

AN ORDINANCE PRESCRIBING FEES FOR THE PRIVILEGE OF CONNECTING ANY PARCEL OR INDUSTRIAL OPERATION WITHIN THE BOUNDARIES OF COUNTY SANITATION DISTRICT NO.2 OF LOS ANGELES COUNTY DIRECTLY OR INDIRECTLY TO THE SEWERAGE SYSTEM, OR FOR INCREASING THE STRENGTH AND/OR QUANTITY OF WASTEWATER ATTRIBUTABLE TO A CONNECTED PARCEL OR INDUSTRIAL OPERATION WITHIN THE DISTRICT, AND PROVIDING FOR THE COLLECTION OF SUCH CHARGES.

THE BOARD OF DIRECTORS OF COUNTY SANITATION DISTRICT NO.2 OF LOS ANGELES COUNTY ORDAINS AS FOLLOWS:

TABLE OF CONTENTS

PART I -- GENERAL PROVISIONS

- Section 1.01 -- Short Title
- Section 1.02 -- Purpose
- Section 1.03 -- Authority
- Section 1.04 -- Additional Revenue
- Section 1.05 -- Administration
- Section 1.06 -- Validity
- Section 1.07 -- Supersession
- Section 1.08 -- Effective Date

PART II -- DEFINITIONS

- Section 2.01 -- Added Burden
- Section 2.02 -- Baseline Capacity Units
- Section 2.03 -- Board of Directors
- Section 2.04 -- Capacity Unit
- Section 2.05 -- Chief Engineer
- Section 2.06 -- COD or Chemical Oxygen Demand
- Section 2.07 -- Discharger
- Section 2.08 -- District
- Section 2.09 -- Domestic Wastewater
- Section 2.10 -- Facility
- Section 2.11 -- Industrial Operation
- Section 2.12 -- Industrial Wastewater
- Section 2.13 -- Joint Outfall Districts
- Section 2.14 -- Joint Outfall System
- Section 2.15 -- Local Agency
- Section 2.16 -- Local Governmental Facility
- Section 2.17 -- Master Annexation Fee Ordinance
- Section 2.18 -- Master Service Charge Ordinance
- Section 2.19 -- Next Anticipated Configuration
- Section 2.20 -- Notice of Charges
- Section 2.21 -- Parcel
- Section 2.22 -- Person
- Section 2.23 -- Prime Interest Rate
- Section 2.24 -- Service of Notice of Charges
- Section 2.25 -- Sewerage System
- Section 2.26 -- Suspended Solids
- Section 2.27 -- Unit of Usage
- Section 2.28 -- User Category
- Section 2.29 -- Wastewater
- Section 2.30 -- Wastewater Ordinance

PART III -- FEES

- Section 3.01 -- Imposition of Connection Fees
- Section 3.02 -- Calculation of the Connection Fee
- Section 3.03 -- Determination of the Connection Fee Rate
- Section 3.04 -- Calculation of the Number of Capacity Units
- Section 3.05 -- Determination of the Number of Baseline Capacity Units
- Section 3.06 -- Election to Demonstrate
- Section 3.07 -- Temporary Groundwater Clean-up Projects
- Section 3.08 -- Industrial Operation Relocation Credits

PART IV -- COLLECTION AND PAYMENT

- Section 4.01 -- Collection and Payment of Connection Fee
- Section 4.02 -- Penalty and Interest Charges for Delinquent Connection Fee Payment
- Section 4.03 -- Fee for Returned Checks
- Section 4.04 -- Manner of Payment

PART V -- FUNDS

- Section 5.01 -- Disposition of Funds
- Section 5.02 -- Capital Improvement Fund
- Section 5.03 -- Authorization to Loan Funds

PART I - GENERAL PROVISIONS

SECTION 1.01 -- SHORT TITLE

This Ordinance shall be known as the *Master Connection Fee Ordinance of County Sanitation District No. 2 of Los Angeles County*.

SECTION 1.02 -- PURPOSE

The purpose of this Ordinance is to impose fees for the privilege of connecting facilities to the sewerage system or for the privilege of increasing the strength or quantity of wastewater discharged from connected facilities, and to provide for the collection of those fees. Revenue derived under this Ordinance shall be used for expansion of the District's capital facilities and to fund loans as provided for in this Ordinance.

SECTION 1.03 -- AUTHORITY

The District is empowered to fix fees or charges for the privilege of connecting directly or indirectly to the sewerage system and to prescribe, revise, and collect fees, tolls, rates, rentals, or other charges for services and facilities furnished by the District pursuant to California Health & Safety Code section 5471.

SECTION 1.04 -- ADDITIONAL REVENUE

The revenue derived under this Ordinance shall be in addition to all revenue otherwise collected by or on behalf of the District including, but not limited, to ad valorem taxes, federal and state grants and loans, bond revenue, contract revenue, investment income, annexation fees, service charges, and wastewater treatment surcharges imposed under the Wastewater Ordinance.

SECTION 1.05 -- ADMINISTRATION

The Chief Engineer shall administer, implement, and enforce the provisions of this Ordinance.

SECTION 1.06 -- VALIDITY

If any court holds any part, section, subsection, paragraph, sentence, clause or phrase of this Ordinance to be held invalid or unconstitutional for any reason, that decision shall not affect the validity or constitutionality of the remainder of this Ordinance. The Board of Directors declares that it would have adopted each provision of this Ordinance irrespective of the validity of any other provision.

SECTION 1.07 – SUPERSESSION

This Ordinance shall supersede the *Master Connection Fee Ordinance of County Sanitation District No. 2 of Los Angeles County* adopted on September 23, 1992, and the subsequent amendments adopted July 9, 1997, with respect to any rights, duties, or privileges arising after the effective date of this Ordinance.

SECTION 1.08 -- EFFECTIVE DATE

This Ordinance shall become effective July 1, 2007.

PART II – DEFINITIONS

This Ordinance shall be construed according to the following definitions:

SECTION 2.01 -- ADDED BURDEN

An added burden shall mean the actual or anticipated number of capacity units attributable to a parcel or industrial operation in excess of its baseline capacity units.

SECTION 2.02 – BASELINE CAPACITY UNITS

Baseline capacity units shall mean the number of capacity units that the District attributes to a parcel or industrial operation in accordance with Section 3.05.

SECTION 2.03 -- BOARD OF DIRECTORS

Board of Directors shall mean the Board of Directors of County Sanitation District No. 2 of Los Angeles County.

SECTION 2.04 -- CAPACITY UNIT

Capacity unit shall mean the burden in terms of capacity that a typical single-family home places on the sewerage system based on flow, chemical oxygen demand, and suspended solids.

SECTION 2.05 -- CHIEF ENGINEER

Chief Engineer shall mean the Chief Engineer and General Manager of County Sanitation District No. 2 of Los Angeles County or his designee.

SECTION 2.06 -- COD OR CHEMICAL OXYGEN DEMAND

COD or chemical oxygen demand shall mean the measure of chemically-decomposable material in wastewater as represented by the oxygen utilized as determined by the procedures specified in Section 414(A) of the Wastewater Ordinance.

SECTION 2.07 – DISCHARGER

Discharger shall mean any person responsible for the payment of a connection fee for an industrial operation.

SECTION 2.08 -- DISTRICT

District shall mean County Sanitation District No. 2 of Los Angeles County.

SECTION 2.09 -- DOMESTIC WASTEWATER

Domestic wastewater shall mean the water-carried wastes produced from non-industrial activities and that result from normal living processes, irrespective of where these wastes are discharged to the sewerage system.

SECTION 2.10 – FACILITY

Facility shall mean an improvement on or to be located on a parcel that discharges or will discharge wastewater directly or indirectly to the sewerage system.

SECTION 2.11 – INDUSTRIAL OPERATION

Industrial operation means any activity that generates industrial wastewater, whether located on one or multiple parcels, that is discharged or will be discharged directly or indirectly to the sewerage system, and that has obtained or is required to obtain an industrial wastewater discharge permit as provided in the Wastewater Ordinance.

SECTION 2.12 -- INDUSTRIAL WASTEWATER

Industrial wastewater shall mean all liquid-carried wastes of the community, excluding domestic wastewater, rainwater, groundwater, stormwater, and drainage of contaminated and uncontaminated water. Industrial wastewater may include wastewater from any industrial operation, including manufacturing, processing, producing, institutional, commercial, agricultural, or other operations containing significant quantities of wastes of nonhuman origin. All liquid wastes hauled by truck, rail, or another means for disposal to the sewer shall constitute industrial wastewater regardless of the original source of the wastes. Hauled domestic wastewater is included in the category of industrial wastewater. Wastewater discharges from the following sources, when accepted into the sewerage system by the Chief Engineer, shall constitute industrial wastewater under this Ordinance: rainwater, groundwater, stormwater, or contaminated and uncontaminated water.

SECTION 2.13 – JOINT OUTFALL DISTRICTS

Joint Outfall Districts shall mean those Districts signatory to the Amended Joint Outfall Agreement, effective July 1, 1995, and as thereafter amended.

SECTION 2.14 – JOINT OUTFALL SYSTEM

Joint Outfall System shall mean the portion of the sewerage system jointly owned by the Joint Outfall Districts and listed in the Amended Joint Outfall Agreement, effective July 1, 1995, and as thereafter amended.

SECTION 2.15 -- LOCAL AGENCY

Local agency includes the County of Los Angeles; a city, whether general law or chartered; a school district; a community redevelopment agency; a municipal corporation; a district; or any board, commission, or agency thereof.

SECTION 2.16 -- LOCAL GOVERNMENTAL FACILITY

Local governmental facility shall mean any facility that is: a) owned by a local agency; b) located on a parcel that is entirely within the District; c) not required to pay wastewater treatment surcharges under the Wastewater Ordinance; d) used solely for governmental as opposed to proprietary functions; and e) dedicated to uses that directly benefit the public in general as opposed to a single class or classes of individuals.

SECTION 2.17– MASTER ANNEXATION FEE ORDINANCE

Master Annexation Fee Ordinance shall mean the *Master Annexation Fee Ordinance of County Sanitation District No. 2 of Los Angeles County* adopted May 9, 2007, and as thereafter amended.

SECTION 2.18 -- MASTER SERVICE CHARGE ORDINANCE

Master Service Charge Ordinance shall mean the *Master Service Charge Ordinance of County Sanitation District No. 2 of Los Angeles County* adopted May 9, 2007, and as thereafter amended.

SECTION 2.19 -- NEXT ANTICIPATED CONFIGURATION

Next anticipated configuration shall mean:

- (1) The District's sewers and pumping facilities,
- (2) The Joint Outfall System sewers and pumping facilities upstream of the water reclamation plants,
- (3) The treatment facilities of the San Jose Creek Water Reclamation Plant, including all associated effluent management facilities, that will exist following its next planned expansion,
- (4) The solids processing facilities at the Joint Water Pollution Control Plant, and
- (5) The tunnel and ocean outfall system conveying reclaimed water from the Joint Water Pollution Control Plant.

SECTION 2.20 -- NOTICE OF CHARGES

Notice of charges shall mean a written statement by the Chief Engineer setting forth the amount of the connection fee, including any penalties, interest, and additional charges, due pursuant to this Ordinance.

SECTION 2.21 -- PARCEL

Parcel shall mean any area of land contained within a single legal description that is shown on maps prepared and filed by the Assessor's Office of the county in which the land is located.

SECTION 2.22 -- PERSON

Person shall mean any individual, sole proprietorship, partnership, limited liability company, limited liability partnership, corporation, committee, association, public agency, public entity, municipal corporation, or any other organization or group of persons, public or private.

SECTION 2.23 -- PRIME INTEREST RATE

Prime interest rate shall mean the base rate on corporate loans posted by at least 75% of the nation's thirty largest banks as published in *The Wall Street Journal* or, if not reported in such newspaper, as reported in such other source as may be selected by the Chief Engineer.

SECTION 2.24 -- SERVICE OF NOTICE OF CHARGES

Service of notice of charges shall mean delivery of a notice of charges in person or by first class or certified mail addressed to the address last known to the Chief Engineer. Service of notice of charges made by mail shall be complete at the time of deposit, postage prepaid, in a facility regularly serviced by the U.S. Postal Service.

SECTION 2.25 -- SEWERAGE SYSTEM

Sewerage system shall mean the whole or any part of the network of wastewater collection, conveyance, treatment, and disposal facilities that are either owned in whole or in part by the District or used by the District pursuant to contract.

SECTION 2.26 -- SUSPENDED SOLIDS

Suspended solids shall mean the insoluble solid matter suspended in wastewater under conditions normally found in the sewer that is separable by laboratory filtration in accordance with the procedures specified in Section 414(A) of the Wastewater Ordinance.

SECTION 2.27 -- UNIT OF USAGE

Unit of usage shall mean the basic unit of measure (e.g., dwelling unit, square footage) that quantifies the degree of use of a particular facility located on or to be located on a parcel. The square footage of a facility shall be based upon the gross exterior dimensions of the structure.

SECTION 2.28 -- USER CATEGORY

User category shall mean the specific classification of a facility that characterizes its use (e.g., single family home, restaurant).

SECTION 2.29 -- WASTEWATER

Wastewater shall mean the liquid-carried wastes of the community and all constituents and residues thereof. Wastewater includes domestic and industrial wastewater but does not include rainwater, groundwater, stormwater, or drainage or other water unless otherwise provided for in Section 2.12 of this Ordinance.

SECTION 2.30 -- WASTEWATER ORDINANCE

Wastewater Ordinance shall mean the *Wastewater Ordinance* adopted by the County Sanitation Districts of Los Angeles County effective on April 1, 1972, and as amended effective on July 1, 1975, July 1, 1980, July 1, 1983, November 1, 1989, and July 1, 1998 and as thereafter amended.

PART III – FEES

SECTION 3.01 -- IMPOSITION OF CONNECTION FEES

Any person imposing an added burden on the sewerage system shall pay a connection fee to the District, except for the following:

- (1) An existing industrial operation placing an added burden of 25% or less; or
- (2) A local governmental facility.

SECTION 3.02 -- CALCULATION OF THE CONNECTION FEE

The connection fee shall equal the product of the rate determined in accordance with Section 3.03 and the added burden placed on the sewerage system.

SECTION 3.03 -- DETERMINATION OF THE CONNECTION FEE RATE

The Chief Engineer shall determine the total capital cost required to construct an incremental expansion of the sewerage system of the next anticipated configuration for the fiscal year in which the connection fee rate is to become effective. In addition, the Chief Engineer shall determine the number of capacity units that can be accommodated by the incremental expansion, and then divide the former value by the latter value. The resulting value shall be known as the capital improvement component.

The Chief Engineer shall also determine the amount of the cash reserves that will be available on July 1 for the fiscal year in which the connection fee rate is to become effective. This amount shall be divided by the total number of existing sewage units in the District as determined in accordance with the Master Service Charge Ordinance. The resulting value shall be converted into dollars per capacity unit on the basis that one sewage unit is equivalent to one capacity unit and shall be known as the cash reserve component.

The service charge rate adopted by the Board of Directors pursuant to the Master Service Charge Ordinance for the fiscal year in which the connection fee rate is to become effective shall be converted into dollars per capacity unit on the basis that one sewage unit is equivalent to one capacity unit. The resulting value shall be known as the operational cost component.

- (1) For persons imposing an added burden on the sewerage system who are not subject to requirement of the Wastewater Ordinance to pay wastewater treatment surcharges, the connection fee rate shall be equal to the sum of the capital improvement component, the cash reserve component, and the operational cost component. The Board of Directors shall from time to time adopt this connection fee rate.
- (2) For persons imposing an added burden on the sewerage system who are subject to the requirement of the Wastewater Ordinance to pay wastewater treatment surcharges, the connection fee rate shall be equal to the sum of the capital improvement component and the cash reserve component.

SECTION 3.04 -- CALCULATION OF THE NUMBER OF CAPACITY UNITS

- (1) The number of capacity units (CU) attributable to a parcel or industrial operation shall be determined by the following formula:

$CU = X \left(\frac{FLOW_c}{FLOW_{sfh}} \right) + Y \left(\frac{COD_c}{COD_{sfh}} \right) + Z \left(\frac{SS_c}{SS_{sfh}} \right)$

where:

- X = The proportion of the total capital costs required to construct an incremental expansion of the sewerage system of the next anticipated configuration for conveyance, treatment, and disposal of wastewater that is attributable to flow.
- Y = The proportion of the total capital costs required to construct an incremental expansion of the sewerage system of the next anticipated configuration for conveyance, treatment, and disposal of wastewater that is attributable to COD,
- Z = The proportion of the total capital costs required to construct an incremental expansion of the sewerage system of the next anticipated configuration for conveyance, treatment, and disposal of wastewater that is attributable to suspended solids,
- FLOW_{sfh} = Average flow of wastewater from a single-family home in gallons per day,
- COD_{sfh} = Average loading of COD in the wastewater from a single-family home in pounds per day,
- SS_{sfh} = Average loading of suspended solids in the wastewater from a single-family home in pounds per day,
- FLOW_c = Actual or anticipated flow of wastewater, in gallons per day, that will enter the sewerage system from the parcel or industrial operation,
- COD_c = Actual or anticipated loading of COD, in pounds per day, that will enter the sewerage system from the parcel or industrial operation,
- SS_c = Actual or anticipated loading of suspended solids, in pounds per day, that will enter the sewerage system from the parcel or industrial operation,

The Board of Directors shall periodically adopt the values for X, Y, Z, FLOW_{sfh}, COD_{sfh}, and SS_{sfh}.

- (2) For the purpose of determining the number of capacity units attributable to a parcel other than an industrial operation, the Board of Directors shall, from time to time, adopt a list of user categories and associated mean loadings per unit of usage for each user category. Using the adopted list of user categories, the Chief Engineer shall determine the user category that best represents the actual or anticipated use of the parcel or facilities on the parcel. If the Chief Engineer determines that a parcel has multiple facilities or uses for which no single user category accurately represents the actual or intended uses or facilities on that parcel, the Chief Engineer may assign multiple

user categories to that parcel. The Chief Engineer shall then determine the number of units of usage corresponding to the user categories of the uses or facilities existing or anticipated to exist on the parcel. Using the applicable user categories, the associated mean loadings, and the units of usage, the Chief Engineer shall then determine the estimated flow, COD, and suspended solids loadings for the parcel.

- (3) For the purpose of determining the number of capacity units attributable to an industrial operation, flow, COD, suspended solids and domestic wastewater loadings shall be based on the following:
 - (a) For new industrial operations, information contained in the Permit for Industrial Wastewater Discharge as defined in the Wastewater Ordinance, or
 - (b) For existing industrial operations, information contained in the discharger's current or audited surcharge statement or in its approved revised Permit for Industrial Wastewater Discharge, or other credible information, including the District's monitoring data.

The Chief Engineer may, at any time after connection, monitor the actual flow, COD, and suspended solids discharged by an industrial operation. If a discrepancy exists between the measured and reported quantities of flow, COD, and suspended solids, the determination of the appropriate connection fee shall be based on the amount of the measured quantities.

SECTION 3.05 – DETERMINATION OF THE NUMBER OF BASELINE CAPACITY UNITS

- (1) The number of baseline capacity units attributable to an industrial operation shall be as follows:
 - (a) The number of capacity units for which connection fees have been paid; and
 - (b) The greatest number of capacity units shown to have been used by the industrial operation in any one fiscal year during the period fiscal year 1976-77 through 1981-82, based on paid surcharge statements; or
 - (c) For industrial operations discharging less than one million gallons per year, the greatest number of capacity units shown to have been used in any one fiscal year during the period, fiscal year 1976-77 through 1981-82, based on water consumption or other credible information.
- (2) The number of capacity units attributable to a parcel that does not include an industrial operation shall be as follows:
 - (a) The number of capacity units for which connection fees have been paid; and
 - (b) The greatest number of capacity units attributable to the parcel during the period July 1, 1976 through December 14, 1981, based on the applicable user category and units of usage for each facility located on the parcel..

SECTION 3.06 – ELECTION TO DEMONSTRATE

Industrial operations that discharge more than one million gallons per year or that have greater than average industrial wastewater strengths may elect to demonstrate a reduction under this section. If the number of capacity units attributable to such an industrial operation increases by more than 25%, an election may be made to demonstrate that changed circumstances or conditions, including operational modifications, conservation, or pretreatment, will reduce the number of capacity units attributable to that industrial operation to an increase of 25% or less.

Election and Collateral Requirements. An election to demonstrate a reduction must be made in writing to the Chief Engineer within 45 days of service of notice of charges. The election to demonstrate must be accompanied by collateral in the form of a cash deposit, a surety bond, a perpetual standby letter of credit, an assignment of certificate of deposit, or such other cash-equivalent security as may be approved by the Chief Engineer in an amount that will reasonably assure payment of 50% of the connection fee that would be due in the event the demonstration fails to result in the required reduction.

Optional Non-Refundable Deposit. A nonrefundable deposit of a portion of the connection fee may be made at the commencement of the demonstration period. This deposit shall be used as a capacity unit credit, calculated at the connection fee rate in effect at the time of deposit, to be applied to the connection fee payable at the end of the demonstration period. Collateral requirements shall then be determined based on the balance of the connection fee.

Demonstration Period. The period in which a reduction may be demonstrated shall be the next full fiscal year, July 1 through June 30, inclusive, following the written election to demonstrate. The demonstration period may be postponed to the subsequent fiscal year if a request for postponement is made in writing before the start of the original demonstration period. Requests for postponement must be accompanied by both 1) a nonrefundable payment of five percent of the billed connection fee, and 2) the collateral provided above. No capacity units shall be attributable to the industrial operation as a result of the nonrefundable payment.

The Chief Engineer may allow the twelve-month demonstration period to begin during the fiscal year in which the election is made. The demonstration shall then be based on discharge data obtained during that period, and such data shall be submitted in a format acceptable to the Chief Engineer.

At the conclusion of the demonstration period, the Chief Engineer shall evaluate all pertinent data and determine whether the required reduction has been demonstrated. Capacity units associated with a nonrefundable deposit shall not be considered in determining whether the required reduction has been demonstrated.

Successful Demonstration. Upon demonstrating to the reasonable satisfaction of the Chief Engineer that the added burden has been reduced to a 25% or less increase:

- (1) The collateral will be returned; and
- (2) Any capacity units associated with the nonrefundable deposit shall be added to the baseline for the industrial operation.

Unsuccessful Demonstration. If the demonstration has not resulted in the required reduction, the Chief Engineer shall prepare and serve a notice of charges. The connection fee shall be determined on the basis of the added burden during the demonstration period, less any capacity units associated with a nonrefundable deposit. The connection fee shall be based on the connection fee rate then in effect. Unless an election to make a supplemental demonstration is made, the connection fee shall be immediately due and payable and shall become delinquent on the date set forth in the notice of charges. Delinquent charges shall be subject to penalty and additional interest under Section 4.02. The Chief Engineer shall apply the collateral to all delinquent charges, including penalties and interest.

Supplemental Demonstration. If the required reduction has not been demonstrated, the discharger may elect to make supplemental demonstrations. The demonstration period for supplemental demonstrations shall be the twelve months immediately following the end of the previous demonstration period. Elections to make supplemental demonstrations shall be made in writing within the time period specified by the Chief Engineer, and shall be accompanied by collateral as provided above. Dischargers electing to make supplemental demonstrations must make a nonrefundable payment of five percent of the connection fee that would have been due at the end of the previous demonstration period. No capacity units shall be attributed to the industrial operation as a result of this payment.

Effect of Bankruptcy Filing. If a discharger files for bankruptcy protection during a demonstration period, the demonstration shall be immediately voided, and all collateral (except any nonrefundable payments) shall be refunded.

SECTION 3.07 – TEMPORARY GROUNDWATER CLEAN-UP PROJECTS

Temporary groundwater clean-up projects or groundwater clean-up technology demonstration projects that will not place an added burden on the sewerage system for longer than five years shall be subject to a connection fee calculated in accordance with this Ordinance that is prorated according to the proportion that the number of years in which any system use is to occur bears to the period of 40 years. Additional prorated connection fees shall be imposed with regard to any such project that continues beyond its initially projected termination date. Additional prorated connection fees shall be imposed for increases in

anticipated use in accordance with the provisions of Section 3.01, except that no such project shall be eligible for the election described in Section 3.06. In the event that any project for which a prorated connection fee has been paid continues to place an added burden on the sewerage system for longer than five years, a full connection fee shall be imposed at the then-current connection fee rate less the amount of all sums previously paid to the District as prorated connection fees for such project.

SECTION 3.08 – INDUSTRIAL OPERATION RELOCATION CREDITS

The Chief Engineer shall allow a relocation credit when an established industrial operation relocates to a different parcel within the same sewerage system if:

- (1) Essentially the same industrial operation is relocated to the new parcel;
- (2) The Chief Engineer determines that there is adequate hydraulic capacity to accommodate the discharge associated with the relocated industrial operation and that the relocation does not impose an added burden on the sewerage system;
- (3) The industrial operation being relocated actively discharged from the parcel to the sewerage system for a twelve consecutive month period before the relocation;
- (4) The Chief Engineer determines that the industrial operation is being relocated for a business purpose other than effectuating a transfer of capacity units; and
- (5) The person relocating the industrial operation is one of the following:
 - (a) The same person responsible for the establishment of the capacity units for the industrial operation;
 - (b) The successor-in-interest to the person responsible for the establishment of the capacity units for the industrial operation;
 - (c) The owner of a parcel where an industrial operation responsible for the establishment of the capacity units has ceased and who subsequently establishes a new industrial operation on that parcel (for at least twelve consecutive months); or
 - (d) The tenant or lessee of a parcel where an industrial operation responsible for the establishment of the capacity units has ceased and who subsequently establishes a new industrial operation at that site (for at least twelve consecutive months), if the tenant or lessee has obtained the prior written consent of the parcel owner.

When a relocation credit is allowed, the parcel from which the industrial operation was relocated shall retain at least the number of capacity units attributable to the user category "dry manufacturing." Relocation credits shall be adjusted to reflect any difference in capacity unit formulas between Districts. Relocation credits applied for by persons described in Subsections (5)(c) and (d) above, shall not exceed four times the average number of capacity units that the industrial operation used during any twelve consecutive month period before the relocation. In no case shall relocation credits exceed the number of capacity units that would be attributable to the industrial operation before the relocation had the industrial operation been located in the District.

If the discharge from an industrial operation for which a relocation credit has been allowed is not within 25% of the capacity units remaining at the site within six months following the allowance of the credit, then the Chief Engineer shall revoke the relocation credit, and shall impose connection fees, penalties, and interest on the industrial operation that was allowed the relocation credit. Relocation credits shall not be allowed when a facility has been abandoned for more than six months and a subsequent industrial operation has initiated a wastewater discharge from the facility.

PART IV – COLLECTION AND PAYMENT

SECTION 4.01 -- COLLECTION AND PAYMENT OF CONNECTION FEE

Connection fees payable by persons responsible for industrial operations are due upon service of notice of charges. Connection fees payable by other persons must be paid before an added burden, as that term is

defined in Section 2.01, is imposed on the sewerage system and before a sewer connection permit is issued by the local permitting agency.

Within 45 days after service of notice of charges, a person responsible for an industrial operation that has not elected to demonstrate a reduction under Section 3.06 may elect to pay a minimum of ten percent of the fee and pay the remaining balance in equal monthly installments over a period not to exceed six years. Upon making such an election, the Chief Engineer shall prepare a written payment schedule. The payment schedule shall set forth each monthly payment, and shall be signed and agreed to by the discharger.

- (1) Payment schedules of three years or less shall provide for interest on the unpaid balance at one percent over the prime interest rate in effect at the beginning of the fiscal year during which the election was made, compounded monthly, not to exceed 0.95 percent per month.
- (2) Payment schedules of greater than three years shall provide for interest on unpaid balance at three percent over prime interest rate in effect at the beginning of the fiscal year during which the election was made, compounded monthly, not to exceed 0.95 percent per month.

Installment payments are due and payable on the first day of each month and become delinquent on the fifteenth day of each month. Penalties and additional interest under Section 4.02 shall be imposed on delinquent installment payments. Upon default in the payment of any monthly installment, the entire connection fee, penalties, and interest shall become immediately due. Capacity units associated with the principal portion of the connection fee shall be attributed to the industrial operation only upon full payment of the entire installment payment obligation, including the principal amount of the connection fee, accrued interest, and penalties. In the event of the closure of the industrial operation or the termination of discharge during the installment payment period, the capacity units associated with the principal portion of the payments received shall be attributed to the industrial operation.

The connection fee shall be paid to the District either in person at the Joint Administration Office of the County Sanitation Districts of Los Angeles County, located at 1955 Workman Mill Road, Whittier, California, or by mailing the appropriate payment to the County Sanitation Districts of Los Angeles County, P.O. Box 4998, Whittier, California 90607-4998.

SECTION 4.02 -- PENALTY AND INTEREST CHARGES FOR DELINQUENT CONNECTION FEE PAYMENT

For existing connections, unpaid fees and charges shall become delinquent 45 days after mailing or personal service of notice of charges. For new connections, unpaid fees and charges shall become delinquent 45 days after an application for connection to the sewerage system is approved by the District or 45 days after a connection is made, whichever occurs first. A basic penalty charge of 10 percent of any unpaid amount shall be added to any connection fee that becomes delinquent. Additional monthly penalties and interest at the maximum rate provided by law shall accrue on the total of all delinquent fees plus penalty charges.

SECTION 4.03 -- FEE FOR RETURNED CHECKS

The Chief Engineer shall add an administrative charge to the connection fee in the event a check tendered for payment is returned or dishonored. The administrative charge shall be in the amount of the District's added cost in processing returned or dishonored checks, as determined by the Chief Engineer, up to the maximum amount allowed by law.

SECTION 4.04 -- MANNER OF PAYMENT

The Chief Engineer shall determine the manner in which annexation fees may be paid. If a manner of payment requires the District to pay a transaction fee, the parcel owner shall pay the transaction fee to the District as an additional charge.

PART V – FUNDS

SECTION 5.01 -- DISPOSITION OF FUNDS

Connection fee revenue shall be divided into two parts, the capital improvement portion and the operational cost portion. The capital improvement portion shall be determined by multiplying the total

revenue received by the proportion of the connection fee rate attributable to the capital improvement component. The capital improvement portion of the fee shall be deposited into the capital improvement funds pursuant to Section 5.02. The remainder of the fee, the operational cost portion, shall be deposited into the District's Operating Fund.

SECTION 5.02 -- CAPITAL IMPROVEMENT FUNDS

The District shall establish a fund known as the "District's Capital Improvement Fund." The share of the capital improvement portion of the connection fee revenue attributable to the District's conveyance facilities shall be deposited into the District's Capital Improvement Fund. District's Capital Improvement Fund monies shall be used only for expansion of the District's conveyance facilities, except those funds loaned pursuant to Section 5.03.

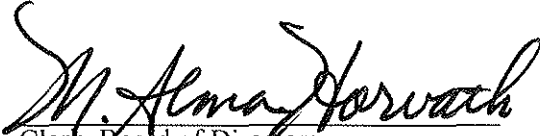
The District, along with the other Joint Outfall Districts, shall establish a fund known as the "Joint Outfall System Capital Improvement Fund." The Joint Outfall System Capital Improvement Fund shall be jointly owned and maintained by the Joint Outfall Districts. The share of the capital improvement portion of the connection fee revenue attributable to the Joint Outfall System shall be deposited into the Joint Outfall System Capital Improvement Fund. Joint Outfall System Capital Improvement Fund monies shall be used only for expansion of the Joint Outfall System, except those funds loaned pursuant to Section 5.03.

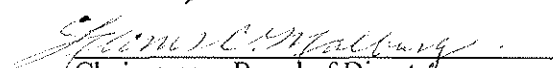
SECTION 5.03 – AUTHORIZATION TO LOAN FUNDS

In addition to other forms of investments permitted under the District's investment policy, the Chief Engineer is authorized, pursuant to Government Code Section 66013, to make inter-fund loans from the District's Capital Improvement Fund and from the District's proportionate share of the Joint Outfall System Capital Improvement Fund to the District's Operating Fund provided that:

- (1) The Capital Improvement Fund retains sufficient monies to timely undertake necessary expansion-related capital projects; and
- (2) Any loan made pursuant to this section shall be for a term of not to exceed 15 years at an interest rate equal to the District's Composite Interest Rate on invested funds as of the date of the loan.

ATTEST:


 Clerk, Board of Directors
 County Sanitation District No. 2
 of Los Angeles County


 Chairperson, Board of Directors
 County Sanitation District No. 2
 of Los Angeles County


PASSED AND ADOPTED by the Board of Directors of County Sanitation District No. 2 of Los Angeles County on May 9, 2007 by the following vote:

AYES: Directors Yamauchi, Martins, Bello, Aceituno, Larsen, Lee, Del Rio, Calhoun, Reyes Uranga, Cardenas, Lopez-Reid, Lau, Ramirez, Lemons, Beilke, Sawkins, DeWitt, Newcomer, Yaroslavsky, and Malburg

NOES: None

ABSTAIN: None

ABSENT: Director Trejo


 Secretary of the Board of Directors
 County Sanitation District No. 2
 of Los Angeles County