

MINUTES OF THE ADJOURNED REGULAR MEETING
OF THE BOARD OF DIRECTORS OF
COUNTY SANITATION DISTRICT NO. 18
HELD AT THE OFFICE OF THE DISTRICT

November 18, 2024
1:30 o'clock, P.M.

The Board of Directors of County Sanitation District No. 18 of Los Angeles County met pursuant to adjournment as ordered by this Board of Directors at the regular meeting held October 23, 2024. The Secretary reported that a copy of the Order of Adjournment was posted as required by law and that proper affidavits of the posting are on file in the Secretary's office.

There were present: Dan Koops, Director from Bellflower
Bruce Barrows, Alternate Director from Cerritos
Hector Sosa, Alternate Director from Downey
Cory C. Moss, Director from Industry
Carol Engelhardt, Director from La Habra Heights
Steve De Ruse, Director from La Mirada
William Rounds, Alternate Director from Santa Fe Springs
Cathy Warner, Alternate Director from Whittier
Ali Sajjad Taj, Chairperson, Alternate Director from Artesia

Absent: Margarita Rios, Director from Norwalk
Andrew Lara, Director from Pico Rivera
Lindsey Horvath, Director from Los Angeles County

Also present: Kimberly S. Christensen, Secretary to the Board
Robert Ferrante, Chief Engineer and General Manager
Jessica Lienau, District Counsel

RE: PUBLIC COMMENT The Chairperson announced this was the time for any questions or comments by members of the public. There were no public comments or questions to address the Board on any matters.

RE: MINUTES Upon motion of Director De Ruse, duly seconded and unanimously carried, the minutes of the regular meeting held October 23, 2024, were approved.

RE: DISTRICT EXPENSES The following expenses for the month of August 2024, were presented and upon motion of Director De Ruse, duly seconded and unanimously carried, were approved:

Local District Expenses:
Operations & Maintenance \$2,943
Total Expenses \$2,943

RE: FINANCIAL MANAGEMENT - INTRODUCE DIRECTOR COMPENSATION ORDINANCE Prior to meeting in regular session and as reported in the status report, the Chief Engineer and General Manager advised that the *Director Compensation Ordinance* (Ordinance) was presented to the Board for consideration and introduction. In May 2024, the Personnel Committee provided direction to draft a new Ordinance as the stipend has not changed since 2001. The proposed Ordinance would increase compensation to \$175 per meeting, which is equivalent to a 1.7 percent annual increase since the last compensation increase. For Directors attending multiple meetings on the same day, they would be compensated at \$125 per meeting, which is unchanged from the existing stipend. Additionally, the proposed Ordinance institutes an annual increase in the stipend based on inflation, not to exceed 5 percent per year. This item is consistent with the Districts' Guiding Principle of commitment to fiscal responsibility and prudent financial stewardship. A copy of the Ordinance accompanied the agenda. A recommendation was made to waive the reading of the Ordinance in its entirety.

Upon motion of Director De Ruse, duly seconded and unanimously carried, the *Director Compensation Ordinance* (Ordinance) was introduced, and after reading of the title thereof, further reading of the Ordinance was waived.

RE: JOINT OUTFALL SYSTEM FINANCIAL REVIEW FOR FISCAL YEAR 2023-24 The Chief Engineer and General Manager introduced Mr. Matt Eaton, Deputy Assistant Chief Engineer and Department Head of Financial Management, to give a presentation regarding the Joint Outfall System (JOS) fiscal year (FY) 2023-24 financial review.

Mr. Eaton stated that this presentation is for information only and no action is required by the Boards. He gave an overview of last year's financial performance, as part of a continuing series of presentations leading up to a significant rate increase on July 1, 2026.

He showed a map of the Districts' service area and the JOS service area. The JOS consists of the interconnected system of sewers, treatment plants and Districts operating as one financial unit.

He showed slides with an overview of FY 2023-24 actual vs. budget information which included revenue, operations and maintenance (O&M) expenses, and capital expenses. Overall, the JOS is in a good financial position. Revenue was 3 percent above budget and O&M expenses were 3 percent below budget. Capital spending was 43 percent below budget. Last year there was \$409 million in loan proceeds. Overall, JOS reserves are above target.

Details of the JOS FY 2023-24 operating expenses were shown on a slide. Labor was 2 percent above budget, Services were 9 percent below budget, and Chemicals, Utilities and Materials and Supplies were close to budget. The Other category was above budget due to the \$6 million fine from the Carson sewer spill.

Details of the causes for Capital Project Delays were shown on the next slide. There were a number of reasons for less than expected capital spending, including slower than expected progress on the Clearwater tunnel; supply chain and labor shortages; some project scope changes; and an overly optimistic schedule for the Pure Water environmental planning work. Despite capital expenditures being below budget last year, there is an overall trend of increasing in capital spending, especially with recent increases in sewer rehabilitation work. Staff is making improvements to the Districts' capital budgeting to ensure more accurate forecasts in the future.

Critical capital projects will be funded by 2026 rates. These capital projects consist of Pure Water Southern California (to generate a new water supply), sewer projects (preventing sewer spills), and regulatory compliance (complying with new requirements). A significant increase will be recommended. The increase will be higher than typical historical increases and higher than the Consumer Price Index. Rates will remain lower than comparable agencies.

In response to Director Barakat, City of Bradbury, the Chief Engineer and General Manager stated that public outreach will communicate the reasons for the upcoming rate increase. The rate increases will cover the costs to provide a new water supply that will drought-proof Southern California.

In spring 2025, staff will present the routine 2025/26 budget items; more details of the capital plan, reserve policy updates, and begin rate discussions for July 2026. In fall 2025, more in-depth rate discussions will occur, and a decision on rates will be made for consideration by the JOS Boards in spring 2026.

At this time, Mr. Eaton ended his presentation opened the meeting to Director questions.

In response to Director Argumedo, City of Commerce, Mr. Eaton stated that there is no one specific issue with the Clearwater Tunnel project, but the tunneling has been proceeding somewhat slower than expected. The project is expected to be completed by the end of 2029. Furthermore, the Chief Engineer and General Manager stated that the previous phase of excavation consisted of soil. The tunnel boring machine is now moving through bedrock, measured by feet per day. Excavation is taking longer than expected.

In response to Director Barakat, Mr. Eaton stated that Proposition 218 notices were mailed for the current rates that were part of a four-year rate package that became effective on July 1, 2022. In fall, the Boards will decide on the rates, and Proposition 218 notices will be mailed in February/March of 2026.

The Chief Engineer and General Manager stated that if Pure Water Southern California is approved, the rates should cover all the associated capital costs. Typically, rate packages are set for five years. Rate package options will be discussed with the Personnel Committee prior to going to all Boards.

Mr. Eaton advised that Proposition 218 mailings cost less than \$1 per mailing and there are 1.8 million parcels.

Upon motion of Director Moss, duly seconded and unanimously carried, the meeting was adjourned to Monday, December 16, 2024, 1:30 p.m., at the Joint Administration Office, 1955 Workman Mill Road, Whittier, California.

ALI SAJJAD TAJ
Chairperson

ATTEST:

KIMBERLY S. CHRISTENSEN
Secretary

/ee