

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
RUNNING SPRINGS WATER DISTRICT
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
JUNE 20, 2012

The Regular Meeting of the Board of Directors of the Running Springs Water District, a Public Hearing on the Proposed Water and Sewer Rate Increases and a Public Hearing on Proposed Increases to Water Connection Fees, Water Facilities Capacity Charge and Sewer Facilities Capacity Charge was held on Wednesday, June 20, 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
Everett "Ed" Brittain, Director
Paul Shouse, 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
Tony Grabow, Fire Chief
George Corley, Battalion Chief
Mike Riddell, Attorney, Best, Best & Krieger, (BB&K)
Brian Thomas, Engineer, Engineering Resources
Toni Nicassio, Secretary/Receptionist II

Visitors present were:

Ryan Gross, Upcoming RSWD General Manager
Richard Luczynski, Running Springs Resident
Nancy Sue Marschal, Running Springs Resident

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

Called to Order and
Pledge of Allegiance

The visitors were introduced for the record.

Visitors

Toni Nicassio, Receptionist/Secretary II was acknowledged by the Board, Manager Massey and Supervisor Eaton for five (5) years of dedicated service with the District. Supervisor Eaton announced Ms. Nicassio's recent accomplishments and stated that Ms. Nicassio is a valuable asset to the District.

Acknowledgements

General Manager Position Announcement	President Ayers moved the meeting to Information Item X.D. and introduced visitor Ryan Gross as the new District General Manager effective July 2, 2012, to replace retiring Manager Massey.
Open Public Hearing Proposed Water And Sewer Rate Increases	<p>President Ayers opened the Public Hearing on the proposed Water and Sewer Rate Increases by Running Springs Water District.</p> <p>The Proposed Rate Adjustment by Running Springs Water District that included Notification of the Public Hearing was submitted by mail to owners of record as shown on the County assessment secured roll more than 45 days prior to the Public Hearing. Customers had the opportunity to protest the proposed rate increases prior to the Public Hearing in writing and to prohibit the adoption of the rate and fee increases, more than 50% of the District customer protests must be received in writing by the District.</p>
Manager's Reports	<p>Manager Massey stated that 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 such increases. The proposed Water and Wastewater budgets for Fiscal Year 2012/13 also include rate and fee increases that must be considered at a public hearing. Manager Massey stated that the increase in rates and fees has been 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 Workers (CPI-W) which is 2.2%. Fire Service and Residential Landscape Irrigation water meter rates are proposed to increase by up to 3.86% and Manager Massey stated that these rates have not been adjusted since 2008 and 2010 respectively. Other measures required to balance the budget include reductions in operating expenses where possible and deferral of nonessential activities and projects.</p> <p>Manager Massey further identified that the proposed Water and Wastewater Budgets for Fiscal Year 2012/13 include certain rate and fee increases necessary to generate additional revenue to offset reduced revenue due to decreased water sales, the shift of property taxes to the Fire Department, fund increases in several operating expense categories and to minimize the use of designated reserves to fund expenses.</p>
Written Statements From Public	President Ayers confirmed that a total of six (6) formal written protest letters were received from District property owners as of June 20, 2012.
Oral Statements	President Ayers opened the hearing to questions and statements from the public. Visitor Richard Luczyski questioned the impact of bank owned properties on District revenue. Supervisor Eaton confirmed that liens are placed on delinquent properties and paid upon transfer of ownership. Discussion continued regarding the Water/Sewer Rate Comparison Survey 2012 that was provided to the visitors.

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Mr. Luczynski then expressed concerns regarding the Residential Sewer Use Fee and Manager Massey reported on the Wastewater Treatment Plant Operations with President Ayers confirming that the State mandates costly regulations for the District. Mr. Luczynski also asked for clarification regarding the General Manager position and Manager Massey stated that his new position as General Manager Consultant is temporary and he will be paid on an hourly basis until the new General Manager is trained and comfortable in the position.

Visitor Nancy Sue Marschal stated that she has lived in Running Springs for thirty-six (36) years and expressed concerns with the proposed 2.2% increase. President Ayers reported on associated costs that are outside District control and he mentioned that the District has a Financial Committee to review the budget. Director Shouse acknowledged District staff for their effort in retaining low costs and balancing the yearly budget. Director Brittain also mentioned expenses associated with the District and discussion continued regarding recycled water and regulations.

With there being no further discussion regarding the Proposed Water and Sewer Rate Increases, President Ayers closed the Public Hearing.

Close Public Hearing

President Ayers then opened the Public Hearing on the Proposed Increases to Water Connection Fees, Water Facilities Capacity Charges and Sewer Connection and Capacity Charges.

Open Public Hearing
Proposed Water and
Sewer Connection
And Capacity Charge

Manager Massey reported on the proposed Water and Sewer Connection and Capacity Charge increase of 2.2% for Fiscal Year 2012/13 and stated a notice of the Public Hearing was mailed to the Building Industry Association (BIA) of Southern California, Inc. – Baldy View Chapter, the only entity that requested notification of such increases by the District. A copy of the document provided to the BIA was provided to the Board for their review. Consistent with the Fiscal Year 2012/13 Water and Wastewater Budget presentations, the water and sewer connection and capacity charge increase has been 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 Workers (CPI-W) which is 2.2%. This change is not subject to the Proposition 218 Public Hearing.

Manager Massey stated there were no written or oral protests received from the public or response from the letter mailed to the BIA.

Public Statements

With there being no further discussion, the Public Hearing regarding the Proposed Increases in Water and Sewer Connection and Capacity Charges, was closed by President Ayers.

Close Public Hearing

Resolution No. 11-12, Establishing Fees and Charges for District Services During Fiscal Year 2012/13

Resolution No. 11-12, Establishing Fees and Charges for District Services During Fiscal Year 2012/13 was provided to the Board for review. President Ayers had questions regarding the rates for sewer service within the District for hotel/motels, service charge for pre-treated groundwater discharged into the District's sewage collection system and mutual aid request for assistance rates. With no further questions, upon motion by President Ayers, second by Vice-President Terry and carried by a 4 to 0 vote, with Director Bennett absent, Resolution No. 11-12, RESOLUTION ESTABLISHING FEES AND CHARGES FOR DISTRICT SERVICES DURING FISCAL YEAR 2012/2013, was adopted. (Resolution No. 11-12 on file in the District office)

Fiscal Year 2012/13 District Budgets for the Fire, Water and Wastewater Departments

Manager Massey reported on the 2012/2013 District Budget and stated the Finance Committee and Board have reviewed the proposed Fiscal Year 2012/13 Department Budgets. There was a revision in the Wastewater Department wage scale that was provided to the Board for review. Upon motion by Director Brittain, second by Vice-President Terry and carried by a 4 to 0 vote, with Director Bennett absent, Fiscal Year 2012/2013 District Budgets for Fire, Water and Wastewater Departments, were approved.

Special Board Meeting Minutes May 14, 2012

Upon motion by Vice-President Terry, second by Director Shouse and carried by a 4 to 0 vote, with Director Bennett absent, the Special Board Meeting minutes of May 14, 2012 were approved.

Regular Board Meeting Minutes May 16, 2012

Upon motion by Director Brittain, second by Vice-President Terry and carried by a 4 to 0 vote, with Director Bennett absent, the Regular Board Meeting minutes of May 16, 2012 were approved.

Adjourned Board Meeting Minutes May 23, 2012

Upon motion by Vice-President Terry, second by President Ayers and carried by a 4 to 0 vote, with Director Bennett absent, the Adjourned Regular Board Meeting minutes of May 23, 2012 were approved.

Expenditures May, 2012

Upon motion by President Ayers, second by Director Brittain and carried by a 4 to 0 vote, with Director Bennett absent, the expenditures through May 31, 2012 were approved.

OPERATIONAL REPORTS (Water)

Supervisor Bobroff opened by stating there was nothing major to report in the Water Department. To maintain low costs, there have been some in-house repairs made to the generator and vehicles by District staff. Supervisor Bobroff then reported on service line leaks and replacement that were identified during the month. Discussion continued regarding water consumption and Supervisor Bobroff confirmed there were between twenty-nine hundred (2900) and three thousand (3000) connected water meters in the District with 8.47% of unaccountable water loss reported last month. Supervisor Bobroff stated a normal system would be under 10%.

Supervisor Miller mentioned that the pilot test with the rotary press from Fournier is scheduled for the week of July 16, 2012. (Treatment)

Supervisor Miller then reported on a proposed contract with Nursery Products that is located approximately twenty-eight (28) miles west of Barstow for thirty (30) loads of bio-solids a year at no less than 14% solids. The Treatment plant cannot honor the requirements of Nursery Products so the sludge is being transported to a facility in Fresno at approximately \$1,800 per load. Supervisor Miller confirmed that the cost for the District to remove bio-solids has been approximately \$100,000 per year or 5% of the Wastewater Treatment Operations and Maintenance (O&M) Budget. The District is currently researching dewatering facility options and Supervisor Miller confirmed there would be a cost savings with this type of technology by eliminating hauling costs.

Supervisor Hall opened by reporting on a small reportable spill of fifteen gallons on May 27, 2012 in the Nordic Tract that was reported to Lahonton Regional Board. (Collections)

Supervisor Hall also reported on the Live Oak Manhole replacement project and stated Matich Corporation pulverized a sewer manhole that was filled with dirt and debris on June 6, 2012, with damage estimated at \$4,000 that will be billed to Matich. There was no spill associated with the event and paving on Live Oak will begin on June 25th or 26th, 2012.

Discussion continued regarding issues with foreign objects and debris that end up in the sewer lines causing extensive damage and expense to the system and Supervisor Hall confirmed that a pump replacement may cost up to \$6,000.

Chief Grabow opened by stating that the Fire Department has been involved with the County of San Bernardino program in the replacement of shake roofs in the community. The Fire Department also attended the Emergency Preparedness event in June, 2012 that was sponsored by the San Bernardino County Sherriff's Department and a thank you note to the Running Springs Fire Department for their participation from Sergeant Bryan Lane was provided to the Board for review. (Fire)

Chief Grabow mentioned that the Crest Forest Fire Protection District is in negotiations with San Bernardino County for a contract and he stated that CalFire has contacted the District advising that they will stage a full time engine at Running Springs Fire Department at no cost to the community.

The \$1,500.00 donation from Golden Oaks went into the Fire Department account to utilize as necessary for the Department and a thank you card has already been sent to Golden Oaks by the Fire Department.

Visitor Luczynski asked about the Hazard Abatement Program requirements and specifically for removing junipers from his property. Chief Grabow stated the Department will work with customers individually to comply with the policy and added that the department began walking properties on June 1, 2012 with Hazard Abatement notices mailed by July 1, 2012.

(Administration) Supervisor Eaton stated the new General Ledger Chart of Accounts is scheduled for transition on June 30, 2012 in conjunction with the beginning of the new 2012/2013 Fiscal Year and will satisfy the recommendation of our auditors. Nancy O’Rafferty, Financial Consultant was instrumental in design of the new accounting system.

The Interim Audit by Teaman, Ramirez and Smith, Inc. (TRS) was held on June 18th and 19th to review District internal controls. TRS will return to the District on August 20, 2012 to begin the audit for Fiscal Year Ending June 30, 2012 with a cost to the District of \$22,500 for audit services. The contract with TRS is for three years.

The Running Springs Water District participated in the San Bernardino Mountain Forest Festival on June 2, 2012 that was held at the United States Children’s Forest Visitor Information Center. Supervisor Eaton represented the District and distributed informational, conservation and educational materials to the community.

The 2011 Water Quality Reports are complete and were included in the June 2012 customer billings.

(General Manager) Manager Massey stated other than the endeavors that he has been working on and that will be discussed later in the meeting, he wanted to notify the Board of a Contract Change Order No. 1 from Tesco Controls, Inc. in the amount of \$3,000 to replace the battery chargers at five (5) locations that were not included in the original contract. With concurrence of President Ayers, Manager Massey has approved the change order as per Resolution No. 15-11, Adopting Updated Districts Competitive Bid Policy-by Adding a Change Order Provision.

Manager Massey then provided the Board with a copy of information he compiled regarding the proposed rate and fee adjustments to the Running Springs Water District customer water and sewer bills that was posted on the rimoftheworld.net website for clarity.

Manager Massey mentioned that the District has not pushed conservation efforts in the past because we have always had an abundance of water from our wells. Manager Massey then reported on acquisition of the Ayers Acres property and stated the projected cost of the project will be approximately \$600,000.

Manager Massey then updated the Board regarding possible consolidation of Special Districts and stated that Supervisor Hall has reviewed video footage of the CSA 79 sewer system and determined that twenty-five percent (25%) of the system is in need of repair or replacement and may cost up to twelve (12) million dollars. Manager Massey is currently working with Phil Waller, Rogers, Anderson, Malody and Scott to prepare a cost analysis associated with consolidation. A meeting will be scheduled with the Consolidation Committee and Janice Rutherford, San Bernardino County Supervisor in July 2012 to discuss potential consolidation of the agencies.

Consolidation of
Special Districts

Manager Massey stated Lisa Patterson with Tom Dodson and Associates has forwarded a copy of the Habitat Mitigation and Monitoring Plan (HMMP) to Jason Ackerman, Best, Best & Krieger (BB&K) for review. Any changes to the plan will be incorporated and the final document will be forwarded to the Department of Fish and Game by the second week of July, 2012 for final approval. Manager Massey stated the plan is to have the permits in place and complete the project by November, 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 stated that a meeting was held with the Harich Proposal Ad Hoc Committee on May 22, 2012 to review the draft contract. The documents were submitted to the Harich Family for their review and finalization.

Harich Proposal
for Outside Sewer
Service Agreement

After months of reviewing applications, interviewing candidates and discussing the future needs of the District, the Board ultimately chose Ryan Gross to lead the Running Springs Water District as the next General Manager. Mr. Gross will begin his employment on July 2, 2012.

General Manager
Announcement

The California Constitution places an annual limitation upon appropriations from proceeds of taxes by each local government of the State of California. Each fiscal year, the Board of Directors is required to select either the percentage change in California per capita personal income or the percentage in the local assessment roll due to the addition of local non-residential construction, and either the population change within the District or the population change within San Bernardino County, as the two factors to be applied in calculating the appropriations limit for the fiscal year.

Resolution No. 10-12,
Appropriations Limit
For Fiscal Year
2012-2013

Resolution No. 10-12 uses the percentage change in California per capita personal income and also the population change within the unincorporated portion of San Bernardino County as factors in determining the District's appropriations limits for Fiscal Year 2012/13. The appropriations limit identified for Fiscal Year 2012/13 is \$3,969,883, which is well in excess of the actual property tax appropriation anticipated for Fiscal Year 2012/13, which is anticipated to be \$1,339,770. Upon motion by Director Shouse, second by President Ayers and carried by a 4 to 0 vote with Director Bennett absent, RESOLUTION NO. 10-12, ESTABLISHING THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 2012/2013 at \$3,969,883, was adopted (Resolution No. 10-12 on file in the District file room)

Customer Request
For Water Bill
Adjustment

Manager Massey reported on a request from customer David Mathes asking for consideration to adjust his May, 2012 high water bill of approximately \$600.00 which was caused by an outside leak. Mr. Mathes has provided a bill from Handyman Service and a cancelled check that indicates the repair was made to the outside plumbing and based on this information, the amount of \$77.09 was credited to his sewer usage fee portion of his bill. After further discussion, the Board agreed to offer the customer a payment arrangement plan for one year and they adhered to District policy that identifies the customer's responsibility for their water system and all costs incurred. No motion was made on this item.

Inland Counties
Emergency Medical
Agency (ICEMA)

Chief Grabow presented the Inland Counties Emergency Medical Agency (ICEMA) Fiscal Year 2012/2013 Ambulance Rate Adjustment effective July 1, 2012 – June 30, 2013. Discussion ensued regarding Snow Valley Resort ambulance service coverage by the Running Springs Fire Department and Chief Grabow stated the Department cannot charge a fee for ambulance service other than what is dictated by ICEMA. Upon motion by Vice-President Terry, second by Director Shouse and carried by a 4 to 0 vote, with Director Bennett absent, the Inland Counties Emergency Medical Agency (ICEMA) Fiscal Year 2012/2013 Ambulance Rates Effective July 1, 2012 – June 30, 2013, was approved.

Recess and
Reconvened

The Board took a break at 8:05 P.M. and reconvened at 8:14 P.M.

Ordinance No. 38,
Amending Ordinance
No. 37 Establishing
Procedures and Fees
For Providing
Notice to Abate
Weeds and Fire
Hazard Waste

Chief Grabow reported on Ordinance No. 37, establishing procedures and fees for providing notice to abate weeds and fire hazard upon real property and which also provides that written notice shall indicate a deadline for effecting such abatement, which shall be no less than 30 days following the date of the written notice and order to abate; and that if abatement is not completed by the deadline the matter will be scheduled for a public hearing by the Board of Directors, with a fee to be assessed for conducting the public hearing.

Ordinance No. 37 was amended to read that in the event the owner of the affected lot or premises fails to abate the nuisance as set forth in the mailed notice and order to abate, the Fire Chief or his or her authorized representative shall provide the affected owner with the Notice to Destroy Weeds and Abate Public Nuisance described in Ordinance No. 36, in the manner provided therein. The fee for mailing such notice and for conducting the public hearing described in Ordinance No. 36 shall be \$95. Upon request of the owner of the affected lot or premises, and upon payment to the District of a fee in the amount of \$21 to defray the costs of an additional inspection, the Fire Chief or his or her representative shall be authorized to extend the deadline date to effect abatement for an additional period not to exceed 30 days. Upon motion by President Ayers, second by Director Brittain and carried by a 4 to 0 vote with Director Bennett absent, ORDINANCE NO. 38, AMENDING ORDINANCE NO 37, ESTABLISHING PROCEDURES AND FEES FOR PROVIDING NOTICE TO ABATE WEEDS AND FIRE HAZARD WASTE UPON REAL PROPERTY, was adopted. The motion was unanimously adopted upon a roll call vote (Ordinance No. 37 on file in the District office)

Chief Grabow stated that due to the reduction in Fiscal Year 2012/2013 revenue, the Hazard Abatement program was cut significantly to balance the budget. The Fire Department has funds in the amount of \$47,426.86 remaining in the Hazard Abatement Account #57125 that he requested are carried over to be used for contractor services in hazard abatement. The funds will be recovered by billing the property owners whom were out of compliance and had to have the work completed by Running Springs Fire Department. Upon motion by Director Brittain, second by Director Shouse and carried by a 4 to 0 vote, with Director Bennett absent, Transfer of the Hazard Abatement Funds from Fiscal Year 2011/2012 to Fiscal Year 2012/2013, was approved.

Transfer Hazard
Abatement Funds
From Fiscal Year
2011/2012 to Fiscal
Year 2012/2013

An amendment to the consulting contract with Sam Massey was presented to the Board requesting that the term be extended another two months through August 31, 2012, to further assist with the transition and under the direction of the new General Manager. Upon motion by Director Brittain, second by Vice-President Terry and carried by a 4 to 0 vote, with Director Bennett absent, Amendment No. 1 to Consulting Contract with Sam Massey was approved.

Amendment No. 1
to Consulting Contract
with Sam Massey

The District is currently contracted with the Aetna Health Insurance Plan to provide employees with health insurance coverage. The District was notified that with the annual Aetna insurance renewal on July 1, 2012, the current plan premiums will increase by 18.8825%.

Change in Aetna
Health Insurance Plan
For District Employees

Supervisor Eaton reported on a special employee meeting that was scheduled on June 12, 2012 with Oscar Pinero, President of Inland Counties Insurance Services, Inc. to discuss optional health insurance plans that would reduce monthly premiums by contracting for higher co-payments and changes in benefits. District employees voted to change the current Aetna HMO \$20 plan to a HMO \$40 plan thus reducing the monthly premiums by 3.348%. Supervisor Eaton stated there would be no financial impact to the District for the change in insurance plans. Upon motion by Director Shouse, second by Vice-President Terry and carried by a 4 to 0 vote, with Director Bennett absent, the Board approved changing the current District Employee Aetna Health Insurance Plan #64103777/CA HMO \$20 to the Alternate Health Insurance Plan #6410385/CA HMO \$40.

Luring Pines Tank Rehabilitation Funds Transfer from Fiscal Year 2011/12 to Fiscal Year 2012/13

Supervisor Bobroff reported on the Luring Pines Tank that has been in need of rehabilitation for several years and the project that was approved in June 2010 in the amount of \$75,000. The approved funds were further transferred to the 2011/2012 budget and Supervisor Bobroff requested that funds are again transferred to the 2012/2013 budget. J.C. Coatings was awarded the project in the amount of \$54,000 with commencement postponed until J. C. Coatings has completed work on the Crestline Lake Arrowhead Water District's 2.0 million gallon tank on Nob Hill. Upon motion by Director Brittain, second by Director Shouse and carried by a 4 to 0 vote, with Director Bennett absent, transfer of the Luring Pines Tank Rehabilitation funds in the amount of \$73,039 from the Fiscal Year 2011/12 Budget to the Fiscal Year 2012/13 Budget, was approved.

Transfer of \$3,500 Maintenance Storage Tanks Sites Expense Account from Fiscal Year 2011/12 Budget To Fiscal Year 2012/13 Budget

Supervisor Bobroff also reported on the storage tanks maintenance sites account for miscellaneous repairs to storage tanks, wet inspections and interior cleaning of tanks with \$3,500.00 budgeted in the 2011/2012 Fiscal Year. With the Crestline Lake Arrowhead Water District's 2.0 million gallon tank off line and the San Bernardino County's road construction work on Live Oak Drive, Supervisor Bobroff stated it would be preferable to wait until these projects have been completed to perform tank maintenance. Upon motion by Director Brittain, second by Vice-President Terry and carried by a 4 to 0 vote, with Director Bennett absent, the transfer of \$3,500.00 from the Maintenance Storage Tanks/Sites Expense Account from Fiscal Year 2011/12 Budget to Fiscal Year 2012/13 Budget, was approved.

Engineer's Report Engineer Thomas had no information to report.


Attorney's Report Attorney Riddell briefly reported on the State of California Pass-Through Program and stated the program was not relevant to the District.

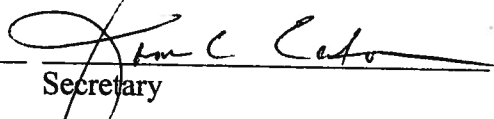
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The meeting was adjourned at 8:33 P.M.

Adjournment

Respectfully Submitted,


President


Secretary