

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
RUNNING SPRINGS WATER DISTRICT
COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA
NOVEMBER 16, 2011

The Regular Meeting of the Board of Directors of the Running Springs Water District was held on Wednesday, November 16, 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
Mike Terry, 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
Mike Riddell, Attorney, Best, Best & Krieger
Brian Thomas, Engineer, Engineering Resources

Visitors present were:

Gerhard Hilgenfeldt, Customer
Ed Brittain, Consultant
Roger Hewlett, Green Valley Lake Resident
Ron Pearne, CSA79 Representative
Tony Lees, Project Manager, Pali Mountain Camp
Ralph Wagner, Consultant, Pali Mountain Camp
Joe Harich, Running Springs Resident
David Harich, Running Springs Resident
Nancy O'Rafferty, CPA, Financial Consultant, Rogers, Anderson, Malody and Scott
Scott Manno, CPA, Financial Consultant, Rogers, Anderson, Malody and Scott
Greg Fankhanel, CPA, Auditor, Teaman, Ramirez & Smith, Inc.
Cathy Clemens, Running Springs Chamber of Commerce Representative

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

Called to Order and
Pledge of Allegiance

All visitors were introduced for the record with no comments at this time.

Visitors

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Board Meeting Minutes October 19, 2011 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 October 19, 2011 were approved.

October Expenditures Upon motion by Director Terry, second by President Ayers and carried by a 4 to 0 vote, with Director Bennett absent, the expenditures through October 31, 2011, were approved.

OPERATIONAL REPORTS (Water) Supervisor Bobroff opened by stating there was one water main break caused by a tree root and resulting in approximately 30,000 gallons of water loss. The issue has been resolved with no property damage to report.

Supervisor Bobroff then stated that consumption is down and production from wells is gradually reducing due to the time of year and we are currently not purchasing any water from the Crestline-Lake Arrowhead Water Agency (CLAWA).

(Treatment) Supervisor Miller updated the Board on the Wastewater Treatment Plant Expansion Project construction and stated that it should be on line before Thanksgiving.

There is no additional information to report regarding the Outfall Line permits from the State of California Fish and Game. Supervisor Miller stated they will begin work on the permanent Outfall Line in the fall of 2012 when the creek is dry.

The UV system will be on line by December 12, 2011.

(Collections) Supervisor Hall reported that everything was going well in the Collections System and stated that Pump No. 1 for Lift Station #1 that was being repaired by Evans Hydro is now complete and required minor repairs.

Supervisor Hall continued by stating the Assessment District #7 Point Repair and Sewer Sag projects are complete. The Harris Property Paving Project is also complete and the Radio Study Project is currently in progress with the projected field work completion date of November 18, 2011. Supervisor Hall estimates the cost of new radios to be approximately \$1,500 each.

(Fire Department) Chief Grabow stated that in addition to his monthly report, Firefighter Engineer Dave Loest has completed the hydrant survey in compliance with the County.

The Governor has approved the \$150 fee that will be imposed on all structures in the State Responsibility Area (SRA) and Chief Grabow mentioned that the fire season restriction has been lifted.

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Supervisor Eaton stated that the Board of Directors candidates Michael Terry (Incumbent) and former Running Springs Water District General Manager Everett “Ed” Brittain were appointed to the Board of Directors seats in lieu of election. Ed Brittain will replace Vice-President Kevin Kellems and both Michael Terry and Ed Brittain will take office at noon on December 2, 2011. Oaths are executed by and filed with the District Secretary.

(Administration)

The Annual District Holiday Potluck will be held on December 16, 2011 at 12:00 noon in the Board Room.

Manager Massey reported that District staff and Directors Ayers and Bennett met with Janice Rutherford, San Bernardino County Third District Supervisor and Deputy Chief of Staff, Mark Taylor on November 4, 2011. Due to inclement weather, the tour of the District was postponed to a later date.

(General Manager)

The District received a check from the State of California in the amount of \$77,790 for reimbursement from the December 2010 Storm Damage.

In regards to the Consolidation Meetings of the Special District’s Hilltop Community Consolidation Committee, Manager Massey stated a meeting has been scheduled for Saturday, December 3, 2011 at 6:00pm at the Green Valley Lake Mutual Water Company Club House. Running Springs Water District personnel, the Hilltop Community Consolidation Committee and Kathleen Rollings-McDonald, LAFCO representative will be present to answer questions concerning the proposed consolidation. President Ayers asked the Board Members to confirm if they will be attending the meeting because if three or more Board Members attend, an agenda will be posted. Ron Pearne, CSA 79 representative, mentioned that some community members of Green Valley Lake are supportive of consolidation but he does not expect more than about twenty community members to be present at the meeting. District staff will prepare documentation for distribution at the meeting that includes the consolidation five-year plan.

Consolidation of Special Districts

The District conducts a Workshop each year to discuss the upcoming budgetary process and Manager Massey provided the Board with optional dates in January, 2012. The Board will consider the dates and notify Manager Massey of the preferred dates to conduct the 2012 District Budget Workshop.

2012 Workshop Dates

Assessment District #7 Sewer Sag Project Change Order No. 1 Supervisor Hall reported on the Assessment District #7 Sewer Sag Project contract with Bacon/Wagner Excavating that started on October 20, 2011. At the September 21, 2011 Board Meeting, the Board adopted Resolution No. 15-11, that authorized the General Manager to execute change orders up to the amount of \$5,000 with the concurrence of the Board President. The Sewer Sag project required a Change Order No. 1 in the amount of \$355.00 due to incorrect original construction. Supervisor Hall stated that Change Order No. 1 was approved by President Ayers and Manager Massey in the amount of \$355.00 to compensate Bacon Wagner Excavating for additional services required.

LAIF Remittance Advice The Local Agency Investment Fund Remittance Advice ending October 14, 2011 with quarterly interest earned of \$1,787.15 at 0.38% was provided to the Board as an information item only. President Ayers suggested that the District begin researching financial investment options after the first of the year.

Running Springs Chamber of Commerce Interest to Hold Farmers Market on the District Downtown Property The Running Springs Area Chamber of Commerce submitted a letter of interest to the Board of Directors asking if the District would entertain the idea of holding a Farmer's Market on the Downtown property next to the Tot Lot and Library. Visitor and Chamber representative Cathy Clemens addressed the Board regarding consideration of the request and stated they anticipate the event will be held in the spring of 2012. The Chamber will continue to work out the logistics of the event and return to the Board with additional information.

Special District Risk Management Authority (SDRMA) New Loss Prevention Allowance Fund Supervisor Eaton stated that the District contracts with the Special District Risk Management Authority (SDRMA) for our Property/Liability and Worker's Compensation programs. SDRMA recently approved a new Loss Prevention Allowance Fund Policy to demonstrate their support of member's loss prevention efforts which can be used by members to receive a maximum \$1,000 per year reimbursement for loss prevention efforts such as the purchase of safety equipment. Supervisor Eaton stated that District invoices were submitted to SDRMA on November 9, 2011 and have been approved for the \$1,000 reimbursement.

The Board moved to Action Item IX.B.

Tony Lees, Pali Mountain Project Manager, reported on their request to connect the camp to the District's sewer system and provided documentation stating that they anticipate an average daily flow of 15,533 gallons with estimated peak flows of 20,533 gallons per day. Manager Massey mentioned that Pali Mountain is currently outside of the District boundary, however, the camp is within the District's sphere of influence. The District could provide sewer service utilizing an Outside Service Agreement that would require a feasibility study to determine the actual fees and charges. The Local Agency Formation Commission (LAFCO) require an application approval process that would take a minimum of three months to complete. Manager Massey added that an option would be to wait until consolidation with Green Valley Lake (GVL) is completed in late 2012 because it would include the Pali Mountain property as part of the consolidated area. If LAFCO approves the consolidation as proposed by the District and GVL, a considerable savings in fees would be realized by Pali Mountain.

Pali Mountain
Request to Connect
to the District Sewer
System

Attorney Riddell stated that there should not be any California Environmental Quality Act (CEQA) issues per Mr. Lee's report but confirmed that the camp would require approval from LAFCO even with an Outside Service Agreement. Manager Massey added that it is an approximate three month process and \$2,500 fee to get approval from LAFCO. Discussion continued and Manager Massey stated that a feasibility study would be required regardless of the direction and Engineer Thomas added the feasibility study would determine connection points for impact to the sewer system. Engineer Thomas requested copies of Pali Mountain building and sewer plans to begin the study and said that he will also review past feasibility studies from the area. Mr. Lees stated that Pali Mountain is projecting to begin construction on March 1, 2012. No motion was made at this time.

The Board moved to Action item IX.I.

David Harich reported on their sewer connection proposal and stated that rainfall events during the past winter destroyed a portion of the Running Springs Water District sewer lines located on the Harich property and the destroyed portion of the outfall lines were replaced in an alignment that required new easements. In addition, the Harich property was damaged due to a significant quantity of discharged raw sewage while lines were being repaired. Mr. Harich stated they are requesting sewer connections and asking that the District obtain the necessary permitting process for the connection. Mr. Harich noted there are no time constraints or deadlines to their request.

Harich's Proposal
to Exchange a
Sewer Connection
for Easements at
Long Point Ranch

Discussion continued and Manager Massey suggested that the District hire an appraiser and review the costs associated with the Harich request and also form an Ad Hoc committee to make a final recommendation to the Board. Directors Shouse and Terry were appointed to the Ad Hoc Committee by President Ayers and a meeting will be scheduled in December, 2011. The Board thanked the Harich family for their cooperation during the event and Joe Harich mentioned that they have worked well with the District for the last thirty years. The motion will be returned to the January 2012 Board Meeting.

Fiscal Year 2010/11
Financial Audit
Report

Greg Fankhanel, Certified Public Accountant with Teaman, Ramirez and Smith, Inc., (TRS) presented the 2010/2011 Audited Financial Statements ending June 30, 2011 and provided documentation stating they conducted their audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Controller General of the United States. In their opinion, the financial statements referred to present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and aggregate remaining fund information of the Running Springs Water District, as of June 30, 2011 and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. (unqualified opinion) With this being the first Running Springs Water District audit for TRS, Mr. Fankhanel acknowledged District staff and the Financial Consultants for their assistance and stated that the District was well prepared.

Mr. Fankhanel then provided an overview of the 2010/2011 Audited Financial Statements ending June 30, 2011 and opened by reporting on the Running Springs Water District Balance Sheets Governmental Fund – Fire Protection Total Liabilities and Fund Balances at year end 2011 that was \$1,362,558. The Statements of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund – Fire Protection was an increase of \$154,558. Mr. Fankhanel then reported on the Proprietary Fund, Water, Ambulance and Sewer Departments and stated the change in net assets for 2011 was an increase of \$533,436. Mr. Fankhanel also noted that the Statements of Cash Flows with the Total Cash Provided by Operating Activities was \$37,342 for 2011. Discussion continued regarding the Financial Statements and Mr. Fankhanel mentioned that TRS has suggested that the District establish policies to address issues regarding Capital Asset Policies, Ambulance Service Billing and Receivables and Fund Accounting, as mentioned in their management letter. At the recommendation of TRS, the Board will review and consider approval of a Capital Assets policy later in the meeting. The District will also consider revisions to their chart of accounts to separate the enterprise and governmental funds to provide greater efficiency and effectiveness in the financial reporting process. Based on opinion and knowledge, Financial Consultant Nancy O’Rafferty confirmed that the District is financially sound and Engineer Thomas stated that the Wastewater Treatment Plant is sufficient in general. In closing, Manager Massey noted that in consolidation, there would be one combined audit for Running Springs Water District and CSA 79.

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Having completed the Audit presentation, the Board took a break at 10:20 A.M. and reconvened at 10:35 A.M.

Recess and
Reconvened

Upon motion by Vice-President Kellems, second by Director Shouse and carried by a 4 to 0 vote, with Director Bennett absent, the Fiscal Year 2010/11 Financial Audit prepared by TRS, the District's Independent Financial Auditor, was accepted.

2010/11 Financial
Audit Accepted

The Running Springs Water District staff realizes the importance of developing a uniform Capital Asset Accounting Policy that would provide guidance to ensure consistent and accurate accounting in this area and establish controls over capital asset reporting. Supervisor Eaton stated a meeting was held on September 14, 2011 with Nancy, O'Rafferty, Financial Consultant, Department Supervisors and Manager Massey regarding development of a Capital Asset policy and Construction in Progress Accounting requirements. Consultant O'Rafferty then reported on the proposed Capital Asset Policy and stated this policy is a conservative starting point and can be amended at a later date to include disposal of capital assets. Upon motion by Director Terry, second by President Ayers and carried by a 4 to 0 vote, with Director Bennett absent, RESOLUTION NO. 22-11, ADOPTING A CAPITAL ASSET ACCOUNTING POLICY, was adopted. (Resolution No. 22-11 on file in the District file room)

Resolution No. 22-11
Adopting a Capital
Asset Accounting Policy

Manager Massey then reported on the Soutar Project subdivision located at the intersection of Highway 18 and Soutar Drive and stated that completion of the project has been delayed to next month. The action item will be pulled for now and returned to the Board for consideration at the January 2012 Board Meeting. A revision will be made to the Bill of Sale before presentation at the January meeting. No action was made at this time.

Water and Sewer
Collection Facilities
to Serve Tract No. 17302
with Water and Sewer

The quarterly Safety Meeting minutes were provided to the Board for approval and will be forwarded to the Special District Risk Management Authority (SDRMA) for consideration of premium reduction. Upon motion by Director Shouse, second by President Ayers and carried by a 4 to 0 vote with Director Bennett absent, the September 7, 2011 Safety Committee Minutes were approved.

September 7, 2011
Safety Committee
Minutes

Manager Massey asked that the Board consider cancelling the December 21, 2011 Board Meeting due to conflicts in scheduling resulting from holiday season activities. If unanticipated business needs arise requiring Board action prior to the January 18, 2012 Board Meeting, the District will call a Special Meeting. Upon motion by President Ayers, second by Vice-President Kellems, and carried by a 4 to 0 vote, with Director Bennett absent, the December 21, 2011 Regularly Scheduled Board Meeting was cancelled.

December 21, 2011
Regularly Scheduled
Board Meeting
Cancellation

Resolution No. 20-11, Adopting the Countywide Vision

The District received a letter from San Bernardino County Supervisor Josie Gonzales and San Bernardino Associated Governments (SANBAG) President Larry McCallon asking the District to adopt the “Countywide Vision” statement by resolution, that articulates what the people they serve want for their future. The Vision Statement has been endorsed and adopted by the San Bernardino County Board of Supervisors and they invited all Special Districts to adopt the vision and make it a part of what they would use to guide decision making. Upon motion by Vice-President Kellems, second by President Ayers and carried by a 4 to 0 vote, with Director Bennett absent, RESOLUTION NO. 20-11, ADOPTING THE COUNTYWIDE VISION, was adopted. (Resolution No. 20-11 is on file in the District office)

Resolution No. 21-11 Commending Director Kevin Kellems For Distinguished Service

Vice-President Kevin Kellems who has been a valuable and distinguished member of the Running Springs Board of Directors since December 1997, will be leaving his seat in December, 2011. Manager Massey and President Ayers acknowledged Director Kellems by expressing their appreciation for his professional service and the contributions he made to the District during his tenure. Vice-President Kellems thanked the Board and staff and upon motion by President Ayers, second by Director Shouse and carried by a 4 to 0 vote, with Director Bennett absent, RESOLUTION NO. 21-11, COMMENDING DIRECTOR KEVIN KELLEMS FOR DISTINGUISHED DISTRICT SERVICE, was adopted. (Resolution No. 21-11 on file in the District office)

2011 Homeland Security Grant to Purchase an Oxygen Generation System

Chief Grabow then reported that with the closure of Highway 330 last year, the Fire Department realized the issues of receiving medical oxygen deliveries to the mountains during a disaster. The Homeland Security Grant program allowed the department to apply for funding to purchase a medical oxygen generation system that will provide the department with the ability to refill oxygen cylinders. Chief Grabow was pleased to announce that the Fire Department has been awarded a grant in the amount of \$11,748 for the purchase of an oxygen generation system, that must be accepted by the Board. The total price for the system is \$15,450 plus shipping and tax with an additional cost of \$4,000 for system equipment. The \$7,700 that is not covered by the grant will be recovered in approximately seven (7) years and the cost to maintain the equipment will be approximately \$400 a year. Discussion continued regarding the system and Chief Grabow will contact the Inland Counties Emergency Management Agency (ICEMA) regarding establishing an emergency policy for clarification of oxygen distribution. Upon motion by Vice-President Kellems, second by Director Terry and carried by a 4 to 0 vote, with Director Bennett absent, the Homeland Security Grant of \$11,748 for the Purchase of an Oxygen Generation System, was approved.

Engineer’s Report

Engineer Thomas had no additional information to report.

Attorney Riddell opened by reporting on the current water supply and stated the reservoirs are the fullest that he can remember this time of year. The initial allocation to the contractors is not announced until December, 2011, but will probably be approximately 50% which would exceed the demand of the Crestline-Lake Arrowhead Water Agency's customers. Attorney Riddell stated there are no water supply concerns at this time.

Attorney's Report

In terms of new laws, Attorney Riddell reported on Senate Bill 293 which restricts retentions on public works construction projects to no more than five percent. The legislation takes effect January 1, 2012 and will apply to all state and local projects including those of special districts. The law does allow an advanced determination in special circumstances, that warrants more than five percent retention. Attorney Riddell stated that there are two levels of security with the performance bond and retention requirements if a contractor "goes south", but typically the District does not have those issues with contractors.

Attorney Riddell then updated the Board regarding the Chabad Assessment District #10 foreclosure process and stated that Wells Fargo Bank has been served and filed an answer instead of risking a default. Best, Best & Krieger is in the process of serving all parties involved and ultimately the attorney and delinquent fees will be recovered in the process.

In closing, Ron Pearne, CSA 79 Representative asked Attorney Riddell if he anticipates any problems in the consolidation process and if he has any advice for Running Springs Water District and CSA 79 regarding consolidation. Attorney Riddell responded by stating that the Local Agency Formation Commission (LAFCO) appears to be in favor of consolidation so he does not anticipate any issues with LAFCO. Attorney Riddell did mention the importance of all parties understanding the issues involved with consolidation and stated that LAFCO will approve the consolidation with certain conditions. Attorney Riddell continued by reporting on the governance issue and expansion of the Board that may or may not include representation by Green Valley Lake residents. Discussion continued regarding governance and voters from both communities and President Ayers closed by stating the focus is what is best for the community and our customers.

The meeting moved to closed session at 11:31 A.M. to consider the following:

Closed Session

- A. Pursuant to Government Code Section 549.57
Public Employment: General Manager and Battalion Chief

Open Session The meeting moved into open session at 12:30 P.M.

Upon motion by Director Terry, second by Vice-President Kellems and carried by a 4 to 0 vote, with Director Bennett absent, to amend the salary schedule for the Paid-Call Battalion Chief in the Fire Department to \$52.63 per hour was approved.

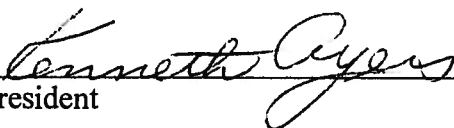
Upon motion by Director Shouse, second by Vice-President Kellems and carried by a 4 to 0 vote, with Director Bennett absent, the Employment Agreement with Sam Massey, pending confirmation that participation in the Medical Reimbursement plan does not violate CalPERS, and if it does then to eliminate that benefit from the agreement, was approved.

Directors' Business Director Terry asked if we have seen the video of CSA 79 sewer systems and Manager Massey responded no, that it has not been provided. President Ayers noted that it would be a public document under the Public Records Act. Vice-President Kellems asked if the District would retain any of the CSA 79 employees upon consolidation and Manager Massey responded that all of the CSA 79 employees would be eligible to apply for the newly created positions of the consolidated district.

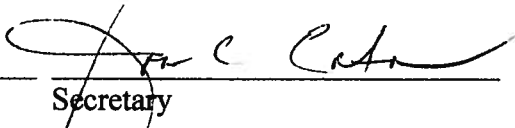
Director Shouse asked whether the Department Supervisors may prefer to be excused from the Board Meeting when they have finished with their monthly operational reports. The Board discussed the benefits of having the supervisors involved in other discussions that occur sometimes during the remainder of the meeting and the possibility of making that optional for them. Manager Massey stated he would discuss this with the supervisors.

Adjournment The meeting was adjourned at 12:46 P.M.

Respectfully Submitted,



President



Secretary