

MINUTES OF A REGULAR MEETING
OF THE BOARD OF DIRECTORS
OF THE PICO WATER DISTRICT

A Regular meeting of the Board of Directors of the Pico Water District was held in the District's Boardroom located at 4843 South Church Street, Pico Rivera, California, on Wednesday, December 16, 2020 at 6:02 p.m.

The District's Secretary/General Manager, Mr. Mark J. Grajeda proceeded with the roll call of the attending Board members. Present from the beginning of the meeting were President David R. Gonzales, while Director Pete Ramirez, and Director Victor Caballero appeared telephonically, in adherence to social distancing. Director Robert Martinez was not present. Mr. Jim Ciampa, Legal Counsel for the District appeared electronically along with Mr. Erik Helgeson with Bartle Wells Associates. Ms. Tara Bravo and Mr. Shawn Harkness of CV Strategies administered the Zoom meeting.

President Gonzales presided over the meeting and Director Caballero led everyone in the Pledge of Allegiance.

Mr. Ramirez gave the invocation.

President Gonzales opened the Public Hear regarding Proposed Adjustments to Pico Water District ("PWD") Rates and Charges and Possible Adoption of Ordinance No. 64 - Increasing Water Rates and Meter Charges for Water Service by 6% Each Year for the Five Years to take effect on February 14, 2021. District Legal Counsel reviewed the rules of the public hearing and verified compliance with Proposition 218 and notice requirements to customers. He further explained that all protests must be in writing and any customer can email written protests to protest@picoswaterdistrict.net before the public hearing closes and must include their name, assessor's parcel number or service address to be considered. In accordance with Proposition 218, oral protests are not considered for purposes of determining whether a majority protest exists. In order for the District Board to not act on this matter, a majority of 2,746 written protests must be received. Mr. Erik Helgeson reviewed the work performed by Bartle Wells Associates in preparing the water rate study. The General Manager reviewed Ordinance No. 64 informing the audience that the District is moving from a 3-Tiered rate system to a single uniform rate of \$1.88 for all water consumed in the first year the new rate schedule is in effect. The meter charges will reflect the amount of water delivered based on meter size and the District has eliminated the multi-unit meter charge. Rates will increase 6% per year for the next 5 years beginning February 14, 2021. The Board first considered a rate increase in 2019 when it was determined that the District would need to address PFAS and PFOA in groundwater and treatment would be needed at its well sites to do this. It has been determined that the cost to treat these chemicals will be between 3 – 5 million dollars. The District is anticipating obtaining financial assistance through the Water Replenishment District of Southern California ("WRD"), but it has not been determined how much they will be allotting among the applicant agencies.

President Gonzales then opened the Public Comment of the Hearing. The first speaker was Marina Martinez, PWD customer, who stated she was protesting the increase in rates as she did not think it was warranted even though these studies have been done. It is her belief that the District should find other ways of offsetting whatever needs to be done by using the \$3 million in reserves, especially with the Pandemic and people out of work. She further stated that the 5,000

plus customers are the owners of this water company and they need to be considered in a timely manner regarding any increases. She is not in favor of the rates (sic) increase. She also believes that an oral comment without a written protest to accompany it should be considered, otherwise it is a violation of her First Amendment rights as there are secretaries and recordings to write it down. She stated that you should not have to submit a written letter to have your protest counted. She is displeased by the action the Board has taken, they have overstepped their bounds and not have considered our situation during this Pandemic or how to conduct public forums.

The next speaker was Ms. Henrietta Salazar, PWD customer and former Board Member. She first congratulated Director Pete Ramirez for being elected to the Board. She stated she is against the increase. She remarked that the letter stated this increase was for the well and other infrastructure but that was not true as the District took out a loan when she was on the Board for that. She requested an audit of finances as there is \$3 million in reserves. She also said she talked to Mr. Grajeda about other districts getting together for a class action suit against Dupont and in the meantime, she would like an audit done regarding the District's finances. She understands a consultant was hired for \$50,000 plus expenses to come up with these rates which she finds expensive. The money was not taken out of revenues but was taken out of water leaks that we have and that is not the best thing because in accounting you don't do things like that because she took accounting and has also been a manager. She stated her protest.

The next speaker was Eduardo Hernandez, a PWD customer. He stated that he is concerned about others' recommendations to dip into reserves because if there was a natural disaster and we dip into reserves now, that would put the District in a more critical situation. He would like to see reserves left for an actual critical emergency and at the least consider the rate increase for maintaining the reserves or review other line items there are within the budget to see if the District can stay within that. He does not feel that this is a critical item and we should look at either the rate reserves or other ways of funding this expense.

The next speaker was J.B. Barrios. He did not indicate that he is a PWD customer.. He said he was concerned over what the previous former board member said. He would like to learn more about the reserves. He believes a rate increase is heinous right now with people out of work, no help from the federal government, and an eviction moratorium about to end. Homelessness is on the rise. A 30% increase is very worrisome for him as times are getting worse, not getting better. He is upset that one-half of customers have to file a protest to prohibit the Board from acting on it and wants to know who decides this. Most of all he is concerned about the toxic water situation. He and many members of his family are cancer survivors. He doesn't see how the rate increase will address the toxic water. The people deserve to know what the District is going to do to clean this water. We shouldn't have to defend our dignity as humans, there are children, elderly – people deserve clean water, it's a human right, it is needed to live. He protests this rate increase and believes it is ridiculous.

The next speaker was, Andrew Lara, PWD Customer and former PWD Board Member. He congratulated Pete Ramirez and David Gonzales on their election to the PWD Board. He stated that one of the hardest things for any board member to do is raise rates. It is not a pleasant decision, but a necessary one. He also wanted to thank the three Board Members who showed up today. He compared it to surgery – you don't want to have it, you know it is going to painful, it is something that has to be done, and you hope for positive outcome. He supports the rate increase because he knows it is being done responsibly. For those who complain about the dirty water, this is how we clean it up. Unfortunately, we residents for this time being, have been stuck with this bill. Hopefully, we will get monetary relief from WRD in putting in the water filtration system, but we

are going to be responsible for the maintenance of those filters in the future. Any money received from WRD will cause them to raise their replenishment assessment and that cost is passed onto the District. This rate increase covers that increase. Furthermore, in 2010 the District did a Water Master Plan calling for \$21 million of water infrastructure upgrades. When he sat on the Board, they approved more than \$7 million of infrastructure upgrades for the District, but more work needs to be done and that costs money. District staff went to Sacramento to request money to assist in the upgrade of infrastructure, they looked into Federal Grants, there was not any. This is how we get there. What is not being asked is how do these rates compare to neighboring communities; they are less and they will remain less even after this increase. It's painful, but he supports the increase because he knows what it is going to do.

The next speaker was Gabriel Orosco, a PWD customer. He congratulated the Board members seated from the election. He has lived in Pico Rivera for over 40 years. He remembers drinking from water hoses after playing late summer nights in Pico, being bitten by mosquitos. He has been an educator for over 25 years and chose to raise his children in Pico. His kids and neighborhood kids don't do that because we know the water is not drinkable. And we know that because the state standards; the PFOS and PFOA are above, have exceeded standards for contaminated water. The question is what are you going to do about it. Is it Pico Water District's fault that the water is contaminated? Absolutely not! But the District is responsible for how it handles that situation and he vehemently protests the 30% rate hike. Mr. Grajeda basically said we are going to have a rate hike. Rate hikes are done in perpetuity. They will continue to have that rate hike regardless if we pay for that \$3 – 5 million job. You can find other necessary measures to fund this project, because once this project is done the rate hike is still going to be there. We already have a \$13 infrastructure fee that we pay every other month that I don't know what it is for. I went and paid my bill for years, and years, and years and one time I did not pay because they change my credit card on me and I had to go into the office and pay cash rather than use my card so I hope the infrastructure fee went for that but we really don't know. We don't really have a specific plan besides the rate table that you sent us, we don't know how the funds are going to be dispersed, and what happens after the money has been used to pay for supposedly paying for the cleanup of the PFOS and PFOAS. In addition, this rate increase does not comply with legal requirements of Prop 218 and other California laws. You have failed as a water district to demonstrate how it calculated this amount of a rate increase. In addition, Water Board Directors, you can make the right decision, right now is not the right time for a water rate hike. People are being evicted. Please do the right thing, look at all other options before you do a rate hike increase, this is coming from an over 45-year resident. No to contaminated water.

The next speaker was LeAnn Barro. She did not identify herself as a PWD customer but stated that her children attend school in the jurisdiction of the water board. She opposes the rate hike and does not understand how the water board could be so inhumane as to let our elders and our children consume contaminated water, raise our rates, and not have a plan in sight to clean water. There is a solution but the District is not willing to work and get to that solution. She also addressed Mr. Lara and his analogy of comparing surgery to this scenario, but he needs to take into account that there are people in this world who cannot afford surgery. I have people that I love that refuse surgery because they cannot afford it. How is that justification for those who cannot make ends meet due to this Pandemic. These are questions you need to ask yourselves, not as a Board Member but as a human being. Do you want your children drinking this water? Do you want your elderly mother drinking this water, consuming, bathing in this water? It's rhetorical, thank you that is all I have to say.

The Public Comment section of the public hearing was then closed.

President Gonzales noting that there were no more requests to speak and he closed the public comment period and moved on to review the number of written protests received by the District. The General Manager stated a total of three letters have been received and no others have been received during the public hearing.

Director Ramirez discussed with the audience how articulate and deep in the details the water rate study was. The other thing that is very important to note is this water contamination was not made by us it was made by big companies. Every other district is facing the same contamination as we are and the only way to take care of the contamination, unfortunately, is to raise rates. We are going to need about \$15 million over the next several years to keep up maintenance on our pipes. Without it, they break. We travelled to Sacramento to secure a low interest loan for infrastructure and the only way you get the low interest rate is if you have reserves set aside. In time of natural disaster, we may need to dip into those reserves. It is very regrettable that there are only three of us who could make this meeting today, unfortunately for whatever reason Mr. Martinez was unable to make it, but this report has been out, the statements have been mailed to everyone in the PWD and we are have some of the cheapest rates in the area. We are fixing the car before it breaks down. Ladies and gentlemen, we are very fortunate to have groundwater and the ability to build another well. We are building for our future.

Director Caballero stated that the Board worked very diligently to get this rate study done. We do not like the fact that we have to raise rates, but with the circumstances we are under, the state has regulated us to comply and put measures in place to remove contaminants from the water. The State Water Board became more and more restricted each time, making it so that it was harder and harder for any district to meet the regulation thresholds. We have to act on treating the water, because the legislature is not helping us, we are not getting any support and it is left to us to clean it up. We have to act on this.

President Gonzales stated that we have done our due diligence in performing the water rate study. He has spoken with our legislative representatives and we have not received any financial support from them. . The only financial assistance we currently are able to look at is from WRD. It is going to cost approximately \$150,000/year to maintain those treatment systems. This is very hard for him personally, and he does understand how everyone is struggling financially during the time of this Pandemic. This was truly the last choice we had. He too uses the same water to make his coffee, to wash in, to do his laundry in, but this “forever chemical” is in food containers, fabric softeners, and we have entertained searching out legal remedies, but you still can drink the water from your tap.

With no other comments from the Board, President Gonzales closed the Public Hearing and no further written protests will be accepted at this time.

Mr. Ciampa announced that three letters of protest were received and no emails were received during the public hearing. Under Proposition 218, which is a Constitutional Amendment that was enacted by the people of California in 1996, that is the law that sets forth the majority protest requirement. That requirement is set forth in the California Constitution, with implementing statutes in the Government Code that implement the process. That majority protest is 2,746 protests to block this rate increase. There were three letters received and in the public hearing, there were eight public comments made and one was not in opposition; so even considering the other seven oral statements in opposition to the proposed rate increase, that would

make a total of ten protests that is far below the majority threshold. So, there is no majority protest at this time relative to this matter.

President Gonzales proceeded to the next item on the Agenda. Consideration to receive, approve and file the 2020 Water Rate Study Final Report by Bartle Wells Associates. Director Caballero made the motion and President Gonzales seconded the motion. The General Manager announced that the motion passed by roll call vote, 3-0.

President Gonzales proceeded to the next item on the Agenda. Consideration to adopt Ordinance No. 64 an Ordinance increasing water rates and meter charges for water service by 6% each year for five years beginning on February 14, 2021 and thereafter take effect on February 14, 2022, February 14, 2023, February 14, 2024 and February 14, 2025. Mr. Grajeda stated that he would like to address a few of the comments made for clarity. In 2019, when the Board received an order from the State Water Resources Control Board (“SWRCB”) to test for PFOS and PFOA, the District did not have levels above the state recommended levels. SWRCB then reduced the response levels and the Board wanted to remove these contaminants as quickly as they could. The District knew we had to look at our rates and this was long before COVID hit. Bartle Wells Associates was awarded a contract to perform the study in July 2019. Reserves currently are \$2.7 million, as the District has had to utilize them to cover costs for some of our pipeline projects and to cover a cost overrun on the new well. The Board also hired AKM Consulting to start the design process and prepare bid documents for the treatment plants. If COVID 19 had not hit, the rate study would have been acted on in July 2020. Part of the reason the Board is looking at rate increases is so that the District does not get behind with our costs to replace infrastructure and potential costs for this necessary treatment. We are looking to get capital costs from WRD, but if they do not, we will need to reach into our own pockets. We project that ongoing operation costs for the treatment facilities will run approximately \$150 – 160 thousand per year. No one wants to increase rates, but if we can keep up with rates in a timely manner, we can stay with single digit increases, but if we wait much longer, we may burn our reserves down further, then find out we have more costs than we think, and we would then possibly have to raise rates 9, 10, or 12%. Director Ramirez asked the General Manager to explain to the public the information regarding replacements to infrastructure. The General Manager explained in the 2008 Water Master Plan, the District needs to replace about \$20 million in infrastructure. The District goes back to 1926 when it was established by farmers in the area and much of the lines were asbestos cement pipe. The District has not replaced a lot of that aging 94-year-old pipe and only recently, when the Board enacted the infrastructure surcharge and obtained the \$7 million loan, did the District begin replacing that aging infrastructure. That leaves approximately \$13 million in repairs and replacement that need to be accomplished. Then, we need to add the \$5 million it will cost for the PFOS/PFOA treatment and we are back up to \$18 million. We are just trying to get ahead of the game to replace this old undersized infrastructure. Previously, the District followed the “pay as you go” philosophy, wherein you only replace pipe if you have the money. When we recently completed Well 11, the District had not drilled a new well since 1985. We are still operating the first well we drilled in 1926. These wells are still running, but it is just a matter of time before they give out. We are trying to take this money and invest it back into a system that needs to be updated and infrastructure replaced. Director Caballero inquired how much the cost of pipe installation has gone up since 2014. The General Manager stated that back then the District was seeing costs of \$150 a linear foot and now costs are approximately \$330 a linear foot. Director Caballero made the motion to adopt Ordinance No. 64, an Ordinance increasing water rates and meter charges for water service by 6% each year for five years beginning on February 14, 2021 and thereafter take effect on February 14, 2022, February 14, 2023, February 14, 2024 and

February 14, 2025, and President Gonzales seconded the motion. The General Manager announced that the motion passed by roll call vote, 3-0.

President Gonzales opened the Regular Board Meeting of Pico Water District at approximately 7:10 p.m.

President Gonzales proceeded to the next item on the Agenda, Public Comments. Ms. Graciella Zuniga stated she has been a resident for over 30 years, is on a fixed income, goes to school, does not water or grass or plants, but questioned how can she afford her water bill every time it increases for five years. Ms. Henrietta Salazar stated that she spoke with Mr. Grajeda regarding other states that have filed class action suits against DuPont and she believes this is the proper way to go. She does not believe our state has to pay to clean up what DuPont is responsible for. Ms. Leticia Vasquez stated that the District was being disingenuous with the community. Ms. Leann Barro pled to the Board to listen to the citizens. Mr. Gabriel Orosco stated that he listened to the comments by the Board Members and the General Manager but still feels that the Board has not done their due diligence and other avenues should be looked at. Ms. Alvie Alvarado believes you can look into another way to fixing the problem without raising rates.

President Gonzales proceeded to the adoption of the Agenda. Director Caballero made the motion to adopt the Agenda and Director Ramirez seconded the motion. The General Manager announced the motion passed by roll-call vote, 3 – 0.

President Gonzales proceeded to the approval of the Consent Calendar. Director Caballero made the motion to approve and President Gonzales seconded the motion. Legal Counsel announced that this matter would need to be brought to the next board meeting as it requires three votes for approval and Director Ramirez was not at the December 2, 2020 meeting so he is ineligible to vote on this matter.

President Gonzales proceeded to the next item on the Agenda, consider selection of New Board Officers President, Vice President, Board Secretary, and Board Treasurer. The General Manager stated that every year the Board takes action at this time to elect new Board Officers. Director Caballero nominated President Gonzales for President. Director Ramirez seconded the motion. The General Manager announced that the motion passed by roll call vote, 3-0. President Gonzales nominated Director Caballero for Vice President. Director Ramirez seconded the motion. The General Manager announced the motion passed by roll call vote, 3-0. President Gonzales nominated Mark Grajeda, General Manager as Secretary and Lorrie Laible, Office Manager as Treasurer. President Gonzales made the motion and Director Ramirez seconded the motion. The General Manager announced the slate passed by roll call vote, 3-0.

President Gonzales proceeded to the next item on the Agenda, consider cancelling the Regular Scheduled Board Meeting on January 6, 2021 and rescheduling to January 13, 2021. President Gonzales made the motion and Director Ramirez seconded it. The General Manager announced that the motion passed by roll call vote, 3-0.

President Gonzales proceeded to the next item on the Agenda, General Manager's report. Mr. Grajeda stated Well 11 continues to operate well, but adjustments need to be made to the operating software. Henry Barrientos is working with Quinn Power Systems to get our C-15 mobile generator permitted and installed as a permanent generator. On Sunday, December 13, 2020, we experienced a small break in a six-inch AC mainline off Bridgeview in the parkway just south of Holbrook. Staff's biggest problem with repairs was cutting through tree roots. J De Sigio

began mobilizing on Monday November 30, 2020 utilizing Well 7 for staging. They have installed about 200 feet of eight-inch DIP in Beverly Road. With the holidays coming up, we will have a number of staff members on vacation – Joe Basulto and myself will be off Christmas Week and Lorrie Laible and Henry Barrientos will be off New Year’s Week. He also stated he wanted to respond to Ms. Vasquez comments. Ms. Vasquez is a member of the Central Basin Municipal Water District Board (“CBMWD”) whose purpose is to provide imported water to entities that request it. The problem with her remarks is that the cost just to connect to Metropolitan Water District’s system is \$1.5 to \$3 million. The District would then need to lay two miles of pipe to get the water to the District at a cost of over \$2 million. Once that is completed, there will be the ongoing cost of maintenance of the pipeline and the cost of the water itself. We have looked into this and we have requested a cost breakdown and have received nothing from them (CBMWD). There are water agencies out there who have taken imported water and they have found that it is cheaper to drill a new well than to continue with imported water and that is why we are not considering taking imported water. We are hoping to have treatment installed on at least one well by the end of next year. There was a comment made about litigation for the chemical contamination, but this will take years; In closing he wished everyone a Merry Christmas and Happy New Year . He also thanked the Board Members that had the understanding, resolve and conviction to pass a new rate increase. Passing new rates is never easy and it is never good to allow your rates to go too long without adjustments. Finally, there are three agencies that provide water to the citizens of Pico Rivera. We are one of them, the City of Pico Rivera and San Gabriel Valley Water Company are the others. Each of us provide water very similar in nature and of the three, we by far have the lowest rates, even after the new increase. Director Caballero commented regarding inaccuracies in Ms. Wilson’s statements. He stated that the District has nothing to hide and nothing to gain. This District is trying to provide equitably and financially good water for its customers. This Board has overcome many obstacles for our customers and we realize that we need to address the PFOS/PFOAs in our water. For a Board Member from another District, who does not even represent this District, to continually come with negative comments, accusations that the District is not doing its due diligence to provide clean water, this is very upsetting and offensive. Director Ramirez then asked Legal Counsel regarding comments on suing DuPont. Legal Counsel responded that when discussing items of pending or potential litigation it is not appropriate to discuss them in a public forum. He stated that the District is investigating that potential and it is possible that a lawsuit may be filed on this issue. He further stated that if litigation is filed on behalf of the District that it would take years for it to move to trial or meaningful settlement and realize that this is a large, multi-national corporation that has a history of vigorously defending itself, so it would not be the kind of litigation that would be easily done and quickly resolved. Director Ramirez then asked if the claims that the Board acted illegally could be addressed. Legal Counsel stated, that in his opinion, the rate increase is in full compliance with Proposition 218 and all implementing statutes of Proposition 218 and if a member of the public chooses to file a lawsuit based on that, the District will vigorously defend itself. He further stated that Prop 218 has a procedural component and a substantive component. The procedural component requires that notice be given to the public, that a hearing be held at least 45 days after the notice, the notice must meet certain legal requirements. The notice and supporting documentation in this case meets those requirements. There are also substantive requirements under 218: including proportionality, cost of service, and not being used to meet general governmental expenses. The rate study that was prepared for the District addresses the cost of service and the proportionality requirements under 218. The District is a county water district that only provides water service and as such does not provide any general governmental services, such as police protection, libraries and parks and recreation. It is a water district that provides retail water service and the revenue that is derived from the rates that are charged to the public are used

for one reason and that is to pay for the District's cost of operations and providing its citizens with water service. He believes the claims of illegality concerning the rate increase are baseless.

President Gonzales proceeded to the next item on the Agenda, Legal Counsel report. Mr. Ciampa congratulated Director Ramirez and President Gonzales on their election and re-election, respectively. He also reported that there was a decision in the lawsuit against CBMWD Water Meter Charge Case that came down on Friday, December 11. The retail water districts prevailed and the court found that the CBMWD water meter charge was illegal and violated Proposition 26. There are ongoing discussions between the parties to determine what comes next. He closed by wishing the Board, staff and members of the public a very Merry Christmas, Happy Holidays and a much-improved 2021.

President Gonzales proceeded to the next item on the Agenda, Director's request for future agenda items. There were none.

President Gonzales proceeded to the next item on the Agenda, Director report on meetings attended. Director Ramirez commented this has been very interesting and very educational. He wished Merry Christmas and Happy New Year to all, and he also congratulated Andrew Lara on his election to the City Council. Vice President Caballero stated he is very confident that this Board has done their due diligence to represent the ratepayers of Pico Rivera and is very proud of this Board. President Gonzales wished everyone a Merry Christmas and Happy New Year. This has been a very difficult decision and would like to thank the General Manager, staff and Erik Helgeson at Bartle Wells Associates for all their hard work.

There being no further business to come before the Board, the Board meeting adjourned at 7:47 p.m.



David R. Gonzales, President

Attest:



Mark J. Grajeda, Secretary

(Seal)

