

MINUTES OF REGULAR MEETING
May 20, 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 20, 2021, by teleconferencing at District Office, 3590 Rubidoux Boulevard, Jurupa Valley, California.

ITEM 4. APPROVAL OF MINUTES

Approval of Minutes for May 6, 2021, Board Meeting.

Director Trueba moved, and Director Muniz seconded to approve the May 6, 2021, Regular Board Minutes.

Roll call:

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

Noes – 0

Abstain – 0

Away – 1 (Murphy)

The motion was carried unanimously.

ITEM 5. Consideration to Approve the May 21, 2021, Salaries, Expenses and Transfers.

Consideration to Approve the May 21, 2021, Salaries, Expenses and Transfers.

Director Muniz moved, and Director Trueba seconded to Approve the May 21, 2021, Salaries, Expenses and Transfers

Roll call:

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

Noes – 0

Abstain – 0

Away – 1 (Murphy)

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

In budget workshop #3 we talked about setting the public hearings to set the water and sewer rates. There was an article in the Press Enterprise about the City of Redlands. In the article it was stated that they will be raising their wastewater rates 15% two times. It will result in an \$8.00 increase the first year and \$7.00 raise the second year.

ITEM 8. MANAGER’S REPORT

Operations Report:

For the month of April, an average of 4.28 mg/day of potable water was delivered, and 1.66 mg/day wastewater was sent to Riverside for treatment. Of the potable water, Well No. 8 produced 44%; Well No. 2 produced 29%; and Well No. 1 produced 27% for the month.

Emergency and Fire Report:

Chief Veik provided the Incidents Report for the month of April 2021. Rubidoux CSD Station 38 had a total of 228 calls.

***It was requested by General Manager Sims to move agenda Item 12 before Item 9 of the Action Items. The Board agreed to move the item.**

ITEM 12. Consider Actions to Join California Municipal Finance Authority Related to Financing Development Fees for Tract No. 37211. DM 2021-29.

BACKGROUND

Tract No. 37211 is a proposed 48 lot subdivision going through entitlement processes with the City of Jurupa Valley. The 48 lots are proposed for development as single-family homes and located west of Pacific Avenue north of State Route 60. Sequanota Partners, LP, a California limited partnership is the Developer seeking entitlement approvals.

With development of Tract No. 37211 various development impact fees (“DIF”) will be paid. DIF’s are collected by public agencies to fund public improvements benefiting residents moving

into the development. The actual amount of DIF collected represents a reasonable nexus between the proportionate share of costs for the benefits received by each lot. Examples of DIF include payment of water and sewer capacity fees, park fees, traffic mitigation, and school fees.

Developers generally have two options for payment of DIF. They are:

1. Pay out of pocket and include the cost of the DIF in the sales price of the home, which the buyer pays through a mortgage.
2. Fund through issuance of bonds, which is repaid by the buyer through special assessment on their annual property tax bill.

When using bond financing for eligible expenses (Option 2) such as DIF, the sales price for the home can be lower since the developer does not have to include DIF expenses. To illustrate, a developer who has a \$400,000 sales price for a house with \$25,000 in costs for DIF, would set the sales price at \$375,000 with Option 2 as the \$25,000 is paid through annual property tax assessment. From a competitive sales pricing standpoint Option 2 can be attractive both to the developer and buyer. For the developer a lower pricing point, and for the buyer a lower mortgage qualifying point.

Financing through bonds in California is allowed through the Mello-Roos Community Facilities Act of 1982. California Government Code section 53311 has specific criteria for bond financing, generally described as follows:

1. A public entity will act as the Lead Agency and is the entity receiving the largest amount of net bond proceeds.
2. The public entity acting as the Lead Agency on a bond issuance can include DIF of other public entities by execution of a Joint Community Facilities Agreement with each of the participating agencies.
3. The Lead Agency will authorize a bond issuance amount under its credit rating, which typically encourages lower interest rates and longer terms.
4. The bond issuance amount is limited by a requirement of the project benefiting from the bond proceeds having at least a minimum value of three times the bond issuance, and 2) the maximum annual property tax on the property cannot exceed 2% of the assessed valuation of the property.
5. Once bonds are sold, the developer submits disbursement requests for eligible expenses and if approved, the Lead Agency disburses bond proceeds to the developer.
6. The Lead Agency is required to provide the County with annual tax billing amounts to be included on tax bills and collected taxes are used to pay annual debt service on the outstanding bonds until paid in full. Typically, at least one-year of bond reserves is maintained to avoid payment shortfalls for delinquent tax bills.

The public agency receiving the largest amount of net bond proceeds typically acts as Lead Agency and is responsible for forming, organizing and administering the bond sale and payment thereof. To make this process easier, the state of California formed the California Municipal Finance Authority (CMFA). CMFA can take the lead in forming Community Facilities Districts ("CFD") and subsequently handling its administration, so District involvement is minimized.

The Developer of Tract 37211, Sequanota Partners, LP, a California limited partnership (“Developer”) proposes a \$1,175,000 Bond Sale through CMFA with \$996,904 of net bond proceeds split as follows:

City of Jurupa Valley	Traffic Mitigation Fees	\$150,480
Jurupa Area Recreation & Parks District	Park Fees	\$456,192
Rubidoux Community Services District	Water & Sewer Capacity Fees	\$297,194
Reserve Fund	125% of avg. annual debt service	<u>\$ 93,038</u>
Total		<u>\$996,904</u>

The difference between the bond sale amount and net proceeds, \$178,096, are one-time issuance costs. Attached Exhibits 1 and 2 provide more detail.

Using current capacity fees, the District should expect approximately \$639,120 (water capacity fee, sewer capacity fee, meter fee, and fire mitigation fee). This bond financing will generate \$297,194 for the District with the balance of \$391,926 coming directly from the Developer who will subsequently be reimbursed through the home sales.

Bond financing is a common tool of developers and public entities to fund public improvements. Given interest rates are low, bond financing is comparable with mortgage financing. From a financial standpoint the home buyer will pay essentially the same under either financing option – bond or mortgage.

To participate in this financing the District will need to take the following actions:

1. Adopt Resolution No. 2021-876: This resolution authorizes certain individuals of the District to sign and execute documents to participate in the CMFA.
2. Adopt Resolution No. 2021-877: This resolution authorizes the District to participate in the Bond Opportunities for Land Development Program (“BOLD Program”) established by CMFA to finance improvements benefiting new development and authorizing CMFA to administer the program within the District for new development.
3. Approve Joint Community Facilities Agreement between CMFA and the District: this JCFA provides the specific improvements to be financed for Tract 37211 and provides the disbursement form the District uses to obtain bond proceeds for eligible expenses.

With adoption of the two resolutions, any developer within the District will have the opportunity to ask the District to execute a JCFA with CMFA for its project. As a note, each financing effort is independent and subject to their own merits. The District retains the right of deciding to sign the JCFA for any project seeking to use CMFA’s BOLD Program.

Based on the current low interest rate environment and the fact the proposed financing will have a total tax on each individual property within Tract 37211 of 2% or less, participation by the District is appropriate. With participation the District should receive \$297,194 from the financing and \$341,926 from the Developer for a total \$639,120 of fees for Tract 37211.

A public notice was published in the Press Enterprise five (5) days in advance of this Board Meeting in compliance with CMFA requirements. This notice allows property owners to object

to the bond financing. In this instance, Sequanota Partners, LP, a California limited partnership is requesting the financing and owns all the property for which the bond proceeds will benefit and subsequently be responsible to pay. It is not anticipated there will be any objections to the formation of this financing district.

James Warzyniak from Jones Hall clarified the CMFA program is administered through a JPA (Joint Powers Authority). The main benefit of the BOLD program is financing for smaller projects can be pool together to save money through the Mello-Roos Act. There will be a special tax on the properties that will support the bonds which will pay the impact fees up front. There will be no liability to the District to pay the bonds, or to administer the bonds.

Director Trueba moved, and Director Trowbridge seconded the Board of Directors approve the following:

- 1. Resolution No. 2021-876: A Resolution of the Board of Directors of the Rubidoux Community Services District, Riverside County, California, Approving, Authorizing, and Directing Execution of a Joint Exercise of Powers Agreement Relating to the California Municipal Finance Authority.**
- 2. Resolution No. 2021-877: A Resolution of the Board of Directors of the Rubidoux Community Services District, Riverside County, California, Authorizing Use of the Bond Opportunities for Land Development (Bold) Program; Authorizing the California Municipal Finance Authority to Accept Applications from Property Owners, Conduct Proceedings and Levy Special Taxes within the Territory of the Rubidoux Community Services District Pursuant to the Mello-Roos Community Facilities Act of 1982, as Amended; and Authorizing Related Actions.**
- 3. Joint Community Facilities Agreement by and between CMFA and Rubidoux Community Services District.**

Roll call:

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

Noes – 0

Abstain – 0

Absent – 0

The motion was carried unanimously.

ITEM 9. Receive and file the April 2021 Statement of Cash Assets Schedule Report Ending April 2021. DM 2021-26.

BACKGROUND

Attached for the Board of Directors' consideration is the March 2021 Statement of Cash Asset Schedule Report for all District Fund Accounts. Our YTD interest is \$146,821.09 for District controlled accounts. With respect to District "Funds in Trust", we show \$6,169.37 which has been earned and posted. The District has a combined YTD interest earned total of \$152,990.46 as of April 30, 2021.

The District's Operating Funds (Excluding Restricted Funds and Operating Reserves), we show a balance of \$6,800,212.62 ending April 30, 2021. That's **\$70,950.88 LESS** than July 1, 2020, beginning balance of \$6,871,163.62.

Further, the District's Field/Admin Fund current fund balance is \$648,480.12.

Submitted for the Board of Directors consideration is the *April 2021, Statement of Cash Asset Schedule Report* for your review and acceptance this afternoon.

Director Murphy moved, and Director Muniz seconded to Receive and File the Statement of Cash for the Month of April 2021 for the Rubidoux Community Services District.

Roll call:

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

Noes – 0

Abstain – 0

Absent – 0

The motion was carried unanimously.

ITEM 10. PUBLIC HEARING – First Reading of Ordinance No. 2021-127, an Ordinance of the Rubidoux Community Services District Authorizing the Adjustment of the Riverside Sewage Treatment (RST) Cost Component of the Wastewater Charges. DM 2021-27.

Director Skerbelis opened the PUBLIC HEARING.

BACKGROUND

On May 6, 2021, at the regularly scheduled Rubidoux Community Services District ("District") Board of Director's ("Board") meeting, the Director's directed staff to prepare DRAFT Ordinance No. 2021-127 and schedule a public hearing for introduction (First Reading) of the Ordinance at tonight's regularly scheduled Board meeting. The proposed Ordinance includes a 5% increase in the Riverside Sewage Treatment ("RST") portion of the wastewater rates. This is a pass-through component of the wastewater bill the District pays to the City of Riverside for treatment and disposal. The 5% increase in the Riverside Sewage Treatment ("RST") portion of the wastewater rates. This is a pass-through increase proposed in DRAFT Ordinance No. 2021-127 is consistent with year three of a five year fiscally sustainable water and wastewater rate plan ("Rate Plan") that was adopted by this Board in May 2019 after notice to the public in accordance with Proposition 218 and compliance with AB 3030 and concluded with a public protest hearing.

The proposed sewer residential rate increase is \$1.08 per month. This increase brings the total wastewater cost to the District's residential customers to \$28.78 per month. Non-residential customers are assessed a rate increase based on their water meter size. The proposed increases are necessary to keep pace with treatment charges passed through from the City of Riverside. The proposed residential rate increase to \$28.78 per month is still significantly less than most surrounding agencies.

Also, although the proposed 5% pass-through increase will help the District pay its increased RST O&M costs from the City of Riverside, the proposed rate increase does not tackle some of the enterprises other pressing issues such as:

- Continuous elevated TDS levels above 650 mg/l (maximus amount allowed based on discharge permit)
- Tentative capital contribution to the City of Riverside for wastewater treatment plant upgrades of \$21.1 million

Ultimately, District management and the Board will need to consider the above when setting rates in the future in addition to the ever-increasing RST component.

This afternoon's Public Hearing for Ordinance No. 2021-127 was posted at the District's office, on the District's website and noticed in the Press Enterprise Newspaper no less than 10 days from today.

Finally, as of the writing of this DM, the District has not received any oral or written comments as it pertains to Ordinance No. 2021-127.

There were no comments written or in person from the public at this time.

Director Skerbelis closed the PUBLIC HEARING.

Director Trueba moved and Director Muniz seconded Staff Schedule a Final Reading of Ordinance No. 2021-127 for the June 3, 2021, regular meeting of the Board of Directors of the Rubidoux Community Services District.

Roll call:

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

Noes – 0

Abstain – 0

Absent – 0

The motion was carried unanimously.

Director Skerbelis opened the PUBLIC HEARING.

ITEM 11. PUBLIC HEARING – First Reading of Ordinance No. 2021-128, an Ordinance of the Rubidoux Community Services District Authorizing the Adjustment of Certain Water Rates for the Delivery of Potable Water to Residential, Commercial and Industrial Customers. DM 2021-28.

BACKGROUND

On May 6, 2021, at the regularly scheduled Rubidoux Community Services District (District") Board of Director's ("Board") meeting, the Director's directed staff to prepare DRAFT Ordinance No. 2021-128 and schedule a public hearing for introduction (First Reading) of the

Ordinance at tonight's regularly scheduled Board meeting. The proposed Ordinance includes a 6% increase in the potable water rates for residential, commercial and industrial customers. The 6% increase proposed in DRAFT Ordinance No. 2021-128 is consistent with year three of a five year fiscally sustainable water and wastewater rate plan ("Rate Plan") that was adopted by this Board in May 2019 after notice to the public in accordance with Proposition 218 and compliance with AB 3030 and concluded with a public protest Hearing.

The proposed rate increase of 6% was based on increased costs associated with the production, treatment and delivery of potable water to District customers as projected in 2019. Since Board approval of the Rate Plan in 2019, 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 new threatening contaminants, PFOS/PFOA, in addition to existing water quality issues within the District's drinking wells, such as 1,2,3-TCP and relatively high ambient TDS levels. Since August 2019, the District's Board has approved approximately \$5 million in project costs/expenditures to design and construct a treatment system at the Leland Thompson and Anita B. Smith Water Treatment Facilities to mitigate PFOS/PFOA. In addition to the capital infrastructure to treat the contaminants, District staff estimates approximately \$1 million in added annual operating and maintenance costs to the Water Fund for treatment media, energy costs, sampling, etc. to ensure the District's potable wells meets the allowable thresholds.

Even absent these current contaminant issues, 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 and based upon a recently conducted tank condition assessment, need approximately \$4 to \$5 million in current dollars to bring the tanks into refurbished condition and replacement of Hunter 1.

Lastly, management has an added focus on preventative maintenance programs and other programmatic initiatives for upcoming fiscal year 2021-2022, for which has not been budgeted for in the past. These are estimated to cost the District \$250,000 to \$500,000 for initial design and implementation but are key to ensuring efficiency and sustainability in the Water Enterprise for years to come, ultimately increasing revenues (meter replacement program), and decreasing expenditures (valve turning program).

The District's residential and commercial potable water "stand-by" charge is based on the customers meter size. Currently, approximately 80% of the District's residential water customers have a 5/8" meter, while approximately 19% of the District's residential water customers have a 3/4" meter. For example, the typical customer with a 5/8" meter would see an increase in their "stand-by" charge of \$1.15, to \$27.39 per month. A typical District customer with a family of four, using a 5/8" meter and 19 units of water, would see an increase in their monthly bill of \$270, to \$61.09 per month. The proposed residential rate increase to \$61.09 for the typical District customer is still significantly less than most surrounding agencies given the same meter size and usage.

The proposed increases are necessary to continue providing a high quality and reliable potable source of water for the health, welfare and safety of the community and residents.

This afternoon's Public Hearing for Ordinance No. 2021-128 was posted at the District's office, on the District's website, and noticed in the Press Enterprise Newspaper no less than 10 days from today.

Finally, as of the writing of this DM, the District has not received any oral or written comments as it pertains to Ordinance No. 2021-128.

There were no comments written or in person from the public at this time.

Director Skerbelis closed the PUBLIC HEARING.

Director Muniz moved, and Director Trueba seconded the Rubidoux Community Services District Board of Directors approve staff to prepare the following:

- 1. Schedule a Final Reading of Ordinance No. 2021-128 for the June 3, 2021, regular meeting of the Board of Directors of the Rubidoux Community Services District.**

Roll call:

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

Noes – 0

Abstain – 0

Absent – 0

The motion was carried unanimously.

ITEM 13. 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 Actions.

ITEM 14. Directors Comments

15. Adjournment

Director Skerbelis adjourned the meeting at 4:43 PM.