

MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF
COUNTY SANITATION DISTRICT NO. 14
HELD AT THE ANTELOPE VALLEY
TRANSIT AUTHORITY

February 8, 2024
11:30 o'clock, A.M.

The Board of Directors of County Sanitation District No. 14 of Los Angeles County met in regular session.

There were present: Austin Bishop, Director from Palmdale
Marvin Crist, Chairperson pro tem, Alternate Director from Lancaster

Absent: Lindsey Horvath, Director from Los Angeles County

Also present: Kimberly S. Christensen, Secretary to the Board
Brant Dveirin, District Counsel

RE: PUBLIC COMMENT
The Chairperson pro tem 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: ALTERNATE DIRECTOR FROM CITY OF PALMDALE
A copy of an action taken by the City Council of the City of Palmdale at a meeting held January 10, 2024, was presented to the Secretary stating that Mr. Richard Loa, a member of the City Council of the City of Palmdale, was appointed to serve as alternate Director from the city.

Upon motion of Director Bishop, duly seconded and unanimously carried, the action was accepted and ordered filed.

RE: MINUTES
Upon motion of Director Bishop, duly seconded and unanimously carried, the minutes of the adjourned regular meeting held January 22, 2024, were approved.

RE: DISTRICT EXPENSES
The following expenses for the month of November 2023, were presented and upon motion of Director Bishop, duly seconded and unanimously carried, were approved:

Local District Expenses:	
Operations & Maintenance	\$1,446,897
Capital	1,373,411
Allocated Expenses:	
Joint Administration	149,579
Technical Support	168,022
Legal	<u>7,093</u>
Total Expenses	<u>\$3,145,002</u>

RE: ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEAR ENDING JUNE 30, 2023
RECEIVE AND ORDER FILED
The Districts' *Annual Comprehensive Financial Report (ACFR)* for the fiscal year ending June 30, 2023, which includes the annual audit required by state and federal laws, has been previously distributed to the Directors. This item is consistent with the Districts' Guiding Principles of commitment to fiscal responsibility and prudent financial stewardship; and to protect financial and facility assets through prudent investment and maintenance programs. A recommendation was made to receive and order filed the Districts' ACFR for fiscal year ending June 30, 2023.

The Chief Engineer and General Manager introduced Mr. Matt Eaton, Deputy Assistant Chief Engineer and Department Head of Financial Management.

In response to the Chairperson pro tem, Mr. Eaton advised that reserve funds currently earn approximately 4.5 percent. He also responded that the funds are kept in the County Pool, private notes, government sponsored enterprises which are mostly at 1 - 1.8 percent and holding until they reach maturity, and United States Treasuries with a six-month or less maturity earning approximately 5 percent, or private and

government sponsored enterprises debt which are earning 1 to 1.8 percent. The lower earning notes will be held to maturity as selling early would result in a loss.

In response to the Chairperson pro tem, Mr. Eaton advised that in order to move District No. 14 reserves into local banks, the Investment Policy may need to be modified.

The Chairperson pro tem stated that \$75 million in reserves is a significant amount of money that can be invested into local banks and that should be looked into.

The Chief Engineer and General Manager advised that the request to invest in local banks would be reviewed.

Mr. Eaton advised that a report will be brought back in March.

Upon motion of Director Bishop, duly seconded and unanimously carried, the *Annual Comprehensive Financial Report* for fiscal year ending June 30, 2023, which includes the annual audit required by state and federal laws, and was previously distributed to the Directors, was accepted and ordered filed.

RE: SOLID WASTE MANAGEMENT
LANCASTER WATER RECLAMATION PLANT
ENERGY SERVICES AGREEMENT
PACIFICO POWER LANCASTER 01 LLC
CONTRACT NO. 5602 AND GENERATING
FACILITY INTERCONNECTION AGREEMENT
SOUTHERN CALIFORNIA EDISON CONTRACT
NO. 5603 - APPROVE AND AUTHORIZE CHIEF
ENGINEER AND GENERAL MANAGER TO
EXECUTE

In March 2022, the District entered into a Project Development and Non-Disclosure Agreement with Pacifico Power, LLC Pacifico after a public solicitation to evaluate the viability of a solar energy project and apply for a Southern California Edison (SCE) interconnection. The proposed *Energy Services Agreement* (Agreement) is for Pacifico Power Lancaster 01 LLC (Pacifico) to design, finance, build, operate, and maintain a 7-megawatt photovoltaic solar system with battery storage (Project) at the Lancaster Water Reclamation Plant (WRP). The term of the Agreement is

for 25 years with an optional five-year extension. The District will pay a fixed rate of \$0.074/kWh for electricity generated by the system throughout the term. The potential savings over 25 years is estimated at \$8 million assuming an annual 3 percent rate escalation by the current power provider. The Agreement includes terms for using 25 acres of land at the WRP for the Project. A lease agreement will be brought to the Board later in 2024. Execution of the *Generating Facility Interconnection Agreement* will allow the solar system to work in parallel with SCE utility to serve electrical loads. Staff has determined that the Project is exempt or otherwise not subject to the provisions of the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations ("CEQA Guidelines") Section 15303. This item is consistent with the Districts' Guiding Principle to maximize use of our assets and resources (recycled water, recyclables, and energy). A recommendation was made to approve and order executed an Agreement with Pacifico and the *Generating Facility Interconnection Agreement* with SCE. Furthermore, a recommendation was made to authorize the Chief Engineer and General Manager or his designee to execute related documents, future amendments, and addenda to effectuate the Project at the Lancaster WRP.

The Chief Engineer and General Manager advised that the potential development of a photovoltaic solar plus battery storage project at the Lancaster WRP has been in discussion for a long time. As described in a letter attached to the agenda, staff performed extensive financial analysis which included a third-party independent verification.

The project will provide power for the WRP during the day, with the batteries discharging for several hours as the sun sets. The proposed solar system size is 7,030 kW with a battery rating of 490 kW and 1,958 kWh of capacity which is sufficient to provide 95 percent of the annual energy usage. Project details are described below.

In 2021, a Request for Proposals led to Pacifico and District No. 14 and District No. 20 entering into a Project Development Agreement in March 2022. Pacifico submitted an interconnection application under the favorable and now expired Net Energy Metering – Standard Tariff (NEM 2.0) in July 2022 to SCE. In the proposed Agreement, Pacifico will finance, own, build, operate, and maintain the solar plus battery system at a fixed cost of \$0.074/kWh for the energy generated over 25 years with an option to extend to 30 years.

The solar energy cost will be fixed for 25 years under the Agreement. All-in power costs (which includes the energy cost, transmission, distribution, and utility fees) are presently \$0.13/kWh. In 25 years, without implementing solar, the rate is projected to increase to \$0.24/kWh assuming a 3 percent annual escalation. With the proposed solar project, the all-in rate would start at \$0.15/kWh and rise to \$0.21/kWh assuming a similar 3 percent annual escalation. This translates into savings of about \$6 million over 25 years. Additional revenue from the sales of Renewable Energy Certificates could surpass \$2 million over the project term. In addition, the Self Generation Incentive Program funded \$367,200 in August 2023 for purchase of the batteries.

Staff hired a third-party consultant, Usource, in April 2023 to validate and enhance the financial evaluation of the proposed project. Usource’s analysis was consistent with the District’s calculated savings.

Staff is recommending the Board execute the following documents: Generating Facility Interconnection Agreement with SCE and the Energy Services Agreement with Pacifico. A land lease agreement will be brought to the Board for approval at a future date.

The Chief Engineer and General Manager presented a slide of a map that showed the location of the proposed solar panels on a 25-acre portion of the WRP property that is currently not being used by the District. In response to the Chairperson pro tem, the Chief Engineer and General Manager advised that the panel design is specifically for District No. 14 in that location. The number of panels will provide enough power to power the WRP. Surplus power generated during the day will be sold back to the utility.

In response to the Chairperson pro tem, the Chief Engineer and General Manager advised that the 2023 fiscal year consumption was approximately 2000kW average. A 4-hour battery with 490kW capacity is included.

In response to the Chairperson pro tem, Mr. Will Chen, Division Engineer, Energy Recovery Facilities, Operations Section, advised that the battery is manufactured by Tesla.

In response to the Chairperson pro tem, the Chief Engineer and General Manager agreed that a 27 percent increase is expected in rates in the upcoming years.

Upon motion of Director Bishop, duly seconded and unanimously carried, the Board of Directors of County Sanitation District No. 14 of Los Angeles County found and determined that it would be to the advantage of the District to enter into an *Energy Services Agreement* with Pacifico Power Lancaster 01 LLC to design, finance, build, operate, and maintain a 7-megawatt photovoltaic solar system with battery storage and a *Generating Facility Interconnection Agreement* with Southern California Edison providing for the solar system to work in parallel with SCE utility, as set forth in the Agreements and under terms and conditions contained therein. All the terms and conditions of the *Energy Services Agreement*, Contract No. 5602, and the *Generating Facility Interconnection Agreement*, Contract No. 5603, dated February 8, 2024, were accepted and approved, and the Chairperson and Secretary were authorized to execute the Agreements on behalf of the District. Furthermore, the Chief Engineer and General Manager or his designee, on behalf of the District, was authorized to execute related documents, future amendments, and addenda to effectuate the Solar and Energy Storage Project at the Lancaster Water Reclamation Plant.

RE: RESOLUTION OF THE BOARD OF DIRECTORS OF COUNTY SANITATION DISTRICT NO. 14 OF LOS ANGELES COUNTY DECLARING PROPERTY TO BE EXEMPT SURPLUS LAND IN ACCORDANCE WITH SURPLUS LAND ACT - ADOPT AND THIRD AMENDMENT TO GROUNDWATER AND LAND LEASE AGREEMENT - CALANDRI FARMS, INC CONTRACT NO. 5072C - APPROVE

A proposed *Resolution of the Board of Directors of County Sanitation District No. 14 of Los Angeles County Declaring Property To Be Exempt Surplus Land in Accordance with Surplus Land Act (SLA)* (Resolution), was presented. The District currently leases 1,039 acres of unimproved land at the Lancaster Water Reclamation Plant (WRP) Eastern Agricultural Site (EAS) and 2,850 acre-feet per year of groundwater rights to Calandri Farms, Inc., (Calandri) for cultivation of crops. According to a request from the City of Lancaster, Calandri desires to lease an additional 110 acres to

conduct more sustainable farming operations. The proposed *Third Amendment to Groundwater and Land Lease Agreement* (Third Amendment) adds the 110 acres to the leased premises and requires Calandri to pay proportionally increased rent. Before considering approval of the Third Amendment, the Board must consider adoption of the Resolution, that was attached to the agenda, which declares the 110 acres, as well as an additional 1,720 acres of unimproved land at the Lancaster WRP EAS that is not needed in the near term for the District’s ongoing agricultural recycled water reuse operations, to be exempt surplus land. Declaring the property exempt surplus land avoids the need to make it available to outside entities for development of affordable housing since the property may be used for potential future expansion of the District’s agricultural recycled water reuse operations. Staff consulted with the California Department of Housing and Community Development to prepare the Resolution, which includes detailed written findings explaining why the property is exempt surplus land. Staff recommends the Board declare the property to be “exempt surplus land” in accordance with the SLA, and then approve the Third Amendment. Staff has determined that approval of the resolution is not a “Project” under the California Environmental Quality Act (CEQA) pursuant to the California Public Resources Code Section 21065 and Title 14 of the California Code of Regulations (“CEQA Guidelines”) Section 15378, and that approval of the Third Amendment is exempt or otherwise not subject to the provisions of CEQA pursuant to California Public Resources Code Section 21084 and Title 14 of CEQA Guidelines Section 15301. This item is consistent with the Districts’ Guiding Principle to maximize use of our assets and resources (recycled water, recyclables, and energy). The Chief Engineer and General Manager stated that staff recommends the Board declare the property to be “exempt surplus land” in accordance with the SLA, to approve and order executed Third Amendment with Calandri for agricultural operations using groundwater at the Lancaster WRP EAS. Upon

motion of Director Bishop, duly seconded and unanimously carried, an amendment to the agreement entered into with Calandri Farms, Inc., Contract No. 5072 dated November 14, 2017, as amended January 30, 2019 (Contract No. 5072A), and May 14, 2020 (Contract No. 5072B), providing for agricultural operations using groundwater at the Lancaster Water Reclamation Plant Eastern Agricultural Site, as set forth therein, was approved. All the terms and conditions of the *Third Amendment to Groundwater and Land Lease Agreement*, Contract No. 5072C, dated February 8, 2024, were accepted and approved, and the Chairperson and Secretary were authorized to execute the Amendment on behalf of the District. Furthermore, the following Resolution was adopted:

RESOLUTION OF THE BOARD OF DIRECTORS OF
COUNTY SANITATION DISTRICT NO. 14 OF LOS ANGELES COUNTY
DECLARING PROPERTY TO BE EXEMPT SURPLUS LAND IN ACCORDANCE WITH SURPLUS
LAND ACT

WHEREAS, County Sanitation District No. 14 of Los Angeles County is organized and existing under the provisions of the County Sanitation District Act, California Health and Safety Code Section 4700 *et. seq.* (“Sanitation District”); and

WHEREAS, pursuant to the California Surplus Land Act, codified at California Government Code Sections 54220 *et seq.* (the “Act”), local agencies such as the Sanitation District must declare any real property it owns as either “Surplus Land” or “Exempt Surplus Land” prior to any disposition, including certain leasing or options to lease transactions, of the property; and

WHEREAS, exempt surplus land, pursuant to the Act, includes property that is necessary for use by the Sanitation District as buffer property near sensitive governmental uses including, but not limited to, wastewater treatment plants, solid waste management facilities, and other similar uses; and

WHEREAS, the Sanitation District is empowered to lease property declared as exempt surplus land if the planned lease and use of the property furthers the express purpose of the agency work or operations; and

WHEREAS, the Sanitation District is empowered to lease property declared as exempt surplus land to other governmental agencies for those agencies’ use; and

WHEREAS, all the prospective leases covered by this Resolution are subject to separate review and consideration by the Sanitation District and are not considered final or approved unless or until the Board of Directors of the Sanitation District is presented with a separate hearing item for the lease that includes review, evaluation and clearances under all applicable Sanitation District’s policies, procedures and the requirements of all applicable laws including, without limitation, the California Environmental Quality Act; and

WHEREAS, the Sanitation District is the owner of Los Angeles County Assessor Parcel Numbers 3302-025-914, 3302-031-906, 3302-031-910, 3302-031-911, and 3302-031-919, which is approximately 110 acres of vacant land located in unincorporated Los Angeles County, northeast of the City of Lancaster, California, and is a portion of the Sanitation District’s Lancaster Water Reclamation Plant Eastern Agricultural Site (the “LWRP Ag Site Portion”). The LWRP Ag Site Portion meets the definition of “agency’s use” as that term is defined in California Government Code Sections 54221(c)(1), 54221(c)(2)(B)(i) and 54221(f)(1)(K) because leasing the LWRP Ag Site Portion to third parties will generate revenue to support the operation and maintenance of the District’s wastewater management facilities; and

WHEREAS, the Sanitation District is the owner of the Los Angeles County Assessor Parcel Numbers listed in Attachment 1, which is approximately 1,830 acres of vacant land located in unincorporated Los Angeles County, northeast of the City of Lancaster, California, and is the southern half of the Sanitation District’s Lancaster Water Reclamation Plant Eastern Agricultural Site (the “LWRP Ag Site Southern Half”). The LWRP Ag Site Southern Half meets the definition of “exempt surplus land” as that term is defined in California Government Code Section 54221(f)(1)(D) as the Sanitation Districts are working with the City of Lancaster on a lease of the LWRP Ag Site Southern Half for the City’s use; and

WHEREAS, the Sanitation District, during calendar year 2024, anticipates negotiating leases affecting the LWRP Ag Site Portion and the LWRP Ag Site Southern Half (collectively, the “Property”) as more fully described in this Resolution. Each of the leases will continue to further the purposes of the Sanitation District’s work and operations for the reasons stated in this Resolution; and

WHEREAS, the Sanitation District’s Board of Directors has reviewed this Resolution and now desires to declare the Property as “Exempt Surplus Land” as that term is defined in California Government Code Sections 54221(f)(1)(D) and 54221(f)(1)(K) based on the findings and justifications contained in this Resolution.

NOW, THEREFORE, the Sanitation District’s Board of Directors finds and resolved as follows:

SECTION 1. The above recitals are true, correct and are specifically incorporated in and made a substantive part of this Resolution.

SECTION 2. The Sanitation District’s Board of Directors hereby declares that the Property is all “Exempt Surplus Land” in accordance with the terms, requirements, and provisions of the Act, and based on the findings contained in this Resolution for the Property. If the Sanitation District elects to dispose of, by lease, additional properties not included in this Resolution, the Sanitation District will, in advance of any contemplated transactions, consider and vote on a subsequent resolution that includes the requisite property specific findings in conformance and compliance with the terms, requirements and provisions of the Act.

SECTION 3. The Secretary of the Board of Directors is hereby directed to send a copy of this Resolution to the California Department of Housing and Community Development in accordance with the requirements of Section 400(e) of the Surplus Land Act Guidelines, dated April 2021 and the Guide to Exemptions from the Standard Surplus Land Act Process for Local Agencies issued by the California Department of Housing and Community Development dated July 2022.

SECTION 4. This Resolution has been reviewed in accordance with the requirements of the California Environmental Quality Act (California Public Resources Code Section 21000 *et seq.* and Title 14 of the California Code of Regulations Section 15000 *et seq.*) (“CEQA” and the “CEQA Guidelines,” respectively). The District’s staff have determined that the designation of the Property as “Exempt Surplus Land” does not have the potential for causing a significant effect on the environment and is, therefore, exempt from review under CEQA Section 21080 and CEQA Guidelines Section 15060(c)(3) because it is not a project as defined in CEQA Section 21065 and CEQA Guidelines Section 15378. Moreover, adoption of this Resolution does not have the potential to result in either a direct physical change or a reasonably foreseeable indirect physical change to the environment. If and when the Property is leased for use by prospective tenants, and if the prospective tenants propose a use for the property that requires the issuance of a discretionary permit from an agency with land use authority and control over the property, that future use, and the associated discretionary permit(s) will be reviewed and analyzed in accordance with the requirements of CEQA and the CEQA Guidelines.

SECTION 5. The officers and staff of the Sanitation District are hereby authorized, jointly and severally, to do all things which they may deem necessary and proper to effectuate the purposes of this Resolution, and any such actions previously taken are hereby ratified and confirmed.

PASSED AND ADOPTED by the Board of Directors of County Sanitation District No. 14 of Los Angeles County at its meeting on February 8, 2024.

AYES: Directors Bishop and Crist

ABSTAIN: None

NOES: None

ABSENT: Director Horvath

The meeting was adjourned by the Chairperson pro tem.

MARVIN CRIST
Chairperson pro tem

ATTEST:

KIMBERLY S. CHRISTENSEN
Secretary

/ee