

MINUTES OF REGULAR MEETING
May 7, 2020
RUBIDOUX COMMUNITY SERVICES DISTRICT

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

DIRECTORS ABSENT:

STAFF PRESENT: Jeffrey Sims, Asst. General Manager/District Engineer
Brian Laddusaw, Director of Finance
Brian Jennings, Manager Budgeting & Accounting
Miguel Valdez, Maintenance & Operations

Members of the Public: Albert Gastelum

Call to order: the meeting of the Board of Directors of the Rubidoux Community Services District by Director Murphy, at 4:00 P.M., Thursday, May 7, 2020, by teleconferencing at District Office, 3590 Rubidoux Boulevard, Jurupa Valley, California.

ITEM 4. APPROVAL OF MINUTES

Approval of Minutes for April 16, 2020, Special Board Meeting.

Director Skerbelis moved and Director Trueba seconded to approve the April 16, 2020 Regular Meeting Minutes.

Roll call:

Ayes – 4 (Murphy, Skerbelis, Trowbridge, Trueba)

Noes – 0

Abstain – 0

Absent – 1 (Muniz)

The motion was carried unanimously.

ITEM 5. Consideration to Approve the May 8, 2020 the Salaries, Expenses and Transfers.

Consideration to Approve the May 8, 2020 the Salaries, Expenses and Transfers.

Director Trowbridge moved and Director Trueba seconded to Approve the May 8, 2020 Salaries, Expenses and Transfers.

Roll call:

Ayes – 4 (Murphy, Skerbelis, Trowbridge, Trueba,)

Noes – 0

Abstain – 0

Absent – 1 (Muniz)

The motion was carried unanimously.

ITEM 6. PUBLIC ACKNOWLEDGE OF NON-AGENDA MATTERS

There was no one in the audience to address the board.

ITEM 7. CORRESPONDENCE AND RELATED INFORMATION

There were two articles regarding a failed pipeline in Moreno Valley, affecting over 250,000 customers. This affected customers in the neighboring communities as well, including Lake Mathews, Orangecrest, Mission Grove, Woodcrest, Air Force Village West, Hillcrest, Lake Hills, and on the March Air Reserve Base. Customers in these communities were asked to minimize any outdoor water consumption while the repair was affected.

ITEM 8. MANAGER’S REPORT

Operations Report:

Staff is still on a modified work schedule, possibly until the end of May.

Contractors are installing new sewer pipeline in Pacific Avenue for the proposed Lennar Shadow Rock Project.

The Jurupa Hills Lift Station is completed and online running smoothly. Staff will be processing the Notice of Completion at an upcoming Board Meeting to close out the Project.

A new Order from the State Water Resources Control Board – DDW, regarding PFAS limits and sampling requirements will be issued soon. This will necessitate the District putting in treatment for the contaminant. The District hired Hazen & Sawyer consulting firm to provide design parameters for necessary PFAS treatment. There are weekly update meetings. The basis of design report is expected by May 22. This will lead into finalizing District strategy to move forward with acquisition of the pressure vessels to do the ion exchange treatment to remove the contaminants. There will be reports on this at the board meetings.

Emergency and Fire Report:

Presented at the second meeting of the month.

***Director Muniz joined the meeting.**

ITEM 9. Consideration to Direct Staff to Prepare DRAFT Ordinance for Water and Wastewater Increases. DM 2020-29.

BACKGROUND

In March 2019, the Rubidoux Community Services District (“District”) Board of Directors (“Board”) voted unanimously to develop a fiscally sustainable water and wastewater rate plan (“Rate Plan”). The Rate Plan was developed based upon known water/wastewater quality challenges including the uncertainty of declining water sales due to water conservation efforts, emerging regulations, economic fluctuations, or excessively wet years. On the heels of this Rate Plan, in accordance with Proposition 218 and compliant with AB 3030, the District proposed yearly annual increases to its water and wastewater rates not to exceed 6.0% and 5.0% per annum, respectively, beginning FYE 2019-2020. For FYE 2019-2020 the District increased its wastewater rate by the allowable 5% effective July 1, 2019, but not a water rate increase.

Since Board approval of the Rate Plan, the District has seen significant changes impacting its operating environment and future economic stability. With regards to the water enterprise, the District, along with the entire water industry, is dealing with the emergence of a new threat threatening contaminant. The presence of perfluorooctane sulfonate (PFOS) and perfluorooctanoic acid (PFOA) in the groundwater pumped for the District potable supply was first brought to your 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. As highlighted in DM 2020-25 and noted below for reference, the District’s plan to mitigate this new contaminant is:

1. Prepare a Memorandum of Understanding (“MOU”) regarding collaboration with Jurupa Community Services District (“JCSD”). This MOU has been approved by the Boards of JCSD and RCSD. Western’s Board is considering joining the MOU in May 2020. The MOU provides understandings on allocating costs and benefits of water supply projects the agencies may collaborate on.
2. Hire Hazen & Sawyer to provide engineering expertise on PFAS treatment processes to guide successful implementation that is effective, efficient and able to be completed within a one-year period from receipt of new sampling and reporting standards from the Division of Drinking Water of the State Water Resources Control Board.

3. Hire Blais & Associates to provide professional services associated with identifying and applying for various grants and loans the District may be eligible for PFAS Treatment expenses.
4. Purchase three refurbished pressure vessels from Carbon Activated Corp. USA that will be outfitted and put into use for PFAS Treatment. These three pressure vessels come at significant savings when compared to costs for comparably outfitted new pressure vessels.

It is currently estimated by District management the total cost for mitigating PFAS compounds are \$3 to \$4 million in capital improvement. Due to the strict compliance requirements of maintaining contaminant limits to an acceptable level, these funds are expected to be expended over the next 12 to 18 months. Along with these new capital improvements will come additional routine operating costs, most notably the periodic change out of media (GAC or resin) held in these pressure vessels to perform the treatment. 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 is likely to add approximately \$1,000,000 to the annual water system operating expense.

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 must be established for discharges into the wastewater collection system. The City's discharge permit has a basin objective of 650 mg/l or less. Although the District was able to successfully redirect a high TDS discharger, Aramark, from its 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 treatment processes to remove salt such as reverse osmosis or 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 eight (8) 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 required to contribute in the capital costs. In April 2020, Phase 2 of the legal proceedings came to a close, the District will be required to contribute for its' proportionate share of the plant upgrades and expansion, Although the exact number will be determined by the Court, based on prior mediation efforts, the District contribution may be between \$5 to \$15 million.

CURRENT RATES, IMPLEMENTATION TIMELINE AND ALTERNATIVES FOR RATE INCREASES

The increase in water and wastewater rates are ultimately at the discretion of the Board but as noted above, over the next five (5) years, the District is facing significant increased expenses, regardless of rate increases, within the water and wastewater enterprises not only in expanded routine operating and maintenance costs but also in the form of capital improvement and infrastructure.

Prior to discussing the current implementation/timeline options at the discretion of the Board, for reference, staff has provided Exhibit A and B, which are the current District water and wastewater rates compared to surrounding agencies effective July 1, 2020 or the most currently available data provided by the comparison agency.

PRESENTATION BY STAFF

Option 1 – Management Preference:

Water Rate Increase – 6% - Effective January 1, 2021
Sewer (RST) Rate Increase – 5% - Effective July 1, 2020

Explanation:

Consistent with the Board's adoption of prior years' Rate Plan, District management proposes an increase of 5% on only the Riverside Sewage Treatment (RST) portion of the wastewater rate. If approved, the wastewater rate would increase \$1.03 per month for the typical residential customer effective July 1, 2020. Note that with the increase of \$1.03 per month to \$27.69, the typical District customer still pays far less than a typical customer of most surrounding agencies.

As mentioned above, the District did not increase water rates for FYE 2019-2020. Given the current pressing issues facing the District in the water enterprise, Management recommends the District increase the water rate by 6%. Management is aware of the current financial and socioeconomic landscape all American's are dealing with given the current COVID-19 pandemic. With that being said, the pandemic will not alleviate the District's requirements to mitigate our PFOS, PFOA, 1,2,3-TCP and TDS issues and the fundamental obligation to provide clean and reliable drinking water to its customers. In recognition of our customers using more water during the summer months, Management proposes the effective date of the water rate increase be effective January 1, 2021. By delaying the effective date of the increase, District staff estimates approx. \$100,000 in lost revenues, which is a conservative estimate given the typical residential usage from July to December. Coupled with not raising water rates for the current fiscal year, which estimates lost revenues of approx. \$200,000, total revenues lost by the District over this 18-month period is expected to be \$300,000. It is not sustainable for continued delaying of a water increase past January 1, 2021 given known cost expenses.

For reference, District staff prepared Exhibit C and D for Board review. Exhibit C shows the average water bill for a residential customer with a ¾" meter and 18 units of water usage. Exhibit D incorporates the sewer component of a typical District customer. In the

aggregate, the typical District customer. In the aggregate, the typical District customer pays far less in water and sewer rates that most surrounding agencies charge their customers for same water consumption.

Option 2:

Water Rate Increase – 6% - Effective July 1, 2020

Sewer (RST) Rate Increase – 5% - Effective July 1, 2020

Explanation:

When the water and wastewater Rate Plan was first adopted by the Board in 2019, it was established using the normal District practice of increasing customer rates in July of each year to cover anticipated budgeted O&M and capital improvement costs. Raising rates is something the District’s attempts to minimize given the financial impact the increases has on District customer. However, responsible rates increases are a necessity in order to continually provide residents with the high-quality water compliant with Department of Drinking Water requirements imposed through operating permits. Consistent with Prop. 218, the Board is authorized to raise rates for both the water and wastewater enterprises effective July 1, 2020. As noted in Option 1, Management realizes raising both water and sewer rates with the same effective date, may be too burdensome on customers given the current pandemic and due to higher water usage in the summer months. Thus, Management believes staggering the increases not only helps alleviate the rate increase but also helps the District generate the revenues needed to sustain operations.

Option 3:

Water Rate Increase – 0-6% - Effective July 1, 2020 or January 1, 2021

Sewer (RST) Rate Increase – 0-5% - Effective July 1, 2020

Explanation:

Under the 2019 Prop. 218 guidelines, the District is allowed to raise water rates no more than 6.0% and sewer rates no more than 5.0% per annum, respectively. The Board can choose to raise rates but are by no means obligated to raise rates to the maximum amounts noted above, Staff has provided the following analytical data from the water and wastewater enterprises to advise the Board on how rate increases effect future revenues. For simplicity, the inputs used below are based on a ¾” meter, residential property, and 18 units of water usage, which equates to a typical District customer.

Water Rate Increases:

- 1% - \$.57, ~ \$42k revenues
- 2% - \$1.01, ~ \$75k revenues
- 3% - \$1.57, ~ \$116k revenues
- 4% - \$2.02, ~ \$150k revenues
- 5% - \$2.53, ~ \$188k revenues
- 6% - \$2.96, ~ \$220k revenues

Sewer Rate Increases:

- 1% - \$.21, ~ \$16k revenues
- 2% - \$.42, ~ \$31k revenues
- 3% - \$.62, ~ \$46k revenues
- 4% - \$.83, ~ \$61k revenues
- 5% - \$1.03, ~ \$77k revenues

Director Skerbelis moved and Director Trueba seconded the Board of Directors authorize staff to prepare the following based on Option 1:

1. DRAFT Ordinance for increase to water rates by 6% with an effective date of January 1, 2021.
2. DRAFT Ordinance for increase to RST component of sewer rates by 5% with an effective date of July 1, 2020.
3. Schedule First Readings of Ordinances at the regular Board Meeting on May 21, 2020.

Roll call:

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

Noes – 0

Abstain – 0

Absent – 0

The motion was carried unanimously.

ITEM 10. Consider Budget Amendment to the Water Capital Improvement Project (CIP) Fund Budget. DM 2020-30.

BACKGROUND

At the regularly scheduled April 2, 2020 Board Meeting, staff presented Director’s Memorandum (“DM”) 2020-20 requesting Board permission to hire Blais & Associates (“Blais”) for grant support services. As the Board is aware, the District is addressing. Various water quality issues, 1,2,3-TCP, TDS, and more recently PFOS/PFOA compounds. These issues, although serious, can be mitigated through additional capital improvement and infrastructure but will require significant financial resources. The purpose of engaging Blais is to help staff seek and obtain approval for grants and low interest loans through local, state, and federal programs. Given the competition for grant funding is high, it was advisable to obtain professional support with expertise in research and preparation of grant/loan applications.

At the conclusion of staff’s presentation of DM 2020-20, staff recommended the Board of Director’s approve amending the FY 2019-2020 District Budget by allocating the initial cost of hiring Blais (\$13,650) to the District’s Water CIP Fund Budget. Upon further consideration regarding funding for this work, staff recommends the budget for this effort

to come from the Water Fund Budget rather than the Water CIP Fund Budget. CIP Fund Budget is generally reserved from the actual construction of capital improvement and infrastructure projects, also referred to as long-lived (assets with a useful life in excess of one year). The Water Fund Budget is used for operating expenses and planning efforts, such as this work by Blais Staff is recommending a budget amendment to realign the fees to be paid to Blais from the Water CIP Fund Budget to the Water Fund Budget.

Director Skerbelis moved and Director Trowbridge seconded the Board of Directors authorize the Board of Directors authorize the Assistant General Manager to Amend the FY 2019-2020 District Budget by allocating \$13,650 from the Water Capital Improvement Project Fund Budget to the Water Fund Budget with a new line item under Operating Expenses entitled “Consulting Fees – Water Supply Project”.

Roll call:

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

Noes – 0

Abstain – 0

Absent – 0

The motion was carried unanimously.

ITEM 11. Consider Potential Lease Proposal From AT&T Wireless Communications on District Owned Land. DM 2020-31.

BACKGROUND

A site acquisition consultant for AT&T has indicated an interest in a potential lease proposal for a wireless communication facility on District owned land. Per a letter dated April 10, 2020, attached, AT&T is looking to improve its cellular service in the area by adding a cell tower and accompanying facilities. The space needed is approximately 960 square feet (“Lease Area”). In discussion with the consultant, Kris Sanders, the Lease Area is required to be a minimum of 140 feet from residential properties and a minimum of 70 feet from commercial/industrial properties. The attached Map Exhibit shows a possible Lease Area location on District Property (APN 179-160-004). This District Property is approximately 2.3 acres in area, currently vacant, and used for storage.

In the past there was some consideration of locating a new District Headquarters on this land, which after considerable architectural effort did not move forward. Some very preliminary thoughts for use of the District Property have been to evaluate the feasibility of building a large warehouse building to facilitate secure storage of the District Fleet and Operation Equipment and Materials. This would be done in coordination of rehabilitation of the existing District Administrative Office with a goal to consolidate Office and Field Personnel in one location.

The initial lease offer by AT&T is \$1,700 per month with five, five-year terms (25 years), and five optional renewal periods. Each five-year term would have a 15% lease rate escalator. This generates over \$500,000 of lease revenue not including escalation.

Staff is bringing this proposal forward to get some input on how to proceed. Potential options include:

1. District indicates no interest in the lease proposal. This would allow maximum flexibility in the District's use of the District Property for future endeavors at the expense of lease revenues.
2. District proceeds with entering lease agreement negotiations to locate the Lease Area near the location marked with a star on the Map Exhibit. This would generate over \$500,000 of lease revenue but encumber the District Property. The Lease Area and access to the Lease Area for AT&T would be parameters to consider when planning for future uses by the District of the District Property.
3. District indicate a preliminary interest in the lease proposal but ask for a 3-month period to allow District staff time to retain consultant support to do preliminary site planning on the District Property. The planning would be consistent with the concept of building a warehouse type building for use as a secure storage the District Fleet and Operations Warehouse. A budget for this preliminary site planning is estimated at \$15,000-\$20,000. Staff would use this work to meet with City of Jurupa Valley staff to receive input and understand entitlement requirements.

Of these three Options, staff recommends Option 3. Regardless of the outcome of lease negotiations, the planning effort will provide the District with additional information to use in making decisions on improvements to District Administrative and Field Offices.

Director Murphy moved and Director Trueba to postpone this item to the May 21, 2020 Board meeting.

Roll Call:

Ayes – 4 (Muniz, Murphy, Skerbelis, Trueba)

Noes – 0

Abstain – 1 (Trowbridge)

Absent – 0

The motion was carried unanimously.

ITEM 12. Consider Adopting Resolution 2020-867, a Resolution of the Rubidoux Community Services District Offering to Purchase Tax Defaulted Property from the County of Riverside (APN 179-111-004). DM 2020-32.

BACKGROUND

From time to time the County of Riverside distributes a list of tax-defaulted properties that have become subject to the Treasurer-Tax Collector's Power of Sale. This list is made available to public agencies prior to making the properties available to private purchasers. Last Fall the County sent the District the current list of tax-defaulted properties and on November 21, 2019 the Board was presented with Directors Memorandum 2019-64 recommending authorizing the General Manager to submit Applications to the County of Riverside for two properties; APN 179-111-004 and APN 179-260-044.

A letter dated April 23, 2020 was received by the District from the County offering to sell the District APN 179-111-004 for \$26,241.55. The letter indicated the other parcel, APN 179-260-044, was redeemed and no longer available.

The available parcel, APN 179-111-004, is an approximate 0.5-acre parcel on Avalon Street, directly adjacent Fire Station No. 38. This parcel can be used for construction of water or sewer facilities, or for expansion of the Fire Station.

In DM 2019-64 the cost for APN 179-111-004 the Board approved a purchase price of \$10,886.90. The County has increased the purchase price to \$10,886.90. The County has increased the purchase price to \$26,241.55. The County has an assessed value for the Property of \$138,520. The revised purchase price is approximately 19% of the current assessed value. In addition to the purchase price, staff anticipates approximately \$10,000 in costs for a Phase 1 Environmental Survey, at title search, and minor administrative and legal expenses to complete the acquisition.

To proceed, the County requires the Board adopt a Resolution indicating:

1. The District's offer to purchase APN 179-111-004 for \$26,241.55.
2. The District will use the Property for public purposes consistent with its Mission Statement.
3. The District will pay County costs to send Notice of Agreement to Purchase Tax-Defaulted Property to parties of interest in the Property via registered/certified mail, and to publish same in the Press Enterprise.

Staff has prepared attached Resolution No. 2020-867, a Resolution of the Rubidoux Community Services District Offering to Purchase Tax Defaulted Property from the County of Riverside. (APN 179-111-004)

Director Murphy moved and Director Muniz seconded the Rubidoux Community Services District Board of Directors:

1. Adopt Resolution 2020-867;
2. Authorize additional funding of \$23,354.65 to a total of \$36,241.55 to fund the total purchase price of \$26,241.55 and costs using funds from the Water Fund Budget – Asset Acquisition Fund.

Roll Call:

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

Noes – 0
Abstain – 0
Absent – 0

The motion was carried unanimously.

ITEM 13. Directors Comments.

Director Trueba had some compliments for the District. There was a water quality concern expressed by Councilman Barajas. Brian Jennings handled it. Other staff members took care of it and cleaned it up swiftly. The second incident was a broken pipeline on Opal Street. Miguel handled it quickly with the maintenance and operations staff. He expressed his gratitude to staff.

Brian Jennings reported in the next few weeks, Burrtec will be implementing a re-route for approximately 1,000 customers in the District, which will require some service day changes. Burrtec will be sending postcards to the affected customers ten days in advance. The actual re-route will start the week of June 1, 2020.

Brian Laddusaw shared a PDF report from accounts receivable monitoring since start of the Covid 19 issue. 96% of customers are current with their billing, 31-60 days are at 3.5% of customers with receivables.

Director Muniz adjourned the meeting at 5:17 pm.