

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS  
RUNNING SPRINGS WATER DISTRICT  
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA  
AUGUST 15, 2012

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The Regular Meeting of the Board of Directors of the Running Springs Water District was held on Wednesday, August 15, 2012, at the hour of 5:00 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

Director Paul Shouse was absent

Also present were the following:

Ryan Gross, General Manager  
Joan Eaton, Secretary/Treasurer/Administration Supervisor  
Randy Bobroff, Water Division Supervisor  
Isaiah Hall, Collections Division Supervisor  
Tony Grabow, Fire Chief  
George Corley, Battalion Chief  
Mike Riddell, Attorney, Best, Best & Krieger, (BB&K)  
John Papadakis, Firefighter/Paramedic

Visitors present were:

Janice Rutherford, San Bernardino County Supervisor, Second Division  
Lewis Murray, District Representative to Janice Rutherford  
David and John Harich, Harich Enterprises Company, Inc.

The meeting was called to order at 5:04 P.M. by President Ayers who also led the Assembly in the Pledge of Allegiance.

Called to Order  
Pledge of Allegiance

President Ayers then moved the meeting to the "Meet and Greet" with Janice Rutherford, San Bernardino County Supervisor, Second District and Lewis Murray, District Representative. Supervisor Rutherford opened by stating that she had no formal agenda but said that she was here to serve the community and she reported briefly on the County of San Bernardino. Supervisor Rutherford then distributed a copy of the *Rutherford Report*, August 2012 Newsletter of the Second District. Supervisor Rutherford commented on the possible consolidation of CSA 79 and Running Springs Water District and referenced the recent community meeting at Green Valley Lake noting that research on the topic continues to ensure the best decision will be made. Manager Gross mentioned that a meeting was trying to be scheduled with Supervisor Rutherford and the consolidation committee to discuss possible consolidation of services.

Meet and Greet  
with Janice Rutherford  
San Bernardino County  
Supervisor

Supervisor Rutherford then reported on the elimination of discretionary funding and stated they are trying to change the face of county government to ensure the community that their government is being run in an ethical manner. The District acknowledged that they adopted Resolution No. 20-11, Adopting a Countywide Vision for the County of San Bernardino and Supervisor Rutherford reported on education, grants and policies stating they have ideas to accomplish the countywide vision. Supervisor Rutherford noted that she had no statistics regarding public sector grants but she will provide the District with the Community Indicator Report that lists statistics and helps organizations. Supervisor Rutherford closed by acknowledging the county for hard work and thanked the District for their partnership stating that she is always available to assist the District if needed.

President Ayers also acknowledged District Representative, Lewis Murray stating he was an asset to Supervisor Rutherford and the District. Supervisor Rutherford and Representative Murray then excused themselves from the Board meeting.

Visitors John Papadakis, Firefighter/Paramedic and John and David Harich, Harich Enterprises were introduced for the record.

Acknowledgement John Papadakis was acknowledged for five years of dedicated service with the District Fire Department. Chiefs Tony Grabow and George Corley stated Firefighter Papadakis was a valuable asset to the department and with the Boards of Directors, thanked him for his service.

President Ayers moved to Action Item IX.B.

Award of Contract For Ayers Acres Groundwater Well Project Manager Gross reported on the Ayers Acres Ground Water Development Project consisting of approximately sixty (60) acres of land located between the United States Forest Service land and Poplar Drive and provided a memorandum to the Board with information regarding the project. The District has been working on securing access to the property for several years and at the August 2011 Board Meeting, the Board passed a resolution allowing the District to install a roadway for ingress and egress on the property. District staff improved existing roads onto the proposed vertical well sites and all work was completed using District equipment. Manager Gross stated that on July 30, 2012, the District solicited well drilling bids and provided plans and specifications to several contractors with one bid received on August 9, 2012 from Harich Enterprises Company, Inc. in the amount of \$375,260.00 to drill two wells. The bid price assumes a total depth of seven hundred fifty (750) feet for each well and the funding sources for the project would be a combination of Water Development, Sale of District Property, Water Treatment and Water Facility Capacity Charge Funds which have a total balance of approximately \$630,000.00.

MINUTES – AUGUST 15, 2012  
PAGE THREE

Manager Gross noted that depending on the final cost of the well drilling contract, there would remain between \$250,000 and \$300,000 in these funds to complete the remaining infrastructure for the project. Manager Gross then referred to a table in the staff report that provided a few different scenarios based on conditions that may be encountered in the field. Manager Gross asked that the Board award a construction contract for two (2) groundwater wells to Harich Enterprises, Inc. for their bid of \$375,260.00, authorize the General Manager to execute the contract and authorize the General Manager to approve additive and/or deductive change orders for the project during the course of construction as required not to exceed 15% of the original construction contract amount. Manager Gross stated that if they find one hundred fifty (150) gallons a minute, the total payback period will be ten (10) to fifteen (15) years and would reduce if not eliminate the need to purchase the Crestline Lake-Arrowhead Water Agency (CLAWA) water.

Director Brittain asked John and David Harich if they are hitting water in the wells that they are drilling on the mountain and they responded that the mountain is on a fractured bedrock system but they found consistency in over the thousand plus wells drilled with water potential at 500 to 600 feet. David Harich stated the District has put together a realistic package in their recommendation and the well will be piloted first. Director Bennett asked if revisions have been made to the road to accommodate the well drilling equipment and David Harich responded that a lot of time and effort will be applied to complete the project safely and to minimize damage to the equipment.

President Ayers expressed concerns with providing the General Manager authority of a possible 15% change order and Manager Gross responded that with a job of this magnitude, the authority is important to avoid delays in the project. He reminded the Board that the goal is to minimize change orders and stated he could notify the Board by email for approval of any significant change orders. Manager Gross added that the District would be into the project for approximately \$160,000.00 if we hit two dry holes. Attorney Riddell stated the Bidders Certificate can be revised to include the printed name of the signer. Discussion continued regarding the costs associated with the project and David Harich explained the details included in the prevailing wage hourly rate that includes labor, generator rental, electricity usage and fuel costs.

Upon motion by Director Brittain, second by Director Terry and carried by a 4 to 0 vote, with Director Shouse absent, Award of Construction Contract for the Ayers Acres Groundwater Well Project to include the following: Award of construction contract for two groundwater wells to Harich Enterprises, Inc. for their bid of \$375,260, authorize the General Manager to execute the contract, and authorize the General Manager to approve additive and/or deductive change orders for the project during the course of construction as required not to exceed 15% of the original construction contract amount, was approved.

Regular Board Meeting and Public Hearing  
June 20, 2012

Upon motion by President Ayers, second by Director Terry and carried by a 4 to 0 vote, with Director Shouse absent, the Regular Board Meeting and Public Hearing minutes of June 20, 2012, were approved.

Regular Board Meeting Minutes  
July 18, 2012

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

OPERATIONAL REPORTS  
(Water)

Supervisor Bobroff opened by reporting on the Luring Pines Well tank Rehabilitation project and stated the well will be back in service by mid September, 2012. President Ayers asked about testing the thickness of the walls and Supervisor Bobroff explained the magnetic testing device that is used to determine the thickness of the walls. He also reported that a District water service line was damaged by a customer who failed to contact Dig Alert and tore a valve out of our line with his backhoe. The customer has been billed for repairs and District staff time.

(Treatment)

Manager Gross reported for the Wastewater Treatment Plant in the absence of Supervisor Miller and stated the Fournier Rotary Press Pilot at the Harris property is now complete. The District has received a draft report stating it is capable of putting out 14% as expected. Two (2) more tests are scheduled for the fall of 2012 by companies called Huber and BDP that offer different technologies and the District will make a decision after the results are received.

Manager Gross also reported on the Southern California Edison Enernoc Energy Conservation Program and he stated that the plant switched over to the generator from 2:00 PM to 5:00 PM on Tuesday, August 14, 2012 to conserve energy. The District met the expected energy reduction performance as required and may receive up to \$5,000.00 in incentives. The automatic transfer switch on the generator became stuck during the event and Manager Gross suggested that this critical piece of equipment is replaced before long at an approximate cost of \$20,000.00.

MINUTES – AUGUST 15, 2012  
PAGE FIVE

Supervisor Hall reported on recent activities in the Collections Department and stated the Live Oak Paving project is now complete and all sewer manholes were raised per specifications in accordance with the terms of the contract. The District is expecting a reimbursement check from Match Corporation for one minor incident during the project. During video inspection of the system on Live Oak, the Collections Department discovered that the gas company had bored through the sewer line and construction to remove the gas service and to repair the sewer main is scheduled for August 17, 2012. (Collections)

Supervisor Hall stated they had one pump failure due to a clog at Lift Station No. 2 during the last month and they are watching this system to determine the source of the problem.

Chief Grabow reported on the Hazard Abatement Program and stated the Fire Department is working on the second inspection of properties. A special board meeting will be scheduled to adopt a resolution finding that certain properties located in the District constitute a public nuisance and ordering notification to property owners. Attorney Riddell reported on Ordinance No. 38 and stated that the special meeting will be held to adopt the resolution and to conduct a public hearing regarding property owners who have been determined to be out of compliance. Manager Gross stated that the special board meeting agenda will include an update regarding the potential consolidation of Running Springs Water District and CSA 79. (Fire)

President Ayers noted that the District had only one (1) plan check submitted to the Fire Department during the 2011/2012 Fiscal Year indicating that there is minimal new construction in the District. Discussion continued regarding the ambulance billing comparison report between the 2011/2012 and 2012/2013 Fiscal Years and President Ayers expressed concern with the amount of uncollectible ambulance payments.

Nancy O'Rafferty, District Financial Consultant is finalizing the accounting requirements in preparation of the 2011/2012 District Audit and Financial statements by Teaman, Ramirez and Smith, Inc. (TRS). The Audit has been rescheduled to September 4<sup>th</sup> through September 7<sup>th</sup>, 2012 and presentation of the Financial Statements by TRS will be scheduled for the November 21, 2012 Board Meeting. (Administration)

The District participated in the Mountain Top Day Festival on August 4, 2012. Supervisor Eaton thanked Linda Mayfield, Senior Billing Clerk for representing the District and Randy Bobroff and Johnnie Tapia, Water Department staff for setting up the display booth and providing public relations to the community.

Supervisor Eaton reported that approximately three hundred forty-five (345) delinquent water and/or sewer availability bills totaling \$16,547 have been submitted to the San Bernardino County tax roll for the 2012/2013 Fiscal Year and fifteen (15) delinquent water/sewer accounts totaling \$6,128.74. In addition, there were two thousand nine hundred ninety-one (2991) Fire Suppression Availability charges in the amount of \$199,550 that were submitted for placement on the 2012/2013 Fiscal Year tax roll.

(General Manager) Manager Gross updated the Board regarding the Outfall Pipeline Replacement Project and stated the District received notification from the Department of Fish and Game that if necessary, a Streambed Alteration Agreement will be provided by Monday, August 20, 2012. The bid invitations were distributed to eight (8) local contractors and the pre-bid meeting is scheduled for August 28, 2012 with the bid opening on September 11, 2012. Manager Gross stated he projects a recommendation will be presented to the Board at the September 19, 2012 Board Meeting.

District staff has been working on updates to the District Personnel Manual and the draft version will be presented to the Personnel Committee when complete.

Manager Gross mentioned that he plans on attending the California Special District Association (CSDA) Annual Conference from September 24<sup>th</sup> through September 27<sup>th</sup>, 2012 in San Diego.

Consolidation  
Meetings of the  
Special District's  
Hilltop Community  
Committee

Manager Gross reported on the potential consolidation between Running Springs Water District and CSA 79 and stated an internal committee meeting was held on July 18, 2012 to review financial information with Rogers, Anderson, Malody and Scott (RAMS). On August 9, 2012, President Ayers, Chief Grabow and Manager Gross attended the CSA 79 Advisory Committee Meeting that was held in Green Valley Lake. Several representatives from Green Valley Lake, Special Districts and County Fire were in attendance and Special Districts provided an update regarding several of their capital improvement projects and budget. Manager Gross reported on the meeting and stated that a meeting with the County Supervisor's office and the committee will be scheduled to discuss the potential consolidation and noted that Supervisor Janice Rutherford has requested a five year financial business plan before she comments on consolidation. President Ayers stated the sewer system at CSA 79 must be repaired due to the excess Inflow and Infiltration (I & I) received from the upstream users and Running Springs Water District has concerns regarding the inadequate sewer system at CSA 79. The Consolidation Committee continues to research information and financial feasibility regarding the potential consolidation and discussion continued regarding issues with consolidation. President Ayers also mentioned that the District has spent resources researching the possibility of consolidation and have accomplished little in the efforts.

MINUTES –AUGUST 15, 2012  
PAGE SEVEN

President Ayers reiterated that the Fire Department is the main focus of the potential consolidation because the Running Springs Fire Department provides mutual aid to the upstream users with little financial benefit. Manager Gross reminded the Board that the upstream users contract will renew in 2017 and negotiations regarding the agreement should begin as soon as possible.

The Local Agency Investment Fund Remittance Advice for the quarter ending June 30, 2012 was provided to the Board for review. The interest earned was \$2,213.32 at 0.36% for the quarter.

Local Agency  
Investment Fund  
Remittance Advice

Director Brittain then reported on the Finance Committee Meeting that was held on July 25, 2012 with Director Terry, Manager Gross, Supervisor Eaton and Scott Manno, Certified Public Account with Rogers, Anderson Malody and Scott regarding review of District investment options. Director Brittain stated the committee discussed various investments and with the current low interest rates, the Finance Committee suggested that the District consider paying off outstanding debt in place of investing outside of the Local Agency Investment Fund (LAIF). Discussion continued regarding investment options and President Ayers suggested looking into government bonds. Director Brittain and the Finance committee recommended that the District wait until after the November election before reinvesting since the economy may change. Manager Gross stated that this subject will be discussed further in the next agenda item.

Since the June 30, 2003 CalPERS valuation, when a pension plan has fewer than 100 members, CalPERS has included those members in a risk pool with other public agency plans. The unfunded actuarial accrued liability (prior UAAL) for the District was approximately \$1,530,000 and placed in a Side Fund at the current interest rate of 7.75%. The California Special Districts Association (CSDA) Finance Corporation has launched a program that could potentially save the District thousands of dollars by refinancing these obligations at a lower interest rate. Manager Gross stated information has been submitted to the CSDA Finance Corporation for a no-cost, no-obligation Side Fund refinancing quote at approximately 4.50% interest that would save the District a considerable amount of money. President Ayers requested that District staff research the issue and return updated information to the Board at the September Board meeting, if available.

Potential Refinancing  
of CalPERS Side Funds

Supervisor Eaton provided the Board with a copy of Resolution No. 1-96, Setting Forth a Policy for Investment of Surplus Funds that was adopted at the February 21, 1996 Board Meeting. At the August 10, 2011 Board Meeting, the Board adopted Resolution No. 13-11, Authorizing the Board President, General Manager and Secretary/Treasurer to deposit or withdraw monies in LAIF.

Resolution No. 15-12,  
Authorizing Investment  
of Monies in the Local  
Agency Investment  
Fund

The Board Resolution calls for an annual review of the investment policy and for quarterly reports regarding LAIF's performance. A revised resolution will satisfy the legal requirements and replace Ryan Gross as General Manager of the District. President Ayers had questions regarding the wording of the resolution that allowed any of the officers or their successors in office to order the deposit or withdrawal of monies in LAIF. After further discussion, it was decided that the resolution would be amended to read that any two (2) Running Springs Water District officers or their successors in office shall be authorized to order the deposit or withdrawal of monies in LAIF. Supervisor Eaton confirmed that the District policy does require two signatures for the withdrawal of monies in LAIF. Upon motion by President Ayers, second by Director Bennett and carried by a 4 to 0 vote, with Director Shouse absent, RESOLUTION NO. 15-12, AUTHORIZING INVESTMENT OF MONIES IN THE LOCAL AGENCY INVESTMENT FUND, was adopted as amended. (Resolution No. 15-12, on file in the District office)

Resolution No. 16-12  
Amendment to the District Deferred Compensation Plan Implementation of a Loan Program and Addition of Self Brokerage Investment Option

Manager Gross stated the District provides a 457 Deferred Compensation Plan at the employees expense, and the plan states that the employer reserves the right to amend the plan at any time. District staff are recommending that the plan is amended to allow additional investment options and a loan program at no cost to the District. Upon motion by Director Bennett, second by Director Terry and carried by a 4 to 0 vote, with Director Shouse absent, RESOLUTION NO. 16-12, AMENDMENT TO THE RUNNING SPRINGS WATER DISTRICT DEFERRED COMPENSATION PLAN, IMPLEMENTATION OF PARTICIPANT LOAN PROGRAM AND ADDITION OF SELF-BROKERAGE INVESTMENT OPTION, was adopted. (Resolution No. 16-12 on file in the District office)

Final Acceptance Telemetry Upgrade Project and Filing of Notice of Completion

Manager Gross reported on the current phase of the Telemetry Upgrade Project performed by Tesco Controls, Inc. that is now complete and asked the Board to consider final acceptance of the project and to authorize Manager Gross to execute the final Notice of Completion. Manager Gross stated the original contract amount was \$98,527 that was approved by the Board on February 22, 2012 with a total of two change orders authorized for the project totaling \$5,993.50 or 6% of the original contract amount. The final cost of the project was \$104,520.50 with the funding sources from the Leachate fund, San Bernardino County Lease Fund and Assessment District No. 10 Fund. Upon motion by Director Brittain, second by Director Terry and carried by a 4 to 0 vote, with Director Shouse absent, Final Acceptance for the Telemetry Upgrade Project Performed by Tesco Controls, Inc. and Filing of the Notice of Completion, was approved.



Supervisor Eaton reported that the Special District Risk Management Agency (SDRMA) no longer recognizes the District Safety Committee Minutes for reduction in liability insurance premiums and stated that the District strives to achieve the maximum allowed points required for the incentive program by utilizing the Target Safety program, video library and staff attendance at various training sponsored programs through SDRMA. The Safety Committee Meeting minutes will continue to be provided to the Board quarterly as an information item only. No motion was made.

Safety Committee  
Minutes

Engineer Thomas was absent from the meeting

Engineer's Report

Attorney Riddell summarized the memo from his firm explaining the recent budget legislation suspending certain provisions of the Brown Act. He said that the only provisions affected are those provisions that impose requirements that could qualify for reimbursement as unfunded State mandates, such as the agenda posting and description requirements, certain closed session reporting requirements and the duty to supply copies of documents approved in closed session without charge. He said that his firm recommends continuing to comply with all provisions of the Brown Act, including those provisions that have been temporarily suspended by the budget legislation, because that is what the public has come to expect and failure to continue to apply those provisions could lead to criticism from the public.

Attorney's Report

Attorney Riddell also reported that Governor Brown and the US Department of the Interior Secretary Salazar had recently conducted a joint press conference announcing their support for the proposal to construct alternate water conveyance facilities below or around the Delta, with the dual tunnel approach being the currently recommended approach, while also proceeding with habitat restoration in the Delta to protect threatened or endangered species. He said that the Legislature had decided to put off the vote on the water bond measure that would help provide funding for the habitat restoration portion, however, for another two years, based on their belief that a water bond measure probably would not be approved by the voters in California this year.

Supervisor Eaton confirmed that she distributed a letter from Teaman, Ramirez and Smith, addressed to the Board of Directors and those charged with Governance that communicated the process of the audit.

Audit Process Letter  
to the Board

The meeting moved into Closed Session at 7:53 P.M. to consider the following:

Closed Session

- A. Conference with Legal Counsel – Anticipated Litigation  
Significant Exposure to Litigation  
Pursuant to Government Code Subdivision (b) of Section 54956.9  
Number of Cases Unknown

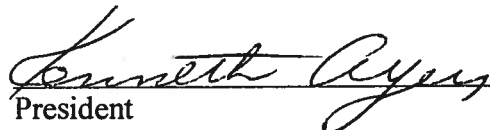
MINUTES – AUGUST 15, 2012  
PAGE TEN

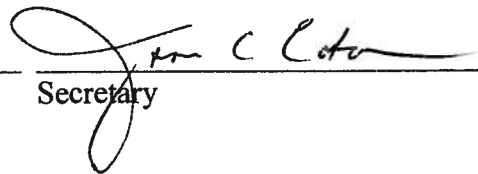
Open Session            The meeting moved into open session at 8:36 P.M.

With respect to the item of closed session, there was no information to report.

Adjournment            The meeting was adjourned at 8:36 P.M.

Respectfully Submitted,

  
President

  
Secretary