

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
RUNNING SPRINGS WATER DISTRICT
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
SEPTEMBER 21, 2011

The Regular Meeting of the Board of Directors of the Running Springs Water District was held on Wednesday, September 21, 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:

Kenneth Ayers, President
Kevin Kellems, Vice-President
Paul Shouse, Director
Pamella Bennett, Director

The following Director was absent:

Mike Terry, Director

Also present were the following:

Sam Massey, General Manager
Joan Eaton, Secretary/Treasurer/Administration Supervisor
Randy Bobroff, Water Division Supervisor
Trevor Miller, Wastewater Treatment Division Supervisor
Isaiah Hall, Collections Division Supervisor
Tony Grabow, Fire Chief
Mike Riddell, Attorney, Best, Best & Krieger
Brian Thomas, Engineer, Engineering Resources
Nancy O'Rafferty, Financial Consultant, Rogers, Anderson, Malody & Scott

Visitors present were:

Joan Moseley, Reporter
Randy Dumais, Customer
Ed Brittain, Consultant

The meeting was called to order at 9:05 A.M. by President Ayers and Director Shouse led the Assembly in the Pledge of Allegiance.

Called to Order and
Pledge of Allegiance

Visitors Joan Moseley and Ed Brittain were introduced for the record. Ms. Moseley stated that she has started her own website blog for Running Springs and the San Bernardino Mountain communities that can be accessed at <http://joanmoseley.wordpress.com>

Visitors

Supervisor Eaton acknowledged and congratulated Laura Garrett, Receptionist Secretary III, for five years of dedicated service with the District and she shared recent accomplishments of Ms. Garrett with the Board and staff. Supervisor Bobroff also acknowledged Richard Teter, Water Department Operator I for five years of service with the District and stated that Mr. Teter was valuable to the Water Department. Manager Massey recognized both Ms. Garrett and Mr. Teter for their dedication.

Acknowledgements

MINUTES – SEPTEMBER 21, 2011
PAGE TWO

- Board Meeting Minutes August 17, 2011 Upon motion by Vice-President Kellems, second by Director Shouse and carried by a 4 to 0 vote, with Director Terry absent, the Regular Board Meeting minutes of August 17, 2011 were approved.
- Special Board Meeting Minutes August 30, 2011 Upon motion by President Ayers, second by Vice-President Kellems and carried by a 4 to 0 vote, with Director Terry absent, the Special Board Meeting Minutes of August 30, 2011 were approved.
- August Expenditures Upon motion by Director Bennett, second by Vice-President Kellems and carried by a 4 to 0 vote, with Director Terry absent, the expenditures through August 31, 2011, were approved.
- OPERATIONAL REPORTS
(Water) Supervisor Bobroff opened by stating there were no major issues to report in the Water Department. President Ayers asked about the Back Lot Relocation Project and Supervisor Bobroff mentioned that he would be considering the project and was recently contacted by a customer who inquired about relocating their meter.
- (Treatment) Supervisor Miller reported on the Wastewater Treatment Plant Expansion Project and stated they expect to be finished with Phase II in November, 2011.
- Supervisor Miller continued by stating that the department has run into issues regarding the permitting process for the Outfall Line. The District has received a letter from the Department of Fish and Game requesting a Stream Bed Alteration Emergency Notification regarding the diversion structures that were temporarily installed to support the Outfall Line in the creek. Due to the December storms, the bottom width of the creek and location of the diversion structure has now changed. A meeting will be scheduled with Fish and Game, Brian Thomas, Engineer and Tom Dodson and Associates who is assisting the District with the permitting process. Supervisor Miller will draft a letter to Fish and Game explaining that the District's highest priority is with protection of the creek and he will update the Board at the October 19, 2011 Board Meeting.
- As noted in his monthly operational report, Supervisor Miller stated that a high NFR (Non-Filterable Residue) sample was probably due to a bad sample bottle and confirmed that the Department is within discharge limits. Vice-President Kellems asked about the recent computer issues at the Treatment Plant and Supervisor Miller confirmed that they have now been resolved.
- (Collections) Supervisor Hall reported that everything was going well in the Collections Department and stated the spare pump for Lift Station #1 is being rebuilt by Evans-Hydro with the updated delivery date in mid-September.

MINUTES – SEPTEMBER 21, 2011
PAGE THREE

Supervisor Hall then provided the Board with an update regarding the telemetry system and recent issues with the radio bleeding over to the Riverside Campus Police Department that could potentially be a liability issue for the District. A meeting to test and calibrate the radio system and equipment has been scheduled with Tesco on September 27, 2011. Discussion continued regarding narrowband radios and the Federal Communication Commission (FCC) requirement to upgrade by January 2013. Supervisor Hall added that if the system does not communicate properly, the District will be required to upgrade the system earlier than 2013 at an approximate cost of \$200,000.

Chief Grabow opened by mentioning the Fire Department will surplus radios in October, 2011. Chief Grabow then reported on the Hazard Abatement Program and stated that there are two hundred and fifty (250) properties that are currently out of compliance. The Fire Department is working diligently with approximately ninety-nine (99) property owners within the mitigation program. (Fire Department)

Supervisor Eaton updated the Board regarding the June 30, 2011 Fiscal Year Audit and stated that Teaman, Ramirez and Smith are preparing the Financial Statements in preparation of their audit presentation at the November 16, 2011 Board Meeting. Supervisor Eaton also stated that a meeting was held on September 14, 2011 with Nancy O'Rafferty, Financial Consultant and District Supervisors regarding Capital Assets and Construction in Progress Accounting requirements and a Capital Asset policy will be presented to the Board at a future date. (Administration)

Manager Massey briefly reported that the District is proceeding with the consolidation process with Green Valley Lake and stated that staff has compiled documentation to be presented to the LAFCO Consolidation Committee. Manager Massey also mentioned the Local Chapter of the National Group Blue Star Mothers and stated this item will be discussed later in the meeting. (General Manager)

Manager Massey was pleased to announce that the District has acquired all of the Critical Worker Emergency passes this year with the assistance of the San Bernardino Sherriff's Department.

In closing, Manager Massey stated that he and Supervisor Hall met with David Harich on September 16, 2011 regarding the easement requirements for the recently installed Mill Creek Bridge. Mr. Harich will submit a proposal to the Board to discuss an exchange for the easements and a sewer and dump station connection within the next few weeks. Manager Massey added that he informed Mr. Harich that the Board may request the easements be professionally appraised for property value.

- Special District's Hilltop Community Consolidation Committee Manager Massey updated the Board regarding the Hilltop Community Consolidation Committee and stated District staff and the Committee met on September 9, 2011 to discuss possible new District boundaries and review preliminary CSA 79 budget numbers. A new boundary map will be presented to the CSA 79 Advisory Commission at a future meeting. Manager Massey and Supervisor Hall toured the CSA 79 Sewer Collection System on September 15, 2011 and preliminary costs have been compiled to determine the financial feasibility of consolidation. Manager Massey stated the District has prepared a five (5) year plan to complete the process and bring the sewer and fire system up to standards.
- December 2010 Storm Damage Projects Completed Supervisor Hall stated the Live Oak Exposed Sewer Main Project is now complete and staff will start the reimbursement process with the Federal Emergency Management Agency (FEMA) and the Governor's Office of Emergency Services (OES). This completes all the December 2011 Storm Damage Projects with the exception of the Ferndale Sewer Easement Repair project that will commence in mid-October by District Staff to reduce costs. Engineer Thomas will complete the final report required by CalEMA within the next two to three weeks.
- State of California Department of Industrial Relations Public Self-Insurer's Annual Report The District enrolled in the Special District Risk Management Authority (SDRMA) Worker's Compensation Plan on July 1, 2010. The State of California, Department of Industrial Relations requires all Public Agencies to provide Workers Compensation liability exposures yearly for the prior five (5) years and to advise it Governing Board within 90 days after submission of the Self-Insurer's Annual Report of the total liabilities reported and whether current funding of those liabilities is in compliance with the requirements of Government Accounting Standards Board (GASB) Publication 10. A copy of the report was provided to the Board for their review and Supervisor Eaton reported that Nancy O'Rafferty, Financial Consultant stated the audit ensures that reporting of those liabilities are in compliance with the requirements of the GASB Publication 10. The completed report was mailed to the State of California on September 2, 2011 to meet the October 1, 2011 deadline.
- National Group Blue Star Mothers As previously mentioned, Manager Massey stated that the Board had approved a request from the local chapter of the National Group Blue Star Mothers to install up to three twenty-five (25) foot tall poles and banners on District property. The Board requested that the Blue Star Moms provide the District with a Hold Harmless Agreement and liability insurance coverage and that they provide installation specifications that are acceptable to the District Engineer. The Blue Star Moms agreed to the conditions and have extended the time frame of installation within a six (6) to twelve (12) month period.

Supervisor Eaton stated the Running Springs Chamber of Commerce and Mountain Rim Fire Safe Council has requested that the District include Halloween Safety Flyers in our October billings at no cost to the District. Attorney Riddell added that the documentation falls within the District enumerated powers due to the request by the Mountain Rim Fire Safe Council. Upon motion by Director Bennett, second by Director Shouse and carried by a 4 to 0 vote, with Director Terry absent, the request from the Running Springs Chamber of Commerce and Mountain Rim Fire Safe Council to Insert Halloween Safety Flyers in the October Water/Sewer bills, was approved.

Running Springs
Chamber of Commerce
Mountain Rim Fire
Safe Council
Halloween Safety
Flyers

At the August 30, 2011 Special Board Meeting, President Ayers requested that Manager Massey prepare a policy to allow the General Manager, with the concurrence of the Board President, to authorize the approval of a project change order which does not exceed \$5,000. President Ayers stated the policy would provide transparency in addition to savings and efficiency for the District. Discussion continued regarding change orders, percentage requirements and specific change order circumstances. Upon motion by Director Shouse, second by Director Bennett and carried by a 4 to 0 vote, with Director Terry absent, RESOLUTION NO. 15-11, ESTABLISHING POLICY FOR INVITING COMPETITIVE BIDS FOR PUBLIC WORKS PROJECTS AND AUTHORIZING THE GENERAL MANAGER TO EXECUTE CHANGE ORDERS, was adopted. (Resolution No. 15-11 on file in the District office)

Resolution No. 15-11,
Establishing Policy For
Inviting Competitive Bids
for Public Works Projects
and Authorizing the
General Manager to
Execute Change Orders

Chief Grabow confirmed that the Fire Department has been awarded \$9,335 toward the purchase of ten sets of turnouts through a matching fund grant from the California Department of Forestry and Fire Protection that requires adoption by Resolution. Upon motion by Director Bennett, second by Vice-President Kellems and carried by a 4 to 0 vote with Director Terry absent, RESOLUTION NO. 16-11, CALIFORNIA DEPARTMENT OF FORESTRY AND FIRE PROTECTION VOLUNTEER FIRE ASSISTANCE PROGRAM AGREEMENT NO. 7FG11054, was adopted. (Resolution No. 16-11 on file in the District Office)

Resolution No. 16-11,
California Department
of Forestry and Fire
Protection Volunteer
Fire Assistance Program
Agreement No.
7FG11054

Supervisor Hall reported on the Harris Property Paving Project and the 2010 spill at the leachate dump site on the Harris property caused by California Pump Services. As discussed at the January Board Workshop, the Collections Department had designed a temporary containment area to ensure any future spills would be controlled to the site. Discussion also included requirements set forth by local and state regulatory agencies to build a permanent catch basin. At the June 15, 2011 Board Meeting, the Board approved the 2011/12 Budget that included the paving project at the Harris Property in the amount of \$15,000 utilizing leachate funds. The job specification and bid documents were prepared by Engineering Resources with GM Excavating, Inc. being the lowest bidder at a cost of \$22,863.30.

Harris Property
Paving Project
Award of Contract

President Ayers had questions regarding the Bid Proposal specifically Bid Item No. 4 regarding excessive costs to remove the perimeter fence in the amount of \$3,006. Engineer Thomas explained that the District was required to hire a licensed professional fencing contractor because the project could not be completed by District staff. Discussion continued regarding costs associated with the project. Upon motion by Vice-President Kellems, second by Director Bennett and carried by a 4 to 0 vote, with Director Terry absent, Award of Contract for the Harris Property Paving Project to GM Excavating at the not to exceed cost of \$22,863.30, was approved.

Resolution No.
17-11, Approving
Adoption of
GASB 54 Standards
and Applications

Nancy O’Rafferty, Financial Consultant reported on the Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions that would improve financial reporting by providing fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The Fund Balance Policy establishes the procedures for reporting unrestricted fund balance in the financial statements and Ms. O’Rafferty stated that Running Springs Water District’s governmental fund consists of the Fire Department. Certain commitments and assignments of fund balance will help ensure there will be adequate financial resources to protect the District against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. The Fund Balance Policy provides that the Board of Directors may commit fund balances for specific purposes by taking formal action and these committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specific use through the same formal action taken to establish the commitment. The policy also designates the General Manager in addition to the Board of Directors, as the District’s official to determine and define the amounts of those components of fund balance that are classified as “Assigned Fund Balance”.

Ms. O’Rafferty then explained the difference between the assets and liabilities reported in a governmental fund and described the five separate components of a fund balance as follows:

- *Nonspendable Fund Balance* (Inherently nonspendable)
- *Restricted Fund Balance* (externally enforceable limitations on use)
- *Committed Fund Balance* (self-imposed limitations on use)
- *Assigned Fund Balance* (limitation resulting from intended use)
- *Unassigned Fund Balance* (residual net resources)

The classification and reporting of fund balance components as required by Governmental Accounting Standards Board Statement No. 54 became effective starting with the Fiscal Year ending June 30, 2011. Discussion continued regarding the Fund Balance Policy and committed funds.

Upon motion by Director Shouse, second by Director Bennett and carried by a 4 to 0 vote, with Director Terry absent, RESOLUTION NO. 17-11, APPROVING ADOPTION OF GASB 54 STANDARDS AND APPLICATIONS, was adopted. (Resolution No. 17-11 on file in the District office)

With adoption of GASB 54 Standards and Applications, the District has considered Policy No. 01-2011 entitled “Fund Balance Policy” and may commit the following fund balances for specific purposes:

- Breathing apparatus equipment replacement \$38,000
- Limited Term Firefighters 48,144
- Future general equipment replacement 57,288

Resolution No. 18-11
Approving
Commitments of
Fund Balance Under
GASB 54

Upon motion by Director Shouse, second by President Ayers and carried by a 4 to 0 vote, with Director Terry absent, RESOLUTION NO. 18-11, APPROVING COMMITMENTS OF FUND BALANCE UNDER GASB 54, was adopted. (Resolution No. 18-11 on file in the District office)

Supervisor Miller stated that as outlined in the 2010/11 Treatment Division’s Budget Workshop documents, the spare vehicle from the Collections Division, Unit 67 will be placed in the Treatment Division’s inventory and used mainly for the pond site visits. The Treatment Division’s spare vehicle, 1998 Ford Ranger 4x4, Unit 61 will be sold using standard practices of the District for surplus vehicles and equipment. Upon motion by Director Shouse, second by Director Bennett and carried by a 4 to 0 vote, with Director Terry absent, Authorization to Surplus the Wastewater Department 1998 Ford Ranger Pick-up Truck, utilizing the sealed bid process with a minimum bid of \$3,000, was approved.

Surplus Wastewater
Department 1998
Ford Ranger Service
Vehicle

Manager Massey reported on the District surveillance system that was installed approximately six (6) years ago to help deter theft and curb the threat of violence. During the month of August, fuel was stolen from the Wastewater Department Dump Truck and the Fire Department Snow Cats that were parked behind the District office. The current surveillance system only has memory to record one week’s worth of activity so the District was unable to identify the crime. Manager Massey continued by proposing to install a new high resolution system incorporating infrared cameras with extended recording capabilities and added that components of the existing cameras will be integrated into the new surveillance system. The cost of the new upgraded system would be \$4,500 and could be funded utilizing San Bernardino County Lease Payment Funds. Upon motion by Director Bennett, second by Director Shouse and carried by a 4 to 0 vote, with Director Terry absent, the purchase of an upgraded Video Surveillance System for the District Office at the not to exceed price of \$4,500 utilizing San Bernardino County Lease Payment Funds, was approved.

District Office
Surveillance
System Upgrade

Ordinance No. 37
Establishing
Procedures and Fees
Notice to Abate
Weeds and Fire
Hazardous Waste

Chief Grabow opened by reporting on previously adopted Ordinance No. 36, Procedures for the Abatement of Hazardous Weed and/or Waste within Running Springs Water District that provides for the District's Fire Chief or his or her authorized representative to notify the Board of Directors that a nuisance exists on any lot or premises within the District, at which time the Board of Directors may adopt a Resolution of Nuisance providing for the initiation of procedures to abate the nuisance at the expense of the owner of the property on which the nuisance exists. Proposed Ordinance No. 37 allows the Board of Directors to direct the Fire Chief or his or her authorized representative to provide affected property owners with advance notice of the existence of the nuisance, provide opportunity to abate the nuisance on their properties and to provide for the collection of certain fees to defray administrative costs that will be incurred by the District in the event that the owner of the affected property fails to abate the nuisance on the property in response to notice. Discussion continued regarding Ordinance No. 36 and proposed Ordinance No. 37, specifically the fee of \$95 set forth in Ordinance No. 37, was questioned by the Board of Directors as to whether this amount was sufficient to cover the administrative costs incurred by the District. President Ayers also suggested that the proposed Ordinance No. 37 be changed to read "Notice to Abate Weeds and Fire Hazard Waste" instead of "Notice to Abate Weeds and Hazardous Waste". Fire Chief Grabow will revisit the \$95.00 fee set forth and justify an average fee of \$165.00 for customers that fail to abate the nuisance as outlined in proposed Ordinance No. 37. As discussed, Attorney Riddell will revise Ordinance No. 37 and the Ordinance will be returned to the October, 2011 Board Meeting for review and further consideration. No motion was made.

Property Owner
Reported Nuisance

Property owner Randy Dumais entered the Board Meeting during the discussion of Ordinance No. 36 and proposed Ordinance No. 37 and commented on property adjoining his property on Ocean View that required weed and fire hazard waste abatement. Chief Grabow will follow up with appropriate procedures regarding this issue and the Board of Directors thanked Mr. Dumais for voicing his concerns regarding the nuisance.

Resolution
No. 19-11,
Commending
District Staff
for Outstanding
Service During
the December 2010
Storm Damage

Manager Massey stated the December 2010 Storm Damage Incident posed a threat to the Running Springs Community and District staff responded to numerous water and wastewater storm damage incidents over the holiday and deeds performed during the Storm Damage were far above the call of duty. The District management, Board of Directors and Community of Running Springs owes a debt of gratitude to those outstanding individuals and the Board of Directors wanted to extend its utmost thanks and appreciation to those individuals who responded to the December 2010 Storm Damage Incident. Upon motion by Director Shouse, second by Vice-President Kellems and carried by a 4 to 0 vote, with Director Terry absent, RESOLUTION NO. 19-11, COMMENDING DISTRICT STAFF FOR OUTSTANDING SERVICE DURING THE DECEMBER, 2010 STORM DAMAGE INCIDENT, was adopted. (Resolution No. 19-11 on file in the District office and a copy will be placed in the employee personnel files)

Engineer Thomas updated the Board regarding the Regional Water Quality Control Board and the Storm Water Pollution Prevention Plans (SWPPP) requirement regarding certification for professionals that prepare SWPPP reports as of September 1, 2011. The District would not be required to comply with the SWPPP program for Linear Underground Projects (LUP) or pipeline projects if the project is under (1) acre. Engineer Thomas provided examples of projects and stated that historically, District projects have been under the size requirements. Engineer Thomas stated that projects could not be broken down to avoid requirements unless there is a timeframe between the projects with separate contracts or they would be considered phasing. Engineer Thomas closed by stating that Engineering Resources will do everything they can do to keep the costs down for the District.

Engineer's Report

Regarding the Chabad Property and their Assessment District #10 delinquency, Attorney Riddell stated that a complaint to foreclose on the Assessment District's lien has been prepared and filed by Best, Best & Krieger and will be served to all who have an interest in the property, including Wells Fargo Bank who is the largest lien holder. The Assessment District lien has priority over other recorded liens on the property so Attorney Riddell mentioned that Wells Fargo Bank will undoubtedly step up to pay the Assessment first or their Deed of Trust would be wiped out in a foreclosure sale. The District will eventually recover all of the costs, but timing is an issue because the District will not have adequate funds in the Assessment District account to cover the March, 2012 bond payment. Attorney Riddell stated that currently there is no record that Chabad has filed for bankruptcy.

Attorney's Report

Attorney Riddell then reported on the Bishay Retaining Wall project and exposed sewer line. He reminded the Board that an agreement has been signed between Running Springs Water District and Michael Bishay regarding the transfer of a portion of the retaining wall to the District plus an easement on the property to cover the location of the sewer line. A survey has been completed to describe the width of the easement and was based upon the location of the wall. It turned out that Mr. Bishay's contractor mistakenly located the wall further away from the sewer line than initially thought so the result is that the easement will be wider and the expense to backfill behind the wall will be greater. Attorney Riddell spoke with Mr. Bishay regarding options that included widening the easement because the existing description in the survey includes the wall. Attorney Riddell suggested that the District include a description of the wall in the deed that conveys the easement. Mr. Bishay requested that he be allowed to move the wall closer to the sewer line at a later date, at his expense, as long as we approve the new location of the wall and the construction is done to our specifications by written agreement.

Director Bennett asked about construction of the wall and Engineer Thomas described it as stackable blocks that are movable, with perforated drain pipes installed behind the wall to allow drainage. Discussion continued and Attorney Riddell stated he will draw up a proposed document granting such permission for consideration by the Board at the October meeting, for review and consideration.

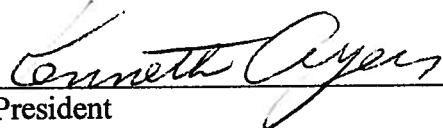
New Supervisor
Janice Rutherford
2nd District

Visitor Joan Moseley mentioned that on November 1, 2011, Janice Rutherford will become the Supervisor of the 2nd District due to redistricting. Manager Massey will send Supervisor Rutherford an introduction letter and welcome her to our District. Manager Massey will also suggest that we hold a community meeting in Running Springs with Supervisor Rutherford. In closing, Manager Massey confirmed that a letter will be forwarded to Supervisor Neil Derry to thank him for his presence in the Mountain communities since he was elected.

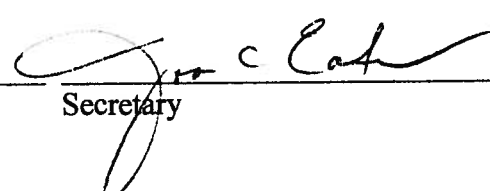
Adjournment

The meeting was adjourned at 12:02 P.M.

Respectfully Submitted,



President



Secretary