

**RUBIDOUX COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS**

**MINUTES OF REGULAR MEETING
Thursday, June 6, 2024**

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

DIRECTORS VIA ZOOM: Armando Muniz

STAFF PRESENT: Brian Laddusaw, General Manager
Ted Beckwith, Director of Engineering
Martha Perez, Customer Service/Accounts Payable
Manager
Melissa Trujillo, HR Generalist/Safety and Facilities
Coordinator
Kirk Hamblin, Director of Finance and Administration

VISITORS (SIGNED IN): Edward Flanagan, RCSD Customer
Wendell Prude, LIUNA Local 777 Representative
Johanna Garcia, LIUNA Local 777 Steward

ITEM 1. 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, June 6, 2024, in-person and by teleconferencing at the District's Administrative Office, 3590 Rubidoux Boulevard, Jurupa Valley, California.

ITEM 2. PLEDGE OF ALLEGIANCE – General Manager

ITEM 3. ROLL CALL – General Manager

ITEM 4. PUBLIC COMMENTS

RCSD customer Edward Flanagan commented during the Board meeting how upset he was for the services he had received regarding his trash barrel. He shared it took three weeks for the trash barrel to be replaced after he had reported the broken trash barrel. District staff had previously assisted him and he had received a new trash barrel prior to the Board meeting. He also shared his concerns with the Board meetings starting at 4pm. He believes it is not an appropriate time for those who work. Board President Skerbelis apologized for the inconvenience and provided Mr. Flanagan with his contact information if he has any questions or concerns.

ITEM 5. CONSENT CALENDAR

- A. Approval of Minutes for May 16, 2024, Regular Meeting
- B. Consideration to Approve June 7, 2024, Salaries, Expenses and Transfers
- C. **DM 2024-41:** Receive and File Statement of Cash Asset Schedule Report Ending April 2024
- D. **DM 2024-42:** Consider Response to the 2024 Conflict of Interest Code Biennial Notice for Amendments
- E. **DM 2024-43:** Consider Ratification of Contract Change Order Number 2 for the Backwash Supply Pipeline Project at Leland Thompson Water Treatment Facility
- F. **DM 2024-44:** Consider Revisions to Employee Handbook Policy Number 2142 ‘Travel Expense/Vehicle Costs Reimbursements’

ACTION:

Director Murphy moved, and Director Trueba seconded to approve the Consent Calendar:

Roll call:

Ayes – 5

Noes – 0

Abstain – 0

Absent – 0

The motion was carried 5-0-0-0.

ITEM 6. CORRESPONDENCE AND RELATED INFORMATION

GM Brian Laddusaw included an article from the Riverside Press Enterprise titled, “CEQA reform is still needed as much as ever.” After more than a year of study, California’s Little Hoover Commission has confirmed what many have long known: the California Environmental Qualify Act needs reform. The commission, which stands as an independent agency which investigates state policy issues and offers recommendations for reform, began holding hearings on CEQA in March 2023. The commission, which stands as an independent agency which investigates state policy issues and offers recommendations for reform, began holding hearings on CEQA in March 2023. The Commission credits the environmental protection law, which was signed in 1970 by then Gov. Regan, for offering important protection to the Golden State’s environment. Hundreds of CEQA lawsuits are filed every year. While some raise legitimate issues, many often font and are intended to throw a wrench into planned developments.

GM Brian Laddusaw also shared a second article titled "Council approves power line plan." In a 4-3 vote, the majority rejected calls to run the project underground instead of on 180-foot towers. Despite on going push back on its plans to run power line along 180-foot towers above the Santa

Ana River, a majority of the Riverside City Council has given the long-awaited project is final approval. The council votes 4-3 Tuesday evening to proceed with the power project as proposed, rather than scrap the plan and redesign it to bury the power lines, as officials from neighboring Norco and Jurupa Valley have urged. Riverside officials have expressed concerns about power outages with the city's current connection to the power grid.

ITEM 7. REPORTS

- A. Operations Report** (Second Meeting Each Month)
- B. Emergency and Incident Report** (Second Meeting Each Month)-
- C. General Manager and Staff Reports / Updates**

GM Laddusaw commented on the City of Jurupa Valley Public Works Department Open House scheduled for on Saturday, June 1, 2024, from 8 am – 12 pm at the Jurupa Valley Operations Center. He presented a couple of pictures from the event. He also shared with the Board the invitation to the National Night Out on August 6, 2024, from 6pm-8pm. GM Laddusaw also invited the Board to attend the Leland Thompson Plant tour scheduled for Tuesday, June 11, 2024, from 11am-1pm, the City of Riverside Youth Program will be attending the tour. Kirk, Director of Finance and Administration commented on the upcoming Procurement Policy update he will be providing to the Board for approval in the next scheduled meeting.

D. Committee Reports

GM Laddusaw shared the Board had met for two Finance & Budget Committee meetings. The Finance and Budget Committee includes the complete Board. They met to discuss the MOU and the second meeting to discuss the new fiscal year budget. Director Murphy commented on the food recovery program, he shared Cal Recycle will be posting on their website the free food locations and resources available for individuals. Inland Harvest provides the food.

ITEM 8. ACTION/DISCUSSION ITEMS.

- A. DM 2024-45:** Consider At-Risk Development Agreement for Tract 32721 and Tract 36947

BACKGROUND:

The Rubidoux Community Services District (“District”) Board of Directors (“Board”) adopted the current Design and Construction Manual (“Manual”) in 2005. This Manual requires in Appendix “F” that the Tract Map for the development be approved by the City of Jurupa Valley (“City”), as successor to the County in 2011 when the City was incorporated and recorded with Riverside County Recorder’s Office (“County Recorder”).

Within the City and District, two tracts of homes are under development by Lennar Homes of California, LLC, (“Developer”) which are Tract 32721 and Tract 36947. The project, currently called Emerald Ridge North, includes a total of 204 detached single family residential lots and is located east of Murial Avenue, North of Canal Avenue and west of 28th Street. The Tract Maps

for this development have not yet been approved by the City and therefore has not yet been recorded with the County Recorder. The Developer desires, however, to start construction on this project prior to approval and recording of the Tract Map. The City will soon permit the Developer to start grading the proposed streets and building pads and the next step in construction is to install the Water and Sewer Pipelines (“Pipelines”).

As the District’s Manual requires the Tract Map be recorded, technically the District cannot allow construction of the Pipelines at this time. Since the Manual is a legally adopted document by the Board, staff considers it appropriate to create an Agreement with the Developer to start construction and to bring the Agreement to the Board for approval before signing the Agreement. A similar agreement was considered and approved by the Board with a different developer (Tract 37211) on March 21, 2024, pursuant to Directors Memorandum 2024-25.

This Agreement is attached to this Director’s Memorandum and includes provisions placing the Developer at their own risk in constructing the Pipelines in that the installation of the Pipelines does not create a vested interest that the Tract Maps will be recorded in their present configuration and that if changes are made to the location of the streets wherein the Pipelines are placed the Developer will have to relocate the Pipelines at their own cost.

Coordination

Staff and District Counsel John Harper have coordinated with Lennar Homes of California in the development of the attached Agreement and recommend the Board of Directors consider its approval.

ACTION:

Director Murphy moved, and Director Trueba seconded to authorize the General Manager to:

Sign the agreement titled “AT RISK CONSTRUCTION AGREEMENT WATER AND SEWER SYSTEM IMPROVEMENTS TRACT NOS. 32721 and 36947 (Emerald Ridge North)” between the District and Developer.

Roll call:

Ayes – 5

Noes – 0

Abstain – 0

Absent – 0

The motion was carried 5-0-0-0.

B. DM 2024-46: PUBLIC HEARING – Second Reading and Adoption of Ordinance No. 2024-136, An Ordinance of the Rubidoux Community Services District Authorizing the Adjustment of Certain Monthly User Charges for the Collection, Treatment, and Disposal of Wastewater

BACKGROUND:

On May 2, 2024, at the regularly scheduled Rubidoux Community Services District (“District”) Board of Director’s (“Board”) meeting, the Board directed staff to prepare draft Ordinance No. 2024-136 and schedule its introduction (First Reading) at the May 16, 2024 regularly scheduled Board meeting. The proposed Ordinance will adjust certain monthly charges for the collection, treatment, and disposal of wastewater. The proposed adjustment is based on the fully noticed year two (2) rate of the 5-year defensible rate plan adopted by the Board on December 15, 2022.

As stewards of the community's infrastructure and environmental health, it is imperative that the District ensures the sustainable management of its wastewater system.

1. **Infrastructure Maintenance and Upgrades:** The District’s wastewater treatment facilities and infrastructure require continuous maintenance and periodic upgrades to remain operational and compliant with regulatory standards. Aging pipelines, treatment plants, and equipment demand significant investment to prevent system failures, mitigate environmental risks, and ensure the uninterrupted delivery of essential services to District customers.
2. **Compliance with Regulatory Standards:** Regulatory agencies impose stringent requirements on wastewater treatment and discharge to safeguard public health and the environment. Failure to comply with these standards can result in substantial fines, legal liabilities, and reputational damage to the organization. Increasing operational costs associated with regulatory compliance necessitate adjustments to the District’s rates to uphold its commitment to environmental responsibility and regulatory compliance.
3. **Population Growth and Increased Demand:** Population growth and urban development exert pressure on the District’s wastewater infrastructure, leading to higher treatment volumes and operational expenses. As the community expands, so does the demand for wastewater services. To accommodate this increased demand and maintain service reliability, it is imperative to invest in capacity expansions, infrastructure enhancements, and technology upgrades, all of which require additional funding.
4. **Financial Sustainability and Long-Term Viability:** Maintaining a financially sustainable wastewater system is crucial to safeguarding the interests of the District’s stakeholders and ensuring the long-term viability of the organization. Adequate funding through appropriate rate structures is essential to cover operating expenses, capital investments, and reserve funds for contingencies. By implementing a rate increase, the District can secure the financial stability necessary to support its mission and deliver high-quality wastewater services to its customers.

The proposed wastewater rate increase is a necessary and prudent measure to address the challenges facing the District’s wastewater system, including infrastructure maintenance, regulatory compliance, population growth, environmental resilience, and financial sustainability.

During the First Reading of draft Ordinance No. 2024-136 on May 16, 2024, no Board members provided alterations or comments as it pertained to draft Ordinance No. 2024-136. At the conclusion of the First Reading, the Board directed staff to schedule a Public Hearing and Final Reading (Second Reading) of draft Ordinance No. 2024-136 at the June 6, 2024, regularly scheduled Board meeting.

This afternoon's Public Hearing for Ordinance No. 2024-136 was posted at the District's office, on the District's website, and noticed in the Press-Enterprise no less than 10 days prior to today.

As of the writing of this Memorandum, District staff received no comments, oral or written, from members of the public as it pertains to draft Ordinance No. 2024-136.

At the conclusion of this afternoon's Public Hearing and Final Reading, District staff recommend the Board consider adoption of Ordinance No. 2024-136. The Ordinance will have an effective date no earlier than thirty (30) days from today or July 6, 2024.

ACTION:

Director Murphy moved, and Director Trueba seconded to authorize the General Manager to:

Adopt Ordinance No. 2024-136 with an effective date of July 6, 2024.

Roll call:

Ayes – 5

Noes – 0

Abstain – 0

Absent – 0

The motion was carried 5-0-0-0.

- C. DM 2024-47: PUBLIC HEARING – Second Reading and Adoption of Ordinance No. 2024-137, 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**

BACKGROUND:

On May 2, 2024, at the regularly scheduled Rubidoux Community Services District ("District") Board of Director's ("Board") meeting, the Board directed staff to prepare draft Ordinance No. 2024-137 and schedule its introduction (First Reading) at the May 16, 2024 regularly scheduled Board meeting. The proposed Ordinance will adjust certain monthly charges for the delivery of potable water to residential, commercial, and industrial customers. The proposed adjustment is based on the fully noticed year two (2) rate of the 5-year defensible rate plan adopted by the Board on December 15, 2022.

As guardians of the community's water resources and infrastructure, it is incumbent upon the District to ensure the sustainable management of its water system.

- 1. Infrastructure Maintenance and Rehabilitation:** The District's water distribution infrastructure, including pipes, pumps, and treatment plants, is aging and in need of regular maintenance and rehabilitation. Failure to address infrastructure deterioration can lead to leaks, breaks, and service disruptions, resulting in costly repairs, water loss, and customer dissatisfaction. Increasing investment in infrastructure maintenance is essential

to preserve the reliability and efficiency of the District's water system and mitigate the risk of system failures.

2. **Compliance with Drinking Water Standards:** Regulatory agencies set stringent standards for drinking water quality to protect public health and safety. Ensuring compliance with these standards requires continuous monitoring, testing, and treatment of the water supply. As regulatory requirements evolve and become more stringent, the costs associated with water treatment and quality assurance escalate. A rate increase is necessary to cover the expenses associated with maintaining compliance with drinking water standards and safeguarding the health of District customers.
3. **Resilience to Climate Change and Extreme Weather Events:** Climate change poses significant challenges to water management, including more frequent and severe droughts, floods, and extreme weather events. Building resilience to climate change requires investments in adaptive infrastructure, water storage, and emergency preparedness measures. By increasing water rates, the District can generate the revenue needed to enhance the resilience of its water system, minimize the impacts of climate-related risks, and ensure the continuous delivery of safe and reliable water services to District customers.
4. **Financial Sustainability and Long-Term Viability:** Maintaining a financially sustainable water system is essential to support the District's mission, meet customer expectations, and fulfill its obligations to stakeholders. Adequate funding through appropriate rate structures is indispensable for covering operating expenses, debt service obligations, capital investments, and reserve funds for contingencies. A responsible and transparent approach to rate setting will enable the District to achieve financial sustainability while upholding its commitment to delivering high-quality water services to District customers.

The proposed water rate increase is a necessary and prudent measure to address the challenges facing the water system, including infrastructure maintenance, regulatory compliance, water conservation, climate resilience, and financial sustainability.

During the First Reading of draft Ordinance No. 2024-137 on May 16, 2024, no Board members provided alterations or comments as it pertained to draft Ordinance No. 2024-137. At the conclusion of the First Reading, the Board directed staff to schedule a Public Hearing and Final Reading (Second Reading) of draft Ordinance No. 2024-137 at the June 6, 2024, regularly scheduled Board meeting.

This afternoon's Public Hearing for Ordinance No. 2024-137 was posted at the District's office, on the District's website, and noticed in the Press-Enterprise no less than 10 days prior to today.

As of the writing of this Memorandum, District staff received no comments, oral or written, from members of the public as it pertains to draft Ordinance No. 2024-137.

At the conclusion of this afternoon's Public Hearing and Final Reading, District staff recommend the Board consider adoption of Ordinance No. 2024-137. The Ordinance will have an effective date no earlier than thirty (30) days from today or July 6, 2024.

ACTION:

Director Murphy moved, and Director Trueba seconded to authorize the General Manager to:

Adopt Ordinance No. 2024-137 with an effective date of July 6, 2024.

Roll call:

Ayes – 5

Noes – 0

Abstain – 0

Absent – 0

The motion was carried 5-0-0-0.

D. DM 2024-48: Consider Adopting Resolution No. 2024-912, A Resolution Adopting a Statement of Investment Policy, and Resolution No. 2024-913, A Resolution Authorizing the Opening of Accounts for Investment Purposes with Certain Financial Institutions

BACKGROUND:

As required by California Government Code Section 5364(a), the legislative body shall annually review the policy and change(s) at a public meeting. The purpose of an annual review during a public meeting is to ensure that all investments practices meet Federal, State, and local criteria for prudent management of said local public agency assets.

The attached investment policy sets strategies and guidelines which diversifies assets and maximizes rates while reducing risks. The District continues to exercise most investment instruments, seeking the best yields for our monies. Conservative investment coupled with diversification in this economic environment is a prudent investment management strategy to follow when public monies are at stake. Staff does recommend adjustments, modifications or changes to the attached Rubidoux Community Services District “Statement of Investment Policy”. These changes include the following:

1. Updating format and current generally accepted practice terminology.
2. Updating allowable investments to be current as of January 1, 2024 as allowable by law.
3. Inclusion of the monitoring of safety and liquidity of District funds.
4. Inclusion of risk management and diversification.
5. Inclusion of delivery, safekeeping, and custody.
6. Inclusion of a glossary.

If acceptable, the attached Resolution No. 2024-912 is presented for the Board of Directors adoption this afternoon.

With respect to the District’s banking and investment institutions, Staff is requesting to keep active, for investments purposes, those banking institutions listed on attached Resolution No. 2023-903, but update previous Resolution 799 as it has become outdated due to financial institution mergers/acquisitions. If acceptable, the attached Resolution No. 2024-913 is presented for the Board of Directors adoption this afternoon.

ACTION:

Director Trowbridge moved, and Director Trueba seconded to authorize the General Manager to:

- 1. The Adoption of Resolution No. 2024-912 which modifies and updates the Rubidoux Community Services District Investment Policy.**
- 2. The Adoption of Resolution No. 2024-913 which authorizes the opening of accounts for investment purposes with certain financial institutions.**

Roll call:

Ayes – 5

Noes – 0

Abstain – 0

Absent – 0

The motion was carried 5-0-0-0.

- E. DM 2024-49:** Consider Adopting Resolution No. 2024-914, A Resolution Authorizing the Establishment of a CalPERS Employer Pension Prefunding Trust (CEPPT) Section 115 Trust

BACKGROUND:

The Rubidoux Community Services District (“District”) is a member of the California Public Employees’ Retirement System (“CalPERS”), and as such, is obligated by the Public Employees’ Retirement Law and the contract between the Board of Administration of CalPERS and the District to make contributions to CalPERS to (a) fund pension benefits for its employees who are members of CalPERS, (b) amortize a portion of the unfunded accrued liability (the “UAL”) with respect to such pension benefits, and (c) appropriate funds for the purposes of paying for the pension benefits and such Unfunded Liability.

Under the CalPERS contract, the District is legally obligated to make certain payments to CalPERS in respect to current and retired public safety employees and miscellaneous employees under the associated pension plans that amortize such obligations over a fixed period of time, including normal costs.

The District currently has an UAL account balance of \$7.0 million, which is required to be paid off during the next 25-year period at 6.8% interest. The District’s UAL is the shortfall of comparing its current total pension assets of \$19.5 million against its current total pension obligations of \$26.5 million. In addition to biweekly payroll contributions made by the District to CalPERS, the District makes annual lump-sum payments which represents the amortized payment amount on the District’s UAL. In the current fiscal year, this lump-sum payment was \$424,520, which was authorized pursuant to Directors Memorandum (“DM”) 2023-68. In FY 2024|2025, this lump-sum payment will be \$549,991.

The growth of the District’s UAL is a combination of factors. Every year CalPERS prepares updated actuarial valuation reports for each of the District’s pension plans wherein it calculates

the District's total pension liability as of the end of the prior fiscal year. If the investment performance during that fiscal year was different from the Discount Rate, or if CalPERS made any changes to its actuarial assumptions, or if the actual demographic or compensation experience within the pension plans was different from the actuarial assumptions (i.e., life expectancy and retirement age), new line items, or UAL amortization "bases," may be added to the plan and result in a change to the UAL balance. Such UAL amortization bases may be positive (indicating funding shortfall for the Pension Plans) or negative (indicating funding surplus for the pension plans). Since CalPERS can add new UAL amortization bases every year, the pension plans must be monitored annually and managed continually – there is no one-time solution.

The District's UAL is not unique to Rubidoux and in February 2023, the District's Board of Directors ("Board") adopted an Unfunded Accrued Liability Pension Management Policy ("Policy") pursuant to Resolution No. 2023-901 for the purpose of addressing the existing and any future UAL associated with the District's CalPERS pension plans. The Policy reflects a reasonable and conservative approach to managing the UAL costs associated with the pension plans and recognizes the pension plans are subject to market volatility and that economic and demographic experience of the plans will differ from the actuarial assumptions. Accordingly, the Policy is intended to allow for adaptive responses to changing circumstances, providing flexibility to address such volatility in a financially sound manner.

The District has a current UAL funding level objective of 85%, which means the District should maintain assets of at least 85% of obligations. The District has a current funding status of 74% (\$19.5 million / \$26.5 million). There are a multitude of ways the District can reach its funding level objective, one of which is to utilize Additional Discretionary Payments ("ADPs"), which are considered supplemental contributions to the District's pension plans. These supplemental contributions can generate substantial long-term net savings. Each supplemental contribution reduces the UAL balance, the annual required contributions for future years, and the total interest costs associated with the UAL. CalPERS does not apply any prepayment penalties for ADPs and should not adversely affect the general obligations of the District.

Beginning in FY 2023|2024, the District budgeted for an ADP in the amount of \$150,000. For FY 2024|2025, the District is budgeting for another ADP of \$150,000. These monies are housed and monitored separately from the District's current \$19.5 million asset portfolio through the establishment of a CalPERS Employer Pension Prefunding Trust (CEPPT) Section 115 Trust. This trust will enable the District to manage pension liabilities more effectively, ensuring long-term fiscal sustainability. This memorandum is needed for the administrative side and to work with CalPERS for establishing the trust and then subsequently utilizing the budgeted funding to make the ADPs.

The District is dedicated to maintaining the financial health of its retirement benefit programs. However, unfunded pension liabilities pose significant financial risks and budgetary pressures. To address these challenges, the District can establish a CEPPT Section 115 Trust, allowing the District to set aside and invest funds specifically for future pension obligations.

Benefits of a CEPPT Section 115 Trust

1. Enhanced Financial Management:

- a. Prefunding pension obligations can help smooth budgetary impacts and provide greater predictability in financial planning.

2. Risk Mitigation:

- a. By setting aside funds specifically for pension liabilities, the District can mitigate the risk of pension cost volatility and unfunded liabilities.

3. Increased Local Control:

- a. Funds in a Section 115 Trust remain under the control of the District, allowing the District to decide the timing and amount of disbursements to CalPERS.
- b. This control ensures that funds are available when needed and can be strategically managed to align with the District’s financial goals.

Implementation Plan

1. Board Approval:

- a. Obtain formal approval from the Board of Directors to establish the CEPPT Section 115 Trust.
- b. Approve Resolution 2024-914 outlining the purpose, benefits, and guidelines for the trust.

2. Trust Setup:

- a. Work with CalPERS to establish the trust, ensuring compliance with all regulatory requirements.
- b. Determine the initial funding amount and subsequent contribution schedule based on actuarial assessments and budgetary considerations.

3. Ongoing Management and Oversight:

- a. Establish a governance structure for the trust, including roles and responsibilities for monitoring and reporting.
- b. Regularly review and adjust the funding strategy and investment policy based on performance and changing economic conditions.

ACTION:

Director Skerbelis moved, and Director Trowbridge seconded to authorize the General Manager to:

1. Approve the establishment of a CEPPT Section 115 Trust to enhance our pension funding strategy and strengthen the financial foundation of the Rubidoux Community Services District.

2. Adoption of Resolution No. 2024-914 which authorizes the establishment of a CalPERS Employer Pension Prefunding Trust (CEPPT) Section 115 Trust.

Roll call:

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

Noes – 1 (Murphy)

Abstain – 0

Absent – 0

The motion was carried 4-1-0-0.

ITEM 9. DIRECTOR'S COMMENTS AND REQUESTS

Director Murphy commented on the City of Jurupa Valley Public Works event the District attended. He shared the District staff had done a good job with their interactive display. He also commented on the sewer inspections and use of the GIS tool. No other Directors had comments.

ITEM 10. NEXT MEETING

Thursday, June 20, 2024, at 4:00 P.M.

ITEM 11. ADJOURNMENT

President Skerbelis adjourned the meeting at 4:59 P.M.