

MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF DIRECTORS OF  
COUNTY SANITATION DISTRICT NO. 20  
HELD AT THE OFFICE OF THE DISTRICT  
VIA TELECONFERENCE

February 9, 2023  
11:30 o'clock, A.M.

The Board of Directors of County Sanitation District No. 20 of Los Angeles County met in regular session via teleconference.

There were present: Richard Loa, Director from Palmdale  
Andrea Alarcon, Alternate Director from Palmdale  
Kathryn Barger, Alternate Director from Los Angeles County

Absent: None

Also present: Kimberly S. Christensen, Secretary to the Board  
Brant Dveirin, District Counsel

Upon motion of Director Barger, duly seconded and unanimously carried by a roll-call vote, Director Alarcon was elected Chairperson pro tem.

RE: PUBLIC COMMENT  
The Chairperson pro tem announced this was the time for any questions or comments by members of the public. There were no public comments or questions to address the Board on any matters not listed on the agenda.

RE: MINUTES  
Upon motion of Director Barger, duly seconded and unanimously carried by a roll-call vote, the minutes of the regular meeting held January 12, 2023, were approved.

RE: DISTRICT EXPENSES  
The following expenses for the month of November 2022 were presented and upon motion of Director Barger, duly seconded and unanimously carried by a roll-call vote, were approved:

Local District Expenses:	
Operations & Maintenance	\$1,281,580.01
Capital	59,844.87
Legal	712.25
Allocated Expenses:	
Joint Administration	92,870.52
Technical Support	96,721.12
Legal	3,533.57
Total Expenses	<u>\$1,535,262.34</u>

RE: RESOLUTION PROCLAIMING A LOCAL EMERGENCY, RATIFYING THE PROCLAMATION OF A STATE OF EMERGENCY ON MARCH 4, 2020 BY CALIFORNIA GOVERNOR AND AUTHORIZING REMOTE TELECONFERENCE MEETINGS OF THE LEGISLATIVE BODY - ADOPT

A proposed Resolution of the Board of Directors of the County Sanitation District No. 20 of Los Angeles County Proclaiming a Local Emergency, Ratifying the Proclamation of a State of Emergency on March 4, 2020 by California Governor and Authorizing Remote Teleconference Meetings of the Legislative Body, was presented. The Governor's two executive orders (N-29-20 & N-08-21), under which the Districts have been conducting its teleconferenced board meetings, during the continued existence of the Governor's proclaimed state of COVID-19 emergency, will be conducted under the provisions of AB 361 which added California Government Code Section 54953(e), to the Brown Act. Under the provisions of AB 361 (Government Code Section 54953(e)), at their first next meeting, each District must adopt, by majority vote, an initial resolution making certain findings about the continuing COVID state of emergency and health and safety risks of conducting their board meeting in person. By statute, this Resolution and its referenced findings, are only legally valid for 30 days. A copy of the proposed Resolution was attached to the agenda. A recommendation was made to adopt the Resolution.

Upon motion of Director Barger, duly seconded and unanimously carried by a roll-call vote, the following Resolution was adopted:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE COUNTY SANITATION  
DISTRICT NO. 20 OF LOS ANGELES COUNTY PROCLAIMING A LOCAL EMERGENCY,  
RATIFYING THE PROCLAMATION OF A STATE OF EMERGENCY  
ON MARCH 4, 2020 BY CALIFORNIA GOVERNOR AND AUTHORIZING  
REMOTE TELECONFERENCE MEETINGS OF THE LEGISLATIVE BODY

WHEREAS, the County Sanitation District No. 20 of Los Angeles County (“District”) is committed to preserving and nurturing public access and participation in meetings of the District’s Board of Directors and committees; and

WHEREAS, all meetings of the District’s Board of Directors are open and public, pursuant to the requirements of the Ralph M. Brown Act (California Government Code Sections 54950-54963) (the “Brown Act”), so that any member of the public may attend, participate, observe and watch the District’s Board of Directors conduct business; and

WHEREAS, the Brown Act, Section 54953(e), allows for conducting and participating in meetings by members of a legislative body, without compliance with the requirements of the Brown Act Section 54953(b)(3), subject to the existence of certain conditions; and

WHEREAS, a required condition under the Brown Act Section 54953(e) is the declaration of a state of emergency by the Governor pursuant to California Government Code Section 8625, proclaiming the existence of conditions of disaster or of extreme peril to the safety of persons and property within California caused by the conditions outlined and described in California Government Code Section 8558; and

WHEREAS, a proclamation of a state of emergency is made when there is an actual incident, threat of disaster, or extreme peril to the safety of persons and property within the jurisdictions that are within the District’s boundaries, caused by natural, technological, or human-induced disasters; and

WHEREAS, it is further required that the state or local officials have imposed or recommended measures to promote social distancing, or the Board of Directors of the District have held a meeting where it considered and determined that meeting in person would present imminent risks to the health or safety of attendees; and

WHEREAS, such conditions now exist in the District as Governor Newsom declared a State of Emergency on March 4, 2020 as a result of the threat of COVID-19; and

WHEREAS, the County of Los Angeles Department of Public Health Order of the Health Officer issued September 22, 2022 (the “County Order”) includes recommendations the protection of persons with elevated risk factors for severe health outcomes due to COVID-19 infection; and

WHEREAS, the District’s Board of Directors does hereby find that the ongoing and significant risks associated with COVID-19 infection, especially in the absence of capacity limits and physical distancing requirements for indoor activities, on those individuals with underlying health conditions that make them susceptible to severe COVID-19 illness and individuals who are not and cannot be vaccinated, that COVID-19 infection remains a significant health hazard to all residents, and desires to proclaim a local emergency and ratify the proclamation of a state of emergency by the Governor of the State of California, and further, ratify the County Order findings related to the ongoing health hazards of COVID-19; and

WHEREAS, as a consequence of the declared state of emergency and the local emergency, the Board of Directors of the District does hereby find that the District shall continue to conduct its meetings in accordance with the provisions and requirements of the Brown Act Section 54953(e), and that the legislative bodies of the District shall comply with the requirements to provide the public with access to, and an opportunity to comment at all meetings of the District’s legislative bodies in accordance with the requirements of the Brown Act Section 54953(e)(2); and

WHEREAS, the District will continue its practice of live streaming its meetings via the Zoom software platform which allows members of the public to observe and participate in the meetings via video or call-in options and will continue to offer members of the public an opportunity to make oral comments during the meetings and/or submit written comments before the meetings.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE COUNTY SANITATION DISTRICT NO. 20 OF LOS ANGELES COUNTY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Recitals. The Recitals set forth above are true, correct, and are incorporated in this Resolution by reference.

Section 2. Proclamation of Local Emergency. The Board of Directors of the District does hereby proclaim that a local emergency now exists throughout the territory of the District and, as described in the County Order, recommendations from health officers include ongoing masking, and social distancing practices especially for indoor settings and particularly for individuals who, due to vaccine status or underlying health conditions, continue to be at risk for severe illness, and COVID-19 infection remains a significant health hazard to all residents of the District.

Section 3. Ratification of Governor's Proclamation of a State of Emergency. The District's Board of Directors hereby ratifies the Governor of the State of California's Proclamation of a State of Emergency, effective as of its issuance date of March 4, 2020.

Section 4. Remote Teleconference Meetings. The Chief Engineer and General Manager, staff and legislative bodies are hereby authorized and directed to take all actions necessary to carry out the intent and purpose of this Resolution including, without limitation, conducting open and public meetings in accordance with the Brown Act Section 54953(e) and all other applicable provisions of the Brown Act.

Section 5. Effective Date of Resolution. This Resolution shall take effect immediately upon its adoption and shall be effective until the earlier of 30 days after the date of this resolution, or such time that the District's Board of Directors adopts a subsequent resolution in accordance with the Brown Act Section 54953(e)(3) to extend the time during which the legislative bodies of the District may continue to teleconference without compliance with the requirements of the Brown Act Section 54953(b)(3).

PASSED AND ADOPTED by the Board of Directors of the County Sanitation District No. 20 of Los Angeles County this 9<sup>th</sup> day of February 2023 by the following vote:

AYES: Three (3)

NOES: None

ABSTAIN: None

ABSENT: None

RE: ANNUAL COMPREHENSIVE  
FINANCIAL REPORT FOR FISCAL  
YEAR ENDING JUNE 30, 2022  
RECEIVE AND ORDER FILED

The Chief Engineer and General Manager advised that copies of the Districts' Annual Comprehensive Financial Report (ACFR) for fiscal year ending June 30, 2022, which includes the annual audit required by state and federal laws, were previously distributed to the

Directors, and was attached to the agenda. The first several pages in the ACFR include a management summary that discusses the Districts' capital projects, goals, and upcoming major projects. The ACFR provides an overview of the Districts' operations and financial position. The ACFR was reviewed by an independent Certified Public Accounting firm and there were no findings. This item is consistent with the Districts' Guiding Principles of commitment to fiscal responsibility and prudent financial stewardship; and to protect financial and facility assets through prudent investment and maintenance programs. A recommendation was made to receive and order filed the Districts' ACFR for fiscal year ending June 30, 2022.

Chairperson pro tem Alarcon stated that page 6 of the management summary discusses the four-year rate plan that was adopted in 2019. She asked the Chief Engineer and General Manager to describe the differences in the rate structures for Districts Nos. 14 and 20.

In response to Chairperson pro tem Alarcon, the Chief Engineer and General Manager stated that in regard to Districts Nos. 14 and 20, each District is an independent financial entity with its own revenues and expenses; therefore, the service charge in each District is different. District No. 14 can have lower rates partly because it is larger than District No. 20 and has better economies of scale. The other Districts in the southeast region of Los Angeles County are combined into one system. Their rates are lower because each of those Districts is part of the large Joint Outfall System. In addition, each District's revenue is based partly on property tax revenue, which affects the service charge.

Upon motion of Director Loa, duly seconded and unanimously carried by a roll-call vote, Annual Comprehensive Financial Report for the fiscal year ending June 30, 2022, which includes the annual audit required by state and federal laws, and was previously mailed to the Directors, was accepted and ordered filed.

RE: WASTEWATER REVENUE PROGRAM  
SERVICE CHARGE RATES - DISCUSS

The Chief Engineer and General Manager reported that the Board previously adopted service charge rates through fiscal year 2022-23. At the January 12 Board meeting,

budgetary needs, proposed service charge rates and the implementation process were discussed, and the Board requested additional information and analysis. The Chief Engineer and General Manager will present the results of this additional analysis. This item is consistent with the Districts' Guiding Principles of commitment to fiscal responsibility and prudent financial stewardship; and to plan for both short-term and long-term needs to minimize the need for significant rate increases.

The Chief Engineer and General Manager advised that Mr. Matt Eaton, Head of the Financial Management Department, will give a presentation and provide some background on the matter. He stated that the key issue today is to decide if the Board will implement a rate increase and how much. The presentation will provide answers to questions raised at the last meeting. In 2019 the Board approved the proposed rate increase. Furthermore, if the Board approves a smaller increase, then a larger increase would be needed in the future. He recommends the full increase at this time, so that next year it will be a smaller increase. He turned the meeting over to Mr. Eaton.

Mr. Eaton stated that the Board discussed this matter last month. Today, the presentation will provide information of staff's analysis following discussions at the last meeting. Mr. Eaton showed a map of District No. 20's service area. District No. 20 serves Palmdale and a portion of unincorporated Los Angeles County. The Palmdale Water Reclamation Plant (WRP) is located northeast of Palmdale. Two large effluent management storage reservoirs, located in the eastern side of the Antelope Valley, store treated wastewater in the winter, which is primarily used for farming in spring, summer, and fall. The Palmdale WRP treats 9.7 million gallons of wastewater per day. Some effluent is used in purple pipe recycled water use.

Financial objectives of the wastewater revenue program are to meet current operating and maintenance expenses, debt repayment, and future capital projects; comply with Board-adopted policies; and implement cost-effective, stable rates.

The key financial policy targets were shown on a slide. Reserves target is 100 percent of the sum of short-term cash flow needs, six months of Operations and Maintenance (O & M), one year of debt service, and stability fund for rates. The Debt Service Coverage Ratio is 1.30 or revenue minus O & M expenses, divided by debt service.

The recent service charge rate history was discussed. The service charge rate is based on a single-family home. The original rate ordinance and Proposition 218 from 2019 called for rates reaching \$622.52 per year in 2022. That four-year package included four increases of \$11.88 per year. Rates were frozen for two years at \$586.88 starting in 2020 in order to reduce impact to ratepayers during the COVID-19 pandemic. Rate increases resumed in 2022. The current rate is \$610.64, which is \$11.88 below where the District expected to be at the end of the four years. Despite the rate freeze and high inflation, the District's reserves have modestly increased, and it is generally meeting its financial objectives.

He showed a line graph of the service charge rate history. He compared the original trajectory with the 2020, 2021, and 2022 revised ordinances. The current rate is approximately \$51 per month per household.

Key drivers of the 2023-24 preliminary budget include a 16.7 percent increase in O & M expenses (chemicals, utilities, and labor) from the 2022-23 budget and \$59 million in capital expenses (sewer repair and additional effluent storage reservoir or an alternative project) budgeted over the next eight years. Overall, revenue is stable. Since 2019, electricity has increased 56 percent and chemical prices have increased 24-178 percent. Contracts for chemicals are set to expire in the next year, and significant increases are expected.

He discussed actual and projected capital expenses from the last ten years, as shown on a bar graph. Capital expenses in 2023-24 through 2025-26 are primarily due to sewer rehabilitation projects. Historically, capital expenses were less than \$2 million per year. In 2023-24, the District expects to spend \$6-7 million. At the beginning of last year, a significant sewer spill in Carson caused the Districts to re-evaluate, with the help of a third-party consultant, the sewer maintenance program. The Districts accelerated sewer repair and rehabilitation projects to avoid potential failures. The average sewer in District No. 20 is approximately 60 years old, which is at the end of its useful life. The sewers have signs of corrosion and damage to the concrete.

Six sewer repair projects totaling approximately \$16.6 million were shown on a slide. Most of the projects are to repair corroded/failing sewers. He reviewed non-sewer projects totaling approximately \$8 million. The Effluent Management System Modifications project involves modifications to electrical systems, which are required to improve operations of the effluent storage reservoirs at a cost of \$3.4 million. The Dewatering

Facilities Upgrade (Volute Presses) project consists of replacement of problematic centrifuges resulting in savings in O & M costs.

The Chief Engineer and General Manager stated that capital spending includes an investment in newer sewers, improved operations in the treatment plants, and more local construction job opportunities.

In response to the Chairperson pro tem, Mr. Eaton stated that at today's meeting the Board is not approving the capital program. Staff is seeking direction on the service charge rate for fiscal year 2023-24.

Mr. Eaton continued his presentation. He reviewed the service charge rate options. Staff recommends Option 3, a service charge increase of \$11.88 for one year only, starting July 1, 2023. The annual rate will increase from \$610.64 to \$622.52 (\$50.89 to \$51.88 [\$0.99 increase or 2 percent] per month). The previous Proposition 218 notice from 2019 covers this increase. Reserves will remain below target but remain stable. Option 1 is no service charge increase and re-evaluate in future years. Reserves will continue to drop as low as 58 percent below target. The debt coverage ratio would fall below target, jeopardizing credit rating. The District expects to seek credit to fund potential capital projects. More aggressive increases will be necessary in the following year. Option 2 is for \$5.94 increases (split previously-approved rate increase of \$11.88) in 2023-24 and 2024-25. Reserves would drop further below target until adequate rate increases resume. This is less desirable than Option 1. The debt coverage ratio gets as low as 1.25, jeopardizing credit rating. Subsequent rate increases would need to be aggressive. The District would not be able to get to 75 percent of reserves target by 2026-27. Long-term impacts would be more significant.

In conclusion, the recommended rate increase of \$11.88 starting July 1, 2023, resumes previously approved annual increases. The main impact of a lower increase is that subsequent increases will need to be higher. A Proposition 218 notice is not required. Future increases are forecast to be in line with inflation.

Today, the Board provides direction on the service charge rate increase. If the Board concurs on a rate increase, the next steps in March-June 2023 are presentation of preliminary budgets, introduction and adoption of new rate ordinance, receive and file Service Charge Report, then adoption of final budget and appropriations limit.

At this time, he opened the meeting for questions.

In response to Director Barger, Mr. Eaton stated a delay on the rate increase could trigger an increase in interest rates for financing and that prioritizing capital projects are a key part in planning for the next three years. The most important projects are to minimize the risk of sewer failures. He also responded that deferring capital projects would increase the risk of sewer failures, and, as a result, the possibility that the District would be fined. The regulators could take into account delaying of projects.

In response to Director Barger, the Chief Engineer and General Manager stated that the local Regional Water Quality Control Board would issue a fine and consider that that the District was aware of a potential failure, deferral, etc. There is a component for a fine for delaying work for reason of economic benefit. He stated that it is important to be proactive because of a potential fine and the environmental impact.

In response to Director Barger, Mr. Eaton stated that the difference between the service charges between Lancaster and Palmdale is due to economies of scale. District No. 14 had service charge rate increases over the last 10 years due to anticipation of a significant planned capital improvement project. The proposed capital improvement project was re-evaluated then postponed as it was determined that the concrete was in better condition than expected. District No. 14 reserves are above target and therefore the District is in better condition.

In response to the Chairperson pro tem, Mr. Eaton stated that the service charge increases will be reflected on the property tax bills in August/September. The first payment is due in December 2023 and the second payment is due in April 2024.

All Directors concurred with Option 3, a one-time service charge rate increase of \$11.88 starting July 1, 2023.

The Chief Engineer and General Manager stated that a formal vote is not needed at this time. The necessary actions would be considered by the Board at the next meeting. If Directors have any questions or receive phone calls from members of the public, they may direct them to him or Mr. Eaton (at Ext. 2704).

RE: UPDATE ON PILOT STUDY FOR  
BIOSOLIDS AIR DRYING AT LANCASTER  
WATER RECLAMATION PLANT

The wastewater treatment process generates biosolids which are typically dewatered to about 20 percent solids content before they are hauled offsite for beneficial reuse at various composting facilities. Since 2019, the

Lancaster Water Reclamation Plant (WRP) has been operating a pilot-scale air-drying process to further reduce the water content in a portion of its biosolids to accelerate drying and has achieved savings of \$145,000 per year in hauling costs. Substantially more savings are possible with full-scale operation. The Chief Engineer and General Manager will provide an update on options to implement full-scale operation of biosolids air drying for the Lancaster and Palmdale WRPs.

The Chief Engineer and General Manager gave an update on the discussions from last meeting regarding the options to implement full-scale operations of biosolids air drying at the Lancaster and Palmdale WRPs. The purpose of this presentation is to provide information on the options and seek direction on moving forward.

Biosolids are separated from wastewater during the treatment process at the Lancaster WRP. Biosolids, which are mostly water, are dewatered. This process results in 20 percent biosolids and 80 percent water before they are hauled offsite to various composting facilities. A tractor using windrow-turning equipment breaks up the biosolids and accelerates drying up to 60 percent solids content. Substantially, more savings are possible with full-scale operation. The pilot study proved that a full-scale project would be feasible at the Lancaster and Palmdale WRPs. The result was a cost savings of \$145,000 per year. Staff researched the economics for a full-scale process at one or both sites.

He discussed three options for possible full-scale operations at the Lancaster and Palmdale WRPs. Options 1 and 2 are for separate and independent operation at each WRP. Option 1 is to build an air-drying pad for the Lancaster WRP only at a cost of \$1.7 million. The annual savings would be \$330,000 per year with a payback period of 5.1 years. Option 2 is to build an air-drying pad at Palmdale WRP only at the cost of \$800,000. The annual savings would be \$82,000 per year with a payback period of 9.6 years. Option 3 is to build a centralized air-drying pad at the Lancaster WRP for a combined operation, at a cost of \$2.1 million (District No. 14 share at \$1.4 million, District No. 20 share at \$700,000). The annual savings would be \$500,000 per year (District No. 14 savings at \$350,000 per year, District No. 20 savings at \$150,000 per year). The payback period would be 4 years for District No. 14 and 4.5 years for District No. 20. Option 3 is the most cost-effective and efficient option because building at one location saves in equipment, construction, and operations and maintenance costs.

He advised that District No. 14 concurred, pending District No. 20's concurrence. Staff recommends Option 3, one centralized, full-scale operation at the Lancaster WRP. This is the most cost-effective option with both Districts sharing expenses. He requested concurrence from the Directors to move forward with Option 3.

All Directors concurred with staff's recommendations.

RE: STATUS REPORT/DIRECTOR COMMENTS  
ITEMS NOT LISTED ON AGENDA

The Chief Engineer and General Manager advised that this is the last virtual meeting for the Board. Since the governor's emergency order will be lifted at the end of

February, in March the Districts will be back to in-person meetings at the Palmdale City Hall.

The meeting was adjourned by the Chairperson pro tem.

*Andrea Alarcon*

ANDREA ALARCON  
Chairperson pro tem

ATTEST:

*Kimberly S. Christensen*

KIMBERLY S. CHRISTENSEN  
Secretary

/ee