

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

January 12, 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  
Austin Bishop, 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 Loa was elected Chairperson pro tem.

RE: CHAIRPERSON  
ELECTION OF  
Upon motion of Director Barger, duly seconded and unanimously carried by a roll-call vote, Director Laura Bettencourt was elected Chairperson of this Board.

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: DIRECTOR FROM  
CITY OF PALMDALE  
A certificate from the City Council Chief of Staff of the City of Palmdale was presented to the Secretary stating that at a meeting of the City Council held December 21, 2022, Ms. Laura Bettencourt 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 Ms. Bettencourt on this Board.

Upon motion of Director Barger, duly seconded and unanimously carried by a roll-call vote, the certificate was accepted and ordered filed.

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 December 8, 2022, were approved.

RE: DISTRICT EXPENSES  
The following expenses for the month of October 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 (O & M)	\$ 774,305.83
Capital	45,023.34
Legal	750.75
Allocated Expenses:	
Joint Administration	159,101.88
Technical Support	102,433.12
Legal	3,415.74
Total Expenses	<u>\$1,085,030.66</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 12<sup>th</sup> day of January 2023 by the following vote:

AYES: Three (3)

NOES: None

ABSTAIN: None

ABSENT: None

RE: FACILITIES PLANNING  
ANNEXATION FEE RATE  
ORDINANCE - ADOPT  
FIND EXEMPT FROM CEQA

*An Ordinance Prescribing Fees for the Annexation of Territory to County Sanitation District No. 20 of Los Angeles County (Ordinance) was presented for the Board's consideration. Properties outside the jurisdictional boundary of the District must be annexed to the*

District before sewerage service can be provided. The cost of processing the annexation application is borne by the applicant pursuant to the District's existing Master Annexation Fee Ordinance and Annexation Fee Rate Ordinance (Existing Ordinances), both adopted in 2007, according to a tiered acreage-based approach. However,

this method results in inequities in certain circumstances. Furthermore, the cost to process an annexation application does not vary significantly between a large or small property. The proposed ordinance, which was attached to the agenda, supersedes the Existing Ordinances and establishes a flat fee of \$2,000 per annexation application, which is more equitable and representative of the actual cost to process each annexation. In October 2022, the Personnel Committee, comprised of the Chairpersons of all active Districts, unanimously endorsed the proposed ordinance; and in December 2022, the proposed ordinance was introduced to the Board. This item is consistent with the Districts' Guiding Principles of commitment to continual improvement; and commitment to fiscal responsibility and prudent financial stewardship.

Notice of the public hearing on the proposed Ordinance was published twice in the *Antelope Valley Press*, a daily newspaper. A recommendation was made to the Board that a public hearing be conducted and, thereafter, the proposed Ordinance be adopted. A copy of the Ordinance accompanied the agenda.

This being the time and place set by District staff for a public hearing on the proposed Ordinance, upon motion of Director Barger, the Chairperson pro tem opened the public hearing. In response to the Chairperson pro tem's question, the Secretary reported that no telephone calls, correspondence, or other public input was received by the District. The Chairperson pro tem announced that this was the time for any presentations by members of the public. There being none, the Chairperson pro tem closed the public hearing.

The Chief Engineer and General Manager stated that the proposed revised annexation ordinance was introduced at the last meeting. The current annexation fee is acreage-based; however, processing cost is the same regardless of the size of the parcel. The proposed ordinance establishes a standard, set fee of \$2,000 per annexation (instead of per acre). All Districts are considering adoption of the revised annexation ordinance.

Upon motion of Director Barger, duly seconded and unanimously carried by a roll-call vote. *An Ordinance Prescribing Fees for the Annexation of Territory to County Sanitation District No. 20 of Los Angeles County* (Ordinance), to become effective February 12, 2023, was adopted by the following vote:

AYES: Directors Bishop, Barger, and Loa

NOES: None

ABSENT: None

ABSTAIN: None

*An Ordinance Prescribing Fees for the Annexation of Territory to County Sanitation District No. 20 of Los Angeles County* was adopted. Furthermore, the Board found that adoption of the Ordinance is exempt from the California Environmental Quality Act (CEQA) under Section 15273 of State Guidelines for Implementation of CEQA on the basis that CEQA does not apply to the modification of rates or other charges by the District which are for the purpose of meeting operating expenses necessary for the District to provide services such as annexation, as reported to the Board of Directors by the Chief Engineer and General Manager and as reflected in the official minutes of the District on file at the office of the District.

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. The air-drying

operation involves placement of the dewatered biosolids in windrows and using windrow-turning equipment to further break-up the material to enhance and accelerate drying to approximately 60 percent solids content.

The Chief Engineer and General Manager showed a brief slide presentation. He stated that this was the same information that was previously presented to District No. 14 and that this report was informational only. The pilot study was undertaken by operations staff at the Lancaster Water Reclamation Plant (WRP). The slide presentation was emailed to Directors on Tuesday, January 10.

Biosolids, which are nutrient-rich solids separated from wastewater, are generated at the Lancaster WRP. Biosolids, which are mostly water, are dewatered by use of centrifuges and drying beds. This process results in 20 percent biosolids and 80 percent water before they are hauled offsite to various composting facilities. Palmdale WRP produces 10,000 tons per year at a cost of one-half million dollars per year to haul offsite.

Since July 2019, staff has been operating a pilot study using windrow-turning equipment on the existing drying pads to further reduce the water content. The windrow-turning equipment breaks up the biosolids and

accelerates drying up to 60 percent solids content, therefore reducing hauling costs by \$145,000. No excessive odor was experienced during the operation. The current operation can only handle 40 percent of biosolids. A larger drying pad area is recommended for full-scale operation. Palmdale WRP, because it is a smaller plant, produces two-thirds biosolids compared to Lancaster WRP.

The biosolids are combined with woodchips then sold to farmers, mostly in the Central Valley, as fertilizer substitute for their land. The purpose of the pilot study is to determine if it was feasible to boost reduction of water from biosolids using windrow-turning equipment and reduce weight-based hauling costs. Drying reduces the amount of tonnage. The idea is to save significantly more in costs with a full-scale process.

The pilot study proved that air drying to 60-70 percent is possible and allowed staff to become familiar with the equipment and drying process. An optimized drying operation was developed, which consists of row depth, turns per day, days to dry, etc.; limit to 60 percent dryness to prevent dust/offsite migration; and seasonal drying operations. The pilot study proved that a full-scale project would be feasible at Lancaster and Palmdale WRPs. The result was a cost savings of \$145,000 per year.

Staff is researching the economics for a full-scale process at one or both sites. He would then provide updates on the matter at future meetings.

Director Loa stated that the presentation sounded good. This is a good idea.

RE: WASTEWATER REVENUE PROGRAM  
DISCUSS

The Board previously adopted service charge rates through fiscal year 2022-23. The Chief Engineer and General Manager will discuss budgetary needs, proposed service charge rates and the implementation process. An update on the defeasance of District bonds that was discussed at the September 8, 2022, Board meeting will be provided, and the Districts' municipal advisor, Mike Kremer of Montague, DeRose and Associates, will provide an overview of current market conditions. 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 staff has a brief slide presentation on the wastewater revenue program. He introduced Mr. Matt Eaton, Head of the Financial Management Department, to give the presentation. He stated that the matter is different in District No. 20 because the Palmdale Water Reclamation Plant (WRP) is smaller than Lancaster WRP. The rate payer base is small, but the difference in costs is not as great.

Mr. Eaton showed a map of District No. 20's service area and a photo of the District's Palmdale WRP which treats 9.7 million gallons of wastewater per day.

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. He introduced Mr. Mike Kremer of Montague, DeRose and Associates, LLC, to provide a market update.

Mr. Kremer discussed the economic slowdown and lower rates expected in 2023-2024. The U.S. appears to be exiting a 10-year period of exceptionally low interest rates, and although rates have risen recently, they are not exceptionally high in a longer-term historical context. Currently, short-term U.S. Treasury (UST) yields indicate market participants expect an economic slowdown and lower interest rates in the next year or so. Economists generally think there is about a 65 percent chance of a mild recession in the next 12 months. Economists expect interest rates to peak in early 2023 and that shorter-term rates will fall significantly through 2024.

He discussed a line graph showing the 10-year UST yield since 1962. The U.S. appears to be exiting a period of exceptionally low interest rates. Despite recent increases, 10-year UST yields have been higher than current yields about 88 percent of the times since 1962. Municipal bond yields have generally tracked historical UST yields.

He discussed the UST yields in the last 10 years, as shown on a line graph. UST yields have broken out of their 10-year trading range and are well above averages of the last 10 years. Shorter-term yields have risen over longer-term yields since the feds began raising rates in 2022. Municipal bond yields have generally tracked UST yields over this time period.

Next, he discussed the UST yield curve, as shown on a line graph. The UST yield curve is significantly inverted, with short-term yields higher than long-term yields. This is usually interpreted as an indication of an economic slowdown in the next year or two.

Bloomberg's survey indicates economists expect a 65 percent probability of recession in the next 12 months. Any recession is expected to be mild, with the consensus forecast for Gross Domestic Product growth in the first and second quarters of 2023 at -0.1 percent.

He showed a line graph of Bloomberg's economists survey rate forecasts for the 2-year UST, 10-year UST and 30-year UST. Bloomberg's survey indicates economists expect rates to peak in 2023, and that shorter-term rates will fall about 1.5 percent by the end of 2024. Longer-term rates are forecasted to fall also, but not as much.

Mr. Eaton discussed possible recession impacts. Revenue impacts should be minimal. The number of ratepayers is unlikely to change significantly. The default rate will remain near zero since most revenue is collected on the property tax roll. Interest rates are forecasted to drop, reducing interest revenue but making financing more affordable. Inflation typically slows during recession.

He gave an update on the cash defeasance of bonds. In September, staff proposed a cash defeasance of bonds to retire outstanding debt early. It would have potentially allowed the cash used for defeasance, which would be placed in escrow, to earn more interest compared to the District's normal investments. Since then, short-term interest rates have increased significantly and the earnings on District's investments have increased. As a result, there would be no savings or earnings with defeasance at this time. Overall, a defeasance is not economical or recommended.

The recent service charge rate history was discussed. The rate ordinance and Proposition 218 process in 2019 called for rates reaching \$622.52 per year in 2022. 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, with a \$23.76 increase. The current rate is \$610.64. Despite the rate freeze and high inflation, the District's reserves have 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 Operations and Maintenance (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 between 24 and 178 percent. Although chemical prices have been increasing for the last several years, some of those increases are just now being realized as contracts get renewed. Contracts for chemicals are set to expire in the next year, and significant increases are expected.

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

He reviewed key capital projects. Sewer repairs are needed in Trunk C Sewer due to concrete peeling and in 35th Street East due to streambed erosion. A large sewer spill in Carson that occurred on December 31, 2021, caused the Districts to re-evaluate the Sewer Maintenance Program. As a result, sewer rehabilitation projects were accelerated. As mentioned previously, a new reservoir may need to be constructed at a cost of \$16.5 million in order to avoid discharge to unpermitted discharge points in the event of an unusually rainy winter and to accommodate future growth. Staff has been seeking regulatory approval of less costly alternatives. The reservoir or alternative solutions are expected to start construction in approximately five years. The potential impact on future rate increases would be about one percent per year for four years, in addition to the rate increases needed to cover other costs. Staff is optimistic about regulatory approval. The reservoir is not a factor in the current rate recommendation.

He discussed the recommended 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, or \$50.89 to \$51.88 per month, which is a \$0.99 increase or 2 percent. The previous Proposition 218 notice from 2019 covers this increase. Reserves will remain below target but remain stable. Without an increase, reserves will be as low as 58 percent below target.

The debt coverage ratio drops below target, which could potentially impact credit ratings. More aggressive increases will be necessary in the following year.

Two options regarding the service charge rate were discussed. First, the Board could implement no rate increase in 2023, then re-evaluate in future years. As a result, reserves would drop further below target. The debt coverage ratio would drop below 1.30, therefore jeopardizing credit rating. Subsequent increases will need to be more aggressive starting in 2024 in order to preserve credit rating. Staff recommends a service charge increase of \$11.88 (2 percent) on July 1, 2023. As a result, reserve will stabilize, but remain below target. The debt coverage ratio remains above 1.3. The increase allows for a smoother transition to future increases.

At this time, Mr. Eaton concluded his presentation and opened up the meeting for Director questions.

In response to Director Barger, Mr. Eaton stated that the reserves are between \$45-50 million, which is 75 percent of target.

Director Loa mentioned that he was concerned about the impacts of recession, like job loss. He suggested a smaller increase to address reserves and capital project expenses.

In response to Director Loa, Mr. Eaton stated that any amount between zero and the recommended amount can be considered.

Director Bishop recommended splitting the increase to half this year and half the next year.

In response to Director Barger, Mr. Eaton stated that creditors will take all metrics into consideration; therefore, it is possible that the District's credit rating could drop. It is likely that the District will seek credit in the future.

In response to Director Barger, Mr. Eaton stated that the matter can be brought back for further discussion in February. Staff will provide more data and analysis.

Director Loa agreed. He stated that the Board needs more information regarding credit rating and the need for an additional reservoir.

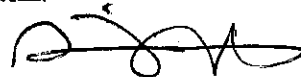
In response to Director Loa, Mr. Eaton stated that the preliminary budget does not include the additional reservoir because it is not needed in the next four years.

The Chief Engineer and General Manager stated the items to be discussed at the next meeting.

Director Bishop stated he wanted information for half of the \$11.88 increase in 2023 and half of the increase in 2024, so residents won't feel the impact.

The Chief Engineer and General Manager stated that the Board will need to make a decision in February.

The meeting was adjourned by the Chairperson pro tem.



RICHARD LOA  
Chairperson pro tem

ATTEST:

  
KIMBERLY S. CHRISTENSEN  
Secretary

/ee