

MINUTES OF REGULAR MEETING
April 16, 2020
RUBIDOUX COMMUNITY SERVICES DISTRICT

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

DIRECTORS ABSENT: Armando Muniz

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

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, April 16, 2020, by teleconferencing at District Office, 3590 Rubidoux Boulevard, Jurupa Valley, California.

ITEM 4. APPROVAL OF MINUTES

Approval of Minutes for April 2, 2020, Special Board Meeting.

Director Trueba moved and Director Skerbelis seconded to approve the April 2, 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 April 17, 2020 the Salaries, Expenses and Transfers.

Consideration to Approve the April 17, 2020 the Salaries, Expenses and Transfers.

Director Trowbridge moved and Director Skerbelis seconded to Ratify the March 24, 2020, Salaries, Expenses and Transfers; Approve the April 3, 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

No items presented

ITEM 8. MANAGER’S REPORT

Operations Report:

Emergency and Fire Report:

Station 38 had a total of 257 calls. Of those 178 calls, 73% were medical aides. Additionally, there was a report for the City of Jurupa Valley. For the city, there was a total of 928 calls.

ITEM 9. Consider Establishment of a District 401 (a) Plan. DM 2020-23.

BACKGROUND

On April 7, 2020 the Personnel Committee met and considered the establishment of a District 401(a) Plan to supplement current deferred compensation opportunities for District staff. The Personnel Committee indicated its recommendation to establish a 401(a) Plan and to present this matter to the full Board of Directors. This Director’s Memorandum provides information about current and proposed District deferred compensation plans as presented to the Personnel Committee.

Rubidoux Community Services District (“District”) as a public agency provides its employees a variety of common benefits as part of an employee’s compensation package. Besides base salary, benefits include paid time off (vacation, sick leave, holiday), medical, vision and dental insurance, and payment of employer share of CalPERS contribution. Employees not part of the collective bargaining unit also receive administrative leave.

An ancillary benefit provided to all employees is the opportunity to participate in a 457(b) deferred compensation plan. Deferred compensation plans provide employees an opportunity to reduce their taxes will be paid in the future when deferred salary is withdrawn.

457(b) Deferred Compensation Plan

Currently the District offers to its employees a 457(b) Deferred Compensation Plan. Generally speaking, 457(b) plans are tax-advantaged, deferred compensation supplemental retirement plans offered by state governments, local governments, and some nonprofit employers. Employees can elect to use the plan to make pre-tax salary deferral contributions to lower their current tax exposure and build up retirement funds. Deferred funds are not taxed on the principal or interest earned until it is withdrawn. Withdrawals can start on or after reaching age 59 ½ without an early withdrawal penalty. Minimum mandatory withdrawals start at age 72.

The District does not contribute funding to the 457(b) Plan on behalf of its employees. All funds contributed to the 457(b) Plan is made by each employee to their 457(b) Plan account. There is no cost to the District other than minor administrative expenses. Employees contributions to the plan have an annual deferral limit based on federally set rules. For employees less than 50 years of age, the deferral limit for calendar year 2020 is \$19,500. For employees 50 and older an additional \$6,500 can be deferred, bring the annual maximum deferral limit to \$26,000.

To summarize, the current District 457(b) Plan provides a way for employees to voluntarily save money for retirement while lowering their current tax obligation. The funds saved in the employee's 457(b) Plan are taxed when withdrawn at the employee's then current tax rate based on the employee's income at that time. Currently Lincoln Financial provides administrative duties for the District's 457(b). Approximately 50% of the District's staff voluntarily participate. The District has offered a 457(b) plan to employees since 1998.

401(a) Deferred Compensation Plans

In addition to 457(b) Plans, public agencies can establish 401(a) and 457(b) plans. An article published by Best, Best & Krieger on February 4, 2020 entitled "taking Advantage of Governmental Retirement Plan Contribution Limits" explains Options public agencies can have offering both 401(a) and 457(b) plans: These include:

1. Making and/or matching employees' 457(b) pre-tax deferrals with employer contributions to a 401(a) for the benefit of the employee Because employees can save on taxes by making pre-tax deferrals to the 457(b), many employees prefer not having the overall annual deferral limit to the 457(b) Plan used up by employer matching contributions.
2. Using the 457(b) and 401(a) limits to benefit employees on a targeted basis. In a post-PEPRA world, there is more interest in providing "targeted" employee benefits to new hires, certain bargaining groups and mission-critical employees.

Public agencies have the freedom to design their 401(a) and 457(b) plans to make employer contributions for certain individuals or groups of individuals. Employer contributions can be set up as fixed dollar or formula amounts (e.g., dollars per pay period or percentage of pay per paycheck) or determined annually by the employer on a discretionary basis. If appropriate, the 401(a) Plan can use a vesting schedule to “encourage” longevity.

3. Using deferral limits to “convert” excess or unused paid time off. If done properly amounts of excess or unused paid time off can be “converted” by the employer (not at the election of the employee) on a mandatory basis into a 401(a) contribution. This tool may be particularly important to employees who have accumulated more paid time off than they can use and who are concerned about building their retirement savings. A mandatory conversion of paid time off if done properly, should not create tax burden associated with an elective cash-out.
4. Employer contributions to a 401(a) defined contribution plan are not subject to FICA taxes (Medicare and, if applicable, Social Security).

To summarize, a 401(a) Plan can be useful to public agencies to:

1) allow their employees to maximize deferral of compensation to their 457(b) Plan and minimize current tax liabilities, 2) provide compensation incentives other than increase in base pay, and 3) a place to convert excess or unused paid time off into savings rather than a cash out with current tax liability.

Currently there are two District employees receiving deferred compensation contributions from the District as part of their total compensation package. In the absence of establishment of a 401(a) Plan for the District, deferred compensation contribution by the District goes into these employee’s 457(b) Plan.

That contribution amount goes against the annual deferral limit for the 457(b) Plan of the employee resulting in less base salary deferral causing more tax liability for the employee. Creation of a 401(a) Plan allows the District deferred compensation contribution to go to the 401(a) Plan leaving the full annual deferral limit amount of the 457(b) Plan of the employee resulting in less base salary deferral causing more tax liability for the employee. Creation of a 401(a) Plan allows the District deferred compensation contribution to go to the 401(a) Plan leaving the full annual deferral limit amount of the 457(b) Plan available to the employee. Except for a one-time \$500 expenditure to Lincoln Financial to set up the 401(a) Plan, there is no added cost to the District.

In addition to addressing the situation as discussed above, a 401(a) Plan for the District could be created to reward outstanding performance on a discretionary basis, encourage longevity for employees hired under PEPPA, and potential compensation adjustment for employees at top of range, etc. Adding these expanded employer benefits to District employees would impact the District’s Annual Budget and would be vetted with the Board of Directors for approval prior to implementation.

Request

Lincoln Financial has indicated there is a \$500 fee to set up a 401(a) Plan for the District. Staff requests authorization to proceed with paying Lincoln Financial to assist the District in setting up a 401(a) Plan for the District. Initially the plan would be set up for current employees receiving a deferred compensation contribution from the District but would be flexible to potentially include additional participants. This issue was presented to the District's Personnel Committee on April 7, 2020. The Personnel Committee concurred with establishment of a District 401(a) Plan and recommended approval by the Board of Directors.

Director Trowbridge moved and Director Murphy seconded the Board of Directors authorize the Assistant General Manager to: 1) Authorize an expenditure of \$500 to have Lincoln Financial assist in establishing a 401(a) Plan for the District; 2) Authorize the Assistant General Manager and Director of Finance & Administration to work with Lincoln Financial on establishment of 401(a) Plan to accommodate initial participation for the Assistant General Manager Position, with flexibility to include additional participants upon approval by the Board of Directors.

Roll call:

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

Noes – 0

Abstain – 0

Absent – 1 (Muniz)

The motion was carried unanimously.

ITEM 10. Consider Adopting Resolution 2020-863, a Resolution Recognizing Steve Appel for Service to Rubidoux Community Services District. DM 2020-24.

BACKGROUND

As the Board is aware, General Manager, Steve Appel is retiring after a distinguished 26-year career with the District. His last day with the District is May 17, 2020. In recognition of his leadership and commitment to the District Board of Directors, employees, and customers, Resolution No. 2020-863 was prepared for the Board to consider adopting.

Director Trueba moved and Director Murphy seconded the Board of Directors adopt Resolution No. 2020-863 recognizing General Manager Steve Appel's 26-year distinguished and committed service to the District.

Roll call:

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

Noes – 0

Abstain – 0

Absent – 1 (Muniz)

The motion was carried unanimously.

ITEM 11. Consider Purchase of Refurbished GAC Pressure Vessels. DM 2020-25.

BACKGROUND

As the Board may recall on March 5, 2020 the Board was presented DM 2020-11 discussing mitigation efforts related to lowering of PFAS Compound limits by the State Water Resources Control Board. DM 2020-11 is attached for reference. Mitigation measures outlined effort to develop alternate water supplies by collaboration with other water suppliers such as Jurupa Community Services District (“JCSD”) and Western Municipal Water District (“Western”) and adding PFAS removal treatment on District wells. To date the Board has authorized staff to:

1. Prepare a Memorandum of Understanding (“MOU”) regarding collaboration with Jurupa Community Services District. 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 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 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 two pressure vessels from Carbon Activated Corp. USA that will be refurbished and put into use for PFAS Treatment. These two pressure vessels come at significant savings when compared to costs for comparably outfitted new pressure vessels.

It is anticipated the District will have to purchase several more pressure vessels to mitigate PFAS concentrations in its drinking water wells to meet lowered PFAS limits established by the State Water Resources Control Board. All water suppliers in the state of California face this same requirement, thereby placing a high demand on pressure vessels.

Carbon Activated Corp. USA has contacted District staff indicating they have one more

used pressure vessel available that can be refurbished and used for PFAS treatment. The cost is \$50,000 plus tax. In addition, there will be costs for retrofitting the vessel for resin treatment, site setup, delivery and filling with resin (or GAC) media. Initial costs for purchase and retrofitting are estimated at \$65,000.

As a reminder in DM 2020-11 staff projected the District will incur an estimated \$2 to \$4 million in expenses addressing the lower PFAS limits. Once Hazen & Sawyer provides overall guidance on treatment sequencing and location of necessary pressure vessels, there will be additional costs for site preparation, foundation installation, piping and media purchases. The purchase of this pressure vessel is part of the overall expense. Total authorizations to date specific to PFAS compound treatment is \$587,650. This includes purchase of two pressure vessels, hiring of Hazen & Sawyer, and Blais & Associates If the Board approves this purchase, total authorizations will be \$652,650.

It's anticipated several more pressure vessels will need to be purchased. Given the demand, the additional pressures vessels will be new and have an approximate six (6) month lead time. New pressure vessels are anticipated to cost approximate \$150,00 to \$200,000 each plus tax.

Director Skerbelis moved and Director Trueba seconded the Rubidoux Community Services District Board of Directors authorize the Assistant General Manager:

- 1. Purchase from Carbon Activated Corp. USA a refurbished pressure vessel per Quotation No. 4274 dated March 25, 2020 for \$50,000 plus tax.**
- 2. Approve up to \$10,000 to be paid to Carbon Activated Corp. USA for retrofitting expenses of the pressure vessel to utilize both GAC and resin for PFAS compound treatment.**
- 3. Amend the FY 2019-2020 to allocate \$65,000 of reserves from the Water Fund Budget to be allocated to the Water Capital Improvement Project (CIP) Budget.**

Roll Call:

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

Noes – 0

Abstain – 0

Absent – 1 (Muniz)

The motion was carried unanimously.

ITEM 12. Consider Adopting Resolution 2020-864, a Resolution Designating and Authorizing Certain Staff Members for Local Agency Investment Fund (LAIF) Banking Purposes. DM 2020-26.

BACKGROUND

As the Board is aware, the current General Manager, Steve Appel will be leaving District employment next month via retirement. The adoption of Resolution No. 2020-864 replaces Steve with Jeffrey Sims, current Assistant General Manager and District contracted General Manager effective May 18, 2020, for purposes of making electronic transfers between LAIF and District accounts. This authorization does not allow withdrawals from any District account, only transfers between accounts.

Director Trueba moved and Director Skerbelis seconded the Rubidoux Community Services District Board of Directors adopt Resolution 2020-864, which supersedes and replaces Resolution No. 2019-849 in its entirety.

Roll Call:

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

Noes – 0

Abstain – 0

Absent – 1 (Muniz)

The motion was carried unanimously.

ITEM 13. Consider Adopting Resolution 2020-865, a Resolution Designating and Authorizing Certain Staff Members the Ability Conduct Electronic Transactions Between Banking Institutions. DM 2020-27.

BACKGROUND

As the Board is aware, the current General Manager, Steve Appel will be leaving next month via retirement. The adoption of Resolution No. 2020-864 replaces Steve with Jeffrey Sims, current Assistant General Manager and District contracted General Manager effective May 18, 2020, for purposes of making electronic transfers between LAIF and District accounts. This authorization does not allow withdrawals from any District account, only transfers between accounts.

Director Trueba moved and Director Trowbridge seconded the Rubidoux Community Services District Board of Directors adoption of Resolution 2020-865, which supersedes and replaces Resolution No. 2019-850 in its entirety.

Roll Call:

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

Noes – 0

Abstain – 0

Absent – 1 (Muniz)

The motion was carried unanimously.

ITEM 14. Receive and File Statement of Cash Asset Report for all District Funds Ending March 2020. DM 2020-28.

BACKGROUND

Attached for the Board of Directors' consideration is the March 2020 Statement of Cash Asset Schedule Report for all District Fund Accounts. Our YTD interest is \$315,999.64 for District controlled accounts. With respect to District "Funds in Trust", we show \$13,870.62 which has been earned and posted. The District has a combined YTD interest earned total of \$329,870.26 as of March 31, 2020.

With respect to the District's Operating Funds (Excluding Restricted Funds and Operating Reserves), we show a balance of \$6,389,729.15 ending March 31, 2019. That's **\$250,728.85 MORE** than July 1, 2019, beginning balance of \$6,139,000.30.

Further, the District's Field/Admin Fund current fund balance is \$558,983.92.

Submitted for the Board of Directors consideration is the *March 2020, Statement of Cash Asset Schedule Report* for your review and acceptance this afternoon.

Director Trowbridge moved and Director Skerbelis seconded to Receive and File the Statement of Cash for the Month of March 2020 for the Rubidoux Community Services District.

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

Noes – 0

Abstain – 0

Absent – 1 (Muniz)

The motion was carried unanimously.

ITEM 15. Directors Comments.

Director Murphy adjourned the meeting at 4:52 pm.