

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
RUNNING SPRINGS WATER DISTRICT
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
APRIL 17, 2013

The Regular Meeting of the Board of Directors of the Running Springs Water District was held on Wednesday, April 17, 2013 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:

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

Kenneth Ayers, President 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
Tony Grabow, Fire Chief
Brian Thomas, Engineer, Engineering Resources
Mike Riddell, Attorney, Best, Best & Krieger

Visitors present were:

Greg Fankhanel, CPA and Brett Van Lant, LLP, Van Lant and Fankhanel

The meeting was called to order at 6:00 P.M. by Vice- President Terry who also led the Assembly in the Pledge of Allegiance.

Called to Order
Pledge of Allegiance

Visitors Fankhanel and Van Lant introduced themselves for the record.

Visitors

Vice-President Terry moved the meeting moved to Agenda Item 7.E. proposals for Financial Auditing Services.

Moved to Agenda
Item 7.E.

Greg Fankhanel stated he and Brett Van Lant, Certified Public Accountants have resigned from the accounting firm of Teaman, Ramirez and Smith (TRS) and Mr. Fankhanel noted that he was the main auditing partner for the firm for approximately twelve years. The District contracted with TRS for their annual financial audits for the years ending June 2012 and 2011 and Mr. Fankhanel and Van Lant were the audit managers. Mr. Fankhanel and Van Lant have established the new firm of Van Lant and Fankhanel, LLP (VLF) and have submitted an engagement letter to the District for the June 30, 2013 Audit. Mr. Fankhanel highlighted their combined public agency experience and stated the new firm will focus primarily on government audits.

Proposals for
Financial Auditing
Services for the
District's Fiscal Year
ending June 30, 2013

Director Brittain asked if there was a requirement to change auditors periodically and Mr. Fankhanel responded every six years and Manager Gross confirmed that the previous engagement with TRS was a year to year basis. Supervisor Eaton stated the District was pleased with the relationship and services provided by Mr. Fankhanel and Van Lant and said both auditors already have an enhanced understanding of the District from the years ending 2011 and 2012. Supervisor Eaton also mentioned that Financial Consultant Nancy O’Rafferty stated she would collaborate professionally with either firm that is chosen. Chief Grabow reported that his experience with Mr. Fankhanel and Van Lant was positive and felt they did an exceptional job conducting the past audits and interacting with District staff. Manager Gross referred to the engagement letters received from TRS and VLF that were provided to the Board for review noting the fee for VLF is \$22,500 and TRS stated they would discount their fee from last year by \$1,500 to \$22,000. Discussion continued and upon motion by Director Shouse, second by Director Bennett and carried by a 4 to 0 vote, the Proposal for Auditing Services for the District’s Fiscal Year Ending June 30, 2013, was awarded to Van Lant and Fankhanel, LLP in the amount of \$22,500.

Operational Reports Manager Gross suggested that the Board skip the monthly department operational reports due to the length of the agenda and time constraints. Supervisor Bobroff provided a brief report on the Ayers Acres well testing and Manager Gross stated the Title 22 Water Quality report results indicate the possible need for uranium treatment. Engineering Resources will provide a proposal for design services to add booster stations in the pipeline and Manager Gross stated we hope to have the proposal by the May, 2013 Board Meeting. Engineer Thomas stated the last uranium treatment process completed by Engineering Resources was for Arrowbear Park County Water District at a cost of approximately \$22,000.

Consent Items Upon motion by Director Brittain, second by Director Shouse and carried by a 4 to 0 vote, consent items that include the following were ratified and adopted.

- February 27, 2013 Regular Board Meeting Minutes
- March 13, 2013 Regular Board Meeting Minutes
- March 2013 Expenditures
- Resolution No. 03-13, Fixing Water Standby or Availability charges for Fiscal Year 2013/14

- Resolution No. 04-13, Fixing Water Standby or Availability charges for Fiscal Year 2013/14
- Resolution No. 05-13, Fixing Water Standby or Availability charges for Fiscal Year 2013/14
- Resolution No. 06-13, Amending and Adopting Local Guidelines for Implementing the California Environmental Quality Act (CEQA)
- Consider Certain Equipment and Materials be Declared as Surplus Property and Authorize Staff to Dispose of Property

There were no comments regarding the Information Items presented with the exception of Director Shouse who stated he believes we all know where he stands at this point regarding the Fiscal Year 2013/2014 Water Department Budget and the Proposed Water and Wastewater Rate and Fee Adjustments for Fiscal Year 2013/14.

Manager Gross reported on the Proposition 218 Public Hearing requirement to consider the proposed water and wastewater rate and fee adjustments for Fiscal Year 2013/14. The Public Hearing will be held on June 19, 2013 and Manager Gross asked the Board for authorization to mail a notice of the Public Hearing to District property owners. A copy of the *Notice to Property Owners – Proposed Rate Adjustment by Running Springs Water District* was provided to the Board for review and Manager Gross stated the proposed rate and fee adjustments result in a \$5.16 per month or 5.6 % increase in the total bill for water and sewer fees for an average customer.

Authorization to
Hold Public Hearing
on June 19, 2013

Director Shouse asked if he should abstain from the vote and Attorney Riddell stated that he could abstain if desired, but the vote is only to hold the Public Hearing on June 19, 2013 and to mail the notices. Manager Gross stated the June 19, 2013 Public Hearing Agenda will include a formal resolution for adoption that will establish the rates and fees and the Directors will vote at that time on the rate increases. Attorney Riddell also mentioned that the only substantive change he made to the document was that under Proposition 218, a tenant that is responsible for paying the bill can also submit a protest letter, but only one written protest will be counted per parcel. Upon motion by Director Brittain, second by Director Bennett and carried by a 4 to 0 vote, Authorization to Hold a Public Hearing on June 19, 2013 to Consider Proposed Water and Wastewater Rate and Fee Adjustments for Fiscal Year 2013/14 and to Mail a Notice of the Public Hearing to all District Property Owners in Accordance with the Requirements of Proposition 218, was approved.

Resolution No. 07-13 Adopting a Cash Reserve Policy
Manager Gross then reported on the Cash Reserve Policy that provides direction to staff regarding the management and use of the cash funds of the District and stated the policy will be used as a tool during the year and in the budget cycle. The draft document was reviewed with the Finance Committee on April 3, 2013 and with the full Board at the April 13, 2013 Special Board Meeting. Manager Gross also mentioned that the fund balance table in the policy will change each month or quarter. In regards to the Fund Balances, Director Shouse asked about use of the the surplus funds in the Wastewater Division and Manager Gross stated that when goals have reached the target levels in the operating funds, the excess funds would go into the capital improvement fund and then into the rate stabilization fund. Upon motion by Director Bennett, second by Vice-President Terry and carried by a 4 to 0 vote, RESOLUTION NO. 07-13, CASH RESERVE POLICY, was adopted. (Resolution No. 07-13 on file in the District office)

ICEMA Ambulance Service Rate Adjustment
Chief Grabow stated the Inland Counties Emergency Medical Agency (ICEMA) has approved rate adjustments effective July 1, 2013 and a copy of the Fiscal Year 2013-2014 Ambulance Rate Adjustments and calculations were provided to the Board for review. If approved, the revised rate adjustments will be included in the proposed rates and fees adjustment resolution that will be considered for adoption on June 19, 2013. Upon motion by Director Shouse, second by Director Bennett and carried by a 4 to 0 vote, the Ambulance Service Rate Adjustments for Fiscal Year 2013-2014, were approved.

Write Off of Uncollectible Charges for Ambulance Service
Chief Grabow recommended that the Board consider the write off of \$252,411.92 in uncollectible charges for ambulance service pursuant to Resolution No. 09-12 that was adopted on May 16, 2012 to guide District staff in continued efforts to collect delinquent bills for ambulance service provided by the District. Chief Grabow confirmed that the accounts are over seven (7) years old and can be re-activated if payments commence. Director Brittain stated he would like to include information regarding uncollectible charges for ambulance service in the next Public Outreach meeting held by the District. Director Brittain asked if the District had the authority to shut off water service to a customer who also has a delinquent ambulance bill. Discussion continued regarding issues related to uncollectible ambulance bills and the possibility of placing liens on customer properties for uncollected debt. Chief Grabow confirmed that patients do not sign a consent for transport but they are required to sign a waiver if they are not transported. Attorney Riddell stated he will research the issues discussed and report back to the Board and staff.

Outside Sewer
Service Agreement
with O-ONGO Inc.
Pali Mountain

Manager Gross stated that in October of 2011, Pali Mountain requested connection to the District sewer system and it was determined that an Outside Sewer Service Agreement would be required until a formal annexation could be completed. Manager Gross then reviewed the draft Outside Sewer Service Agreement with O-ONGO, Inc. for Pali Mountain and stated the agreement has been reviewed by District Legal Counsel and Engineer Thomas and the draft is ready for review by Pali Mountain. The fees and charges included in the agreement are in accordance with the District's current rules, regulations, policies, procedures, resolutions and ordinances for such service outside the District boundaries as established by the District Board of Directors. The Pali Mountain project is ready to move forward and in order for them to connect to the District's sewer system, an Outside Sewer Service Agreement is required in the application to the San Bernardino County Local Agency Formation Commission (LAFCO) who has approval authority. Manager Gross reported on the anticipated fees and charges collected by the District and stated the Sewer Facilities Capacity Charge one-time fee will be approximately \$119,000, an annual in lieu of taxes charge will be \$1,834 and the estimated monthly fixed and usage fee would total approximately \$1,445 and information and methodology was provided for determining the fees and charges. Attorney Riddell confirmed that LAFCO should approve the agreement with the intent of annexation in the future. Director Brittain asked if the agreement would make Pali Mountain part of the Fire District and Manager Gross confirmed that the Outside Sewer Service Agreement will not, but an annexation will. Attorney Riddell stated the LAFCO annexation application process is expedited with unanimous property owner consent, but we must complete the application and comply with CEQA guidelines. He added that Pali Mountain is within the sphere of influence so there are filing and processing fees that vary according to the size of the annexation and it was noted that LAFCO will charge Pali Mountain \$500 per parcel for the Outside Sewer Service Agreement. Supervisor Bobroff asked about the water service provided to Pali Mountain by CLAWA and Manager Gross stated we will approach the water service at a later date. Manager Gross stated the District would receive property taxes for Pali Mountain if they were annexed and the assessed value of the property is approximately \$2 million dollars. Attorney Riddell noted that there is a transfer of tax revenue in an annexation process that is based on a formula applied by LAFCO and said that Pali Mountain is currently paying for fire protection so if annexed, a portion of the tax money would transfer to the District. Upon motion by Director Brittain, second by Director Shouse and carried by a 4 to 0 vote, the Outside Sewer Service Agreement with O-ONGO Inc./Pali Mountain was approved.

Arrowbear Park
County Water
District Contribution
Agreement

Manager Gross stated the Arrowbear Park County Water District (APCWD) has requested that the District consider a Contribution Agreement for the financing of Arrowbear's proportionate share of the improvements that have been made and that are in the process of being made to the District's wastewater system from the Arrowbear connection point to the District's final disposal point (Joint Use Facilities) and he provided the Board with a draft agreement that was reviewed with the Finance Committee. Manager Gross stated the contribution agreement proposes the financing of \$132,076 over a five (5) year period at an interest rate of four percent (4%) with payments made biannually. The agreement includes a provision that would adjust the interest rate to 0.25% below the market rate if the market reaches 4.25% or higher during the term of this agreement and Manager Gross stated if the agreement is approved by both parties, the District would receive approximately \$15,000 in interest over the five year amortization period. Discussion continued regarding the interest rates and the draft agreement and Manager Gross stated he will revise the contribution agreement to read prime rate instead of interest or market rate. Upon motion by Director Brittain, second by Director Bennett and carried by a 4 to 0 vote, the draft Arrowbear Park County Water District Contribution Agreement, was approved.

Contract for Fuel
Tank Improvements

Supervisor Bobroff reported on the District Fuel Management System that no longer works with occasional pump failures and the South Coast Air Quality Management District (AQMD) and California Air Resources Board (CARB) required improvements. Supervisor Bobroff contacted the California Highway Patrol and Caltrans regarding the possibility of purchasing fuel and both agencies declined but stated they would supply the District in an extreme emergency if fuel is available. Supervisor Bobroff stated it is in the District's best interest to have guaranteed daily and emergency source for both gasoline and diesel fuel and to keep the pumps we have in place. Four quotes were received and Supervisor Bobroff stated Western Pump Inc. provided the best product and is the largest fuel management company in Southern California with a quote of \$25,878. Supervisor Bobroff confirmed that the price of fuel varies based on the amount ordered and stated this project has been discussed for some time. Manager Gross stated a new fuel management system will address the Standing Loss Control AQMD requirement due on April 21, 2013 and said the next phase by July 2014 is the Enhanced Vapor Recovery Rule that goes into effect by July 2014 with an estimated cost of \$8,000 to \$10,000. Director Shouse reported on Wireless Fuel Management and a system that was familiar to him.

Manager Gross stated the funding source for this contract was not included in the budget so the costs would be divided between the Fire Department Designated Funds, the Water Department County Lease Funds and the Wastewater General Funds or the Leachate Funds. Director Brittain asked that the AQMD requirements and cost information be included in the upcoming Public Outreach meeting. Upon motion by Director Bennett, second by Director Shouse and carried by a 4 to 0 vote, the Proposal for the Fuel Tank Improvement Project from Western Pump, Inc., for their low bid of \$25,878.00, to Authorize the General Manager to execute the contract and to Authorize the General Manager to approve change orders for the project during the course of construction as required, not to exceed 15% of the original construction contract amount, was approved.

Supervisor Bobroff then reported on the Rimwood Well pump that has exceeded its life expectancy of ten years. Three estimates were received to replace the pump with the lowest bid from Harich Enterprises Company, Inc. in the amount of \$7,508.32. The District also submitted an application to Southern California Edison Company for the Energy Management Solution Incentive Program and has been approved for approximately \$2,441 to help reduce costs. Manager Gross stated the remaining \$5,067 will be utilized from the Assessment District No. 9 Construction Funds. Director Shouse asked about the well production and Supervisor Bobroff confirmed during peak season, the Rimwood well puts out over forty (40) gallons a minute. Discussion continued regarding the control motor and Supervisor Bobroff confirmed the system will be manually adjusted as required. Manager Gross added that there is a Supervisory Control and Data Acquisition (SCADA) Improvements Phase II Project included in the proposed 2013/2014 Water Department Budget. Upon motion by Director Shouse, second by Director Bennett and carried by a 4 to 0 vote, the contract for the Rimwood Groundwater Well Pump Replacement Project to Harich Enterprises Company, Inc. for their low bid of \$7,508.32, to Authorize the General Manager to execute the contract and to Authorize the General Manager to approve change orders for the project during the course of construction as required, not to exceed 15% of the original construction contract amount, was approved.

Contract for
Replacement of
the Rimwood
Groundwater Well
Pump

Engineer Thomas reported that Engineering Resources is currently working with staff to update the District Standards for designing construction for water and sewer. Engineer Thomas also reported on a new C900 PVC pipe fusible construction method for water and sewer that is being investigated and may be included in the Standards if economically feasible for the area. Engineer Thomas closed by saying the new process reduces the opportunity for root intrusion.

Engineer's Report

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Attorney's Report Attorney Riddell did not have any information to report but wanted to thank the Board for allowing Attorney Ward Simmons to attend the District Board Meetings. Attorney Riddell stated it is in the best interest to have access to more than one attorney and provide the District with backup in the event he is unable to attend a Board Meeting.

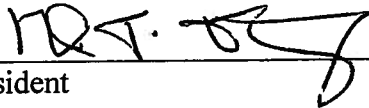
Board Correspondence Customer Request Manager Gross reported on Board Correspondence and specifically noted a written request from customer Vic Moreno who recently experienced a mainline water leak that went undetected for several months, resulting in a large water bill. Mr. Moreno is requesting that the District sell the water to him at our purchase price and exempt the 15% Residential Sewer Fee. Manager Gross confirmed that the Residential Sewer Fee had already been waived and stated the customer request letter will be included on the May 15, 2013 Board Meeting Agenda.

Adjournment The meeting was adjourned at 7:23 P.M.

Respectfully Submitted,

VICE

President



Secretary

