

MINUTES OF THE ADJOURNED REGULAR MEETING
OF THE BOARD OF DIRECTORS OF
COUNTY SANITATION DISTRICT NO. 14
HELD AT THE LANCASTER CITY HALL

March 21, 2024
9:30 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
Marvin Crist, Chairperson pro tem, Alternate Director from Lancaster

Absent: Lindsey Horvath, Director from Los Angeles County

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

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: MINUTES
Upon motion of Director Bishop, duly seconded and unanimously carried, the minutes of the regular meeting held February 8, 2024, were approved.

RE: DISTRICT EXPENSES
The following expenses for the month of December 2023, were presented and upon motion of Director Bishop, duly seconded and unanimously carried, were approved:

Local District Expenses:	
Operations & Maintenance	\$1,352,434
Capital	100,506
Legal	3,395
Allocated Expenses:	
Joint Administration	163,628
Technical Support	164,458
Legal	5,014
Total Expenses	<u>\$1,789,435</u>

RE: ANNEXATION NO. 447
RESOLUTIONS AUTHORIZING
APPLICATION TO LOCAL AGENCY
FORMATION COMMISSION AND
APPROVING NEGOTIATED
EXCHANGE OF PROPERTY
TAX REVENUES - ADOPT

Annexation No. 447 consists of two proposed industrial buildings in the City of Palmdale. 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 Mosquito & Vector Control District, Antelope Valley Resource Conservation District, City of Palmdale, and Antelope Valley - East Kern Water Agency approving and accepting negotiated exchange of property tax revenues resulting from annexation.

Upon motion of Director Bishop, 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 Mosquito & Vector Control District, Antelope Valley Resource Conservation District, City of Palmdale, 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. 447 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 \$15,000.00 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
 TRUNK E SEWER REHABILITATION
 AWARD CONTRACT NO. 5611
 TO INSITUFORM TECHNOLOGIES, LLC
 ORDER SECRETARY TO EXECUTE

The *Trunk E Sewer Rehabilitation* (Project) will consist of rehabilitation of approximately 7,462 feet of existing 12-inch and 15-inch-diameter corroded concrete pipe and appurtenant structures that were constructed in 1956. The work is located within the City of Lancaster as was shown on the map attached to the agenda. The bid

summary/recommendation to award was attached to the agenda. Staff has determined that the Project is exempt or otherwise not subject to the provisions of the California Environmental Quality Act (CEQA) pursuant to California Public Resources Code Sections 21080(b)(4) and Title 14 of the California Code of Regulations (“CEQA Guidelines”) Section 15301. 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). The bid received at the District’s office on January 18, 2024, for construction of the Project is as follows:

<u>BIDDER</u>	<u>TOTAL BID</u>
Insituform Technologies	\$1,683,113.00

The Chief Engineer and General Manager advised that this Project is to rehabilitate corroded pipe. Although Insituform Technologies, LLC, was the sole bidder, they have done many projects for the Districts and the cost is in line with the Engineer’s estimate.

In response to Director Bishop, the Chief Engineer and General Manager advised that the work is not a replacement but a cured-in-place pipe liner sleeve insertion.

The bid of Insituform Technologies, LLC, was the sole bid received and that Insituform Technologies, LLC, was the lowest, regular, responsible bidder for the work, and a recommendation was made to award a contract to Insituform Technologies, LLC, at the unit prices stated in its bid amounting to approximately \$1,683,113. Furthermore, a recommendation was made to order staff to review the insurance and surety bonds for performance and payment and, if sufficient, order the Secretary to execute the contract with Insituform Technologies, LLC, for construction of the Project.

Upon motion of Director Bishop, duly seconded and unanimously carried, Contract No. 5611 for construction of the *Trunk E Sewer Rehabilitation* was awarded to the sole bidder, to wit: Insituform Technologies, LLC, at the unit prices stated in its bid amounting to approximately \$1,683,113. Furthermore, the Board of Directors of County Sanitation District No. 14 of Los Angeles County ordered the staff to review the insurance and surety bonds for performance and payment and, if sufficient, ordered the Secretary to execute the contract with Insituform Technologies, LLC, for construction of the Project.

RE: AMENDED CONFLICT OF INTEREST AND DISCLOSURE CODE - APPROVE AND ADOPT
 The Chief Engineer and General Manager advised that at its meeting of February 27, 2024, the Districts’ code reviewing body, the Los Angeles County Board of Supervisors, adopted an amended Conflict of Interest Code and Disclosure Categories for the Districts. The

amendment consists of revisions of deletion of one position from the code as it no longer exists in the agency, changes to nine position titles, addition of eleven positions to the code, and adds one position under “Officials who manage Public Investments.” Pursuant to Government Code 87306, each District Board is required to adopt the amended code.

Upon motion of Director Bishop, duly seconded and unanimously carried, the Board of Directors of County Sanitation District No. 14 of Los Angeles County approved and adopted an amended Conflict of Interest and Disclosure Code, a copy of which is on file in the Office of the District and all the provisions of which are incorporated herein as though fully set forth. The amended code supersedes the Conflict of Interest and Disclosure Code previously adopted by this Board.

RE: WASTEWATER MANAGEMENT INDUSTRIAL WASTEWATER DISPOSAL AGREEMENT OR TENANT CONTRACTOR INDUSTRIAL WASTEWATER DISPOSAL AGREEMENTS - NORTHROP GRUMMAN SYSTEMS CORPORATION, LOCKHEED MARTIN CORPORATION, THE BOEING COMPANY AND UNITED STATES OF AMERICA - CONTRACTS NOS. 5612, 5613, 5614, 5615, 5616, 5617, AND 5618 - APPROVE

The United States of America (United States Air Force [USAF]) owns an aircraft assembly plant, known as Air Force Plant 42 (Plant 42). The tenants of Plant 42 include The Boeing Company, Lockheed Martin Corporation, and Northrop Grumman Systems Corporation. Plant 42 is outside the Districts’ service area. Sewer service for the tenant contractors occupying sites at Plant 42 has been provided by the Districts through agreements that have now expired. The proposed agreements require the USAF and its tenant contractors to comply with the Wastewater Ordinance which includes providing for full

recovery of equivalent connection fees as specified in the Connection Fee Ordinance and surcharge fees in accordance with the Wastewater Ordinance. Staff has determined that the approval of the agreements does not constitute a “Project” under the California Environmental Quality Act (CEQA) pursuant to California Public Resources Code Section 21065 and Title 14 of the California Code of Regulations (“CEQA Guidelines”) Section 15378. This item is consistent with the Districts’ Guiding Principle to provide reliable and responsible services with safety first. A recommendation was made to approve and order executed the Agreements with Northrop Grumman Systems Corporation, Lockheed Martin Corporation, The Boeing Company and the United States of America (USAF) for the Industrial Wastewater Disposal Agreement or Tenant Contractor Industrial Wastewater Disposal Agreements.

Upon motion of Director Bishop, duly seconded and unanimously carried, the Board of Directors of County Sanitation District No. 14 of Los Angeles County found and determined that it would be to the advantage of the District to enter into Industrial Wastewater Disposal Agreement with the United States of America (United States Air Force) and Tenant Contractor Industrial Wastewater Disposal Agreements with Northrop Grumman Systems Corporation, Lockheed Martin Corporation, The Boeing Company providing for compliance with the Wastewater Ordinance which includes providing for full recovery of equivalent connection fees as specified in the Connection Fee Ordinance and surcharge fees in accordance with the Wastewater Ordinance, as set forth in the Agreements and under terms and conditions contained therein. All the terms and conditions of the Industrial Wastewater Disposal Agreement, Contract No. 5618, dated March 21, 2024, were accepted and approved, and the Chairperson and Secretary were authorized to execute the Agreement on behalf of the District. Furthermore, all the terms and conditions of the Tenant Contractor Industrial Wastewater Disposal Agreements, Contracts Nos. 5612, 5613, 5614, 5615, 5616, and 5617, dated March 21, 2024, were accepted and approved, and the Chairperson and Secretary were authorized to execute the Agreement on behalf of the District.

RE: FINANCIAL IMPLICATIONS OF UTILIZING LOCAL BANKING SERVICES DISCUSS

The Chief Engineer and General Manager reported that at the last meeting, the Directors requested a staff presentation on financial implications of utilizing local banking services. He introduced Andrew Hall, Assistant Department

Head of Financial Management.

Mr. Hall gave a presentation of the current investment structure. The operational liquidity layer is comprised of the County Treasury Pool (PSIF) earning 4.14 percent. He stated that this fund is used for day-to-day operations and acts like a checking account, and funds are pooled for many local governments and managed by Los Angeles County. The short-term investment layer is comprised of United States Treasury Securities with two to six month maturities and earning 5.2 - 5.5 percent. He stated that this fund includes excess liquidity that can be invested for better returns and maturities can be precisely matched to cash flow needs, and it includes no credit risks and minimal interest rate risks. The medium-term investment layer is comprised of fixed income securities with two to five year maturities and earning 1.37 - 1.43 percent. He stated that these funds include both corporate and government sponsored entity securities and have some credit and interest rate risks.

Replacing the PSIF for daily operations would be a logistical challenge and operationally inefficient.

Sixty-six percent of Districts funds are earning 4 percent or more in interest. Medium-term investments are purchased by brokers on the Districts' behalf and held by large institutional custodian banks (State Street, Bank of New York). When speaking of local retail banks, the most viable alternatives reside with the short-term investment layer.

He reviewed the investment holdings, estimated at the end of February 2024. The County Treasury Pool for District No. 14 is \$14,355,093 with a recent rate of return of 4.14 percent. Treasury Bill investments are \$35,000,000 with a recent rate of return of 5.34 percent. The amount of funds in other specific investments is \$34,724,751 with a recent rate of return of 1.37 percent.

He reviewed local banking alternatives. Operational liquidity accounts act like checking accounts. This option is not feasible as it would require significant administrative burden and cost. Money market accounts are highly liquid and can be cashed out at any time, and they are only FDIC insured up to \$250,000. They have higher interest rates than checking accounts, but about 0.5 percent lower than treasuries. Certificates of deposit accounts contain early cash-out penalties, generally are only available in limited maturities at 6 to 12 month increments, have comparable interest rates to treasuries, and are only FDIC insured up to \$250,000.

He reviewed other alternatives for investments. Joint Powers Authority Investment Pools are common for many agencies. Investment horizon is much shorter than the County Pool and has a more volatile rate of return. The City of Lancaster uses California Cooperative Liquid Assets Securities System (California CLASS). Mr. Harris, the CFO of the City of Lancaster, was introduced, and he sits on the Board of CLASS. The City of Palmdale uses the California Asset Management Program (CAMP).

Another alternative includes the Local Agency Investment Fund which are investments by the State Controller's Office and are similar to the Los Angeles County Treasury Pool.

These alternatives have relatively high interest, essentially the same rate as the Los Angeles County Treasury Pool, but moving the Districts' operational level to these funds would result in an increase in administration costs as the Accounts Payable processes to make payments would be more manual. It is unlikely to be better overall in the long term.

District staff made a recommendation to continue with the current banking practices for operation efficiency or to investigate the investment pools such as California CLASS and CAMP.

In response to the Chairperson pro tem, Mr. Hall advised that the maximum FDIC insurance of \$250,000 is per bank, not per account at a bank. The Chairperson pro tem introduced Jeff Johnson, Mission Bank. He advised that the \$250,000 maximum is correct, but banks can broker out additional funds to other entities across the country to maximize funds covered by FDIC insurance. There is a \$14 million dollar maximum based on their offerings and the agency may pick and choose which entities to use which would impact the maximum covered under FDIC insurance.

Upon motion of the Chairperson pro tem, duly seconded and unanimously carried, the Board gave direction for District staff to begin a process to generate interest at a higher interest rate over the next three-year period.

RE: POTENTIAL CONSOLIDATION OF
DISTRICTS NOS. 14 AND DISTRICT NO. 20
DISCUSS

in order to minimize growing rates. He introduced Andrew Hall, Assistant Department Head of Financial Management.

The Chief Engineer and General Manager reported that at the last District No. 20 Board meeting, the Directors requested District staff to give a presentation of what it would look like if Districts Nos. 14 and 20 consolidated

Mr. Hall gave a presentation on the issues related to potential consolidation of Districts Nos. 14 and 20. He first presented combined simplified financials for both Districts and advised that all values are from final Fiscal Year (FY) 2023-24 budgets. He stated that District No. 14's revenues and expenses are \$10-15 million more than District No. 20. Both Districts are projected to draw down reserves \$4-5 million each as expenses are more than revenues.

He then presented key financial items for both Districts. The District No. 14 rate for FY 2023-24 is \$487.88 and it is projected that ending reserves will be \$75 million, which is 118 percent of target. It is also forecast that their debt coverage will be 1.40.

The District No. 20 rate for FY 2023-24 is \$622.52 and it is projected that ending reserves will be \$48 million, which is 71 percent of target. Its debt coverage will be 1.35.

The combined totals for both Districts are \$123 million in ending reserves, 1.38 debt coverage, and 94 percent reserve target. The weighted service charge rate would be \$525.05 based on having one rate over both Districts that would generate the same revenue as projected for each individual District.

In response to the Chairperson pro tem, Ray Tremblay, Department Head of Facilities Planning, advised that approximately 20 percent (corrected to 14 percent) of Palmdale is located with District No. 14.

The Directors and staff discussed options regarding reviewing sub-District rates in specific areas. The Board requested that, that be considered in any study regarding consolidation.

The Chairperson pro tem stated that District No. 14's reserves have allowed the District to not raise rates, but District No. 20 is not in the same position.

In response to the Chairperson pro tem, Mr. Hall advised that District No. 20's priority projects included non-reinforced concrete sewers that have the potential for failure after 50 years of age. District No. 20's sewers range from 52-71 years (average 61). It is not possible to precisely predict a failure due to lack of visual indicators (no reinforced steel) and when they have been inspected, they are in generally in poor condition. A sudden failure can cause a sewer overflow, sinkholes, and/or expensive emergency repair projects. He showed a slide of the Group 3 and Group 4 Rehabilitation projects. These projects are not recommended for postponement and represent a significant financial need for District No. 20.

The Directors discussed the disparities between the two Districts, especially service charge rates. The goal to be equitable would be key.

Staff advised that the Districts must follow Propositions 218 and 26 rules, and that rates cannot exceed the cost of providing services.

Key Financial Impacts were shown on a slide. Mr. Hall advised that there are two options for rates, combined rates or rate areas. If fully combined, rates would average out so District No. 14 rates would go up and District No. 20 rates could go down. For individual rate areas, the rates remain similar to current projections, with slightly lower rate increases needed in District No. 20 and slightly larger rate increases for District No. 14.

If reserves were combined, some cash could be freed up for capital projects; depending on willingness to be below target, combined reserves could be used to help District No. 20 and would reduce the need for bonds.

In the long-term, District No. 14 rates would be higher, District No. 20 rates would be lower compared to not consolidating, and one larger District is more financially stable since any one equipment failure has less of an impact.

A slide on infrastructure changes that could lead to more benefits for extreme long-term was shown. District No. 14 effluent management is less expensive than District No. 20. For influent connection between the plants, expanding one plant rather than two would be a capital savings and would allow flexibility in operations at both plants. Efficiency in handling only solids at one plant would also be a cost savings.

The investment would be more than \$20 million for any connection, which is significant, and the feasibility is unknown, the payback is uncertain, and it is likely to not be economical in most situations.

A slide was shown on steps to consolidate. Mr. Hall advised that Local Agency Formation Commission (LAFCO) approval is required; one District would take over the other, then the combined District is renamed; the Board becomes one Director each from Lancaster, Palmdale and Los Angeles County; bonds would be restructured; new rate ordinances and Proposition 218 Notices would be created; this would take at least two years to implement.

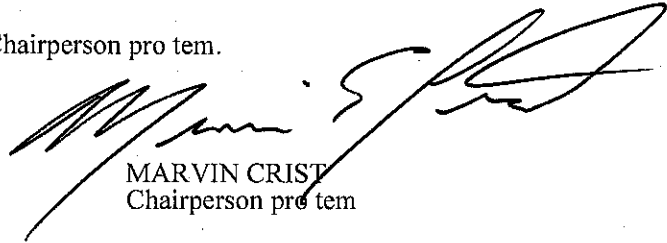
The Board and staff discussed options on how to consolidate the rates, similar to how Orange County Sanitation did.

The Chairperson pro tem requested a report by a consultant to better understand the financial and other impacts of a consolidation.

The Chief Engineer and General Manager advised that Districts Nos. 14 and 20 Boards could hire a consultant and share the cost.

Upon motion of the Chairperson pro tem, duly seconded and unanimously carried, the Board gave direction for staff to hire a consultant to review the process and financial impacts of Districts Nos. 14 and 20 consolidating.

The meeting was adjourned by the Chairperson pro tem.



MARVIN CRIST
Chairperson pro tem

ATTEST:



KIMBERLY S. CHRISTENSEN
Secretary

/ee