

**MEMORANDUM  
CITY OF LANCASTER**

TO: Mayor Parris and City Council Members

FROM: Councilmember Ken Mann

DATE: December 9, 2014

SUBJECT: **Report on the Activities of the Board of Directors for District No. 14 of the County Sanitation Districts of Los Angeles County**

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**Recommendation:**

Receive a report of the proceedings and issues discussed at the November 20, 2014 District No. 14 Board of Directors meeting of the County Sanitation Districts of Los Angeles County.

**Background:**

District No. 14 of the County Sanitation Districts of Los Angeles County is organized to receive through their trunk sewers the wastewater from all of the City of Lancaster, a small region of the westerly portion of the City of Palmdale, and a smaller region of the unincorporated County of Los Angeles. A Board of Directors comprised of a representative from each city and the County generally meets monthly to review and decide upon the business of the District.

The Board of Directors considered the following agenda items at the November 20, 2014 meeting:

- Approved minutes of meeting held September 18, 2014.
- Approved warrants in the amount of \$297,056.77. The warrants issued by the District are for costs incurred for operation and maintenance, such as electricity, water, telephone, and chemicals, and for relatively small capital projects. Expenditures are made in accordance with the guidelines established by the budget procedure and the purchasing policy that has been adopted by the Board.
- Approved departmental invoices in the total amount of \$2,895,523.97 for the months of August, September, and October, 2014. The invoices are an internal document that transfers each District's proportionate share of expenditures made by District No. 2, the administrative District, on behalf of the participating Districts in accordance with the authority granted through the approved annual budget and applicable joint powers agreement.

- Ordered executed Contract No. 4875 with RePipe California, LP, for construction of Trunk “F” Sewer Rehabilitation – 2014 in the amount of approximately \$45,925. Surety bonds executed by Arch Insurance Company for faithful performance and payment, both covering 100 percent of the contract amount, dated October 6, 2014, were filed with the Secretary to the Board and found to be sufficient.
- Authorized issuance of a Purchase Order to Irrigation and Training Research Center (ITRC) in the amount of approximately \$759,000 to provide agricultural consulting services and vadose zone monitoring system maintenance at Lancaster and Palmdale Water Reclamation Plants (WRPs) agriculture reuse sites and storage reservoirs for a three-year period.

Summary: The California Regional Water Quality Control Board, Lahontan Region (Regional Board) permits require that moisture in the soil above groundwater table (vadose zone) be monitored at the Lancaster and Palmdale WRPs agricultural reuse sites and storage reservoirs. In addition, the Regional Board requires the Districts to develop a program to manage agricultural operations near the Lancaster and Palmdale WRPs in a manner that assures application of recycled water is at or below agronomic rates, and to conduct monitoring and reporting by a qualified agricultural expert to demonstrate compliance with the permit requirements. Proposals for these tasks were solicited from eight firms and three proposals were received. ITRC was ranked as the most qualified and provided a cost effective proposal. The total cost of approximately \$795,000 is required to provide these services from January 1, 2015 through December 31, 2017. The cost will be apportioned as follows: (1) District No. 14, approximately \$392,000 and (2) District No. 20, approximately \$367,000. These subtotals reflect the time and materials necessary to maintain permit compliance at the Lancaster WRP Easter Agriculture Site and Palmdale WRP Agricultural Site, respectively.

- Approved Investment Policy

Summary: The District’s investment policy requires that the Board of Directors annually review and approve the policy, which action also delegates authority to the District Treasurer (Chief Engineer and General Manager) to invest and reinvest District funds or to sell or exchange securities. Changes are being proposed that will help maximize the rate of return without any appreciable increase in risk. A letter describing the proposed changes, along with a copy of the proposed investment policy, is attached. The following key modifications are recommended:

- (a) total allowed Government Sponsored Enterprise (GSE) investments be increased from 75 percent to 100 percent
- (b) single-issuer allowed GSE investments be increased from 30 percent to 60 percent
- (c) the minimum rating for medium-term notes be changed from AAA to AA
- (d) the maturity limitation for medium-term notes be changed from three years to five years

Pursuant to the existing policy, the matter was discussed with the Personnel Committee (comprised of the Chairpersons of all the Districts’ Boards), which unanimously concurred with the recommendations shown above.