

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

June 10, 2021  
 9:30 o'clock, A.M.

The Board of Directors of County Sanitation District No. 14 of Los Angeles County met pursuant to adjournment at the regular meeting held May 26, 2021, via teleconference, in the absence of all members. The Secretary reported that a copy of the Notice of Adjournment was posted as required by law and that proper affidavits of the posting are on file in the Secretary's Office.

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

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

RE: PUBLIC COMMENT The Chairperson 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.

RE: MINUTES Upon motion of Director Barger, duly seconded and unanimously carried by a roll-call vote, the minutes of the adjourned regular meeting held May 13, 2021, were approved.

RE: DISTRICT EXPENSES The following expenses for the month of April 2021 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 (O & M)	\$ 987,601.55
Capital	83,132.37
Legal	34,692.30
Allocated Expenses:	
Joint Administration	123,167.33
Technical Support	148,959.35
Legal	658.30
Total Expenses	<u>\$1,378,211.20</u>

RE: FACILITIES PLANNING AMENDED AND RESTATED MEMORANDUM OF UNDERSTANDING ANTELOPE VALLEY REGIONAL WATER MANAGEMENT GROUP - CONTRACT NO. 4242A - APPROVE

The Chief Engineer and General Manager gave a brief summary of this item. Sanitation Districts Nos. 14 and 20 are part of a Regional Water Management Group (RWMG) formed by a 2007 Memorandum of Understanding (MOU) to apply for regional water management grant funding. Other parties to the MOU are Los Angeles County Waterworks District No. 40, City of Palmdale, City of

Lancaster, Antelope Valley-East Kern Water Agency, Palmdale Water District, Quartz Hill Water District, Littlerock Creek Irrigation District, Rosamond Community Services District, and the Antelope Valley State Water Contractors Association. Proposition 1, approved by voters in 2014, authorizes \$510 million in Integrated Regional Water Management (IRWM) funding for projects that help meet the long-term water needs of the state, including drought relief, water quality improvements, and water supply reliability projects, including water reuse efforts. To be eligible for this funding, the RWMG recently updated its IRWM plan to comply with California State Department of Water Resources Integrated Regional Water Management Grant Program (Grant Program) guidelines. The MOU commits each party to pay a share of the cost to administer Antelope Valley IRWM plan-related activities, including managing on-going stakeholder meetings, project updates, and grant support, as well as to cover one-quarter of the costs for groundwater monitoring required by the Grant Program. Sanitation Districts Nos. 14 and 20 would each contribute

\$10,385 under this *Amended and Restated Memorandum of Understanding* (MOU Amendment), which is approximately 6.9 percent of the overall cost. Staff has determined that the “Project” is exempt or otherwise not subject to the provisions of California Environmental Quality Act (CEQA) California Public Resources Code Section 21084 and Title 14 of the California Code of Regulations (“CEQA Guidelines”) Sections 15061(3) and 15262. This item is consistent with the Districts’ Guiding Principles to collaborate with others in legislative and regulatory matters to promote science-based, efficient and sustainable environmental regulations; and to plan for both short-term and long-term needs to minimize the need for significant rate increases. A recommendation was made to approve and order executed an MOU Amendment with other members of the Antelope Valley Regional Water Management Group to administer Antelope Valley IRWM plan-related activities at a cost of approximately \$10,385.

Upon motion of Director Barger, duly seconded and unanimously carried by a roll-call vote, an amendment to the Memorandum of Understanding (MOU) entered into with Los Angeles County Department of Waterworks No. 4, et al., Contract No. 4242, dated September 27, 2006, providing that each party commits to pay a share of the cost to administer Antelope Valley Integrated Regional Water Management plan-related activities, including managing on-going stakeholder meetings, project updates, and grant support, as well as to cover one-quarter of the costs for groundwater monitoring required by the Grant Program. Sanitation Districts Nos. 14 and 20 would each contribute \$10,385, which is approximately 6.9 percent of the overall cost, as set forth therein, was approved. All the terms and conditions of the *Amended and Restated Memorandum of Understanding*, entered into with the Integrated Regional Water Management Group, Contract No. 4242A, dated June 10, 2021, were accepted and approved, and the Chairperson and Secretary were authorized to execute the MOU Amendment on behalf of the District.

RE: APPROPRIATIONS LIMIT  
FOR FISCAL YEAR 2021-22  
ESTABLISH AND ADOPT

The Chief Engineer and General Manager briefed the Board on this matter. A letter discussing the 2021-22 fiscal year budget matters accompanied the agenda. Since November 1979, the State Constitution has placed

a limit on the authorization to expend the proceeds of taxes levied by state and local governments in California. In January 1981, the Government Code was amended to require the governing body of each local jurisdiction to establish, by resolution, an appropriations limit for each fiscal year. The documentation used in the determination of the appropriations limits must be available 15 days prior to this action being taken. The method by which the Districts’ appropriations limits were calculated has been available to the public at the Districts’ Joint Administration Office since May 20, 2021, and was provided to the Directors as Exhibit No. 1 to the letter of June 3, 2021, mailed with the agenda. This item is consistent with the Districts’ Guiding Principle 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 appropriations limit for fiscal year 2021-22 has been determined by adjusting the previous fiscal year’s limits using the factors specified in the Government Code. The appropriations limit has also been adjusted to include mandated costs, all in accordance with the procedures outlined in Article XIII B of the Constitution and Section 7910 of the Government Code. A recommendation was made that, in order to comply with legal requirements, this Board adopt an appropriations limit of \$69,576,587 for fiscal year 2021-22.

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

BE IT RESOLVED, that pursuant to Section 7910 of the Government Code of the State of California, the Board of Directors of County Sanitation District No. 14 of Los Angeles County does hereby establish and adopt an appropriations limit of \$69,576,587 for fiscal year 2021-22, utilizing the population change and the change in the personal per capita income.

RE: BUDGET 2021-22  
OPERATING FUND

In a letter dated June 3, 2021, to the Board, matters were discussed pertaining to the budget for the 2021-22 fiscal year. A sewerage system final budget for the 2021-22

fiscal year was presented and a recommendation was made that the budget be adopted.

Upon motion of Director Barger, duly seconded and unanimously carried by a roll-call vote, the sewerage system final budget for 2021-22 was approved, adopted, and ordered filed.

RE: TAX LEVY  
OPERATING FUND

Data for the tax levy necessary for the Operating Fund was presented and a recommendation was made that the tax levy be requested in accordance therewith.

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

BE IT HEREBY DETERMINED, RESOLVED, AND ORDERED AS FOLLOWS:

That pursuant to the provisions of Article 6, Section 4815 of the County Sanitation District Act (Chapter 3, Part 3, Division V, of the Health & Safety Code of the State of California), the Board of Directors of County Sanitation District No. 14 of Los Angeles County does hereby find and declare that the sum of \$1,843,000 is and will be the amount necessary to maintain, operate, extend, or repair any work or improvements of the District for the collection, treatment, and disposal of sewage, and to defray all other expenses incidental to the exercise of any of the District's powers, except the amounts necessary to acquire, construct, maintain, and operate a refuse transfer or disposal system, or both, and any other expenses incidental to the operation of the system during the ensuing year and prior to the annual levy of taxes for the fiscal year 2022-23, and the Board of Supervisors of Los Angeles County is hereby requested to cause to be levied and collected at the same time and in the same manner as the next general tax levy for the County a tax upon the real property in the District, in an amount sufficient to raise the required amount, to wit: \$1,843,000, to be paid into the County Treasury to the credit of the Operating Fund of the District.

The Secretary is hereby instructed to furnish a copy of this resolution and statement to the Board of Supervisors of Los Angeles County at least fifteen (15) days before the first day of September 2021.

RE: APPROPRIATIONS  
OPERATING FUND 2021-22

Upon motion of Director Barger, duly seconded and unanimously carried by a roll-call vote, the appropriations from the Operating Fund for Fiscal Year 2021-22 were ordered made as shown in the Operating Fund Final Wastewater Budget that was attached to the agenda.

RE: REFINANCING OF DISTRICT DEBT  
DISCUSS

The Chief Engineer and General Manager reported that over the last 15 years, the District has constructed a number of large capital projects, most significant of which was the expansion of the Lancaster Water Reclamation Plant (WRP) in 2005. Bonds issued in 2005 (and subsequently refunded in 2015) and State Revolving Fund loans were used to fund the work. There is an opportunity to refund the existing State Revolving Fund (SRF) debt with new bonds and achieve savings. This item is consistent with the Districts' Guiding Principle of commitment to fiscal responsibility and prudent financial stewardship.

He gave a presentation regarding the options for refinancing the SRF loans for District No. 14. As previously discussed, one of the big drivers for the finances in the Districts is the need for capital improvements. In addition to the refinancing, staff has looked at one of the bigger capital jobs coming up in the next few years. He had good news about the District's ability to reschedule that large project and combine it was a later expansion project.

He stated that the presentation would go over the amount of outstanding SRF loan, options and impacts on the rates for different refinancing options, and a significant change in schedule for the capital improvement plan and impact on rates. This District has four outstanding SRF loans totaling \$57 million with an interest rate of 2.56 percent. That is relatively low, but can get lower. The payments are for the next 11 years through 2032. Through refinancing, the District can take advantage of current low interest rate, which is at around 1 percent. That leads to a total savings of approximately \$4 million over the next 11 years or \$300,000-450,000 per year. There are other existing bonds, but because of the nature of those bonds, and the interest rate, it is not cost-effective to refinance now. The District's reserves are at the target level, which gives flexibility to possibly use some cash in lieu of refinancing the whole \$57 million.

He discussed the change in the capital budget. The capital plan was a large driver for the District's long-term budgets and this project had been expected in order to rebuild primary treatment systems at the plant. The secondary systems were rebuilt as part of the plant upgrade and tertiary treatment was also constructed at that time. The expected cost was \$40 million, and the project was planned for the mid-2020s, not only because of the condition of the concrete tanks, but also the flow increases expected in the District. There has been additional analysis ongoing and results show the project can be delayed. The increasing flow projections are not materializing. As the public is educated about water conservation and new rules are put in place, the impacts are seen in the District's flow levels which have been flat even with the population growth level. In addition, less

expensive concrete repairs were determined to be viable since the structure has been found to be sound. The District can do a smaller project now to buy additional time and take weight off the finances. The project can be started in the 2030s, with the start of the planning and design in the early 2030s to build it in the mid 2030s.

He showed photos of the current condition of deteriorating equipment. The concrete on the tanks is deteriorating and cracked, and the rebar is exposed, which looks concerning. This typically implies that there are more significant failures beneath the surface. Structural engineers have looked at the underlying tanks, and they are in sufficient shape that what damage is there can be repaired in a smaller contract. This will extend the life of the equipment.

He showed a chart of the flow projection, from 1991 to the present, of the actual annual flows in million gallons per day. There was a steady increase throughout the 90s and into the early 2000s. The recession in 2008 stopped new development and some growth; after that the flow has been moving sideways. Projections in 2011 showed that in a few years the flow rates would be doubled. In 2015, staff also thought the flow would trend much higher. If those flows were at that level, the District would need to do that job. The flow continues to move sideways. In the Los Angeles Basin, since 2005-06 the flows to water treatment plants have dropped approximately 25-30 percent. In the Antelope Valley, there has been more growth and the flow continues to move sideways. Not having the need to upgrade the capacity at Lancaster WRP is a positive.

The schedule change reduces the need for short-term rate increases and makes cash available to pay off the loans and be used for capital projects. It also puts the District in a better financial shape with respect to the credit rating.

He showed a slide of three alternatives for refinancing the \$57 million. The entire loan could be refinanced. With the savings and pushback of the capital projects, there would be no need for additional rate increases for the next five years. The District's reserves would remain above or at the target. As a result, the District could end up in a better credit rating and, in the future, with a better interest rate.

Director Hofbauer stated that the projected flows seemed to be the opposite of what he would have expected with everyone being home during the pandemic resulting in additional flow from residential users. He asked if this was wrong or different than expected.

In response to Director Hofbauer, Mr. Ray Tremblay, Department Head of Facilities Planning, stated that staff agreed with him and also thought this would have been the case. The water districts are seeing less commercial water use and more residential. Since the Antelope Valley has a large fraction of commuters, an increase in flows might have been expected.. He stated that the data lags a little, but overall, we have not seen an increase in flows as a result of the pandemic. If people use the bathroom and showers at home or work it is probably the same amount of flow from the community as a whole.

In response to Director Hofbauer, the Chief Engineer and General Manager stated that the data does lag a little, but he does not think any change will be significant. The other part could be that the trade could be more residential flow for less commercial flow. Restaurants selling take out were not washing dishes as much and there was less use of their bathroom facilities. Hopefully, the situation will be back to normal with respect to the flows.

The Chief Engineer and General Manager stated that there are two other options, both involving use of some of the reserves. One is to pay off \$25 million using the reserves and finance \$32 million. The other option is to pay off \$45 million using the reserves and refinance \$12 million. The continued benefit of no rate increase would continue for three years. This would drop the reserves below target. The reserve target is Board approved, which is related to the debt, operations and maintenance, annual cost, plus having enough money for cash flow because there is property revenue two times per year, and in between that time the District has to make sure there is enough cash flow. The credit rating may be improved because of lower debt.

At first it may seem smart to use cash to pay down the debt, but currently the District can refinance at one percent, which is really low. If cash is used to pay off debt, you are paying off a one percent loan. That is somewhat a wash and is it worth it to save the cash. He recommended to refinance the full amount to keep rates stable longer and keep the reserves on target as the best potential in saving the District's credit rating. For today, staff seeks direction from the Board on which option to choose. The first step would be to issue a Request for Proposals (RFP). There are private entities who might purchase the debt which avoids costs of a public offering. There are markets that brokers use to match private investors to debt issuance. The cost of issuance is lower up front. It is possible no viable proposals will be received because of the large size of this debt. For a public offering, the Board would approve documents in August and final closing in September.

Upon motion of Director Barger, duly seconded and unanimously carried by a roll-call vote, the Board authorized the District to refinance the full amount of \$57 million and allow District staff to issue a Request for Proposals.

The meeting was adjourned by the Chairperson pro tem.

MARVIN CRIST  
Chairperson pro tem

ATTEST:

KIMBERLY S. CHRISTENSEN  
Secretary

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