

MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF
COUNTY SANITATION DISTRICT NO. 18
HELD AT THE OFFICE OF THE DISTRICT AND
AT THE KENNETH HAHN HALL OF ADMINISTRATION
VIA TELECONFERENCE

October 22, 2025
1:30 o'clock, P.M.

The Board of Directors of County Sanitation District No. 18 of Los Angeles County met in regular session both in person and via teleconference.

There were present: Frank Yokoyama, Director from Cerritos
Hector Sosa, Director from Downey
Cory C. Moss, Director from Industry
Carol Engelhardt, Alternate Director from La Habra Heights
Steve De Ruse, Alternate Director from La Mirada
Rick Ramirez, Alternate Director from Norwalk
John Garcia, Director from Pico Rivera
Joe Zamora, Alternate Director from Santa Fe Springs
Cathy Warner, Alternate Director from Whittier
Kathryn Barger, Director from Los Angeles County, via teleconference
Ali Sajjad Taj, Chairperson, Director from Artesia

Absent: Ray Dunton, Director from Bellflower

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 to Board on any matters.

RE: MINUTES Upon motion of Director DeRuse, duly seconded and carried by a roll-call vote, the minutes of the regular meeting held September 24, 2025, were approved.

RE: DISTRICT EXPENSES The following expenses for the month of July 2025, were presented and upon motion of Director DeRuse, duly seconded and unanimously carried by a roll-call vote, were approved:

| | |
|--------------------------|----------------|
| Local District Expenses: | |
| Operations & Maintenance | <u>\$5,687</u> |
| Total Expenses | <u>\$5,687</u> |

RE: JOINT OUTFALL SYSTEM 2026 PROPOSED SERVICE CHARGE RATES - DISCUSS The Chief Engineer and General Manager stated that the Joint Outfall System (JOS) Districts are at the end of the current four-year rate package. The upcoming five-year rate package has received concurrence from the Personnel Committee so that outreach efforts can begin. He introduced Mr. Matt Eaton, Deputy Assistant Chief Engineer and Department Head of Financial Management, to provide a brief PowerPoint presentation on the proposed JOS service charge rates for 2026.

Mr. Eaton stated that over the last two years, the Boards and the Personnel Committee have discussed proposed service charge rate increases for July 1, 2026. In September, the Personnel Committee concurred with a rate recommendation and initiation of public outreach. The Boards' concurrence on proposed rates is requested so outreach and the Proposition 218 process can commence in spring 2026.

A map of the JOS service area was shown. The JOS serves the southeast portion of Los Angeles County. The JOS consists of 17 Districts that operate as one financial and operational system.

A slide summarized the requirements of Proposition 218 and the rate-setting process. Proposition 218 requires that rates be aligned with the costs of service and that charges be fairly assessed to each user. Each District pays its share of JOS costs using reserves, Ad Valorem (AV) tax, and service charges. The first step is to determine the amount of revenue the JOS requires. Each District pays the same amount per user into the JOS. Proposition 218 requirements are applied to every user within a District to determine service charges in each District. The service charge for each District may differ because each District has a different amount of AV tax revenue and reserve levels per user. Carollo Engineers (Carollo), an experienced and independent rate consultant, was retained to develop a rate model that accurately forecasts required service charges and ensures compliance with Proposition 218.

A slide displayed a summary of the proposed rate increase, which showed an annual increase of less than \$3 per month for a typical single-family home (SFH) over five years, from fiscal years (FY) 2026-27 through 2030-31.

A slide displayed a pie chart showing the percentages of the three main drivers of the proposed rate increase over the next five years: inflation catch-up (41 percent), future cost increases (38 percent), and capital projects (21 percent).

A slide displayed a line graph of revenue and expenditures from FY 2020-21 through FY 2024-25. The revenues do not include bond and loan proceeds received from Water Infrastructure Finance and Innovation Act (WIFIA) and State Revolving Fund (SRF) loans. It showed revenue is continuing to fall behind expenses.

In response to Director Finlay, City of Duarte, Mr. Eaton stated that the Districts' reserves were realigned in 2022 to lower targets.

A slide highlighted the need to invest in infrastructure. The Districts is increasing rehabilitation projects, which require an additional \$100 million per year. Work is underway to address aging infrastructure at treatment plants. The design of Pure Water Southern California (PWSC) aims to create a new, climate-resilient water source.

In response to Director Finlay, Mr. Eaton stated that approximately 20 percent of the rate increase will be allocated to capital improvements (with sewer rehabilitation being the largest category of capital). Debt will probably not be incurred for PWSC in the next five years.

In response to Director Finlay, the Chief Engineer and General Manager stated that, currently, there is no mandate to discontinue discharging to the ocean. Furthermore, there are no regulations requiring PWSC. Support from the Metropolitan Water District and other agencies will allow for staging to build the project. Nitrogen removal requires advanced treatment and may be required by future regulations.

The next slides summarized cost-saving measures. He highlighted some of them, including plant optimization studies to reduce chemical and energy usage; more precise capital planning; third-party audits of various aspects of Districts' operations; and modeling of the sewer system to optimize sewer operations, repair, and new construction.

He provided a summary of Carollo's rate study. Carollo is one of the nation's largest environmental engineering firms specializing exclusively in planning, design, and construction of water and wastewater facilities.

The next several slides showed details of Carollo's rates study and findings regarding the reserves forecasts. The proposed rates are expected to result in reserves near target within five years.

A slide displayed the proposed annual service charge increase by District, shown in dollars per month. The rate for District No. 29 also covers local sewers.

In response to Director Wu, City of West Covina, Mr. Eaton stated that the service charge increases annually by 15 to 16 percent.

In response to Directors Wu and Barakat, City of Bradbury, Mr. Eaton stated that the service charge is calculated based on a SFH. Accessory Dwelling Units (ADUs) are prorated similarly to apartments, which is 60 percent of a SFH (or 1.2 sewage units total for a home with an ADU). Regarding guest houses, if assessed as two units, it would be 1.2 sewage units, the same as a duplex. If the property is assessed as one single unit, the service charge is applied as one SFH, unless the second unit is added to the assessor records as a result of an audit or other trigger.

A slide displayed a bar graph showing the proposed FY 2026-27 breakdown for the JOS Districts. The JOS total is \$286, which means each District needs to contribute \$286 per SFH toward JOS expenses. Each District's source of revenue varies depending on each District's AV taxes, the portion of service charge used to cover annual expenses, annual expenses covered by excess reserves, and the portion of the service charge used to build up reserves. Districts Nos. 23 and 28 have high AV tax revenue and excess reserves.

In response to Director Wu, the Chief Engineer and General Manager stated that the previous rate increase of two percent was well below the Consumer Price Index (CPI). The proposed rate increase will allow the Districts to catch up. Capital improvements will provide customers with a higher level of service. PWSC will provide a new water supply to drought-proof Southern California. Rates will still be affordable.

Regarding industrial waste (IW) and other rates, approximately 1,000 IW customers are billed separately based on specific measurements or estimates of their flow and strength. They are not billed on the tax roll. The rate increase will use the same cost factors as those applied to residential and commercial rates. Similar to the service charge, the rate will stay lower than that of nearby agencies. Service charge rates also factor into connection fees and recycled water contract rates; those will also be updated.

A slide presented the competing factors taken into account when determining the recommended rates. These factors include building reserves at a reasonable pace, funding critical capital projects primarily through debt financing, generating revenue to cover increasing costs, and minimizing the impact on ratepayers.

A slide displayed affordability measures. The minimum number of wage hours needed to cover monthly wastewater charges is two hours for an average SFH or one hour for an apartment. Eight hours is regarded as affordable. District residents are well below these thresholds.

A slide displayed a table of monthly service costs for other agencies with published increases for FY 2025-26 through FY 2028-29. Districts' JOS service charge rates remain the lowest in comparison to the Inland Empire, City of Los Angeles, Orange County, and Sacramento.

A slide detailed outreach efforts, including presentations to commercial and governmental stakeholders; outreach to residential ratepayers; and Proposition 218 Notice, website, and information meetings.

In response to Director Finlay, the Chief Engineer and General Manager stated that, if requested, Districts' staff can attend city council meetings in January/February 2026.

In response to Director Sosa, the Chief Engineer and General Manager stated that the last rate increase was less than CPI because the Districts utilized excess reserves to cover service charges. High inflation was not anticipated. The Districts is a big consumer of energy and chemicals, which increased by about 15 percent per year, nearly doubling over the last five years.

In response to Directors, the Chief Engineer and General Manager stated that the Proposition 218 process includes mailing notices to homeowners. More than 50 percent of votes in favor of the increase are needed to implement the proposed service charge rates. The Boards would hold public hearings, then consider the adoption of an ordinance. Furthermore, Mr. Eaton stated that notice mailings cost \$500,000-\$700,000. Most labor is in-house. Advertising will cost in the range of \$10,000-\$20,000.

The outreach schedule was shown on a slide. In summer 2025, staff prepared outreach materials and Proposition 218 notices. Staff will contact Counsels of Governments (COGs), business groups and other relevant parties in October 2025. Meetings and presentations for these groups will take place from November 2025 to February 2026. In January 2026, Proposition 218 notices will be mailed. A social media and advertising campaign will take place from January to April 2026. Public information meetings and tours will take place from February to April 2026.

In September, the Personnel Committee, comprised of the Chairpersons of all active Districts, concurred with the proposed rate package so outreach efforts could begin. Today, the staff seeks concurrence for the 2026 rate package. In October, staff will seek concurrence from the Boards. From November 2025 to March 2026, staff will conduct outreach, including mailing of Proposition 218 notices. Formal introduction and approval of new rate ordinances will occur from February to June 2026.

In response to Director Finlay, Mr. Eaton stated that the Districts received minimal protests per District during the last JOS increase. Recently, the Santa Clarita Valley District and District No. 20 (Palmdale) approved significant rate increases with minimal opposition.

The Chief Engineer and General Manager stated that Financial Management and Public Information staff are available to communicate the purpose of the rate increases.

In response to Director Barakat, Mr. Eaton explained that no ballots are involved. Notices with information about protests are mailed to residents. If 51 percent or more of the votes are not in favor, the rate increase cannot be implemented.

In response to Director Olmos, City of South El Monte, the Chief Engineer and General Manager stated that if more than 50 percent vote no, the District must continue to charge the current rate on the property tax roll. The Districts would have to severely curtail capital projects.

Upon motion of Director Moss, duly seconded and unanimously carried, the meeting was adjourned to Monday, November 17, 2025, 1:30 p.m., at the Office of the District, 1955 Workman Mill Road, Whittier, California.

ALI SAJJAD TAJ
Chairperson

ATTEST:

KIMBERLY S. CHRISTENSEN
Secretary

/ee