

MINUTES OF THE ADJOURNED REGULAR MEETING  
 OF THE BOARD OF DIRECTORS OF  
 COUNTY SANITATION DISTRICT NO. 14  
 HELD AT THE ANTELOPE VALLEY  
 TRANSIT AUTHORITY

January 22, 2024  
 11:30 o'clock, A.M.

The Board of Directors of County Sanitation District No. 14 of Los Angeles County met in regular session.

There were present: Austin Bishop, Director from Palmdale  
 Kathryn Barger, Alternate Director from Los Angeles County  
 Marvin Crist, Chairperson pro tem, Alternate Director from Lancaster

Absent: None

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

RE: PLEDGE OF ALLEGIANCE The Pledge of Allegiance was led by the 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 to Board on any matters.

RE: DIRECTOR FROM CITY OF PALMDALE A certificate from the acting City Clerk of the City of Palmdale was presented to the Secretary stating that at a meeting of the City Council held December 6, 2023, Mr. Austin Bishop was elected Mayor of the City of Palmdale, which is the designation of the presiding officer of the governing body of that city and automatically places Mr. Bishop on this Board.

Upon motion of Director Barger, duly seconded and unanimously carried, the certificate was accepted and ordered filed.

RE: MINUTES Upon motion of Director Barger, duly seconded and unanimously carried, the minutes of the regular meeting held December 14, 2023, were approved.

RE: DISTRICT EXPENSES The following expenses for the month of October 2023, seconded and unanimously carried, were approved:

Local District Expenses:	
Operations & Maintenance	\$1,486,427
Capital	790,873
Legal	2,121
Allocated Expenses:	
Joint Administration	144,881
Technical Support	183,035
Legal	5,121
Total Expenses	<u>\$2,612,458</u>

RE: ANNEXATION NO. 446 RESOLUTIONS AUTHORIZING APPLICATION TO LOCAL AGENCY FORMATION COMMISSION AND APPROVING NEGOTIATED EXCHANGE OF PROPERTY TAX REVENUES - ADOPT Annexation No. 446 consists of one proposed warehouse in the City of Lancaster. Each annexation to the District's service area requires adoption of two resolutions by the Board. The first resolution authorizes submittal of the annexation application to Local Agency Formation Commission (LAFCO), approves the California Environmental Quality Act (CEQA) document, and consents to a waiver of the LAFCO protest hearing. The second resolution is a joint resolution with agencies that already provide services to the proposed annexation territory

agreeing to the amount of property tax revenue that will be apportioned to the District in accordance with the Revenue and Taxation Code. A data sheet, map, Notice of Finding, and the CEQA document were attached to the agenda. A recommendation was made that the Board adopt a resolution for making an application to LAFCO for annexation; review, consider and find adequate the CEQA document; and consent to a waiver of protest proceedings. Furthermore, a recommendation was made that the Board adopt a joint resolution with the County of Los Angeles, Antelope Valley Cemetery District, Antelope Valley Resource Conservation District, City of Lancaster, and Antelope Valley - East Kern Water Agency approving and accepting the negotiated exchange of property tax revenues resulting from annexation.

Upon motion of Director Barger, duly seconded and unanimously carried, the Board of Directors of County Sanitation District No. 14 of Los Angeles County does hereby approve the Joint Resolution of the Board of Supervisors of the County of Los Angeles, the governing bodies of the Antelope Valley Cemetery District, Antelope Valley Resource Conservation District, City of Lancaster, and Antelope Valley - East Kern Water Agency, and this Board of Directors, approving and accepting the negotiated exchange of property tax revenues resulting from Annexation No. 446 to the District, a copy of which is on file at the Office of the District and by reference incorporated herein as though fully set forth; and the Chairperson and Secretary are authorized to execute the Joint Resolution on behalf of the District. Furthermore, the following resolution was adopted:

### RESOLUTION

WHEREAS, the Board of Directors of County Sanitation District No. 14 of Los Angeles County, hereinafter referred to as "District", desires to commence proceedings for the annexation to District of certain territory, described in Exhibit "A", attached hereto and by reference incorporated as a part hereof; and

WHEREAS, said Board of Directors does hereby certify that it has reviewed and considered the environmental documents submitted for the proposed annexation and found said environmental documents to be adequate;

NOW, THEREFORE, said Board of Directors does HEREBY RESOLVE, FIND, AND DECLARE as follows:

1. Application and a proposal is hereby made to the Local Agency Formation Commission of Los Angeles County for a change of organization as follows:
  - (a) This proposal is made pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 commencing with Section 56000, Government Code, State of California.
  - (b) The nature of the proposed change of organization and the name of the District for which such change of organization is proposed are as follows:

The annexation of the territory described in Exhibit "A" hereof to County Sanitation District No. 14 of Los Angeles County.
  - (c) The names of all other affected counties, Districts, or cities are as follows:

Counties: None  
Districts: None  
Cities: Lancaster and Palmdale
  - (d) The territory is uninhabited. A description of the exterior boundaries of such territory is set forth in Exhibit "A" hereof.
  - (e) It is desired that the proposed annexation provide for and be made subject to the following terms and conditions:
    - (1) The retention by District of the deposited sum of \$12,700.00 as the fee required by the Board of Directors for said annexation.
    - (2) The negotiated exchange of property tax revenues between affected agencies resulting from said annexation to District.

- (f) The reasons for this proposal are as follows:
    - (1) The District is empowered to and is engaged in providing sewerage facilities which can best serve the territory proposed to be annexed with sewage disposal service. Based on the information provided by the property owners, the District's sewerage facilities have or, in accordance with current policy, will have adequate capacity to collect, treat, and dispose of the wastewater anticipated to be generated on the subject property. Actual sewer hook-up will not be allowed until payment of the connection fee and shall be subject to all circumstances then existent including the availability of capacity. Disposal of the treated wastewater will be in accordance with waste discharge permits issued by the appropriate California Regional Water Quality Control Board.
    - (2) Said territory is proposed to be developed, and the property owners have requested in writing that the territory be provided with sewage disposal service.
    - (3) Said territory must be annexed to District before sewage disposal service is provided.
  - (g) This proposal is consistent with the sphere of influence of the District.
  - (h) In accordance with the requirements of California Health & Safety Code Section 4830, the territory subject to this annexation will benefit from the annexation.
  - (i) It is hereby requested that proceedings be taken for the change of organization proposed, according to the terms and conditions stated above and in a manner provided by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.
2. Said District consents to waiver of protest proceedings pursuant to Section 56663 of the Government Code.
  3. The Clerk of the District is hereby authorized and directed to file a certified copy of this resolution with the Executive Officer of the Local Agency Formation Commission of Los Angeles County.

RE: WASTEWATER MANAGEMENT  
 VOLUTE DEWATERING PRESS AT  
 LANCASTER WATER RECLAMATION  
 PLANT - AUTHORIZE ISSUANCE OF  
 PURCHASE ORDER TO PROCESS  
 WASTEWATER TECHNOLOGIES, LLC

At the January 21, 2021, Board Meeting, the purchase of one volute dewatering press unit manufactured by Process Wastewater Technologies, LLC, (PWTech) was authorized for a full-scale evaluation of their technology to replace existing centrifuges, which have been utilized to dewater solids generated in the wastewater treatment process. The existing centrifuges are over 30 years old

and are now obsolete and costly to operate and maintain. Based on a full-scale evaluation conducted in 2022-23 at the Lancaster Water Reclamation Plant (WRP), the estimated annual savings from operating the volute dewatering press are approximately \$173,000, with a pay back of less than five years. The full-scale evaluation has found that the press is easier to operate than the existing centrifuges, with minimal maintenance. In addition, the dewatered cake produced by the press technology is comparable with the existing centrifuges. Staff recommends the purchase of a second unit for operational redundancy to replace the remaining centrifuges. This item is consistent with the Districts' Guiding Principles to protect financial and facility assets through prudent investment and maintenance programs; and commitment to operational excellence (protection of public health and the environment, regulatory compliance; and cost effectiveness). A recommendation was made to authorize the Chief Engineer and General Manager, in his capacity as Purchasing Agent, to issue a purchase order to PWTech in the amount of approximately \$764,667 for a volute dewatering press at the Lancaster WRP.

The Chief Engineer and General Manager stated that the volute dewatering press will be used to remove biosolids that are high in water content. The existing centrifuges are old, obsolete, only have about four to five years of life left and are costly to operate and maintain.

Upon motion of Director Bishop, duly seconded and unanimously carried, the Purchasing Agent was authorized to issue a purchase order to Process Wastewater Technologies, LLC, for a volute dewatering press at the Lancaster Water Reclamation Plant, at a cost of approximately \$764,667.

RE: WASTEWATER REVENUE PROGRAM  
 SERVICE CHARGE RATES - DISCUSS

The Chief Engineer and General Manager introduced Mr. Matt Eaton, Deputy Assistant Chief Engineer and Department Head of Financial Management, to give a presentation regarding finances and options related to the service charge rates. Staff is seeking the Board's

direction on how to structure service charge rates. The rates must be finalized by March to meet the deadline with the Auditor-Controller in order to collect the service charge on the property tax roll for the fiscal year starting July 1, 2024.

Mr. Eaton stated that his presentation will focus on the budgetary needs and the factors affecting service charge rates, including Operations and Maintenance (O&M) and capital expenses. The District has not had a rate increase in the last five years.

Mr. Eaton continued his presentation with PowerPoint slides. He advised that District No. 14 serves portions of the City of Lancaster, City of Palmdale, and unincorporated areas of Los Angeles County. The Lancaster Water Reclamation Plant treats approximately 15 million gallons of wastewater per day.

There are key financial objectives, which are used by staff to determine rate recommendations and budgets. The financial objectives are as follows: (1) meet current cash needs for funding O&M, debt repayment, and future capital projects; (2) comply with Board-adopted policies; and (3) implement cost-effective, stable rates.

The Board-adopted financial policy targets consist of a reserve target and debt service coverage ratio target. The reserves target consists of a sum of short-term cash flow needs, six months of O&M, one year of debt service, and a stability fund for capital expenses. The target is for funds to be at 100 percent of this amount. The debt service coverage ratio is the ratio of net revenue divided by debt service. The target is for the ratio to be at 1.30. This metric is important because the State Revolving Fund (SRF) loans require that the District has a debt service coverage ratio of at least 1.20. The ratio also factors into credit ratings, which affects the cost of debt financing. A debt services Rate Stabilization Fund (RSF) is available to meet the requirements.

The last service charge rate package and Proposition 218 notices were completed in 2019 and called for rates reaching \$523.52 per year in 2022. The service charge rate was frozen and has remained at \$487.88 since 2020 in order to reduce impact to the ratepayers during the Coronavirus (COVID-19) pandemic. A typical single-family home has saved over \$150 during the rate freeze. Despite the rate freeze and inflation, the District has continued to meet its reserve and debt targets. The District has been able to absorb the increase in costs through the use of reserves and surplus revenue. A line graph of the service charge rate history was shown on a slide.

The key factors affecting the preliminary budget and rates were shown on a slide. There has been a 40 percent increase in O&M costs due to inflation over the last six years. There are significant capital improvements planned at a cost of approximately \$23 million in the next five years that will be partly debt financed. Capital improvements primarily include sewer projects. A slide was shown of a corroded and failing sewer.

Key rate setting challenges were discussed. The key drivers of O&M were discussed. Since 2019, chemical unit prices have increased approximately 64 percent with a 27 percent increase in the latest contract renewals and utilities have increased 83 percent.

A bar graph showing the actual capital expenses for 2018-2023 and projected capital expenses for 2023-2029 was shown on a slide. In the next five years, there are a number of capital projects, which include mostly sewer rehabilitations.

It was recommended that effective July 1, 2024, the rate be increased by \$8 or 1.6 percent to align revenue with the increased O&M costs, followed by a \$12 or 2.4 percent per year increase for July 1, 2025, followed by a \$15.64 or 3.1 percent increase for July 1, 2026. The service charge rate will increase from \$487.88 to \$523.52 per year over three years (\$40.66 per month to \$43.63 per month). This equates to a 2.4 percent average increase per year over three years. Reserves will be at or above target and debt coverage will be near target. He advised that the previous Proposition 218 approval process covers this increase.

Two alternative options were discussed. One option consisted of a 7.4 percent increase in 2024, followed by no increases in 2025 and 2026. The service charge rate would increase to \$523.52 per year by July 2026. Revenue will cover O&M and debt service under this recommendation. Reserves will remain near target. The debt coverage ratio will be at 1.30; therefore, a limited use of the RSF loans would be needed to maintain the debt coverage ratio requirements. The other option consisted of no increase in 2024, followed by an evaluation of increases starting in 2025. The estimated service charge rate would increase to \$541.64 by July 2026 including the expected future increases. The increase starting in 2025 is expected to be up to \$30. Reserves drop below target but could recover by fiscal year 2028-29 if increases resume in 2025. Lower debt coverage and/or significant use of rate reserves to meet coverage targets and a possible increased cost of financing is likely under this option.

A line graph showing the historical service charge rate increases from 2011-2019 and the recommended rate increase was shown on a slide.

In conclusion, the recommended rate increase consisted of a rate increase of 1.6 percent to align revenue with the increased O&M costs, followed by 2.4 percent per year increase for July 1, 2025, followed by a 3.1 percent increase for July 1, 2026. This equates to a 2.4 percent average increase per year over three years. This rate increase aligns with Operations, Maintenance, and Debt Service costs. Capital expenses will be partly debt-financed. A Proposition 218 process is not required for any of the options.

He advised that today, staff is seeking Board direction on the rate increase.

In response to the Chairperson pro tem, Mr. Eaton advised that the bond rating did go up.

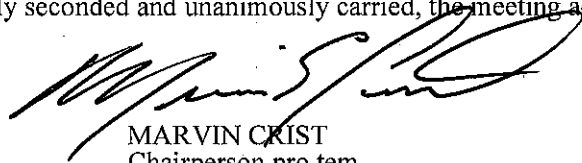
In response to Director Barger, Mr. Eaton advised that with a worse bond rating the increase in borrowing costs could be up to several hundred thousand dollars per year and the impact on rates would be relatively minor.

In response to the Chairperson pro tem, Mr. Eaton stated that the Districts has approximately \$75 million in reserves.

The Chairperson pro tem advised that he will vote for Option 1, no rate increase, and would like more information on rates for next year.

Director Barger asked for more time to review the rates next time.

Upon motion of Director Barger, duly seconded and unanimously carried, the meeting adjourned.



MARVIN CRIST  
Chairperson pro tem

ATTEST:



KIMBERLY S. CHRISTENSEN  
Secretary

/ee