

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF
COUNTY SANITATION DISTRICT NO. 5
HELD AT THE TORRANCE CITY HALL

June 20, 2024
1:30 o'clock, P.M.

The Board of Directors of County Sanitation District No. 5 of Los Angeles County met in regular session.

There were present: Dan O'Brien, Alternate Director from Culver City
Chris Pimentel, Alternate Director from El Segundo
Alex Monteiro, Alternate Director from Hawthorne
Robert Pullen-Miles, Director from Lawndale
Bill Uphoff, Director from Lomita
Joseph Franklin, Director from Manhattan Beach
Dawn Murdock, Director from Palos Verdes Estates
John Cruikshank, Director from Rancho Palos Verdes
Patrick Wilson, Director from Rolling Hills
Jon Kaji, Alternate Director from Torrance
Tasha Cerda, Chairperson, Director from Gardena

Absent: James T. Butts, Director from Inglewood
Paul Krekorian, Director from Los Angeles City
James Light, Director from Redondo Beach
Velveth Schmitz, Director from Rolling Hills Estates
Lindsey Horvath, Director from Los Angeles County

Also present: Kimberly S. Christensen, Secretary to the Board
Kelly Alhadef-Black, District Counsel

RE: PUBLIC COMMENT The Chairperson announced this was the time for any questions or comments by members of the public. There were no public comments or questions to address the Board on any matters.

RE: MINUTES Upon motion of Director Cruikshank, duly seconded and carried with the Chairperson being absent from the vote, the minutes of the regular meeting held May 15, 2024, were approved.

RE: DISTRICT EXPENSES The following expenses for the month of March 2024 were presented and upon motion of Director Cruikshank, duly seconded and carried with the Chairperson being absent from the vote, were approved:

Local District Expenses:	
Operations & Maintenance	<u>\$2,914</u>
Total Expenses	<u>\$2,914</u>

RE: INVESTMENT POLICY ADOPT As part of the continuing effort to ensure the Districts follow best practices as it relates to financial matters, revisions to the Investment Policy (Policy) are being recommended. The Policy establishes the practices under which the Districts invest reserves until such time as they are needed to meet expenses and identifies what types of investments are allowable. Proposed revisions would grant permission to invest in shared investment pools comprised of other California public agencies. A letter summarizing the proposed changes was attached to the agenda. This item is consistent with the Districts' Guiding Principle of commitment to fiscal responsibility and prudent financial stewardship. A recommendation was made to adopt the Policy.

The Assistant Chief Engineer and Assistant General Manager introduced Mr. Matt Eaton, Deputy Assistant Chief Engineer and Department Head of Financial Management, to provide a brief presentation regarding Policy revisions.

Mr. Eaton stated that one uniform Policy is adopted by every District. The Policy sets the objectives of the investment program, including safety of the principal, liquidity, and the market rate of the return. The Policy defines the types of investments that are allowed.

The current Policy allows investment with the County's Pooled Surplus Investment Funds (PSIF). The proposed change would allow investment in other similar shared investment pools comprised solely of California public agencies. These investment pools could provide for potentially greater returns depending on market conditions and would reduce overall risk due to added diversification.

Two new potential investments were shown on a slide. The California Asset Management Program (CAMP) Pool consists of \$18.4 billion in assets. The CAMP Pool was established in 1989 and has an S&P rating of AAAM. California Cooperative Liquid Assets Securities System (CLASS) consists of \$407 million in assets. CLASS was established in 2022 and has an S&P rating of AAAM. The pools were formed by government entities and operate under Joint Power Agreements.

In May, the Personnel Committee endorsed the revisions to the Policy. The Policy will be presented to individual Boards for approval in June and July. In August, staff will begin the process of establishing accounts with the new pools and will include them as part of the Districts' investment strategy.

In response to Director Franklin,, Mr. Eaton shared a table showing the recent investment return rates. The return rates and corresponding investments are as follows:

- LA County PSIF - 4.20 percent
- 3-month U.S. Treasury – 5.45 percent
- CLASS – 5.39 percent
- CAMP – 5.43 percent

He advised that the County PSIF rate of return will likely fluctuate less since its investments, on average, have a longer maturity. CLASS and CAMP invest in shorter-term investments. Furthermore, the Assistant Chief Engineer and Assistant General Manager stated that due to the current state of the market, the returns of the new pools provide a great benefit.

In response to Director Uphoff, Mr. Eaton advised that the Districts will continue to invest in the County PSIF and use it as a "banking account." Use of this fund is very efficient and will not change. Recently, the Districts has invested a large amount of reserves in U.S. Treasury Notes. Approximately 25 percent of Districts' funds will be invested in CLASS and CAMP.

In response to Director Wilson, Mr. Eaton stated that there are several Districts' cities that invest in CAMP. The City of Lancaster invests in CLASS.

Director Pimentel advised that his city invests in CAMP depending on the market.

Upon motion of Director Monteiro, duly seconded and unanimously carried, the Investment Policy was adopted.

RE: APPROPRIATIONS LIMIT
FOR FISCAL YEAR 2024-25
ESTABLISH AND ADOPT

A letter discussing the 2024-25 fiscal year budget matters accompanied the agenda. The Government Code requires the governing body of each local jurisdiction to establish, by resolution, an appropriations limit for each fiscal year.

The documentation used in the determination of the appropriations limits must be available 15 days prior to this action being taken. The method by which the Districts' appropriations limits were calculated has been available to the public at the Districts' Joint Administration Office since May 15, 2024, and was provided to the Directors with the letter of May 30, 2024, mailed with the agenda. This item is consistent with the Districts' Guiding Principles of commitment to fiscal responsibility and prudent financial stewardship; and to plan for both short-term and long-term needs to minimize the need for significant rate increases.

The appropriations limit for fiscal year 2024-25 has been determined by adjusting the previous fiscal year's limits using the factors specified in the Government Code. The appropriations limit has also been adjusted to include mandated costs, all in accordance with the procedures outlined in Article XIII B of the Constitution and Section 7910 of the Government Code. A recommendation was made that, in order to comply with legal requirements, this Board adopt an appropriations limit of \$64,293,186 for fiscal year 2024-25.

The Assistant Chief Engineer and Assistant General Manager stated that both agendas include an item to establish the appropriations limit on the proceeds of taxes, adopt the final operating budget, request the tax levy, and authorize appropriations per the operating budget. The Joint Outfall System (JOS) is in a good financial position and reserves are at target. The Capital Improvement Program (attached to the agendas), which was developed by the Financial Management Department, provides a brief overview of the JOS, the Districts' mission and core values, budget objective, major projects (including The Clearwater Project, Sewer Rehabilitation, Pure Water Southern California Program, Seismic Resiliency Program, and Emerging Regulatory Concerns). She advised that the Capital Improvement Plan will cost approximately \$318 million.

Director Cruikshank referred to a chart showing risk levels of sewer failure and length of sewer in miles that fall into each risk level (very low to very high). He stated that the chart is an excellent way to prioritize sewer rehabilitation projects.

The Assistant Chief Engineer and Assistant General Manager thanked Director Cruikshank for his comments.

In response to Director Murdock, the Assistant Chief Engineer and Assistant General Manager advised that in spring 2026, staff will prepare for rate increases related to upcoming capital projects and all other factors. Furthermore, Mr. Eaton stated that, in March, he showed financials for fiscal year 2022-23. Once that fiscal year was over, staff revised the budget to reflect actuals.

In response to Director Murdock, Mr. Eaton stated that estimates reflect the proposed budget as adopted. The ending figures reflect actuals.

Upon motion of Director Uphoff, duly seconded and unanimously carried, the following resolution was adopted:

BE IT RESOLVED, that pursuant to Section 7910 of the Government Code of the State of California, the Board of Directors of County Sanitation District No. 5 of Los Angeles County does hereby establish and adopt an appropriations limit of \$64,293,186 for fiscal year 2024-25, utilizing the population change and the change in the personal per capita income.

RE: BUDGET 2024-25
OPERATING FUND

In a letter dated May 30, 2024, to the Board, matters were discussed pertaining to the budget for the 2024-25 fiscal year. A sewerage system final budget for the 2024-25

fiscal year was presented and a recommendation was made that the budget be adopted.

Upon motion of Director Uphoff, duly seconded and unanimously carried, the sewerage system final budget for 2024-25 was approved, adopted, and ordered filed.

RE: TAX LEVY
OPERATING FUND

Data for the tax levy necessary for the Operating Fund was presented and a recommendation was made that the tax levy be requested in accordance therewith.

Upon motion of Director Uphoff, duly seconded and unanimously carried, the following resolution was adopted:

BE IT HEREBY DETERMINED, RESOLVED, AND ORDERED AS FOLLOWS:

That pursuant to the provisions of Article 6, Section 4815 of the County Sanitation District Act (Chapter 3, Part 3, Division V, of the Health & Safety Code of the State of California), the Board of Directors of County Sanitation District No. 5 of Los Angeles County does hereby find and declare that the sum of \$17,572,000 is and will be the amount necessary to maintain, operate, extend, or repair any work or improvements of the District for the collection, treatment, and disposal of sewage, and to defray all other expenses incidental to the exercise of any of the District's powers, except the amounts necessary to acquire, construct, maintain, and operate a refuse transfer or disposal system, or both, and any other expenses incidental to the operation of the system during the ensuing year and prior to the annual levy of taxes for the fiscal year 2025-26, and the Board of Supervisors of Los Angeles County is hereby requested to cause to be levied and collected at the same time and in the same manner as the next general tax levy for the County a tax upon the real property in the District, in an amount sufficient to raise the required amount, to wit: \$17,572,000, to be paid into the County Treasury to the credit of the Operating Fund of the District.

The Secretary is hereby instructed to furnish a copy of this resolution and statement to the Board of Supervisors of Los Angeles County at least fifteen (15) days before the first day of September 2024.

RE: APPROPRIATIONS
OPERATING FUND 2024-25

Upon motion of Director Uphoff, duly seconded and unanimously carried, the appropriations from the Operating Fund for fiscal year 2024-25 were ordered made as shown in the Operating Fund Final Wastewater Budget that was attached to the agenda.

Upon motion of Director Monteiro, duly seconded and unanimously carried, the meeting adjourned.

ATTEST:

TASHA CERDA
Chairperson

KIMBERLY S. CHRISTENSEN
Secretary

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