the April 17, 2013 is long and the consent calendar will include the annual CEQA revisions and the yearly standby fees. The verbal monthly operational department reports will be omitted due to the length of the meeting.

Adjournment

The meeting was adjourned at 10:27 A.M.

Respectfully Submitted,

  
VICE President

  
Secretary