

MINUTES OF REGULAR MEETING
July 6, 2023
RUBIDOUX COMMUNITY SERVICES DISTRICT

DIRECTORS PRESENT: Bernard Murphy
John Skerbelis
F. Forest Trowbridge

DIRECTORS ABSENT: Armando Muniz
Hank Trueba, Jr.

STAFF PRESENT: Brian R. Laddusaw, General Manager
Ted Beckwith, Director of Engineering
Martha Perez, Customer Service and Accounts Payable
Manager
Miguel Valdez, Director of Operations
Melissa Trujillo, HR Generalist / Safety and Facilities
Coordinator

Call to order: the meeting of the Board of Directors of the Rubidoux Community Services District by President Murphy, at 3:30 P.M., Thursday, July 6, 2023, by teleconferencing at District Office, 3590 Rubidoux Boulevard, Jurupa Valley, California.

ITEM 1. (3:30 PM) Call to Order – Bernard Murphy, President

ITEM 2. Pledge of Allegiance

ITEM 3. Roll Call

ITEM 4. CLOSED SESSION – Pursuant to Government Code Section 54956.9: Legal Counsel Status Update on PFAS Contamination Litigation Case, Rubidoux Community Services District v. 3M, DuPont, and Others

Closed session adjourned at 3:41 P.M.

ITEM 5. (4:00 PM) Call to Order – Bernard Murphy, President

Item 18 (DM 2023-63) was pulled from the agenda and will be re-agendized for July 20, 2023.

ITEM 6. Report – Actions taken in Closed Session

No reportable action.

ITEM 7. APPROVAL OF MINUTES

Approval of Minutes for June 15, 2023, Board Meeting.

Director Skerbelis moved, and Director Murphy seconded to approve the June 15, 2023, Regular Board Minutes as presented.

Roll call:

Ayes – 3 (Murphy, Skerbelis, Trowbridge)

Noes – 0

Abstain – 0

Absent – 2 (Muniz, Trueba)

The motion was carried with a 3-0-0-2 vote.

ITEM 8. Consideration to Approve the July 7, 2023, Salaries, Expenses and Transfers.

Consideration to Approve the July 7, 2023, Salaries, Expenses and Transfers.

Director Skerbelis moved, and Director Murphy seconded to Approve the July 7, 2023, Salaries, Expenses and Transfers.

Roll call:

Ayes – 3 (Murphy, Skerbelis, Trowbridge)

Noes – 0

Abstain – 0

Absent – 2 (Muniz, Trueba)

The motion was carried with a 3-0-0-2 vote.

ITEM 9. PUBLIC ACKNOWLEDGE OF NON-AGENDA MATTERS

There was no one in attendance for non-agenda items.

ITEM 10. CORRESPONDENCE AND RELATED INFORMATION

There was nothing to offer for correspondence and related information.

ITEM 11. MANAGER’S REPORT

Operations Report:

Presented at the second meeting of the month.

Emergency and Fire Report:

Presented at the second meeting of the month.

Staff Report:

General Manager Brian Laddusaw had a few updates for the board. There are four (4) tickets available for the City of Jurupa Valley Chamber of Commerce Installation Community Awards Dinner on July 14th at 6:00 pm. The tickets are on a first come, first served basis. Director Trueba responded with an interest in 1 of the tickets, 1 for Director Murphy and potentially 2 for Director Skerbelis.

Staff toured the Burrtec Building a few weeks ago. He commented on the operation of the facility.

Lastly, GM Laddusaw updated the board regarding the quarterly accounts receivables. Since the end of the moratorium, the delinquent AR has gone back down. JCSD water sales have not changed for a few months. We have sold approximately 1,500-acre feet to JCSD since Amendment One (1) to the existing agreement commenced April 2022. The District has collected approx. \$900,000 from the sale of water to JCSD. Payment arrangements – As of June 14th, we have 5 customers on payment plans totaling \$6,200. There will be one more program assistance opportunity in the near future. The City of Jurupa Valley received \$28 million from the American Rescue Plan Act. They will be dividing \$1 million between JCSD and RCSD to help with delinquent accounts.

Miguel Valdez informed the board that Lee Bugbee, senior systems operator is retiring in August. Last month Jesus was promoted to this position. Now the District must fill Jesus' vacancy.

ITEM 12. Receive and File Statement of Cash Asset Schedule Report Ending May 2023. DM 2023-58.

BACKGROUND

Attached for the Board of Directors' consideration is the May 2023 Statement of Cash Asset Schedule Report for all District Fund Accounts. Our YTD interest is \$454,634.78 for District controlled accounts. With respect to District "Funds in Trust", we show \$9,254.47 which has been earned and posted. The district has a combined YTD interest earned total of \$463,889.25 as of May 31, 2023.

The District's Operating Funds (Excluding Restricted Funds and Operating Reserves), we show a balance of \$15,028,324.94 ending May 31, 2023. That's **\$6,018,138.69 MORE** than July 1, 2022, beginning balance of \$9,010,186.25.

Further, the District's Field/Admin Fund current fund balance is \$752,731.79.

Submitted for the Board of Directors consideration is the *May 2023 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 May 2023 for the Rubidoux Community Services District.

Roll call:

Ayes – 3 (Murphy, Skerbelis, Trowbridge)

Noes – 0

Abstain – 0

Absent – 2 (Muniz, Trueba)

The motion was carried with a 3-0-0-2 vote.

ITEM 13. Special District Member Election to the LAFCO Countywide Oversight Board. DM 2023-59.

BACKGROUND

The Riverside Local Agency Formation Commission (“LAFCO”) currently has a vacancy for its Countywide Oversight Board (“CWOB”). A call for nominations was issued by LAFCO seeking potential nominees interested in the position. The Rubidoux Community Services District (“District”) is a member of the Independent Special Districts in Riverside County (“SDSC”). Each Independent SDSC was granted the authority to appoint one (1) special district representative to the oversight board pursuant to Health and Safety Code Section 34179.

Every Board of Director of the District was eligible to be nominated for this appointment. The CWOB reviews complex governmental financial documents and although not a statutory requirement, previous experience or skills involving financial matters or prior experience on an existing oversight board might be helpful.

On May 18, 2023, under Director’s Memorandum 2023-49 (Attachment A), Vice President Skerbelis indicated interest in the LAFCO CWOB vacancy and the Board subsequently supported nominating Vice President Skerbelis to the position. The nomination form was completed by President Murphy and submitted by staff to LAFCO shortly thereafter (Attachment B).

On June 13, 2023, District staff received the official ballot packet for the 2023 CWOB election (Attachment C). Vice President Skerbelis is one of five candidates on the ballot. The election for this position will not utilize Instant Runoff Voting (“IRV”). The District can only select one candidate. The candidate receiving the highest number of votes will be the primary appointee. The candidates receiving the second and third highest votes will be the first and second alternatives, respectively. The ballot must be completed by the Board President or other member of the Board authorized to vote in place of the Board President. Historically, the Board President has completed the ballot. In this case, President would complete the ballot on behalf of the District. Staff recommends the Board review the ballot and authorize President Murphy to complete the ballot for the preferred candidate. Ballots must be delivered to the LAFCO office prior to 5:00 PM on July 14, 2023.

Director Murphy moved and Director Trowbridge seconded the Board of Directors do the following:

- 1. Authorize the Board President to complete and sign the ballot with a vote for John Skerbelis.**
- 2. Direct the General Manager to submit the ballot to LAFCO on or before July 14, 2023.**

Roll call:

Ayes – 3 (Murphy, Skerbelis, Trowbridge)

Noes – 0

Abstain – 0

Absent – 2 (Muniz, Trueba)

The motion was carried with a 3-0-0-2 vote.

ITEM 14. Consider Approval of Proposal for Transmission Main Flushing from Webb Associates. DM 2023-60.

BACKGROUND

Rubidoux Community Services District (“District”) and Jurupa Community Services District (“Jurupa”) have an interagency potable water intertie at Jewel Street. Both agencies contributed funds to construct this intertie approximately 10 years ago. Although the intertie allows water to move in both directions, the main use of the facility has been to move District water to Jurupa. Jurupa is reliant on its groundwater wells for supply, which like the District has required installation of treatment processes for removal of various contaminants. In addition to its wells, Jurupa is a member of the Chino Desalter Authority and entitled to a supply of desalted water.

Based on anticipated future demand increases, Jurupa needs additional water supply and has partnered with the District to purchase District water. Jurupa ceased taking water from the District in 2018 due to the emergence of 1,2,3-TCP. Shortly after the District installed treatment processes to mitigate 1,2,3-TCP, the PFAS family of compounds emerged as the next contaminant of concern. Jurupa made a policy decision to not deliver water exceeding the notification level for any PFAS contaminant. The District potable supply exceeded the notification limit (“NL”), but not the then current response limit (“RL”). In early 2020, the Division of Drinking Water lowered the NL and RL for PFOS and PFOA and due to the District’s proximity to a closed landfill placed the District on an Order to not serve water to customers in excess of the lowered RL by September 2021. The District successfully installed treatment systems on all wells to remove PFAS and met the September 2021 deadline.

In January 2022, District staff began working on a wholesale water rate, incorporating the added operating costs associated with PFAS treatment in addition to capital recovery of the treatment systems and in March 2022 the District successfully negotiated Amendment No. 1 to the inter-agency operating agreement with Jurupa. Jurupa commenced water purchases in April 2022 and this continued throughout calendar year 2022 till late November. Since late November 2022

Jurupa has again ceased taking water from the District due to a variety of water quality concerns. Staff have addressed all the concerns and is in process of generating a technical memo to present to Jurupa outlining how the various concerns have been addressed.

The most problematic concern is manganese sediment in the backbone water system in the most westerly portion of the District; closest to the Jewel Street Intertie. Fortunately, the District has a robust 24" diameter backbone water system connecting its wells and storage in the 1066' zone along with supply pipelines to the pumps lifting water to the 1238' zone. Unfortunately, though, at the westerly end of the system and the District customer demand lessens resulting in very low velocities in the 24" diameter pipeline. Due to the low velocities, manganese builds up as sediment in the pipe. When deliveries of water to Jurupa at Jewel are started the velocity of water in the pipe increases just enough to stir up the sediment and it reaches Jurupa. However, the velocity isn't sufficient to move all the sediment.

Exacerbating this issue is a portion of the 24" diameter pipeline goes under the Sunnyslope Channel near the drive-in which acts like a "p-trap". This siphon needs to be cleaned out. Staff has systematically flushed downstream of the Sunnyslope Channel but can't get the necessary flow and velocities to adequately cleanse the pipe through the existing fire hydrants.

Staff provided Webb Associates a draft scope of work to develop a flushing strategy to clear the main backbone system, including the low point at the Sunnyslope Channel. The Webb proposal is attached. This effort will include: hydraulic modeling, development of plans to build a physical facility to flush the 24" diameter and discharge to the channel, permit acquisition, operational plan for the start and stopping of the flushing activity to avoid damage to the pipes from pressure transients, and support during construction. Webb's budget is \$79,555 to be charged on a time and materials basis. Rounded up, staff is proposing a budget amendment in the amount of \$80,000.

In the FY 2022-23 Budget staff anticipated 2,000 acre-feet (AF) of sales to Jurupa which would generate \$1.2 million in revenue. With Jurupa not taking water, this revenue is not being realized in FY 2022-23. Revenue from Jurupa will only be approximately \$540,000 in FY 2022-23. Furthermore, staff assumed no sales to Jurupa in the FY 2023-24 Budget and did not consider this income in the budget. The revenue from sales to Jurupa goes to recovering some of the \$5 million spend on PFAS treatment facilities which the District installed in 2020 and 2021.

Budget considerations:

Although staff was working on this effort simultaneously with the preparation of FY 2023-24 budget the last couple of months, the determination of the "p-trap" at the Sunnyslope Channel was a recent revelation and therefore the District did not anticipate and fund Webb's proposal in the Water Fund Budget for this year. Not having water sales to Jurupa significantly impacts the District's operating revenues and limits the District's ability to replenish its reserves from the \$5 million in capital spent the last couple of years. Additionally, the estimated \$1.2 million in revenue generated from water sales to Jurupa could help fund other District priority projects or mitigate rate increases in the future. As the new fiscal year just began, staff is unable to reallocate budgeted monies for this effort and is proposing the District fund this work from its Water Fund unrestricted reserves, which has an estimated beginning fiscal year July 1 balance of \$5.86 million and is more than sufficient to cover this scope of work. Staff anticipates additional costs associated with this project, most notably construction costs, which will likely be known after the completion of Webb's work and will be authorized at a future Board meeting.

Director Skerbelis moved and Director Trowbridge seconded the Board of Directors authorize the General Manager to:

- 1. Amend the District’s FY 2023-24 Water Fund CIP Budget to create a new project called “Mission Blvd. Mainline Flushing and Facilities” in the amount of \$80,000 and fund this effort from the District’s Water Fund unrestricted reserves.**
- 2. Approve Webb Associates Proposal in the amount of \$79,555 and authorize staff to issue a work order to perform this work.**

Roll call:

Ayes – 3 (Murphy, Skerbelis, Trowbridge)

Noes – 0

Abstain – 0

Absent – 2 (Muniz, Trueba)

The motion was carried with a 3-0-0-2 vote.

ITEM 15. Consideration to Direct Staff to Prepare Draft Ordinance for Water and Wastewater Rate Adjustments. DM 2023-61.

BACKGROUND

In January 2022, Rubidoux Community Services District (“District”) Board of Directors (“Board”) hired IB Consulting (“IB”) to conduct a Comprehensive Cost of Services Study (“COSS”) to confirm the adequacy of revenues of the District’s then current rate plan to operate, maintain, and replace system assets to meet current and long-term needs of the District.

The COSS was a twelve (12) month process taking up all of calendar year 2022 and during this process, IB provided deliverables and financial resources to staff while also updating the Board at various milestones during their scope of work via Board presentations, which included:

Deliverables:

- Cost Allocation Plan
- Water Enterprise Financial Model
- Wastewater Enterprise Financial Model
- Utility Rate Report

Board Presentations:

- March 17, 2022 – Rates 101 Workshop
- April 21, 2022 – Financial Planning and Reserves
- June 16, 2022 – Long-Term Financial Plans
- September 14, 2022 – Long-Term Financial Plans and Proposed Rates
- October 20, 2022 – Drought Rates

In Fall of 2022, IB completed their work on the District’s COSS and it was determined the existing rates approved with the 2019 5-year rate plan were not adequate to meet the District’s

future financial obligations. This work was detailed by IB in the form of an Administrative Record Report (“Report”). The Report became the nexus for establishing a new 5-year defensible rate plan to meet the District’s future financial obligations to ensure safe and reliable water supplies and wastewater conveyance and treatment are available 24 hours a day – 365 days a year.

On October 20, 2022, the Board authorized staff to prepare and mail the 5-year water, water conservation, and wastewater rate plan pursuant to the conditions of Proposition 218. The Proposition 218 mailings were completed on October 31, 2022, 45 days prior to the Public Protest Hearing on December 15, 2022. After the Proposition 218 notifications were mailed, the District performed the following additional outreach to its constituents:

- November 10 and 20, 2022 – Provided bill stuffer in the November billing highlighting the need for water and wastewater rate adjustments
- November 30, 2022 – Virtual Townhall
- December 1, 2022 – City of Jurupa Valley City Council Meeting presentation
- December 7, 2022 – Virtual Townhall

The purpose of the outreach events and mailings was to provide transparency to all affected property owners and tenants about the proposed rate adjustments and offer them various opportunities to contact staff for a better understanding of the adjustments.

On December 15, 2022, the Board conducted a Public Protest Hearing for all affected property owners and tenants. At the end of the Public Protest Hearing, staff tallied all protests against the 5-year rate plan and determined the public failed to achieve the required 50% + 1 protests for the rates to not be considered by the Board and “not take effect”. The Board then considered and adopted the new 5-year rate plan commencing July 1, 2023, with allowable increases every July 1 through 2027.

PROPOSED FY 2023-24 WATER AND WASTEWATER RATE ADJUSTMENTS:

The newly adopted 5-year rate plan will have varying effects on the District’s customers depending on customer class and meter size. Some customers may experience a reduction in monthly water and wastewater charges while others will see an increase. One of the District’s largest customers, the Jurupa Area Recreation & Parks District, estimates they will save a few hundred dollars a month based on the new rate structure.

The purpose of adopting a new 5-year rate plan allowed the District flexibility to adjust rates as necessary to cover future operating costs, and major maintenance and asset replacement, while also working to achieve its target reserve balances. Although adopted in December 2022, rates are not automatically adjusted every July 1 to the noticed rate amounts. The noticed rates are the maximum allowable rates under Proposition 218 the District may charge its customers. On an annual basis, staff will perform the necessary financial analysis to determine if a rate adjustment is necessary. During this analysis, staff may determine whether the District can achieve its financial targets with a rate adjustment less than the maximum allowed rates or alternatively, delay the date of implementation.

Analysis on the District’s current rate structure began in March 2023 when staff commenced work on the District’s Fiscal Year 2023-24 (“FY 24”) operating and capital fund budgets. During this time, District management met on a weekly basis to discuss all facets of the District’s

operations which ultimately become factors when setting budgetary figures. Items considered include but are not limited to the following:

- Current and forecasted operational challenges related to supply chain shortages, inflation, and new treatment processes.
- Critical capital infrastructure spending related to the water and sewer enterprise.
- Costs and debt service associated with the Field/Admin. Building project.
- Allocation of central services and discretionary property tax revenue.
- Preventative maintenance programs and other programmatic initiatives.
- SB 1383 compliance and administrative costs.
- TDS mitigation due to continuous elevated levels above 650 mg/l (maximum allowed based on City of Riverside discharge permit).
- Emphasis on reducing the District's Unfunded Accrued Liability ("UAL") through Additional Discretionary Payments ("ADPs").
- Potential capital contributions to the City of Riverside for wastewater treatment plant upgrades.
- Elimination of restrictive components of water and sewer enterprise to provide for greater flexibility of rate revenues for operating costs, projects, debt service, unforeseen capital expenditures, and unrestricted reserves.

Each week during the budgeting cycle, management would continuously assign costs to the District's operational and capital fund budgets. As costs were assigned, management simultaneously looked at anticipated revenues associated with each enterprise to determine if sufficient revenues could be generated at the District's current rates or if a rate adjustment was necessary. Due to significant challenges facing the District as noted above, rate adjustments across all three enterprises were necessary for FY 24. Separate from this staff report, the Board adjusted solid waste rates for FY 24 on June 15, 2023, with the adoption of Resolution No. 2023-905.

Water Enterprise:

Over the last couple of years, the District's Water Enterprise has seen significant changes impacting its operating environment and financial stability. In 2020, the District, along with the entire water industry, was given approximately 2-years to respond/mitigate the emergence of the presence of perfluorooctane sulfonate (PFOS) and perfluorooctanoic acid (PFOA) in the groundwater pumped for potable supplies. This was accomplished as a two-pronged approach by implementing treatment processes at the Anita B. Smith and Leland Thompson Water Treatment Facilities. The total project costs for mitigating these contaminants were approximately \$5.0 million, all of which was funded through various District reserve accounts. In September 2021, the District successfully achieved non-detect in its potable water for these contaminants.

Along with these new capital improvements have come additional routine operating costs, most notable the periodic change out of media (GAC or resin) held in these pressure vessels, and additional energy costs and sampling, among other costs. Prior to these new emerging contaminants, the District was already dealing with 1,2,3-TCP and relatively high ambient TDS levels in the District's drinking water wells. Based on current operating efforts for PFAS Treatment combined with existing 1,2,3-TCP Treatment, the District is utilizing 13 pressure vessels. Excluding capital expenses, the media change out expenses and added energy and chemical costs add approximately \$1,250,000 to the annual water system operating expense budget. In addition, each year the District is required to treat new per- and polyfluoroalkyl substances that are within the family of the original PFOS and PFOA compounds. It is estimated

there are over 9,000 total PFAS variations. Further, supply chain issues have increased lead times on various District parts/chemicals and the rising cost of inflation has put significant financial constraints on the District's operating budgets.

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

| TABLE 1 | | | | |
|---|-----------------|-------------------------------|----------------|-----------------------|
| | Atkinson | Hunter 1 | Perone | Watson |
| Capacity | 2 MG | 424,000 gallons | 1 MG | 3.03 MG |
| Required Safety/Health Modifications | \$ 18,000 | \$ 43,100 | \$ 19,300 | \$ 19,300 |
| Structural Modifications | \$ 351,800 | \$ 200,500 | \$ 267,500 | \$ 41,000 |
| Coating and Painting | \$ 460,000 | \$ 180,000 | \$ 314,200 | \$ 681,200 |
| Optional Items | \$ 238,800 | \$ 132,800 | \$ 147,800 | \$ 49,300 |
| Total w/o Optional Items | \$ 829,800 | \$ 423,600 | \$ 601,000 | \$ 741,500 |
| Grant Total All Modifications | \$ 1,068,600 | \$ 556,400 | \$ 748,800 | \$ 790,800 |
| New Welded Steel Tank w/ Foundation | \$ 1,850,000 | \$ 695,000 | \$ 995,800 | \$ 2,272,500 |
| Rehabilitation Cost vs New Tank Cost | 57.8% | 80.1% | 75.2% | 34.8% |
| Capacity Reduction | 2 MG to 1.76 MG | 424,000 gal to 286,542 gal | 1 MG to .59 MG | 3.03 MG to 1.99 MG |

In short, from this evaluation the District is faced with approximately \$2.5 to \$3.5 million, most likely more in current dollars, to bring the tanks into refurbished conditions. It would cost close to \$6 million, again most likely more in current dollars, to replace all the District's reservoirs.

Adjusting the District's water rates to the fully noticed year one rate under the new 5-year rate plan is estimated to generate an additional \$288,000 in revenue. Staff anticipated the need to increase the District's water rates to the fully noticed rates and incorporated the fully noticed year one increase into the Board approved FY 24 operating budget. For illustrative purposes in Table 2, staff prepared two financial scenarios of the water enterprise, one being no adjustments to the District's water rates, and the second being the year one fully noticed budgeted rates:

| TABLE 2 | | |
|--|------------------|-----------------|
| | | Budget Approved |
| | | Year 1 |
| | No Rate Increase | Rate Plan |
| Operating Income | \$ 8,098,000 | \$ 8,386,000 |
| Operating Expenses | \$ (8,806,250) | \$ (8,806,250) |
| Operating Loss | \$ (708,250) | \$ (420,250) |
| Other Income/Expense | \$ 515,000 | \$ 515,000 |
| Debt Service | \$ (605,000) | \$ (605,000) |
| Assets and CIP | \$ (1,352,000) | \$ (1,352,000) |
| Other | \$ (1,442,000) | \$ (1,442,000) |
| Net Loss Before Transfers | \$ (2,150,250) | \$ (1,862,250) |
| Transfers | | |
| Fire Fund - Discretionary Property Tax | \$ 782,000 | \$ 782,000 |
| COP Fund - Debt Service | \$ 240,000 | \$ 240,000 |
| General Fund - 1,2,3 TCP Settlement | \$ 1,232,000 | \$ 1,232,000 |
| Unrestricted Reserves | \$ (103,750) | \$ (391,750) |
| | \$ 2,150,250 | \$ 1,862,250 |
| | \$ - | \$ - |

Not increasing the District's water rates would exacerbate the District's already estimated operating loss. Absent a one-time General Fund transfer to the Water Fund for its capital recovery share of the 1,2,3-TCP settlement proceeds, the District would have no choice but to either eliminate asset acquisitions and system reinvestment or continue to pull from reserves. As noted above, the District funded its PFAS mitigation project at a cost of approximately \$5,000,000 from reserves. It's not financially viable for the District to continuously pull from reserves but should otherwise work to replenish those monies. If approved by the Board, a rate adjustment to the fully noticed year one rate under the 5-year rate plan would see an estimated increase to the District's reserve account from about \$100,000 to \$400,000. A summary of the estimated reserve balance based on the two scenarios above is described in Table 3 below:

| TABLE 3 | | |
|--------------------------|------------------|----------------|
| | | Year 1 |
| Undesignated Reserves | No Rate Increase | Rate Plan |
| Projected FYE 2024 Level | \$ 5,967,734 | \$ 6,255,734 |
| Minimum Level | \$ 4,171,270 | \$ 4,171,270 |
| Minimum Level Shortfall | \$ - | \$ - |
| Target Level | \$ 7,578,878 | \$ 7,578,878 |
| Target Level Shortfall | \$ (1,611,144) | \$ (1,323,144) |

Whether the Board approves the rate adjustment or not, the District does maintain an undesignated reserve balance over its minimum level but is far short of its target level reserve balance.

Wastewater Enterprise:

The largest financial component of the wastewater enterprise are payment obligations to the City of Riverside (“Riverside”) for sewage treatment. Payments to Riverside are broken into two main categories, flow and surcharges. The flow rate is determined by the Regional Advisory Committee (“RAC”) and is set for each fiscal. Flow is billed in million gallons. The District currently has capacity rights to send up to 3.055 million gallons per day (mgd) to Riverside’s Wastewater Treatment Plant. The District averages about 1.6-1.7 mgd and 610-620 mg annually. There are three surcharges Riverside are allowed to bill the District for monthly and they are: flow, total suspended solids (“TSS”), and biochemical oxygen demand (“BOD”). The District does not exceed its flow capacity and is not billed a flow surcharge. The District’s TSS and BOD limits are set forth by agreements with Riverside and currently the District routinely exceeds these limits. On average, the District pays about \$20,000 per month in TSS and BOD surcharges.

Riverside is budgeting for significant increases to their chemical and biosolid disposal costs for FY 24 which impact the flow rate charged per million gallons. Based on these increased budgetary numbers, Riverside is proposing a flow rate per mg of \$2,449.77 for FY 24, an increase of almost \$200 per mg from FY 23. Although the RAC won’t consider the FY 24 flow rate until their next meeting in August, the District conservatively budgeted its FY 24 treatment costs based on Riverside’s proposal.

Also, the Board is aware of the ongoing thirteen (13) plus year lawsuit with Riverside regarding capital participation in Riverside’s wastewater treatment plant upgrades. After approximately nine (9) years of various legal proceedings between the two parties, in May 2019, the presiding judge in the matter issued a Tentative Statement of Decision finding the District is obligated to contribute proportionately based on capacity ownership in capital costs Riverside incurred when upgrading and expanding its facilities. In April 2021, Phase 2 of the legal proceedings (to establish the actual contribution amount) the presiding judge issued a tentative decision on the contribution amount of \$21.1 million. District staff and legal team evaluated all its options and are currently appealing the decision. Staff expects to have a decision on the appeal by early 2024.

Adjusting the District’s wastewater rates to the fully noticed year one rate under the new 5-year rate plan is estimated to generate an additional \$224,000 in revenue, entirely from the commercial sector as the District’s residential customers would see a slight decrease in their wastewater rate in year one. Staff anticipated the need to increase into the Board approved FY 24 operating budget. For illustrative purposes in Table 4, staff prepared two financial scenarios of the wastewater enterprise, one being no adjustments to the District’s wastewater rates, and the second being the year one fully noticed budgeted rates:

| TABLE 4 | | |
|--|------------------|-----------------|
| | | Budget Approved |
| | | Year 1 |
| | No Rate Increase | Rate Plan |
| Operating Income | \$ 3,256,000 | \$ 3,480,000 |
| Operating Expenses | \$ (3,393,250) | \$ (3,393,250) |
| Operating Income(Loss) | \$ (137,250) | \$ 86,750 |
| Other Income/Expense | \$ 112,000 | \$ 112,000 |
| Debt Service | \$ - | \$ - |
| Assets and CIP | \$ (160,000) | \$ (160,000) |
| Other | \$ (48,000) | \$ (48,000) |
| Net Income(Loss) Before Transfers | \$ (185,250) | \$ 38,750 |
| Transfers | | |
| Fire Fund - Discretionary Property Tax | \$ 50,000 | \$ 50,000 |
| Unrestricted Reserves | \$ 135,250 | \$ (88,750) |
| | \$ 185,250 | \$ (38,750) |
| | \$ - | \$ - |

Not increasing the District's wastewater rates would augment the District's wastewater enterprise from recognizing operating income to an operating loss. Additionally, the District would need to pull the budget shortfall from unrestricted reserves to cover expenses while a rate increase would allow the District to transfer close to \$100,000 to reserves. The District's wastewater reserves have been significantly depleted over the last decade due to the legal costs incurred related to the Riverside litigation. Although the District is still in the appeals process, the legal costs associated with the litigation have dwindled allowing the District to build back its reserves but the District remains well below its minimum reserve level. A summary of the estimated reserve balance based on the two scenarios above is described in Table 5 below:

| TABLE 5 | | |
|--------------------------|------------------|----------------|
| | | Year 1 |
| | No Rate Increase | Rate Plan |
| Undesignated Reserves | | |
| Projected FYE 2024 Level | \$ 1,429,712 | \$ 1,653,712 |
| Minimum Level | \$ 2,276,316 | \$ 2,276,316 |
| Minimum Level Shortfall | \$ (846,604) | \$ (622,604) |
| Target Level | \$ 4,825,043 | \$ 4,825,043 |
| Target Level Shortfall | \$ (3,395,331) | \$ (3,171,331) |

Timeline:

As detailed above, with the adoption of a new 5-year plan for the water and wastewater enterprises, rates are not automatically adjusted every July 1 for a period of 5 years. For rates to

be adjusted, the Board must formally do so through the proper Ordinance adoption procedures. For an Ordinance to be properly adopted, the District must follow the following criteria:

1. First and Second Reading of Draft Ordinance – No less than 2 weeks apart.
2. Public Hearing (not a protest hearing) with a minimum 10-day notice period. Must notice public in Press Enterprise, on the District’s website, and on the District’s administrative office windows.
3. Requires a 30-day delayed effective date.

Based on the criteria above, staff is proposing the following water and wastewater Ordinance adoption and rate adjustment timeline:

- Regular Board Meeting – July 20, 2023 (1st Reading of Ordinance)
- Regular Board Meeting – August 3, 2023 (2nd Reading of Ordinance and Public Hearing)
- Effective – September 3, 2023

Staff understands raising rates is not ideal, especially considering the impact of inflation on other household expenses; however, the District has a fundamental obligation to provide clean and reliable drinking water to its customers and to ensure wastewater is collected and adequately treated, and these costs for service need to be included in the rates. Additionally, the District must increase its system reinvestments and maintain healthy reserve balances. Sufficient reserve balances provide financial stability to the District by having adequate cash on hand to mitigate financial risks related to operating cashflow needs, unexpected increases in expenses, shortages in system reinvestment, and mitigating potential system failures.

Director Murphy asked how accurate the construction rates are, and what are the current construction.

Director Skerbelis moved and Director Trowbridge seconded the Board of Directors authorize the General Manager to:

1. **Prepare Draft Ordinance No. 2023-135 for adjusting wastewater and water rates, respectively, to the fully noticed year one rates of the 5-year rate plan adopted by the Board of Directors on December 15, 2022, and complete the following:**
 - a. **Schedule First Readings of Ordinances at the regular Board meeting on July 20, 2023.**
 - b. **Schedule Public Hearing and Second Readings of Ordinances at the regular Board meeting on August 3, 2023.**

Roll call:

Ayes – 3 (Murphy, Skerbelis, Trowbridge)

Noes – 0

Abstain – 0

Absent – 2 (Muniz, Trueba)

The motion was carried with a 3-0-0-2 vote.

ITEM 16. Consider Approval of Proposal from Webb and Associates for Survey and Related Work for the Purchase of Land Adjacent to the Leland Thompson Water Treatment Plant. DM 2023-62.

BACKGROUND

In February 2023, the Rubidoux Community Services District (“District”) Board of Directors (“Board”) entered into a Development Agreement with E.M. Ranch Owner, LLC (“Developer”) for the project known as the District at Jurupa Valley (“Project”) for the purposes of acquiring real property for future well sites and the expansion of the Leland Thompson Water Treatment Plant (“Thompson Plant”). Additionally, the District entered into a professional services contract with Webb and Associates (“Webb”) under DM 2023-09 for due diligence work related to the real property acquisitions to ensure the District is purchasing viable land for its future well sites and Thompson Plant expansion. The Project is in early planning stages with the City of Jurupa Valley (“City”) and the Developer is currently processing its General Plan Amendment and Specific Plan for the Project.

In the interim, the District was notified of a grant award from the United States Bureau of Reclamation (“USBR”) that will cover about half the estimated cost to develop Well 25 which is a new well identified in the District’s 2022 Water Master Plan (“WMP”). This well is expected to need treatment to meet the standards of the Division of Drinking Water (“DDW”) for potable water as do all existing District wells. Staff desires to consolidate water treatment at one site, namely the Thompson Plant, to take advantage of financial operating efficiencies of treating at a common site. The existing Thompson Plant does not have sufficient space for expansion, but the Developer has agreed to work with the District to sell the land known as Lot 10 immediately adjacent to the Thompson Plant.

Although the Developer has identified Lot 10 in the Tentative Tract Map, the map will not record until all the planning requirements of the City are satisfied. This could potentially take two years or longer. The terms of the USBR grant require the District to develop Well 26 within 3 years of the grant award. To have the land in place to build additional treatment capacity at the Thompson Plant, the District needs to purchase the parcel now, before the Tract Map records which creates the parcel. As a public agency, the District is exempt from the Subdivision Map Act and can purchase the land via a Legal Description and Plat map recorded with a grant deed and then perform a boundary survey and record a Record of Survey to establish the property boundaries. This can be done relatively quickly and since the District already has an agreement in place with the Developer to purchase the land, the District and Developer can invoke the Appraisal Clauses of the in-place agreement to decide on a price to purchase the land. After the parties reach an agreement on purchase terms, Staff will return to the board to obtain authorization for the purchase of the land. As the purchase price has not yet been determined a future budget amendment to fund the purchase will be necessary.

The District has adequate Water Capital Improvement Project (“CIP”) Fund Reserves from the payment of Water Capacity Fees to the District by other recent developments in the District. These reserves can be used to purchase the land identified as Lot 10 rather than to use Capacity Fee Credits as indicated in the Development Agreement with the Developer. This is necessary because the Developer should be paid now for the District to obtain the land the District needs now and not be asked to wait for a future and unknown date which may not occur if the project does not go forward.

The District asked for and obtained proposals from both Krieger and Stewart (“K&S”) and Webb for this effort. The proposal from K&S is for \$36,300 for the Base Bid plus \$1,924 for optional but necessary Grant Deed Preparation and Support bringing their total proposal cost to \$38,224. The proposal from Webb is \$33,811 and includes preparation of the Grant Deed. Both firms work for the District on many projects, and both are competent to perform this work. Since Webb’s proposal was lower, staff recommends using Webb for this effort. A small contingency of 3% brings the total to \$35,000, rounded. Money from the Water CIP Fund Reserves can be used to pay Webb to perform these needed Tasks. As the award of the USBR grant was not anticipated or known when the FY 2023-24 Budget was prepared, a budget amendment will be necessary to fund this work. Staff recommends moving \$35,000 from the Water CIP Fund Reserves to the Water CIP Fund in the FY 2023-24 Budget and creating a new line called “Thompson Plant Expansion Surveying Work”.

Director Trowbridge moved and Director Murphy seconded the Board of Directors authorize the General Manager to:

- 1. Amend the District’s FY 2023-24 Water Fund CIP Budget to create a new project called “Thompson Plant Expansion Surveying Work” in the amount of \$35,000 and fund this effort from the District’s Water CIP Fund Reserves.**
- 2. Approve Webb Associates Proposal in the amount of \$33,811 and authorize staff to issue a task order to perform this work.**

Roll call:

Ayes – 3 (Murphy, Skerbelis, Trowbridge)

Noes – 0

Abstain – 0

Absent – 2 (Muniz, Trueba)

The motion was carried with a 3-0-0-2 vote.

ITEM 17. Consider Reimbursement Agreement Regarding Avalon Sewer Improvements (Highpointe – Tract No. 36974). DM 2023-63.

BACKGROUND

Highpointe Emerald Ridge, LLC and HP-SA ER, LLC, both California limited liability companies, (“Developer”) propose the development of Tract No. 36974 consisting of 184 single-family homes (“Project”) located north of the 60 Freeway along Canal Street, just west of Tract 37640 proposed by Century Communities. The Project is within Rubidoux Community Services District (“District”). For the District to provide water and sewer service to the Project, new water and sewer facilities will need to be installed.

In June 2022 the District adopted updated Water and Wastewater Master Plans. The updated Wastewater Master Plan identifies various wastewater facility improvements necessary to accommodate sewer flows within the District’s service area buildout. Specific wastewater facilities are determined based on the amount of sewage flow generated within tributary areas

(“Tributary Flow”). The Tributary Flow from each tributary area contributes added flow to existing downstream District sewer facilities. To confirm if there is available hydraulic capacity in the existing downstream sewer facilities, hydraulic analyses are performed on the existing downstream District sewer facilities with the addition of the Tributary Flow. Where the hydraulic analyses reflect hydraulic deficiencies in the existing District sewer facilities to accommodate the added Tributary Flow, new sewer facilities are included in the Wastewater Master Plan. The project cost of the new sewer facilities is used in the determination of the District’s Sewer Capacity Fee due for each new connection made to the District’s sewer system. The District assesses Sewer Capacity Fees based on the number of equivalent dwelling units (“EDU”) being connected, where one EDU is equal to the sewage flow generated by a residential home, or 210 gallons per day. It is District practice to reimburse eligible expenses incurred by developers who construct District sewer facilities included in the current District Wastewater Master Plan. The reimbursement amount for constructing master plan facilities is recognized as a credit against Sewer Capacity Fees due the District. As an example, if a developer builds \$250,000 of District Sewer facilities identified in the District Wastewater Master Plan, the developer will receive 48.08 EDUs of Sewer Capacity Fees as paid (based on current Sewer Capacity Fee of \$5,200/EDU). Prior to initiating work on a master planned sewer improvement in lieu of paying Sewer Capacity Fees the District and developer must enter into a reimbursement agreement to memorialize understandings.

The Developer’s Project is within a sewer tributary area comprised of its Project of 184 EDUs and Century Communities Tract 37640, a separate but adjacent 215 EDU residential project. This sewer tributary area of 399 EDUs total will contribute Tributary Flow to the District’s downstream sewer facilities in Avalon Street, which eventually is conveyed to larger diameter sewer pipeline in Mission Blvd. Based on the hydraulic analyses performed new sewer facilities will be needed in Avalon Street to accommodate the total Tributary Flow.

At this time the Developer and the developer of Tract 37640 have uncertain time schedules for their individual projects, but both acknowledge new sewer facilities in Avalon Street will be required in sections before the connection in either of their projects can be made. Based on the hydraulic analyses performed it was determined the existing downstream sewer facilities can accommodate portions of the Tributary Flow allowing for new sewer facilities in Avalon Street (“Avalon Sewer Improvements”) to be built in phases. Below is a table showing phasing of the Avalon Sewer Improvements to accommodate certain numbers of EDU:

| Section | Description | Allowable EDU |
|--|---|---------------|
| 1 | 12" diameter Sewer Pipeline from intersection of Avalon Street and Alta Street to Station 16+54.98 (stub out at the end of Section 2 per District prepared plans) | 0 |
| 2 | 10" and 12" diameter from Station 16+54.98 to the intersection of Avalon Street and Raye Street. Section includes removal of existing water pipeline in casing under 60 Freeway and reuse of casing for placement of new 10" diameter sewer pipeline. Section design paid by District | 144 |
| 3 | 12" diameter from intersection of Avalon Street and Raye Street to the intersection of Avalon Street and 34th Street | 259 |
| 4 | 12" diameter from intersection of Avalon Street and 36th Street to the intersection of Avalon Street and Mission Blvd. | 399 |
| Note: <u>Sections 1 and 2 must be completed prior to the first EDU</u> | | |

Given the construction timing of the Project and Tract 37640 is uncertain, each developer seeks to formalize a reimbursement agreement with the District for the portions of the Avalon Sewer Improvements they take the lead in installing.

The developer of Tract 37640 entered an agreement with the District on July 28, 2022, entitled “Reimbursement Agreement Master Planned Sewer System Improvements Tract 37640 (Century Communities)” regarding the construction of Section 2 of the Avalon Sewer Improvements (“Original Reimbursement Agreement”). Under this agreement, Century Communities initiated work on Section 2 of the Avalon Sewer Improvements (“Original Reimbursement Agreement”). Under this agreement, Century Communities initiated work on Section 2 of the Avalon Sewer Improvements but has since ceased work. Some of the work performed by Century Communities on Section of the Avalon Sewer Improvements has been identified as eligible expenses for reimbursement against Sewer Capacity Fees due for Tract 37640. The reimbursable amount for prior work performed by Century Communities on Section 2 along with the costs paid by the District for the design of Section 2 reduces the maximum reimbursable amount available for Section 2 if completed by the Developer.

Staff has worked with the Developer on an agreement entitled “Reimbursement Agreement Master Planned Sewer System Improvements Tract No. 36974 (Highpointe Emerald Ridge)” (“Reimbursement Agreement”) to memorialize the following regarding the Avalon Sewer Improvements:

1. The maximum reimbursable amount for all Sections of the Avalon Sewer Improvements is based on the current Wastewater Master Plan costs (as adjusted for change in ENR index) but reduced for design expenses incurred by the District and prior reimbursable eligible expenses incurred by Century Communities on Section 2.
2. Reimbursements by the District for eligible expenses associated with the construction of Avalon Sewer Improvements incurred by the Developer will be in the form of Sewer

Capacity Fee EDU credits calculated by dividing the allowable reimbursement amount by the then current Sewer Capacity Fee per EDU.

3. Avalon Sewer Improvements can be constructed in Sections but limited to a specific number of EDUs from the tributary area upstream of Section 1. Once all Sections of the Avalon Sewer Improvements are completed the entire Tributary Flow can be connected.
4. Sewer Capacity Fee EDU credits can only be used by the Developer for the Project. The credits are not transferrable to other future projects the Developer may build within the District.
5. No EDUs from the Tributary Flow can be connected until Sections 1 and 2 of the Avalon Sewer Improvements are completed.
6. Acknowledges the Developer, the District, or others can build any portion or all of the Avalon Sewer Improvements. If the Developer connects EDUs to the Avalon Sewer Improvements. If the Developer connects EDUs to the Avalon Sewer Improvements built by others or the District, the Developer will be obligated to pay all Sewer Capacity Fees for EDUs connected.

The proposed Reimbursement Agreement with the Developer is attached as Attachment 1. Within the Reimbursement Agreement cost details are provided. The District accounted for cost of the Avalon Sewer Improvements in the updated Wastewater Master Plan. As such providing credits in the form of Sewer Capacity Fee EDUs for eligible expenses up to the maximum reimbursable amounts as shown in the District Wastewater Master Plan for completed Sections of the Avalon Sewer Improvements has no budgetary impact. Essentially the Developer is electing to construct Avalon Sewer Improvements in-lieu of paying Sewer Capacity Fees that would otherwise be used by the District to build the facilities.

District Counsel Harper has reviewed the Reimbursement Agreement and finds it is consistent with District policies regarding issues of this matter. Staff recommends the Board of Directors consider approving the Reimbursement Agreement for the following reasons:

1. Provides ability for the Developer or other developers within the tributary area to connect EDUs without completing the entire Avalon Sewer Improvements.
2. The number of EDUs allowed for connection per Section completed of the Avalon Sewer Improvements is identified.
3. Confirmation the maximum reimbursable amount available for Section 2 of the Avalon Sewer Improvements available to the Developer has been adjusted to account for prior eligible expenses incurred by Century Communities on Section 2 and design costs incurred by the District for Section 2.
4. Acknowledge the maximum reimbursable amounts for Sections of the Avalon Sewer Improvements are reduced based on the design costs incurred by the District.
5. The net effect is cost neutral for the District and the Developer.
6. Confirms any Sewer Capacity Fee credits earned by the Developer can only be used for the Project.

7. Complies with District practice and policies.

Director Murphy moved, and Director Trowbridge seconded the Board of Directors do the following:

- 1. Approve the agreement entitled “Reimbursement Agreement Master Planned Sewer System Improvements Tract No. 36974 (Highpoint Emerald Ridge)”.**

Roll call:

Ayes – 3 (Murphy, Skerbelis, Trowbridge)

Noes – 0

Abstain – 0

Absent – 2 (Muniz, Trueba)

The motion was carried with a 3-0-0-2 vote.

ITEM 18. Consider Reimbursement Agreement Regarding Avalon Sewer Improvements (Century – Tract No. 37640). DM 2023-63.

This item was removed from the agenda.

ITEM 19. Directors Comments

Director Skerbelis would like staff to look into the cost of purchasing tablets for the directors to eliminate the waste of paper and bring the information back to the board for approval. The tablets would be District property. He also brought up the issue of hard water and the deterioration of fixtures in the home. He pointed out that he should not have to pay for a water softener and this is still a regular occurrence of having to replace high-end fixtures every few years. Director Murphy also stated he has experienced corrosion as well, however his is not as frequent as Director Skerbelis. The life cycle should be around 10-15 years.

Director Murphy stated maybe they can plot the mineral content in the water for the past 30-years or so.

Director Murphy adjourned the meeting at 5:35 PM.