

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS  
RUNNING SPRINGS WATER DISTRICT  
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA  
MAY 18, 2011

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The Regular Meeting of the Board of Directors of the Running Springs Water District was held on Wednesday, May 18, 2011, 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:

Ken Ayers, President  
Kevin Kellems, Vice-President  
Paul Shouse, Director  
Mike Terry, Director

The following Director was absent:

Pamella Bennett, 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  
Jason M. Ackerman, Attorney, Best, Best & Krieger, LLP  
Nancy O'Rafferty, Financial Consultant, Rogers, Anderson, Malody & Scott

Brian Thomas, Engineer, Engineering Resources was absent due to a District related meeting with the Federal Emergency Management Agency (FEMA)

Tony Grabow, Fire Chief was absent due to a meeting schedule conflict

Visitors present were:

Gerhard Hilgenfeldt, Customer

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

Called to Order

President Ayers led the Assembly in the Pledge of Allegiance.

Pledge of Allegiance

Upon motion by Vice-President Kellems, second by Director Shouse and carried by a 4 to 0 vote, with Director Bennett absent, the Regular Board Meeting minutes of April 20, 2011 were approved.

Board Meeting  
Minutes  
April 20, 2011

Upon motion by President Ayers, second by Director Terry and carried by a 4 to 0 vote, with Director Bennett absent, the expenditures through April 30, 2011, were approved.

April 2011  
Expenditures

- (Water) With Supervisor Bobroff arriving late to the meeting, Manager Massey reported that there have been no problems in the Water Department this last month. Water consumption was low and production from District sources was high and Manager Massey stated there was no water purchased last month. Supervisor Bobroff closed by stating the Water Department report for May, 2011 had not changed since last month and was redundant.
- (Treatment) Supervisor Miller reported on the Treatment Plant Expansion Project and stated construction of Phase II will begin in July, 2011. Supervisor Miller added that the flows were high this month due to leachate and recent inclement weather that resulted in snow melt.
- (Collections) Supervisor Hall stated that everything is good in the Collections Department and mentioned that one pump was down at Lift Station No. 1.
- Supervisor Hall then reported on a common cause of sewage backups caused by sanitary wipes being flushed into the system. The District provided information regarding this issue to customers in the May 2011 Newsletter that was included in the May bills. Supervisor Hall stated that video inspections of the sewer lines will be conducted in July, 2011. Supervisor Hall concluded by reporting on the FOG (Fats, Oil and Grease) program that regulates appropriate disposal of fats, oils and grease into the sewer system within food service establishments and residents.
- (Fire) Chief Grabow was absent from the Board Meeting due to a meeting schedule conflict.
- (Administration) Supervisor Eaton provided the Board with a copy of the May 2011 District Newsletter and acknowledged Administration and District staff for composing information and design of the document.
- Supervisor Eaton then reported on the new computer server operating system and stated the system was installed on May 6, 2011 with minimal interruption. Computer Options is providing exceptional service and Administration is pleased with the upgrade. Supervisor Eaton will contact Jamie Marshall, AVS Consulting regarding closure of his systems administration services with the District.
- Nancy O’Rafferty, new Financial Consultant with Rogers, Anderson, Malody and Scott and the new Auditing firm of Teaman, Ramirez and Smith visited the District on May 11, 2011 to tour District facilities and become familiar with Administration functions. Supervisor Eaton stated Manager Massey, Department Supervisors and District staff met with Nancy O’Rafferty on May 13, 2011 regarding accounting requirements relating to the December 2011 Storm Damage Projects.

MINUTES – MAY 18, 2011  
PAGE THREE

Manager Massey opened by reporting on his most significant activities and endeavors and specifically mentioned the December 2010 Storm Damage projects stating this topic will be discussed later in the meeting. The Local Agency Formation Commission (LAFCO) Consolidation process will also be discussed later in the meeting as an information item.

(General Manager)

Manager Massey reported on pension reform and briefly described various legislative bills in Sacramento that will affect retirement plans for all California government employees and could result in two tiered systems for new employees effective January 1, 2012. Manager Massey stated there are also several organizations that are putting initiative measures on the June 2012 ballot regarding pension reforms that could have profound effect on existing employees. Manager Massey stated the District should be prepared for pension reform in the near future and could possibly see change within six to eighteen months.

Manager Massey continued by mentioning that some government agencies are in financial deficit and are required to make drastic staffing cuts and raise rates due to a fiscal crisis. Manager Massey affirmed that the Running Springs Water District is a well run organization and is not in emergency mode. Manager Massey also stated that the District is fiscally responsible and has been able to maintain rates without an increase for the last few years and mentioned that the District is proposing a minimal 1.6% COLA rate increase for the 2011/2012 Fiscal Year. President Ayers also reported on issues within local government agencies and asked that the Finance Committee and District management continues to remain informed of possible pension reform in the government sector that would affect District employees. President Ayers acknowledged District staff for their dedication and expressed concern with possible changes in legislation. Supervisor Eaton added that the District received notification that the Aetna medical premiums for employees will increase by approximately 13% on July 1, 2011 due to health care reform. Discussion continued regarding issues within government agencies and customer Gerhard Hilgenfeldt expressed his concerns regarding the world wide economic situation and reports of misuse in the state retirement system by outside government agencies. Director Shouse and Manager Massey closed by reiterating the importance of retaining committed and dedicated employees at the District.

Manager Massey updated the Board regarding the San Bernardino County Leachate Contract and stated the contract was approved by the County Board of Supervisors on May 3, 2011. The District will receive approximately \$49,000 in leachate revenue for April, 2011.

Approval of the  
San Bernardino County  
Leachate Contract

SDRMA  
Multi-Program  
Discount Policy

Manager Massey was pleased to announce that the Special District Risk Management Authority (SDRMA) Board of Directors took action on April 27, 2011 approving a new Multi-Program Discount Policy beginning July 1, 2011. According to the policy, members are eligible for a Multi-Program Discount of 5% per program (Property Liability and Workers' Compensation only) when they belong to both programs. As a member of both programs, the District's estimated Multi-Program Discount for 2011-12 will be \$3,335 for Property/Liability and \$6,053 for Workers' Compensation.

Southern California  
Edison Seminar  
Rate Schedules

Manager Massey reported on the Southern California Edison seminar that he attended on April 28, 2011 and stated the main topic was the expectation of rate schedules for the upcoming year. The District should expect a decrease of approximately 5% to 6% beginning in June, 2011 and an overall increase of approximately 5% beginning in January 2012.

Local Agency  
Formation  
Commission  
Consolidation  
Process

Manager Massey updated the Board regarding the Local Agency Formation Commission (LAFCO) meeting that was held on April 27, 2011 with Kathleen Rollings-McDonald, LAFCO, President Ayers, Director Bennett and Manager Massey and a meeting held on May 5, 2011 with Kathleen Rollings-McDonald, LAFCO, Running Springs Water District, Arrowbear Park County Water District, Dave Prusch, Neil Derry's Field Representative and Don Fiscus, Chairman CSA-79 Advisory Committee to discuss the consolidation process within the Hilltop Community Service area. All of the Special Districts attendees agreed to continue consolidation talks on a regular basis at meetings that will be held on the first Thursday of each month at 10:00A.M., with the first meeting scheduled for Thursday, June 2, 2011.

President Ayers added that consolidation will eliminate expenses that are duplicated for each individual District. Kathleen Rollings-McDonald has provided the Districts with a wealth of information regarding consolidation and discussion continued regarding the pros and cons of consolidation. Supervisor Eaton briefly reported on anticipated challenges within Administration and stated some of the issues will be consideration of District policies and possible separation of customer database information. Supervisor Eaton stated one main issue of consolidation will be the loss of individual identity for each District, however, the economic results will be financially beneficial. President Ayers stated one of the steps is informing the community of possible consolidation and the financial benefits it could provide to District customers. As developments progress and become more formal, the community will be involved in the process. Attorney Jason Ackerman will provide the District with information regarding *California Forward*, a nonpartisan, nonprofit organization, that could provide recommendation and beneficial support to the Districts and address issues regarding possible consolidation.

Supervisor Eaton stated that Kathleen Rollings-McDonald referred to the Hilltop Communities as the “Poster Child” for consolidation. The LAFCO consolidation meeting that will be held on June 2, 2011 will include discussion of a new name for the Hilltop Communities.

Customer Hilgenfeldt stated that after listening to the discussion and issues regarding possible consolidation, he was in total support of consolidation between the Hilltop Communities. Discussion continued regarding the formation of consolidated Board members and it was suggested by LAFCO that the consolidated Districts have nine (9) Board members initially, with the nine members consisting of seats from each District. The Board member seats would be reduced after two election cycles.

Discussion continued regarding the Running Springs Fire Department and issues surrounding the merging of the Special Districts. Director Terry raised questions regarding Fire Department resources and response times for emergency personnel. Additional information will be provided regarding Fire Department revenues and copies of the Financial Statements will be reviewed for all Districts during the consolidation process.

Supervisor Hall shared his thoughts regarding consolidation and provided information to the Board as an Arrowbear resident and Assistant Chief of the Arrowbear Fire Department. Supervisor Hall stated there was miscommunication in the community regarding the District’s \$65.00 standby charge that was initially imposed for improved property structure protection not ambulance service and discussion continued regarding the Fire Department. Supervisor Hall reminded the Board and staff that consolidation will generate concerns and the Districts should all be sensitive to the various issues involved.

President Ayers reiterated that he expects expenses would be reduced as a result of consolidation. Manager Massey closed by stating that the consolidation application process could take up to twelve months and the final process could take up to three years to complete. Supervisor Eaton added that the District was informed by LAFCO that the consolidation process could be terminated at any time.

The Local Agency Investment Fund (LAIF) Remittance Advice was provided to the Board as an information item only for quarter ending March 31, 2011. With the low interest rate of 0.51%, discussion continued regarding various investment options and Manager Massey will meet with the Finance Committee and Financial Consultant to review District investment opportunities. Attorney Ackerman will also investigate government bond alternatives for the District.

Local Agency  
Investment Fund  
Remittance Advice

Ayers Acres  
Groundwater  
Development  
Project

Manager Massey reported on the Ayers Acres Groundwater Project that consists of developing a new groundwater source on District owned property below Poplar Drive in Running Springs and stated the District is currently waiting for the two remaining property owners to return the signed easement documents to the District. Both property owners were contacted on May 9, 2011 and they indicated they would return the documents to the District as soon as possible. Manager Massey added there is one additional parcel that was purchased by the District in 2010, and was not included in the original California Environmental Quality Act (CEQA) document. Manager Massey has conferred with Attorney Ackerman regarding amending the CEQA document to include this parcel and they are currently in discussion regarding this issue.

December 2010  
Storm Damage  
Projects

Supervisor Hall reported on the December 2010 Storm Damage Projects and stated that all but two of the projects have been completed to date. District staff and consultants have been working with the Federal Emergency Management Agency (FEMA) and Office of Emergency Services (OES) regarding reimbursement of project expenses. Supervisor Hall reported on the Ferndale Sewer Easement Repair project that has been completed as of May 10, 2011. A pre-construction meeting was held on May 13, 2011 for the Enchanted Way Sewer Repair project and the Collections Department is currently working on the engineering specifications for the Live Oak Sewer Easement Repair project. The repairs to the Live Oak Sewer Easement will be the final project to complete as a result of the December 2010 storm with a projected completion date after July 1, 2011. Supervisor Hall stated that Engineer Brian Thomas was absent from the Board meeting due to a meeting he was attending with a FEMA representative regarding several projects that were submitted to FEMA for reimbursement consideration. Supervisor Hall added that the Little Mill Creek Project was the most expensive at a cost of approximately \$300,000 and Engineer Thomas is confident that the District will be reimbursed for the majority of the costs. Supervisor Hall closed by reporting on the Somes Easement Slope Stabilization project and stated a contract has been signed with GM Excavating to complete the project. Supervisor Hall added that Mr. Somes is pleased with District efforts regarding this project.

Customer Request  
For Fee and Charge  
Adjustment to  
March, 2011  
Water/Wastewater  
Bill

Manager Massey stated that the District has received a written customer request from Elizabeth Woodhouse regarding consideration of a \$6.00 late fee that the customer states was the result of the closure of Highway 330 and her inability to pick up mail more than once a month. District practice allows for one late fee to be waived per year per customer account. The District had already waived a \$6.00 late fee from the customer's March, 2011 water/wastewater bill on April 14, 2011.

MINUTES – MAY 18, 2011  
PAGE SEVEN

The Board of Directors reviewed and were considerate of the customer request letter, however, the Board adhered to District practice that provides for one late fee to be waived per account per year. Upon motion by Director Shouse, second by Vice-President Kellems and carried by a 4 to 0 vote, with Director Bennett absent, Consideration of Customer Request for Fee and Charge Adjustment to March 2011 Water/Wastewater Bill, was denied.

Manager Massey stated the Running Springs Area Chamber of Commerce (RSACC) requested and was granted use of the District's Downtown property for the 2010 Mountain Top Day. The RSACC has again asked the District for use of the Downtown property for this year's Mountain Top Day scheduled for Saturday, August 6, 2011 from 7:00 A.M. to 5:00 P.M. RSACC would satisfy all insurance requirements necessary for use of the property and the event is a non-alcohol event that is open to the public. Upon motion by Director Terry, second by Director Shouse and carried by a 4 to 0 vote, with Director Bennett absent, the Running Springs Area Chamber of Commerce Request to Utilize the Downtown Property for the 2011 Mountain Top Day Event, was approved.

Running Springs Area  
Chamber of Commerce  
Request to Utilize the  
Downtown Property  
Mountain Top Day

Manager Massey reported for Engineer Thomas in his absence and stated that FEMA has approved eight of the projects submitted with seven projects waiting for approval. The approved projects total approximately \$67,239 and the FEMA reimbursement is \$50,429 at 75% of the expense. CalEMA projects total approximately \$12,607 at 18.75% leaving the District responsibility at approximately \$4,202 or 6.25% of the expense. Manager Massey closed by discussing the appeal process through FEMA if a project is denied. If the District pursues an appeal process, it could be costly to the District.

Engineer's Report

Attorney Ackerman reiterated that he will research investment issues for the District and he will also research the *California Forward* organization. The website is [californiaforward.org](http://californiaforward.org) for further information.

Attorney's Report

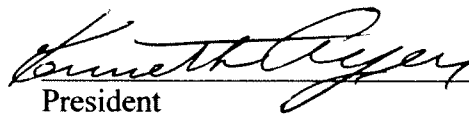
Director Shouse stated he has changed careers and is now working daytimes resulting in a conflict with daytime Board meetings. Director Shouse will look at options and stated he does not want to negatively impact the District because of this issue. President Ayers acknowledged that he values Director Shouse and suggested that the Board and staff revert to adjusting the Board meeting time of odd numbered months to 6:00 P.M. and retaining the time of even numbered monthly meetings of 9:00 A.M. The change will be considered for approval by Resolution at the June 15, 2011 Board Meeting. The first evening meeting will be considered for July, 2011.

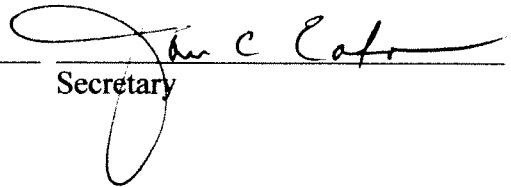
Director's Business

MINUTES – MAY 18, 2011  
PAGE EIGHT

Adjournment                      With there being no further discussion, the meeting was adjourned at 11:22 A.M.

Respectfully Submitted,

  
President

  
Secretary