

MINUTES OF THE SPECIAL MEETING OF THE
BOARD OF DIRECTORS OF
COUNTY SANITATION DISTRICT NO. 14
HELD AT THE OFFICE OF THE DISTRICT
VIA TELECONFERENCE

March 11, 2021
9:30 o'clock, A.M.

Pursuant to the call of the Chairperson and upon written notice of the Secretary setting the time and place of a special meeting and mailed to each Director at least 24 hours before the meeting, a special meeting of the Board of Directors of County Sanitation District No. 14 of Los Angeles County was held at the office of the District via teleconference, 1955 Workman Mill Road, Whittier, California, on March 11, 2021, at 9:30 a.m., for the purpose of:

1. Public Comment
2. Approve Minutes of Special Meeting Held January 21, 2021
3. Approve December 2020 Expenses in Amount of \$1,971,949.53
4. Accept Contracts and Order Final Payments as Follows:
 - (a) Contract No. 5277 and Order Final Payment to Insituform Technologies, LLC, for Construction of Trunk "D" Sewer Rehabilitation; Resulting in Total Contract Amount of \$327,326
 - (b) Contract No. 5285 and Order Final Payment to Lamassu Utility Services, Inc., for Construction of Lancaster Water Reclamation Plant Sewer Rehabilitation; Resulting in Total Contract Amount of \$115,842.07
5. Re: Annexation No. 432 to District
 - (a) Adopt Resolution for Making Application to Local Agency Formation Commission for Annexation; and Consent to Waiver of Protest Proceedings
 - (b) Adopt Joint Resolution with County of Los Angeles, Antelope Valley Cemetery District, Antelope Valley Mosquito & Vector Control District, Antelope Valley Resource Conservation District, Antelope Valley - East Kern Water Agency, and Quartz Hill Water District Approving and Accepting Negotiated Exchange of Property Tax Revenues Resulting from Annexation
6. Receive and Order Filed Comprehensive Annual Financial Report for Fiscal Year Ending June 30, 2020
7. Re: Wastewater Service Charge
 - (a) Order Wastewater Service Charge Report, Containing Description of Each Parcel and Amount of Proposed Wastewater Service Charge for Fiscal Year 2021-22 for Each Parcel (\$511.64 Per Single-Family Home), Filed with Clerk of Board of Directors of District
 - (b) Establish Date, Time, and Place for Public Hearing on Report; Order Publication of Required Public Notices, and Authorize Secretary to Board to Revise Date, Time, and Place for Public Hearing if Required Due to Scheduling Conflict

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

Absent: None

RE: ANNEXATION NO. 432
RESOLUTIONS AUTHORIZING
APPLICATION TO LOCAL AGENCY
FORMATION COMMISSION AND
APPROVING NEGOTIATED
EXCHANGE OF PROPERTY
TAX REVENUES - ADOPT

Annexation No. 432 consists of one proposed single-family home. 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) 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, and Notice of Finding were attached to the agenda. A recommendation was made that the Board adopt a resolution for making an application to LAFCO for annexation; and consent to a waiver of the 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, Antelope Valley - East Kern Water Agency, and Quartz Hill Water District, approving and accepting the negotiated exchange of property tax revenues resulting from annexation.

Upon motion of Director Barger, duly seconded and unanimously carried by a roll-call vote, 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, Antelope Valley - East Kern Water Agency, Quartz Hill Water District, and this Board of Directors, approving and accepting the negotiated exchange of property tax revenues resulting from Annexation No. 432 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 \$4,300.00 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) 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: COMPREHENSIVE ANNUAL
 FINANCIAL REPORT FOR FISCAL
 YEAR ENDING JUNE 30, 2020
 RECEIVE AND ORDER FILED

Copies of the Districts' Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2020, which includes the annual audit required by state and federal laws, have been previously distributed to the Directors. 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' CAFR for fiscal year ending June 30, 2020.

The Chief Engineer and General Manager stated that item is for the Board to receive and file the CAFR, which is done annually. The CAFR provides an overview of the Districts' operations and financial position. The report was prepared in accordance with the Government Accounting Standards Board and Generally Accepted Accounting Principles. The CAFR was reviewed by an independent Certified Public Accounting firm, who did not recommend any corrections. The report met the Government Finance Office Association Achievement for Excellence Award for the 37th straight year in a row. The CAFR included a letter from management that discusses major projects and provides a general overview of the goals of the Districts.

Upon motion of Director Barger, duly seconded and unanimously carried by a roll-call vote, the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020, which includes the annual audit required by state and federal laws, and was previously mailed to the Directors, was accepted and ordered filed.

RE: SERVICE CHARGE REPORT
RECEIVE AND ORDER FILED
SET PUBLIC HEARING FOR
MAY 13, 2021, AND GIVE
REQUIRED NOTICE

A report titled *County Sanitation District No. 14 Service Charge Report for Fiscal Year 2021-22*, prepared in accordance with Section 5473 of the Health and Safety Code of the State of California and which establishes the formula for the calculation of a sewage unit that represents the average daily quantity of sewage flow and

strength from a single-family home, was presented.

Filing of the Service Charge Report is required each year in order to collect the wastewater service charge on the property tax roll. The service charge rate for the current fiscal year is \$40.66 per month per single-family home (\$487.88 per year). The service charge rate for 2021-22, as previously adopted by the Board, is \$42.64 per month (\$511.64 per year), an increase of \$1.98 per month over the 2020-21 rate. The Board may consider modifying the rate ordinance to reduce or postpone the adopted increases. A letter discussing the service charge rate, the fiscal year 2021-22 preliminary budget, and related matters accompanied the agenda. 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 stated that this item is regarding the wastewater service charge. The recommended actions are to order the service charge report to be filed by the clerk of the District and for the Board to set a public hearing date, time, and place to Thursday, May 13, at 9:30 a.m. via teleconference.

He reminded the Directors that due to COVID-19 (COVID), the rate ordinance provides for a \$1.98 per month rate increase on July 1. The Board voted not to approve the \$0.99 increase service charge last fiscal year and at the time decided to re-assess the financial situation due to COVID this year. The rate package is set up so that over the next ten years, the District would be in an adequate financial position for its operating costs and for approximately \$120 million in capital expenditures. Rate increases are needed to secure the best finances and retain a good bond rating. A rate increase is needed to protect the financial rating for the agency. Currently, the economy is still grappling with the impacts of COVID. He advised that the Board has the option to reduce the amount of increase this year.

In response to the Chairperson pro tem, the Chief Engineer and General Manager advised that if the Board voted for no increase this year, the District would need a higher increase next year to maintain its reserves and not impact its credit rating. The Board can approve an increase of \$0.99 this year and an increase of \$1.98 next year to get back on track with the rates in the ordinance.

In response to Director Barger, the Chief Engineer and General Manager confirmed that if this Board approves a \$0.99 per month increase this year, the rate will jump to \$1.98 next year, not \$2.97, and the next year's \$1.98 increase will put the District back on track financially with the planned capital improvements.

Director Hofbauer asked what the minimum amount of rate increase is necessary to maintain the rating. The Board was not inclined to increase rates due to the impacts of COVID. The effects of COVID have persisted longer than anticipated. An increase would not be received well, the amount is not a big deal for the District, and he would like to know if there is a bright line of the impacts at some point.

The Chief Engineer and General Manager stated that staff reviewed two scenarios regarding the rate increases. One would be an increase of \$0.99 per month this fiscal year and \$1.98 next fiscal year. The other option is for no increase this year and then to plan for an increase at the end of the next fiscal year; the total rate increase would be at seven percent or \$2.97.

In response to Director Barger, the Chief Engineer and General Manager stated that there was no rate increase last year.

The Chairperson pro tem stated that another option could be to decrease improvements to under \$100 million and look at other tools. He stated that the District has a large amount of reserves relative to its expenses, and the City of Lancaster has the same ratings with only three to four months of reserves. He expressed his concern of burdening his constituents.

In response to Director Barger, the Chief Engineer and General Manager stated that the service charge was collected on property taxes. He stated that revenue from the property tax bill in the last year was similar to the previous year before that; therefore, it was not impacted by COVID.

Director Barger asked if the necessary work was deferred, what would be the cost. In her experience on the Metro Board, costs were increased if postponed.

Director Hofbauer stated that any impounded property taxes are paid eventually. He has not seen a foreclosure wave. There are other potential issues related to restaurant owners and the fact that the restaurant does not pay the tax bill or the service charge directly in many cases. Lease amounts are not going down, but water bills are decreasing.

The Chairperson pro tem stated that he understands Director Barger's request, although there was no way he would vote for a rate increase.

Director Barger requested the long-term implications to ratepayers. The Board has an obligation to look at the long-term effects. She wanted to pull information from property taxes from the County Assessor's office. She also wanted to find out if the Districts would receive some funding from the \$1.9 trillion COVID relief fund that Congress recently passed.

The Chairperson pro tem agreed with Director Barger. He asked if the Chief Engineer and General Manager could bring additional information for discussion at a future meeting.

In response to the Chairperson pro tem, the Chief Engineer and General Manager stated he would provide additional information. Also, he addressed Director Barger's concerns. He discussed some background regarding capital projects. He stated that outstanding capital projects were based on the life expectancy of components at the treatment plant. If the service charge increase was deferred, the District would be at risk of critical failure of the treatment plant. The risk cannot be quantified, although the agency must avoid allowing the treatment plant from aging beyond its useful life. Some capital improvements can be deferred, but the agency must seriously manage and avoid outdated components.

Director Hofbauer asked if the District's ratings are dependent on the amount of reserves or revenue.

The Chief Engineer and General Manager called upon Mr. Matt Eaton, Head of the Financial Management Department to discuss rates and credit rating.

Mr. Eaton stated that District No. 14's bonds are currently rated at AA-. Any future financing would be at a lower rating if rates do not keep up. This year would not affect ratings directly. The District can tolerate not increasing rates this year, but only if rates catch up next year and in future years to put the District back on track. There would be issues if rate increases were pushed too far into future years.

Director Barger asked if there were no rate increase this year and an increase of \$1.98 next year, would it suffice or is \$2.97 needed.

In response to Director Barger, Mr. Eaton agreed that the District would be ok in the short term, although the Board must look at rate increases in the future years.

Director Barger stated that the Chief Engineer and General Manager should look into any available federal COVID Recovery Funds. She suggested staff work with the Chief Executive's Office. She heard there were funds available for sanitation. If funding is available for wastewater, then it should be used to address the issue with the District's capital projects.

In response to Director Barger, the Chief Engineer and General Manager agreed to look into federal funding and report to the Board at the next meeting. He clarified that the Board motioned to have no rate increase this fiscal year and staff would bring back the item for discussion next fiscal year with staff's recommendation.

The Chairperson pro tem asked that the Board and staff have the discussion in January next year to avoid the time crunch. Director Hofbauer agreed.

A recommendation was made that, in accordance with Section 5473 of the Health and Safety Code, the Board instructed the District Clerk to publish newspaper notices to inform the public of the date, time, and place for a public hearing on the Service Charge Report, modified to reflect no rate increase, or \$487.88 per year, and that the public hearing be set for May 13, 2021, at 9:30 a.m., in the Districts' Board Room at the Joint Administration Office via teleconference, 1955 Workman Mill Road, Whittier, California, for the purpose of public discussion of the adopted service charge and industrial wastewater surcharge rates and in order to continue to collect these charges on the next property tax roll. After the public hearing is closed, the Board must adopt the Service Charge Report in order to ensure collection of the service charge through property tax billing.

Upon motion of Director Barger, duly seconded and unanimously carried by a roll-call vote, a motion was made for a no rate increase for fiscal year 2021-22 and to defer a total increase of \$2.97 to the next fiscal year.

Furthermore, Districts' staff was given direction to bring back an item to report the findings of federal funding. The *County Sanitation District No. 14 Service Charge Report for Fiscal Year 2021-22* was ordered filed with the Clerk of the District and the Board does hereby fix May 13, 2021, at 9:30 a.m., as the date and time, and in the Districts' Board Room at the Joint Administration Office via teleconference, 1955 Workman Mill Road, Whittier, California, as the place for a public hearing on *County Sanitation District No. 14 Service Charge Report for Fiscal Year 2021-22*, the Report having been duly filed with the District Clerk. Furthermore, the Board authorized the Secretary to revise the date, time, and place for the public hearing if required due to scheduling conflicts.

The Clerk of this Board shall cause notice of the filing of the Report and the time and place of the public hearing to be published once a week for two successive weeks in the *Antelope Valley Press*, a daily newspaper, designated for publication, there being no newspaper of general circulation within the District printed and published in the District, and in such other publications as are deemed appropriate by the Chief Engineer and General Manager.

The meeting was adjourned by the Chairperson pro tem.

MARVIN CRIST
Chairperson pro tem

ATTEST:

KIMBERLY S. CHRISTENSEN
Secretary

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