

MINUTES OF REGULAR MEETING
May 6, 2021
RUBIDOUX COMMUNITY SERVICES DISTRICT

DIRECTORS PRESENT: Armando Muniz
Bernard Murphy
John Skerbelis
F. Forest Trowbridge
Hank Trueba, Jr.

DIRECTORS ABSENT:

STAFF PRESENT: Jeffrey Sims, General Manager
Ted Beckwith, Director of Engineering
Brian Laddusaw, Director of Finance
Brian Jennings, Customer Service Manager
Miguel Valdez, Operations Manager

Call to order: the meeting of the Board of Directors of the Rubidoux Community Services District by President Skerbelis, at 4:00 P.M., Thursday, May 6, 2021, by teleconferencing at District Office, 3590 Rubidoux Boulevard, Jurupa Valley, California.

***General Manager Jeff Sims requested Agenda Item 12. Closed Executive Session be moved to the start of the meeting so that certain people do not have to wait until the end of the meeting.**

ITEM 12. CLOSED EXECUTIVE SESSION – Pursuant to Government Code Section 54956.9: Legal Counsel Status on Litigation Case No. CIVDS 1310520, City of Riverside vs. Rubidoux Community Services District.

No Reportable Action.

ITEM 4. APPROVAL OF MINUTES

Approval of Minutes for April 15, 2021, Board Meeting.

Director Trueba moved, and Director Muniz seconded to approve the April 15, 2021, Regular Board Minutes.

Roll call:

Ayes – 5 (Muniz, Murphy, Skerbelis, Trowbridge, Trueba)

Noes – 0

Abstain – 0

Away – 0

The motion was carried unanimously.

ITEM 5. Consideration to Approve the May 7, 2021, Salaries, Expenses and Transfers.

Consideration to Approve the May 7, 2021, Salaries, Expenses and Transfers.

Director Trowbridge moved, and Director Trueba seconded to Approve the May 7, 2021, Salaries, Expenses and Transfers

Roll call:

Ayes – 5 (Muniz, Murphy, Skerbelis, Trowbridge, Trueba)

Noes – 0

Abstain – 0

Absent – 0

The motion was carried unanimously.

ITEM 6. PUBLIC ACKNOWLEDGE OF NON-AGENDA MATTERS

There were no members of the public to address the board.

ITEM 7. CORRESPONDENCE AND RELATED INFORMATION

There was no correspondence or related information to present.

ITEM 8. MANAGER’S REPORT

Operations Report:

Presented at the second meeting of the month.

Emergency and Fire Report:

Chief Veik reported that it was wildfire prevention week. He forwarded wildfire prevention information to Mr. Sims and Mr. Laddusaw earlier in the week to make it available for review by the Board of Directors. Staff indicated the information will be included on the District’s website for access by the public.

ITEM 9. Consideration to Direct Staff to Prepare DRAFT Ordinance for Water and Wastewater Rate Increases. DM 2021-23.

BACKGROUND

In March 2019, the Rubidoux Community Services District (“District”) Board of Director’s (“Board”) approved by unanimous vote a fiscally sustainable water and wastewater rate plan (“Rate Plan”). The Rate Plan was developed based upon known water/wastewater quality

challenges at the time including the uncertainty of declining water sales due to demand hardening from water conservation efforts, emerging regulations, economic fluctuations, and rising costs of electricity and chemicals. This Rate Plan, in accordance with Proposition 218 and compliant with AB 3030, proposed yearly increases to its water and wastewater rates not to exceed 6.0% and 5.0% per annum, respectively, beginning FYE 2019-2020 for a period of five (5) years. For FYE 2019-2020 the District increased its wastewater rate by the allowable 5% effective July 1, 2019, but not a water rate increase.

For FYE 2020-2021 as staff began rate discussions the COVID-19 pandemic was beginning to expand exponentially throughout the country. Due to the financial hardship the pandemic had on many Americans, including the District's customers, this Board approved a phased in approach with regards to water and wastewater rate increases to ease the financial burden on rate payers. As a result, the District increased the wastewater rate by the allowable 5% effective July 1, 2020 while the water rates were increased by the allowable 6% effective January 1, 2021, a six-month delay in implementation.

Since Board approval of the Rate Plan, the District has seen significant changes impacting its operating environment and future economic stability. With regards to its' Water Enterprise, the District along with the entire water industry, is dealing with the emergence of the presence of perfluorooctane sulfonate (PFOS) and perfluorooctanoic acid (PFOA) in the groundwater pumped for potable supplies. This issue was first brought to the Board's attention at the August 1, 2019, regular Board Meeting. Since that time, District management has routinely updated the Board on the issue including sampling results, reduced detection limits established by the State Water Resources Control Board, Division of Drinking Water (DDW), and the District response/mitigation plan. Summarized below is the two-pronged approach the District is in the process of implementing over the last 18 months to mitigate these contaminants:

Leland Thompson Water Treatment Facility (Wells 1A, 8, 18):

1. Hired Hazen & Sawyer to provide engineering expertise on PFAS treatment processes to guide successful implementation that is effective and efficient. The District must meet the sampling requirements from the Division of Drinking Water of the State Water Resources Control Board of the reduced threshold by 3rd Qtr. 2021. Failure to meet these thresholds will result in either removing the wells from production or notifying the District's customers of the contaminated water.
2. Purchased 6 pressure vessels from Evoqua Water Tech LLC to be assembled in a three-train, lead-lag configuration. Estimated delivery of the vessels is May 2021.
3. Awarded a construction contract to Pacific Hydrotech to install the vessels and piping. Estimated completion is August 31, 2021.
4. Hired Krieger & Stewart to provide construction management to oversee the work of Pacific Hydrotech.
5. Hired Center Electric to install and calibrate all electrical related components for the new treatment system.

As of April 21, 2021, the total estimated cost of upgrading the Leland Thompson Water Treatment Facility to eliminate PFOS and PFOA is approximately \$4.3 million, of which the District has already paid \$1.2 million from District reserves.

Anita B. Smith/Nitrate Plant (Wells 4 and 6):

1. Purchased 3 refurbished pressure vessels from Carbon Activated Corp. Delivered April 2021.
2. Awarded a construction contract to Atom Engineering Construction to set foundation and assemble vessels in appropriate configuration.
3. Hired TKE Engineering to provide construction management to oversee the work of Atom Engineering.
4. Installed 2 refurbished pressure vessels for Well 4 and have secured DDW Permits to put in operation this summer.

As of April 21, 2021, the total estimated cost of upgrading the Anita B. Smith Plant to eliminate PFOS and PFOA is approx. \$530,000, of which the District has already spent approximately \$256,000 from District Reserves.

Along with these new capital improvements will come additional routine operating costs, most notable the periodic change out of media (GAC or resin) held in these pressure vessels, and additional energy costs and sampling, among other costs. Prior to these new emerging contaminants, the District was already dealing with 1,2,3-TCP and relatively high ambient TDS levels in the District’s drinking water wells. Based on current planning efforts for PFAS Treatment combined with existing 1,2,3-TCP Treatment, the District will be using 13 pressure vessels. Excluding capital expenses, the media change out expenses and added energy and sampling costs is likely to add approximately \$1,000,000 to the annual water system operating expense budget, which has been estimated and reflected in the draft budget presented at Budget Workshop 2.

The above highlights the District’s effort and focus in dealing with two of the District’s more pressing issues, PFOS/PFOA and 1,2,3-TCP. In addition, many of the District’s infrastructure and long-lived assets are starting to show their age. The District’s four (4) potable water tanks (Hunter 1, Atkinson, Watson, Perone) are 20+ years old each. In December 2019, the Board of Directors authorized a professional services contract with Harper & Associates to inspect the tanks with specific emphasis on: 1) corrosion evaluation, 2) structural/seismic, and 3) safety evaluation. The results of the assessment were not good, but otherwise not unexpected given the age and usage of the tanks over the years. Below is a summary of costs of repair and/or replacement. All tanks require substantial structural and safety upgrades to meet AWWA and OSHA regulations.

	Atkinson	Hunter No. 1	Perone	Watson
Capacity	2 MG	424,000 gallons	1 MG	3.03 MG
Required Safety/Health Modifications	\$18,000	\$43,100	\$19,300	\$19,300
Structural Modifications	\$351,800	\$200,500	\$267,500	\$41,000
Coating and Painting	\$460,000	\$180,000	\$314,000	\$681,200
Optional Items	\$238,800	\$132,800	\$147,800	\$49,300
Total w/o Optional Items	\$829,800	\$423,600	\$601,000	\$741,500

Grand Total All Modifications w/20% increase	\$1,068,600 \$1,282,320	\$556,400 \$667,680	\$748,800 \$898,560	\$790,800 \$948,960
New Welded Steel Tank w/Foundation with 20% increase	\$1,850,000 \$2,220,000	\$695,000 \$834,000	\$ 995,800 \$1,194,960	\$2,272,500 \$2,727,000
Rehabilitation Cost – Vs – New Tank Cost	57.8%	80.1%	75.2%	34.8%
Capacity Reduction	2MG to 1.76 MG	424,000 gal to 286,542 gal	1 MG to 0.59 MG	3.03 to 1.99 MG

In short, from this evaluation the District is faced with approximately \$4 to \$5 million in current dollars to bring the tanks into refurbished condition, and replacement of Hunter 1.

To keep water rates low, it appears there has not been an emphasis to develop a preventative maintenance program, for example, a valve turning program. Valve turning is an important preventive maintenance technique to ensure the District’s water system continues to operate in a smooth and efficient manner. Ideally, when the District is presented with a leak in its water system, being able to isolate the leaky pipe through valve shutoffs is paramount to minimize customer inconvenience and complaints and keep a level of trust and reliability. When valves are not exercised on a regular basis, over time the valves can become stuck or become harder to open, sometimes resulting in breaks. This requires District employees to shutdown more of the water system, making the overall operation inefficient and more costly. This is just one example of the more programmatic approach the District would like to implement moving forward. Other foreseeable items include a meter replacement program as meters tend to “run” slower over time resulting in inaccurate billings and less revenues for the District for the same amount of water usage. This “water loss” is realized by District staff on an annual basis during the preparation of the water Loss Audit required of us by the State of California Department of Water Resources.

With regards to the Wastewater Enterprise, the largest cost component is payment obligations to the City of Riverside for sewage treatment (RST). The City’s treatment plant process is not designed to remove Total Dissolved Solids (“TDS”); thus TDS is considered a pass-through pollutant. TDS is regulated through source water control and the pretreatment program where water quality limits are established for discharges into the wastewater collection system to the Inland Empire Brine Line, the reduction in TDS from approximately 900 mg/l to 750 mg/l still does not make the District compliant with the City limit of 650 mg/l TDS. The City is requiring the District develop a TDS Mitigation Plan, which will necessitate development of a lower TDS potable supply to blend with current District groundwater supply. This could come in the form of addition of advanced water treatment processes (reverse osmosis) to remove salt such as buying imported low TDS water. These alternatives will increase monthly costs to the District and will impact both water and sewer rates.

Also, the Board is aware of the ongoing nine (9) plus year lawsuit with the City of Riverside regarding District capital participation in the City’s wastewater treatment plant upgrade. After approximately seven (7) years of various legal proceedings between the two parties, in May 2019, the presiding judge in the matter issued a Tentative Statement of Decision finding the District is obligated to contribute proportionately based on capacity ownership in capital costs the City incurred when upgrading and expanding its facilities. In April 2021, Phase 2 of the legal

proceedings (to establish the actual contribution amount) the presiding judge issued a tentative decision on the contribution amount of \$21.1 million. The District staff and legal team are currently evaluating options and anticipate the tentative decision will become final over the next months. An increase in water and wastewater rates are ultimately at the discretion of the Board but as noted above, over the course of the next five (5) years, the District is facing significant increased expenses. These cost increases, regardless of rate increases, will occur as a result of expanded routine operating and maintenance costs, plus costs in the form of capital improvement and infrastructure.

Staff recommends the Board consider raising the rates by the maximum allowable amount pursuant to Proposition 218, 6% for water and 5% for wastewater, with an effective date of July 1, 2021. To put the District's current and proposed rates into perspective with its surrounding agencies, Staff prepared Exhibit A – E.

PRESENTATION BY STAFF

Management recognizes raising rates is not ideal, especially considering the current financial and socioeconomic climate the country is dealing with given the COVID-19 pandemic. State and federal government has put holds on many discretionary activities and has waived obligations for customers in response to the pandemic. However, there is no movement at the state or federal government in the name of the pandemic to relax the District's requirement to mitigate PFOS, PFOA, 1,2,3-TCP, and TDS, or participate in costs to ensure sewage collected is adequately treated. The District has a fundamental obligation to provide clean and reliable drinking water to its customers, and these costs for service need to be included in the rates.

Director Murphy moved, and Director Trueba seconded the Board of Directors direct staff to prepare the following:

- 1. DRAFT Ordinance for increase to water rates by 6% with an effective date of July 1, 2021.**
- 2. DRAFT Ordinance for increase to RST component of sewer rates by 5% with an effective date of July 1, 2021.**
- 3. Schedule Public Hearings and First Readings of Ordinances at the regular Board Meeting on May 20, 2021.**

Roll call:

Ayes – 5 (Muniz, Murphy, Skerbelis, Trowbridge, Trueba)

Noes – 0

Abstain – 0

Absent – 0

The motion was carried unanimously.

ITEM 10. Consider Adopting Resolution No. 2021-875 to Solicit Bids for Financing the PFAS Treatment by Execution, Sale and Delivery of a Water Revenue Loan. DM 2021-24.

BACKGROUND

As described in detail with Director's Memorandum (DM) 2021-23 preceding this agenda item, the District has focused significant attention over the better part of the last 18 months addressing the District's PFOA and PFOS contaminant issues in the District's drinking wells. As of the writing of this Director Memorandum, the Board of Directors (Board) has appropriated approximately \$5million to hire consultants, electricians, purchase vessels, and award construction contracts to fund the District's overall PFAS response/mitigation plan.

Currently, the District has paid cash in the amount of \$1.5 million to finance mostly the soft costs (design, engineering) and purchase the vessels. The District moved quickly on the acquisition of pressure vessels anticipating there would be a pressure vessel supply shortage. The current best available technology (absent reverse osmosis) for PFAS contaminant removal is filtration through granulated activated carbon or resin within pressure vessels. With the entire water industry needing to comply with lowered PFAS concentrations limits put into place by the State Water Resources Control Board Division of Drinking Water ("DDW") there is a significant demand for pressure vessels. After accounting for the cash already spend, PFAS mitigation remaining unpaid is \$3.5 million.

The District has considered three options: 1) Continue paying the entire PFAS mitigation project in cash (Pay-Go) and further deplete cash reserves, 2) Finance the project with a loan, and/or 3) Apply for and be awarded a grant. With regards to the third option, the District hired Blais and Associates and applied for a grant under the U.S. Bureau of Reclamation WaterSMART Drought Response Program in August 2020. The District was not awarded a grant, leaving the District with Options 1 and 2. Staff continues to actively look for other grant funding opportunities to defray upfront and ongoing operating expenses.

Option 1 (Pay-Go)

The approximate \$1.5 million for PFAS contaminant mitigation paid to date has come from the District's Water Capital Improvement Project/Mainline Fund. This Fund was established by the Board in 1990. Revenues put into this Fund are exclusively generated through new connection fees. Thus, as Developers develop within the District, revenues grow and when the economy is down and development is stagnant, so is revenue. As of April 21, 2021, the District has cash deposits in the amount of \$1.37 million remaining in the District's Water CIP Fund. Depleting this balance in its entirety for PFAS mitigation will hinder the District's ability to program future CIP projects until new capacity fees are paid. Using the entire balance of this Fund will still leave the District with an unfunded PFAS Mitigation Project balance of \$2.13 million. To make up this remaining amount the District could utilize funds from the Water Operating Reserve Fund established in 1999, which currently has a balance of \$4.27 million. DM 99-48 stipulates the Water Operating Reserve Fund must maintain a balance of not less than 3 months of water revenues, which in 2021, is approximately \$1.3 million. Funding the remaining project balance from this account would leave a balance of \$840,000 in reserves seems inadequate. For example, the District's water tanks have been inspected and the inspection indicates the tanks will need maintenance, including addressing seismic upgrades to match current seismic criteria.

Option 2 (Financing)

Historically, the District has utilized a Pay-Go approach for the accumulation of much of the District's assets and infrastructure. With that being said, the District has experience financing

some of its larger asset purchases, as evidenced with a 1995 Certificates of Participation (COP) financing and a State Revolving Fund (SRF) loan in 2010. Pressed with the idea of paying \$5 million in cash for the PFAS project or financing, over the last couple of months, staff has communicated with various lenders including banks and financing corporations to get an understanding of current market terms and debt service obligations. Those efforts have led to five different financing options. In addition, the District can solicit a private placement loan. A private placement loan is the solicitation of bids from various financial institutions giving the District more options to select a lender with favorable terms. Although a private placement gives rise to more competitive bids, it comes with some added costs i.e., placing agent costs and legal costs. After discussions with District General Counsel, John Harper, and the District's previous placement agent from the 1995 COP's, Robin Thomas, they advise the Board consider adoption of Resolution 2021-875.

Adoption of Resolution 2021-875 is not a condition precedent to soliciting bids for a private placement, however an adopted resolution helps: 1) Obtaining competitive results with more bids, with better rates as the resolution Adoption of Resolution 2021-875 is not a condition precedent to soliciting bids for a private placement, however an adopted resolution helps: 1) Obtaining competitive results with more bids, with better rates as the resolution is the Board's acknowledgement of the District's serious interest in financing the project, and 2) Allows the District the option of reimbursing the Water CIP Fund for monies already spent.

Adopting Resolution 2021-875 does not obligate the District to finance the PFAS project should the Board eventually choose to use the District's cash reserves. Although financing comes with an interest component, rates, have been favorable for current borrowers in light of the ongoing COVID-19 pandemic but anticipated to start rising again.

Director Trueba moved, and Director Muniz seconded to for the Rubidoux Community Services District Board of Directors adopt Resolution No. 2021-875, signifying the District's interest in soliciting bids for a private placement water revenue loan.

Roll call:

Ayes – 3 (Muniz, Skerbelis, Trueba)

Noes – 1 (Murphy)

Abstain – 1 (Trowbridge)

Absent – 0

The motion was carried with a vote of 3-2.

ITEM 11. Adoption of Draft Water Supply Assessment for the Proposed Rubidoux Commerce Center (PM 37677 / MA 17132): DM 2021-25.

BACKGROUND

When the Rubidoux Community Services District receives a request for water availability for a proposed project, those requests are handled as an administrative matter by Staff with the issuance of a **“Will Serve Letter.”** However, with the passage of SB 610 and SB 221, any proposed residential development with 500 or more dwelling units, or commercial development employing more than 1,000 persons or having more than 650,000 sq ft of floor space, or mixed-use

development having a water demand equivalent to 500 dwelling units, must prepare a **“Water Supply Assessment”** (WSA) for each proposed development meeting the above thresholds.

District Staff received an Inter-Agency Project Review Request from the City of Jurupa Valley for a project within the District meeting the above-mentioned thresholds. The “Rubidoux Commerce Center” proposes two warehouse buildings with a total area of 1,299,356 square feet located in the northeast quadrant of the City of Jurupa Valley, specifically west of Rubidoux Boulevard, south of the Riverside/San Bernardino County line, east of Armstrong Road and Sierra Avenue, and north of La Canada Drive. The project site plan is attached as Exhibit “A”. The draft WSA identifies a water demand of 17 AF per year by the project. Further, the draft WSA identifies a water demand of 17 AF per year by the project. Further, the draft WSA report determines the District has significant unused pumping rights within the Colton/Riverside Groundwater Basins and consequently can assure a 20-year supply pursuant to SB 610 and SB 221.

The area designated as the Rubidoux Commerce Center was identified in the District’s Water Facilities Master Plan for Residential Use with an anticipated annual water demand of 419 AF/yr. The demand is also included in the District’s recently adopted 2015 Urban Water Management Plan.

“The conclusion of the WSA is that the District is guaranteed a sufficient water supply from the Riverside Groundwater Basin to meet current and future water demands”. . . including the proposed project.

The attached excerpts of the draft Water Supply Assessment (Exhibit “B”) was prepared in compliance with SB 610 and SB 221. It determines that the Rubidoux Community Services District has adequate local groundwater supplies to accommodate the proposed Rio Vista Specific Plan development.

Director Trowbridge moved, and Director Muniz seconded the Rubidoux Community Services District Board of Directors approve the adoption of the WSA report as presented.

Roll call:

Ayes – 5 (Muniz, Murphy, Skerbelis, Trowbridge, Trueba)

Noes – 0

Abstain – 0

Absent – 0

The motion was carried unanimously.

ITEM 12. CLOSED EXECUTIVE SESSION – Pursuant to Government Code Section 54956.9: Legal Counsel Status on Litigation Case No. CIVDS 1310520, City of Riverside vs. Rubidoux Community Services District.

***Moved to the beginning of the meeting per request of General Manager Sims.**

ITEM 13. Directors Comments

Director Murphy expressed concern that the upcoming hearing should be held outside the office to accommodate customers who wish to address the Board while not having to wear a mask.

Mr. Sims said that there have been two (2) letters of protest received at the district offices thus far for the trash protest hearing.

14. Adjournment

Director Skerbelis adjourned the meeting at 5:26 PM.