

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
RUNNING SPRINGS WATER DISTRICT
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
APRIL 18, 2012

The Regular Meeting of the Board of Directors of the Running Springs Water District was held on Wednesday, April 18, 2012, 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:

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

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
Matt Davis, Water Department Operator I

Visitors present were:

Ryan Gross, Lake Arrowhead Resident

The meeting was called to order at 6:00 P.M. by President Ayers.

Called to Order

Vice-President Terry led the Assembly in the Pledge of Allegiance.

Pledge of Allegiance.

Ryan Gross, Lake Arrowhead Resident introduced himself for the record.

Visitor

Matt Davis, Water Department Operator I was acknowledged for ten (10) years of dedicated service to the District.

Acknowledgments/
Recognition

Engineer Thomas provided Secretary Eaton with a revision to the minutes of March 21, 2012 in the Engineer's report regarding the San Bernardino County Live Oak Repaving project dates. Upon motion by Vice-President Terry, second by Director Brittain and unanimously carried, the minutes of the Regular Board Meeting of March 21, 2012, were approved as amended.

Regular Board
Meeting Minutes
March 21, 2012

March
Expenditures

Director Bennett had questions regarding the purchased water account and Supervisor Bobroff confirmed the District had purchased water the previous month that did not show in the March Expenditures Report. Supervisor Eaton felt that the expense may be reflected in the April expenditures instead of the March expenditures, due to timing of the payment. Supervisor Eaton will confirm this and report back to Director Bennett. Upon motion by Director Bennett, second by Director Shouse and unanimously carried, the expenditures through March 31, 2012 were approved.

OPERATIONAL
REPORTS
(Water)

Supervisor Bobroff opened by stating that weather conditions did not allow for reading all water meters in March so a water loss report is not available.

Supervisor Bobroff mentioned that a District customer utilized and broke a District valve, resulting in costs for damages billed to and paid by the customer.

Due to weather conditions and the location of the Brookings Booster Pump, the Water Department was delayed in replacing the booster pump and motor. The replacement 7.5 horsepower motor and pump assembly were installed on April 9, 2012 at a cost of approximately \$3,900. Weiss Canyon will be in service after the bacteriological samples have been completed. The Ayers Acres Project was also discussed and Supervisor Bobroff confirmed that the roads in the project were not affected during the recent weather event.

(Wastewater)

Supervisor Miller reported on the solids handling account for the Wastewater Treatment plant that is over budget due to contractor changes for removal of the bio-solids. The plant is currently pursuing options for sludge hauling and handling. Supervisor Miller closed by stating the District will not see the affects of the recent rain on the leachate flows until the end of March.

Supervisor Hall opened by reporting on the unexpected #1 pump failure at Lift Station No. 2 that has been sent to Evans Hydro to be rebuilt.

The Telemetry System Upgrade has been approved and scheduled with Tesco Controls for a projected completion date of mid-July. Supervisor Hall also mentioned that Engineer Thomas, Supervisor Bobroff and he attended a pre-construction meeting with San Bernardino County regarding the Live Oak Paving Project that is scheduled to begin in May, with completion projected for July 17, 2012. Frank Luna, County of San Bernardino representative will monitor any customer complaints regarding the project. Engineer Thomas stated that Match Company will be completing the work and Live Oak Drive will not be closed, but will be flagged, during the project.

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Chief Grabow reported on an annual County Fire Chief Meeting that he attended regarding the upcoming fire season. The end of June or July is predicted to be the beginning of the California fire season for 2012.

(Fire)

In follow up to his March, 2012 report, Chief Grabow stated that the Big Bear participation percentage rate in the ambulance membership program was approximately 5% to 7% or \$65,000 in generated revenue.

Chief Grabow clarified that that the Department recently met with Cal Fire and resolved an issue regarding turnaround compliance in the new Soutar Tract 17302.

Director Shouse thanked the Fire Department for their professionalism in a recent response that affected his family. Chief Grabow will provide the names of the Fire Department staff that were on duty to Director Shouse.

In closing, Chief Grabow stated the Department was within three (3) weeks of determining the new Battalion Chief from the final three (3) candidates and stated they all had something to contribute to the District.

Supervisor Eaton reported on the new General Ledger Chart of Accounts that will more accurately reflect the District's reporting requirements, and is in the design stages in collaboration with Grant Foraker, Software Systems and Nancy O'Rafferty, Financial Consultant. The projected conversion and implementation date is July 1, 2012.

(Administration)

Administration has begun preparation of the Water and Sewer Standby Availability billings for Fiscal Year 2012/13 that will be mailed on May 1, 2012 with a due date of July 2, 2012. Fire Suppression charges and delinquent availability charges will be submitted to San Bernardino County for placement on the county tax roll.

Manager Massey provided the Board with a listing of the most significant activities and endeavors that he has been working on since the last Board meeting. He also distributed a copy of an information request from the Environmental Protection Agency (EPA) addressed to Western Environmental in reference to Section 308 of the Clean Water Act regarding sewage sludge use or disposal. The letter was copied to several wastewater treatment plant agencies including the Running Springs Water District, and addressed sewage sludge that may have been stored for more than two (2) years at Western Environmental and must meet the criteria for surface disposal or a demonstration must be made that the storage is temporary. There is currently no action required and Manager Massey will provide the Board with additional information regarding this issue when received.

(General Manager)

Manager Massey then stated that he spoke with Sharon Bishop, Project Engineer for the San Bernardino County Heaps Peak leachate project who confirmed that construction is expected to begin in mid-June with six to eight months for completion. Manager Massey stated that Engineer Bishop asked if the Running Springs Water District would be interested in assisting with the operations of the new Plant and the District will be discussing possibilities with the County in the next few months. The leachate contract between the Running Springs Water District and the County requires ten (10) calendar days written notice for termination.

Consolidation of
Special Districts

Manager Massey updated the Board regarding the Special District's Hilltop Community Consolidation Committee and stated an informational meeting was held on March 22, 2012 with the Running Springs Area Chamber of Commerce (RSACC). The RSACC agreed to write Supervisor Rutherford a letter in support of the consolidation process and the District will provide President Kevin Somes with a copy of Resolution No. 07-11, Expressing Support for the Consolidation of Public Entity Service Providers within the Hilltop Community, that was adopted by the Board on April 11, 2011. The District also responded in writing on March 29, 2012 to questions from Supervisor Rutherford regarding financial feasibility of consolidation and the importance of consolidation between the fire departments. Manager Massey also spoke with Steve Samaras, Operations Manager with Special Districts and a meeting had been scheduled for April 19, 2012 to inspect and copy CSA 79 documentation, however, the meeting will now be rescheduled to a later date. Director Brittain reminded District staff to maintain records of employee time utilized for consolidation to be submitted for reimbursement.

Wastewater
Treatment Plant
Outfall Line
Project

In regards to the Wastewater Treatment Plant Outfall Line Project, Manager Massey noted that at the January 18, 2012 Board Meeting, the Board asked Attorney Riddell to negotiate with the California Department of Fish and Game (CDFG) as to the requirements the District would need to satisfy for the issuance of a permit to complete the project. Attorney Riddell then updated the Board stating Tom Dodson's office is preparing a proposal to plant trees at the location and to monitor the area in approximately six (6) month and twelve (12) month intervals, that will be presented to CDFG. Attorney Riddell will update the Board with the response from CDFG at the May 16, 2012 Board Meeting.

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Manager Massey presented the Board with a draft version of the Fiscal Year 2012/13 Water and Administration Department Budget that included input received from the Finance Committee. A proposed rate increase of 2.2% that coincides with the Consumer Price Index (CPI) of last year and a 3.86% increase in the fire service and irrigation meter fees that were excluded last year are included in the proposed budget. An analysis that identified the significant changes between the approved Fiscal Year 2011/12 Budget and the proposed Fiscal Year 2012/13 Budget was included for the following categories:

Fiscal Year 2012/13
Water and
Administration
Department Budget

- Revenue and Expense Summary
- Operating Revenue
- Operating Expenses
- Capital Improvement Revenue
- Capital Improvement Expenses

Manager Massey mentioned that the 2012/13 Budget includes reclassification of supervisory positions in the Water and Wastewater Departments to exempt from non-exempt that will save the District approximately \$14,000 for the year by not paying overtime wages. Discussion continued regarding the proposed budget and President Ayers expressed concern with the impacts of the economic issues that affect housing and ultimately District revenue. Director Bennett mentioned the District is also faced with issues that affect expenses in which we have no control. President Ayers then acknowledged District staff for an excellent job in preparation of the 2012/13 Fiscal Year Water and Administration budget.

Manager Massey updated the Board regarding the Harich proposal for an Outside Service Agreement for sewer service in exchange for easements and noted that an agreement with terms and conditions to serve the properties has been drafted and is being reviewed by Legal Counsel. Manager Massey stated the proposal will include annexation requirements and a meeting will be held with the Harich Proposal Ad Hoc Committee for their review and approval and a closed session can be scheduled if required. Discussion continued regarding the proposal and Engineer Thomas reported on the inflow and infiltration regarding the twenty (20) year process and stated the current agreement is based on an average. Attorney Riddell stated that all concerns will be included to addressed in the final agreement.

Harich Proposal
for Sewer Outside
Service Agreement

With the announcement of Manager Massey's retirement, the District is pursuing a new General Manager. The District has received sixteen (16) appropriate applications that were forwarded to the General Manager Search Committee with six candidates chosen for oral interviews. A Special Meeting closed session will be held on April 28th and May 5th, 2012 to conduct the oral interviews.

General Manager
Position Search

- Local Agency Formation Commission Special Districts Selection for the Regular LAFCO Member
- The District has been notified that the San Bernardino Local Agency Formation Commission (LAFCO) term of one of the regular Special District Commissioners is scheduled to expire on May 7, 2012. A letter from LAFCO commencing the voting period was provided to the Board with instructions along with a copy of each candidate's resume for review. President Ayers confirmed that Kimberly Cox, Member of the Board of Directors of the Mojave Water Agency, is seeking reappointment to serve as a regular Special Districts' member on the LAFCO Commission. President Ayers and Director Brittain have worked previously with Ms. Cox and after further discussion, the Board stated their roll call vote for Kimberly Cox as follows:
- Ed Brittain, Director, - Aye
Pamella Bennet, Director, - Aye
Paul Shouse, Director - Aye
Mike Terry, Vice-President - Aye
Ken Ayers, President – Aye
- Running Springs Area Chamber of Commerce Request To Utilize the Downtown Property for Mountain Top Days
- The Running Springs Area Chamber of Commerce (RSACC) has asked the District for permission to utilize the downtown property for the 2012 Mountain Top Day event that will be held on August 4, 2012. The RSACC will satisfy all insurance requirements necessary for use of the property. Upon motion by President Ayers, second by Director Shouse and unanimously carried, the Running Springs Area Chamber of Commerce Request to Utilize the Downtown Property for the 2012 Mountain Top Day Event, was approved.
- Luring Pines Tank Recoating Project Award of Contract
- At the February 22, 2012 Board Meeting, the Board approved authorizing Engineering Resources to proceed with preparing and distributing bid documents for the Luring Pines Tank Recoating Project to four interested contractors. A mandatory pre-bid meeting to preview the project site was scheduled and J.C. Colon Coatings, Inc. was the only contractor that attended the meeting and they submitted the only bid in the amount of \$65,850.00. Upon motion by Director Shouse, second by Director Bennett and unanimously carried, the Luring Pines Tank Coating Project, Award of Contract to J.C. Colon Coatings in the amount of \$65,850.00, was approved.
- Safety Committee Meeting Minutes March 7, 2012
- Upon motion by Director Bennett, second by Vice-President Terry and unanimously carried, the Safety Committee Minutes of March 7, 2012, for submittal to the Special District Risk Management Authority (SDRMA) for Reduction in Liability Insurance Premiums, were approved.

Consistent with the requirements of Proposition 218, the District is required to hold a public hearing to consider increases in certain water and wastewater rates and fees prior to adopting the increases. The proposed Water and Wastewater Budgets for Fiscal Year 2012/13 include certain rate and fee increases set at a level consistent with the December, 2011 Year Ending U.S. Bureau of Labor Statistics Consumer Price Index, Los Angeles/Riverside Metropolitan Area, for Urban Wage Earners and Clerical Works (CPI-W), which is 2.2%. The increases are necessary to generate additional revenue to fund increases in several operating expense categories and minimize the use of designated reserves to fund expenses. Manager Massey provided the Board with a copy of the proposed increase that will be mailed to all property owners by May 4, 2012 to satisfy the notification requirement no later than 45 days prior to the public hearing. Manager Massey stated that in addition to the CPI 2.2% proposed increases, the Residential Landscape Irrigation and Fire Service Meter Monthly Service Charges will be increased by 3.8% because these rates have not been increased for several years. If less than 50% of the District customers protest the increase, the Board can either approve or not approve the rate and fee increases, at the Board's discretion. Upon motion by Director Brittain, second by Vice-President Terry and unanimously carried, Authorization to Hold a Public Hearing on June 20, 2012 to Consider Proposed Water and Wastewater Rate and Fee Increases for Fiscal Year 2012/13 and to Mail a Notice of the Public Hearing to all District Property Owners, was approved.

Board Authorization to Hold a Public Hearing to Consider Proposed Water and Wastewater Rate and Fee Increases for Fiscal Year 2012/13 and to Mail a Notice of the Public Hearing to All District Property Owners

Engineer Thomas provided the Board with a memorandum regarding the Wastewater Treatment Plant (WWTP) Solar Power Use stating that per the request of President Ayers, Engineer Thomas had contacted the Inland Empire Utilities Agency (IEUA) and Engineering Resources Electrical Engineer, Mark Balan to discuss the future use of solar power to offset the need for purchased utility electricity. If the Photovoltaic (PV) electricity exceeds user's requirements, the excess electricity can be sent back to the utility typically for credit. Engineer Thomas reported on the advances being made in PV panel technologies and his memorandum stated that at the present time, with the available technology, the cost per watt of installed PV system is approximately \$8 to \$10 per watt. The incentives from utility companies vary between \$1.50 and \$2.00 per watt, with a payback between 15 to 20 years. Solar City has offered to conduct a study at no cost to the District to determine the feasibility of utilizing solar power for the Wastewater Treatment Plant and information was provided that would be needed to move forward with a study. Engineer Thomas suggested that in order for the District to move forward with the feasibility study the District would need to obtain more land around the Wastewater Treatment Plant in order to install the solar arrays.

Engineer's Report

Discussion continued regarding energy conservation and President Ayers mentioned the District had obtained a prior Chevron energy study with a result that was not cost effective. Director Shouse asked about pursuing anaerobic digestion for energy and Supervisor Miller responded that it is cost prohibitive and suggested the District continue to improve what we do. In closing, Director Brittain mentioned that Rim High School will be installing two (2) solar panels this summer that will be used as a teaching tool.

Attorney's Report

Attorney Riddell opened by stating that the Board of Directors of the Crestline-Lake Arrowhead Water Agency (CLAWA) adopted a motion not to change rates this year. Attorney Riddell also mentioned that with the recent rains, the state has increased the allocation from 50% to 60% for CLAWA.

Attorney Riddell then updated the Board regarding the Chabad property foreclosure action and stated that Pacific Mercantile Bank has foreclosed on three parcels with Chabad still owning three remaining properties. A letter was mailed to The Wolf Firm, Attorney for Pacific Mercantile Bank on April 13, 2012 by Attorney Riddell, stating installments of the assessment for tax years 2009/2010 and 2010/2011 are delinquent on certain parcels owned by Pacific Mercantile Bank that include the assessments, penalties, interest and administrative fees due to the Running Springs Water District in the amount of \$72,381.98. Additionally, the District has incurred attorney's fees in the sum of \$12,548.74 and costs in the sum of \$1,560.11 for a total now due and owing the District of \$86,490.83 that is good up to and including April 30, 2012. Supervisor Eaton stated that NBS has confirmed that Pacific Mercantile Bank did pay the April 10, 2012 installment in the amount of \$34,993.24 that will be applied to the September 2012 debt service payment.

President Ayers asked Attorney Riddell to review Assembly Bills 2238 and 2698 and Senate Bills 1498 and 1566 to determine if there will be any effect on the District.

Director's Business

In notification from Best, Best, and Krieger, the District was informed that a recent vote by the administration board of the California Public Employees' Retirement System that reduced the discount rate from 7.75 to 7.50 percent, has the potential to dramatically increase CalPERS employers' pension costs. Director Shouse asked the Board to carefully watch the CalPERS Pension costs and President Ayers stated a committee will be formed to discuss the issues further.

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Director Bennett stated the District will submit a picture advertisement of the Collections Department with a message regarding flushing inappropriate items down the system, to the Mountain Newspaper for publication in the Memorial Day edition. Director Bennett acknowledged the Collections Department and Laura Garrett, Receptionist/Secretary III for preparing the advertisement. The flyer will also be distributed at the August 2012 Mountain Top Day event by District representatives.

The meeting moved to closed session at 8:03 P.M. pursuant to Government Code Section 54957, Public Employment: General Manager

Closed Session

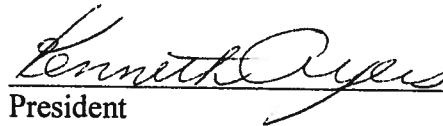
The meeting moved to open session with no information to report.

Open Session

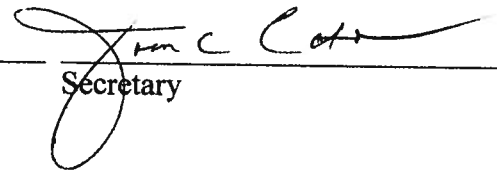
The meeting was adjourned at 9:07 P.M.

Adjournment

Respectfully Submitted,



President



Secretary