

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
RUNNING SPRINGS WATER DISTRICT
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
MAY 16, 2012

The Regular Meeting of the Board of Directors of the Running Springs Water District was held on Wednesday, May 16, 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
George Corley, Battalion Chief
Mike Riddell, Attorney, Best, Best & Krieger, (BB&K)
Brian Thomas, Engineer, Engineering Resources

Visitors present were:

Margot Humphreys, Running Springs Resident

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

Called to Order

Director Bennett led the Assembly in the Pledge of Allegiance.

Pledge of Allegiance.

Margot Humphreys, Running Springs resident introduced herself for the record.

Visitor

President Ayers moved to Action Item IX.A. Customer Request for Water Bill Adjustment to April, 2012 Water Bill.

Customer Request for Water Bill Adjustment

Manager Massey reported on a large water leak on Margot Humphreys' property that resulted in a loss of 1.6 million gallons of water with an actual usage water fee of \$7,245.18. Manager Massey stated this was the largest leak in District history and Supervisor Bobroff confirmed with Ray York Construction that the leak was located in the outside plumbing. The District has waived \$1,090.05 of the Residential Sewer Use Fee because the water did not enter the sewer system. Ms. Humphreys submitted a written request asking the Board for additional consideration and a fair adjustment of her \$8,384.75 water bill.

Due to inclement weather, the water meters in the Humphreys' neighborhood were last read by the District in October, 2011. Ms. Humphreys stated she believes that the Water District shares some of the responsibility due to negligence in detecting the leak sooner had the meter been read on a timely basis. Ms. Humphreys mentioned that her insurance company would not consider her claim because the leak was located outside of the home. Ms. Humphreys has since installed new regulators and a stop and waste valve in the location of the leak.

Manager Massey then provided the Board with additional information and stated that after further calculations, it was determined that the leak most likely occurred in February, 2012 and ran for approximately two (2) months. Manager Massey stated that some, but not all of the lost water was purchased from Arrowbear Park Water District and he calculated out the amount of water pumped to Nob Hill during the period that came to approximately 562,421 gallons of water. Manager Massey proposed subtracting the 562,421 gallons of water from the total gallonage of the leak and charging the remaining 1,074,858 gallons at the District's cost to produce the water. This would avoid passing on the cost of the leak to our other customers and enable the District to recover 100% of the costs associated with the leak. The adjusted amount would be credited back to the Humphreys' account. Manager Massey expects the credit to Ms. Humphreys will be approximately 2/3 of the water use at about \$3,000 for an approximate total credit of \$4,000 including the Residential Sewer Use Fee. The District will not incur any additional costs and Manager Massey stated that this would be his recommendation, due to the extenuating circumstances. President Ayers asked Manager Massey and Supervisor Bobroff to work out the details and contact Ms. Humphreys with the dollar amount. Ms. Humphreys will pay the outstanding water usage fee over a twelve month period as per the District payment arrangement policy. Upon motion by President Ayers, second by Vice-President Terry and carried by a 4 to 0 vote, with Director Shouse absent, to credit Ms. Humphreys the adjusted cost of the 1,074,858 gallons of water based on the District's cost to produce the water, was approved. Ms. Humphreys thanked the Board and the District for their consideration.

Regular Board
Meeting Minutes
April 18, 2012

Upon motion by Director Bennett, second by Vice-President Terry and carried by a 4 to 0 vote, with Director Shouse absent, the minutes of the April 18, 2012 Regular Board Meeting, were approved.

Special Board
Meeting Minutes
April 28, 2012

Upon motion by President Ayers, second by Director Brittain and carried by a 4 to 0 vote, with Director Shouse absent, the Special Board Meeting minutes of April 28, 2012 were approved.

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Upon motion by Director Brittain, second by Director Terry and carried by a 4 to 0 vote, with Director Shouse absent, the Special Board Meeting minutes of May 5, 2012 were approved.

Special Board
Meeting Minutes
May 5, 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 April 30, 2012 were approved.

Expenditures
April 2012

Supervisor Bobroff opened by stating he does not have a water loss figure because not all of the meters were read last month due to inclement weather. The District reads as many meters as possible each month and bills are mailed regardless if the meter was read or averaged.

OPERATIONAL
REPORTS
(Water)

The Owl Rock Well site pump failed on April 17, 2012 and Supervisor Bobroff stated the Water Department staff removed and replaced the three (3) horsepower pump and motor at a cost of \$1,150. Manager Massey commended the Water Department staff for doing the repair in house and saving the District about \$3,500. The well was put back on line on April 26, 2012 at a pump rate of 30 gallons per minute.

Supervisor Bobroff mentioned that the Water Department attended to a few leaks last month that created excess employee over time and he noted that more leaks will appear in next month's report.

Supervisor Miller reported on hauling bio-solids for disposal from the Wastewater Treatment Plant and stated a new facility will be opening in Newberry Springs on May 23, 2012 that has enough capacity for fifty (50) to seventy-five (75) years. The location of the new facility is closer in proximity then the current facility that is being utilized, so there will be a cost savings in travel expense for the District. Supervisor Miller confirmed that a contract will not be required to use the facility.

(Treatment)

Supervisor Hall thanked the Administration staff for researching utility plans for the Collections Department and saving the District about \$4,000 a year in telephone bills. Supervisor Hall then reported on the Collections Department and stated that the #1 pump at Lift Station #2 has been repaired and added that they had a few minor problems with Lift Station #3. All other Collections Department equipment is running and in good order.

(Collections)

Supervisors Hall and Miller met with the County of San Bernardino Special Districts Department on May 3, 2012 to process data they are collecting regarding the sewer system in CSA 79. Supervisor Hall stated that they are documenting all staff time utilized that is related to consolidation issues.

(Fire) Chief Grabow introduced George Corley as the new Battalion Chief for the Running Springs Fire Department. Battalion Chief Corley began his career with the United States Forest Service and then moved to the San Bernardino County Fire Department. Battalion Chief Corley stated he was happy to be a part of the Running Springs Fire Department.

Chief Grabow then reported on the Fire Department participation in the “Every Fifteen Minutes” program that is a nationwide drunk driving program being held at Rim of the World High School.

The Department conducts approximately twenty-five (25) blood pressure checks at the Golden Oaks each month.

Discussion continued regarding the Crest Forest Fire District and Chief Grabow and Manager Massey will schedule a meeting regarding mutually shared Fire Department expenses. Attorney Riddell reported on the Joint Power of Authority and the Local Agency Formation Commission (LAFCO) stating that approval from LAFCO would not be required for consolidation. A Joint Powers Agreement would be created by the parties involved.

(Administration) Supervisor Eaton stated Grant Foraker, Software Systems has completed the design and programming of the new General Ledger and the transition is scheduled for Fiscal Year ending June 30, 2012 with brief interruption of daily activities anticipated.

The Notice to Property Owners Proposed Rate Adjustment by Running Spring Water District notices were mailed to all property owners by the May 4, 2012 deadline.

Administration mailed approximately twelve hundred (1200) Water and/or Sewer Availability billings on May 1, 2012 with a due date of July 2, 2012 for a total billing of \$53,919.60.

Teaman, Ramirez and Smith, Inc. (TRS) have scheduled the District Interim Audit on June 18, 19 and 20, 2012 to review internal controls and the field work audit will begin on August 20, 2012. The District has addressed all recommendations by TRS from the 2010/2011 Fiscal Year Audit. The new General Ledger Chart of Accounts program is complete and will be introduced on June 30, 2012. A policy for writing off uncollectible charges for ambulance service will be presented to the Board today for approval and the District has assigned an Administrative staff member to cross train on the Ambulance service billings and receivables. Supervisor Eaton anticipates the projects will impact the workload in all departments the first year.

Manager Massey reported on a California Public Records Act Request that was received from Steve Samaras, Interim Operations Manager with the County of San Bernardino Special Districts Department for ten (10) years of water distribution, wastewater treatment and wastewater collection District records. The request is being reviewed by Jeff Rigney, Director, County of San Bernardino Special Districts Department. The District must reply in writing to the records request within ten (10) days.

(General Manager)

Manager Massey then updated the Board regarding possible consolidation of Special Districts and stated that Supervisors Hall and Miller traveled to the Victorville Special District Office on May 3, 2012 to copy documents and videos pertaining to CSA 79. A second California Public Records Act request has been sent to Special Districts requesting several maps of the CSA 79 sewer system. A cost savings analyst for consolidation has been performed by Rogers, Anderson and Scott, Inc. (RAMS) and this information will first be reviewed by the Consolidation Committee then submitted to Janice Rutherford, County Supervisor. Discussion continued and Director Brittain expressed concern that the County Supervisors office has not indicated support of consolidation to date. A meeting will be scheduled with the Consolidation Committee to review the proposed consolidation and discuss updated information.

Consolidation of
Special Districts

Manager Massey stated Lisa Patterson with Tom Dodson and Associates is working on the Habitat Mitigation and Monitoring Plan (HMMP) and will submit a copy to Jason Ackerman, Best, Best & Krieger (BB&K). Mr. Ackerman will review the plan before it is submitted to the California Department of Fish and Game and approval is anticipated by mid-June, 2012 to begin construction in September, 2012.

Wastewater Treatment
Plant Outfall Line
Project

Manager Massey updated the Board regarding the Harich proposal for an outside service agreement for sewer service in exchange for easements and confirmed that the draft agreements have been reviewed by BB&K. A meeting has been scheduled for May 22, 2012 with the Harich Proposal Committee to review the documentation. The agreement will then be submitted to the Harich family for review and discussion.

Harich Proposal
for Sewer Outside
Service Agreement

Manager Massey reported on the new General Manager search and stated that oral interviews were conducted on April 28th and May 5, 2012 with six applicants chosen by the General Manager Search Committee. The Board selected two (2) of the most qualified candidates from the interviews to participate in a second oral interview that was held on May 14, 2012. This item will be discussed in closed session later in the meeting and when the final decision is made, an announcement will follow.

General Manager
Position Search

- Local Agency Remittance Advice March 31, 2012
- The Local Agency Investment Fund (LAIF) Remittance Advice Ending March 31, 2012 with an interest rate of 0.38% was provided to the Board for review and discussion ensued regarding investment options. Manager Massey stated that he has been researching investment firms that would be interested to discuss financial investment options with the District and Supervisor Eaton recommended that the District also utilize the District Financial Consultant. Director Brittain reminded the Board that LAIF is a risk free investment. President Ayers stated there are several programs available and asked the Finance Committee to schedule a meeting for further discussion and to review financial investment options. Attorney Riddell will provide the District with the Government Code provisions that identify permitted alternatives for investment of the District's surplus funds.
- Expenses Associated With the Solids Handling Pilot Project by Fournier
- Supervisor Miller reported on the disposal of bio-solids from the Wastewater Treatment Plant that has been increasing in difficulty and costs due to high water content after processing. The Treatment Division is proposing to replace the existing belt press with higher technology. The District is currently conferring with three different manufacturers of solids dewatering technology, with the Fournier company offering a rotary press technology pilot test at no cost to the District. To complete and support the test of the rotary press by Fournier, the District will incur some expense. Supervisor Miller recommended utilizing leachate funds in the amount of \$5,000 because the costs were not included in the 2011/2012 Wastewater Treatment Budget. A proposal from Fournier was provided to the Board for their review and the testing will be scheduled for June, 2012 on the Harris property and takes approximately four (4) days to complete. Manager Massey confirmed the importance of selecting the correct technology stating the project may cost the District up to \$220,000. Upon motion by Director Brittain, second by Director Bennett and carried by a 4 to 0 vote, with Director Shouse absent, Expenses Associated with the Solids Handling Pilot Project by Fournier, utilizing Leachate funds at the not to exceed cost of \$5,000, was approved.
- Chamber of Commerce Request To Use Downtown Property for Farmer's Market and Artisan's Fair
- The Running Springs Area Chamber of Commerce (Chamber) requested use of the District Downtown property to hold a weekly Farmer's Market and Artisan's Fair from 9:00 A.M. to 1:00 P.M. on June 9, 2012 through September 15, 2012. The Chamber has agreed to provide the District with a binder for liability coverage and Susan Heisler will be the market manager ensuring clean up after the events. Attorney Riddell will provide the District with a hold harmless agreement to be signed by the Chamber and the District for use of the property. Upon motion by Director Bennett, second by Vice-President Terry and carried by a 4 to 0 vote, with Director Shouse absent, the Running Springs Area Chamber of Commerce's request to Utilize the Downtown Property for a Weekly Farmer's Market and Artisan's Fair, was approved.

Chief Grabow stated that auditors Teaman, Ramirez and Smith, Inc. (TRS) have recommended that the District develop an ambulance write off policy to guide District staff in their decision to halt or limit collection efforts. In collaboration with Financial Consultant, Nancy O'Rafferty, Chief Grabow stated they have developed a policy that is workable. President Ayers questioned the statement that Worker's Compensation claims are paid at the Medicare fee schedule rate and Attorney Riddell will research this item further. Upon motion by Vice-President Terry, second by Director Bennett and carried by a 4 to 0 vote, with Director Shouse absent, RESOLUTION NO. 09-12, APPROVING A POLICY FOR WRITING OFF UNCOLLECTIBLE CHARGES FOR AMBULANCE SERVICE, was adopted. (Resolution No. 09-12 on file in the District office)

Resolution No. 09-12,
Approving a Policy for
Writing off Uncollectible
Charges for Ambulance
Service

Chief Grabow then reported on the Hazard Abatement deadline and in review of the program, the Fire Department has determined that they lack the mechanism to allow property owners to finish property clean-up if they are unable within the time constraints. Chief Grabow recommended that a fee of \$21.00 is imposed for the survey that must be done on the property at the conclusion of the extension. Chief Grabow recommended that the Board consider amending Ordinance No. 37 at the June 2012 Board meeting. Written documentation for fee justification must be available for public review at least ten (10) days before the meeting at which the Board will adopt the fee. In addition, a notice must be published once a week for two (2) weeks (fourteen days) in the newspaper before the Board adopts the amended ordinance approving the fees. Upon motion by Director Brittain, second by Director Bennett and carried by a 4 to 0 vote, with Director Shouse absent, Approval to Draft an Ordinance, Publish the Notice and Post Fee Documentation to Adopt an Extension Fee for the Hazard Abatement Program, was approved.

Draft an Ordinance,
Publish the Notice
and Post Fee
Documentation to
Adopt an Extension
Fee for the Hazard
Abatement Program

The District contracted with TRS to provide Audit services for the Year Ending June 30, 2011. In accordance with auditing standards and prior to the June 30, 2012 Audit, TRS is required to provide written information to those charged with Governance at the Running Springs Water District. A copy of the Letter of Understanding from TRS was provided to the Board for their review. TRS stated that they expect to begin their audit in May or June of 2012 and to issue their reports no later than November of 2012. Their fees for these services will be \$22,500 plus an additional \$2,500 to \$3,000 if a Single Audit is required. TRS will also complete the State Controller's Annual Report requirement for the District at an additional cost of \$500. Manager Massey stated the agreement with TRS is a one year contract. Upon motion by President Ayers, second by Director Terry and carried by a 4 to 0 vote, the Letter of Understanding from Teaman, Ramirez and Smith, Inc. for Auditing Services ending June 30, 2012 at the not to exceed cost of \$26,000, was approved.

Teaman, Ramirez and
Smith, Inc.,
Letter of Understanding
For Auditing Services

Letter of Understanding For Professional Services Rogers, Anderson, Malody and Scott

The Running Springs Water District has contracted with Rogers, Anderson Malody and Scott (RAMS) to provide Financial Consulting Professional services and a Letter of Understanding for Fiscal Year 2012/2013 was provided to the Board for their review. The Letter of Understanding includes but is not limited to, fiscal year end and annual accounting services, GASB 34 conversions and accounting standards, development of financial strategies, review of internal reporting procedures and financial consultation to the District. RAMS estimates their fee for services to be \$33,660 to \$35,700 per year that includes a cost of living adjustment from last year's estimate. RAMS has stated that they will make an effort to utilize the same staff members who are most familiar with the District for the monthly accounting services and to minimize expense, however, they will train several employees to ensure a continuity of the services provided. Supervisor Eaton expects that the June 30, 2012 audit will be more efficient because the Financial Consultant and new Auditing Firm have completed the June 30, 2011 and 2010 audit together and have addressed the majority of issues. As discussed earlier in the meeting, Supervisor Eaton mentioned that the District will utilize RAMS for Financial Consulting Services that will include investment options. Upon motion by Director Brittain, second by Director Bennett and carried by a 4 to 0 vote, with Director Shouse absent, the Letter of Understanding for Professional Services between Running Springs Water District and Rogers, Anderson, Malody and Scott at the standard rate of \$90-\$230 per hour, not to exceed \$35,700 for Fiscal Year 2012/2013, was approved

Engineer's Report

Engineer Thomas had no information to report.

Attorney's Report

Attorney Riddell reminded the Board that pursuant to State law, the Board has adopted an investment policy which he believes only provides for the investment of surplus District funds in the Local Agency Investment Fund. He said that if the Board wishes to expand the list of alternatives for investment of District funds, the Board may do so but would need to revise it's currently adopted investment policy. Attorney Riddell said that the Government Code sets forth a list of permitted investment instruments, and that the policy could identify any of those instruments as available investment options. President Ayers asked Attorney Riddell to send a list of those Government Code provisions to General Manager Massey.

Attorney Riddell also reported that during March and the first half of April, precipitation in the State Water Project watershed was above average, resulting in high levels of storage in State Water Project reservoirs, and that as a result, the Department of Water Resources had increased the SWP allocation from 50% to 60%. Thus, the Crestline-Lake Arrowhead Water Agency's allocation will be greater than anticipated demand from Agency customers this year.

Attorney Riddell also reported on the current status of efforts to address the complicated water supply and ecological restoration efforts in the Delta, which he said have been slowed by politics at the Federal level, which continues to drive up the cost. He also stated that a favorable decision had been handed down by the appellant court in a case which had challenged the “Quantification Settlement Agreement” involving Colorado River issues. The challenge was brought by the Imperial County Air Pollution Control District based upon alleged failure to satisfy the requirements of the National Environmental Policy Act (NEPA). The court ruled that the Air Pollution Control District did not have an interest that would be affected by the settlement agreement, and therefore did not have standing to sue, and furthermore that the environmental document did satisfy the requirements of NEPA in any event.

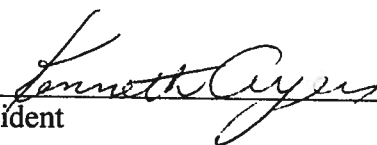
The meeting moved to closed session at 11:06 A.M. pursuant to Government Code Section 54957, Public Employment: General Manager Closed Session

The meeting moved to open session at 11:44 A.M. with no information to report from closed session. Open Session

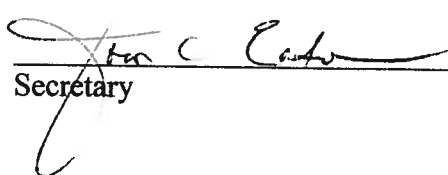
Director Bennett suggested that in regards to the quarterly newsletter, the District should highlight the language that recommends precautions to protect plumbing from leaks during winter conditions, including the use of shut off valves.

At 11:47 A.M. President Ayers adjourned the Regular Board Meeting to May 23, 2012 at 6:00 P.M. at the District’s Board Room. Adjournment

Respectfully Submitted,



President



Secretary