

MINUTES OF THE SPECIAL MEETING OF THE
PERSONNEL COMMITTEE OF THE
COUNTY SANITATION DISTRICTS
OF LOS ANGELES COUNTY
VIA TELECONFERENCE

September 25, 2024
11:00 o'clock, A.M.

Pursuant to the call of the Chairperson and upon written notice of the Secretary setting the time and place of a special meeting and mailed to each Director at least 24 hours before the meeting, a special meeting of the Personnel Committee of the County Sanitation Districts of Los Angeles County was held both in person and via teleconference at the Joint Administration Office, 1955 Workman Mill Road, Whittier, California, and at the Kenneth Hahn Hall of Administration, 500 West Temple Street, Room 372, Los Angeles, California, on September 25, 2024, at 11:00 a.m., for the purpose of:

1. Public Comment
2. Approve Minutes of Special Meeting Held May 22, 2024
3. Re: Joint Outfall System Financial Review for Fiscal Year 2023-24
4. Re: Update on Pure Water Southern California (PWCS) Program and Proposed Amended and Restated Agreement with Metropolitan Water District of Southern California (MWD)
5. Re: Districts' General Counsel
6. Re: Pension Fund Policy
7. Re: Director Compensation

There were present: Chris Pimentel, South Bay Cities
Suely Saro, District No. 3
Tasha Cerda, District No. 5
Richard Barakat, District No. 15
Kathryn Barger, District No. 17
Ali Sajjad Taj, Districts Nos. 18 and 19
Cory Moss, District No. 21
Margaret E. Finlay, District No. 22
Judith Merlo, District No. 23
Lori Woods, District No. 29
Cathy Warner, Chairperson, District No. 2

Absent: Ali Saleh, District No. 1
Tim McOsker, District No. 4
Lula Davis-Holmes, Districts No. 8
Janice Hahn, Districts No. 9
Rex Parris, District No. 14
Victor Gordo, District No. 16
Austin Bishop, District No. 20
Lindsey Horvath, Districts No. 27 and Newhall Ranch
Michael T. Davitt, District No. 28
Laurene Weste, Santa Clarita Valley

Also present: Robert Ferrante, Chief Engineer and General Manager
Jessica Lienau, Committee Counsel
Kimberly S. Christensen, Secretary of the Committee

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 not listed on the agenda.

RE: MINUTES
meeting held May 22, 2024, were approved.

Upon motion of Director Barger, duly seconded and carried by a roll-call vote, the minutes of the special

RE: JOINT OUTFALL SYSTEM
FINANCIAL REVIEW FOR FISCAL
YEAR 2023-24 - DISCUSS

The Chief Engineer and General Manager called upon Mr. Matt Eaton, Deputy Assistant Chief Engineer and Department Head of Financial Management, to give a report regarding the Joint Outfall System (JOS) Fiscal Year (FY) 2023-24 Financial Review. He showed a slide of the JOS service area, which includes all the Districts in the southeastern part of the county that operate as one unit.

Mr. Eaton gave an overview of last year's financial performance, as part of a continuing series of presentations leading up to a significant rate increase on July 1, 2026. He showed slides with actual vs. budget information which included operating revenue, non-operating revenue (ad valorem tax and interest), capital revenue (connection fees, loan and bond proceeds), operations and maintenance (O&M), capital expenses, and debt service (loan payments).

Operating revenue and non-operating revenue were slightly above the projected budget. Investment returns were higher than budgeted. Regarding capital revenue, all of the allowable loan proceeds for reimbursing past expenses were withdrawn from the low-interest state and federal loans for the Clearwater Tunnel Project. Originally, only a certain amount was budgeted, but because they are low-interest loans and the Districts' investments were doing well, it made sense to pull it out and hold onto it as cash. It was a good financial decision, even though more debt was taken on than expected.

O&M expenses were on track and will be discussed in more detail later in the presentation. In regard to capital expenses, the staff did not do a great job with forecasting capital spending. Despite trying to accelerate some of the work, in particular sewer work, the spending hasn't materialized as expected. As for reserves, more loan draws and less spending of capital occurred than expected, resulting in a higher-than-expected reserve balance. The Districts is doing well from a cash standpoint, but this doesn't mean there will not be more than budgeted in the long term: the loans would have been taken out at a later date and the capital spending plan is still in place, but delayed.

Details of the JOS FY 2023-24 operating expenses were shown on a slide. Mr. Eaton stated that this information is related to the operations of running the facilities and sewers to show the trend in spending. Overall, O&M expenses are in line with the budget. The Other category was above budget due to the fine from the Carson sewer spill.

The Chief Engineer and General Manager stated that there was \$6 million in fines for the Carson Sewer Spill. This fine was negotiated, and was to be used in a disadvantaged community, resulting in 99.9 percent being used for local projects related to stormwater in the City of Carson. The money stayed local for infrastructure. This was money that would have been spent in that area anyway.

The JOS FY 2023-24 operating expenses compared to the previous year was shown on a slide. Mr. Eaton stated that compared to the previous year, labor and benefits are up 4 percent, chemicals are up 16 percent, materials and supplies are similar to inflation, and utilities are down due to higher than expected natural gas usage due to power plant issues at the A.K. Warren Resource Facility (Warren Facility) Power Plant in 2022-2023. The issues have been resolved, and the natural gas usage is down. Even though expenses trended down, unit prices are still going up.

The JOS FY 2023-24 Capital Comparison by project type was shown on a slide. Mr. Eaton stated that as far as capital spending, staff did not do a great job in forecasting capital spending. As for sewer project, staff was overly optimistic about how quickly projects would be completed and how quickly contractors would work. Regarding the Pure Water Southern California (Pure Water) project, staff was overly optimistic regarding the pace of the California Environmental Quality Act work. In addition, the tunnel boring machine for the Clearwater Tunnel Project is moving slower than expected, resulting in receiving less progress payments.

Six treatment plant projects got postponed, some due to supply chain issues, causing the Districts to be below budget. Additionally, an administrative project to add a backup data center was postponed.

At this time, a quorum was reached. The Chairperson called the meeting to order at 11:22 a.m.

Mr. Eaton continued his presentation. A pie chart showing the capital spending delays by cause was displayed and included the following: Clearwater Tunneling delays; labor shortages; scope changes; Pure Water Environmental Impact Report (EIR) delays and sequencing adjustments; supply chain issues; and other causes. Staff is currently in the process of a large effort to overhaul the capital budgeting system. A Request for Proposals will be sent for vendors to implement a process for improving job and spending forecasting and budget schedules.

Next, a slide of the JOS Capital Expenses over the last five fiscal years was shown. Mr. Eaton stated that capital spending has increased about 25 percent a year. This is a positive and closer to a more appropriate level of spending for the size of the infrastructure but remains below budget.

Mr. Eaton stated that in November 2024, the same presentation will be made to the JOS Boards. In spring 2025, staff will present a capital plan, reserve policy, budgets, and rate projects for July 2026. In fall 2025, rate discussions will occur and a decision on rates will be made for consideration by the JOS Boards in spring 2026.

In response to Director Barakat, Mr. Eaton stated that there is already a rate increase adopted for July 2025. Staff doesn't have the EIR work done on the Pure Water project, which is partly driving the rates, and the project won't be far enough along to say with certain how it will look and what the budget needs to be. Staff could still do a rate increase but, overall, the recommendation is to proceed with the increase as has been adopted. Increasing rates earlier would not substantially affect the next rate package since the next package already ramps into the increase required revenue and will be over five years.

RE: PURE WATER SOUTHERN CALIFORNIA PROGRAM AND PROPOSED AMENDED AND RESTATED AGREEMENT WITH METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA - UPDATE

The Districts previously approved the Regional Recycled Water Program Agreement (Agreement) and First Amendment to the Agreement with Metropolitan Water District of Southern California (MWD) to jointly investigate production and distribution of purified water at the A.K. Warren Water Resource Facility (Warren

Facility). The Agreement contains provisions for the construction and operation of the Grace F. Napolitano Pure Water Southern California (PWSC) Innovation Center at the Warren Facility. The First Amendment provides for the joint preparation of planning and preliminary engineering studies and documentation to comply with the California Environmental Quality Act for the potential full-scale project. Additional revisions to the Agreement are needed to memorialize recent changes to the PWSC Program.

The Chief Engineer and General Manager reviewed information regarding the PWSC program, which is an important project in partnership with MWD.

Southern California water sources are stressed and unreliable. California is negotiating permanent reductions from the Colorado River. The Colorado River provides 25 percent of Southern California's water, 30 percent comes from the State Water Project (State), and 45 percent is from the MWD service area local supplies (Los Angeles Aqueduct, conservation, groundwater, recycling, and stormwater). The State allotment has been as low as 0-5 percent during drought periods. The average State allotment was historically 65 percent, and this year is 30 percent.

PWSC would provide the region with a new year-round supply of water, which is not subject to rainfall. Used water (wastewater) from homes, businesses, and industries in Los Angeles County is cleaned at the Districts' Warren Facility. The cleaned water is purified at MWD's advanced water purification facility, then conveyed through over 60 miles of pipeline to groundwater basins, industries, or MWD's drinking water plants. PWSC is a new climate-resilient source of water for Southern California.

PWSC benefits the Districts by providing for a new, reliable water supply for the region. The project is in line with the Districts' mission to create water resources. PWSC would be capable of producing approximately 150,000 acre-feet of water per year, which is equivalent to 10 percent per year of MWD's supply. The project would also provide for improved treatment, therefore providing better water quality to the region. The water would help replenish groundwater basins for use during dry seasons. Currently, the treatment process removes carbon-based pollution, but does not have the ability to remove nutrients.

In October, District No. 2 will be presented with an Amended and Restated Agreement with MWD for the PWSC program to guide the next few years of the project.

PWSC will be driving the next rate increase. The majority of the water is to be used locally for industrial uses, West Basin, and San Gabriel Valley Basin aquifer. Some water will be sent into the MWD drinking water

treatment system as a third source. These projects will be major new sources of water for Southern California, a tremendous benefit to get this water and store it locally to rely on during drought.

In response to Director Finlay, the Chief Engineer and General Manager stated that none of the conveyance is built, but there is an existing pipeline going to the MWD's water system (F.E Weymouth Filtration Plant) from the San Gabriel Canyon area. It doesn't have the capacity it needs ultimately; if more capacity is needed, another line will be added.

A Notice of Preparation for the draft Environmental Impact Report (EIR) was issued in September 2022. Planning staff is working closely with MWD on the document.

The draft EIR is expected for release in spring 2025. Efforts are being made to have the draft EIR released as soon as possible in order to allow for comments and requests for extensions, if needed.

The goal is to have the final EIR certified in early 2026 in order to set rates. Rates cannot be approved until the PWSC project is approved. It is a critical path to meet the date so everything lines up and rate setting only has to be done once. Staff plans to do extensive public outreach in support of the EIR and related rate increases.

In response to Director Finlay, the Districts and MWD are the two biggest funders of this project. The cost of treatment is \$2.5 billion; the cost of conveyance is \$3.5 billion.

For treatment, there is a biological component and then an advanced or reverse osmosis system. There might be future regulations for ocean discharge dealing with the biological treatment at the Warren Facility. Under the proposed agreement, the Districts takes responsibility for the biological treatment. MWD is taking responsibility for the balance of the treatment. The Districts will take responsibility for construction of facilities costing \$1 to 1.3 billion. MWD has been in discussions with South Nevada Water Agency and Central Arizona Project/Arizona Department of Water Resources to assist with supporting this project in exchange for Colorado River water supplies. Southern Nevada Water Agency has budgeted \$750 million in support of this project.

The Chief Engineer and General Manager stated that the project will require an increase in rates, but PWSC is about supply reliability and resilience, not just providing water. There are many benefits to our service area.

In response to Director Barakat, the Chief Engineer and General Manager stated that when the water is purified and pumped to the point of use, the Districts will not be paid. Part of the agreement is that the Districts provides the cleaned water to MWD at no cost. MWD has to build their advanced treatment plant to purify it and then conveyance facilities. MWD will recover their costs in part with water sales. The Districts would increase service charges to cover Districts' costs.

In response to Director Pimentel, the Chief Engineer and General Manager stated that the Districts sells recycled water from its upstream plants to water agencies and cities. No additional treatment is necessary for use of recycled water by our customers' uses. The cleaned water at the Warren Facility is only treated to the secondary level and contains too much salt to be recycled without further treatment. Looking at the economics, it didn't make sense to charge MWD for the cleaned water.

In response to Director Barakat, the Chief Engineer and General Manager stated that retailers such as the Upper San Gabriel Valley Municipal Water District will have to pay MWD when they get their purified water pumped into the basin.

In response to Director Finlay, the Chief Engineer and General Manager stated that there has been a lot of public support for the project despite the old "toilet to tap" issues of the past. Instead, the public is asking why it is taking so long. Therefore, staff is optimistic about project support. This purified water will be so clean, minerals are added back into it in order to pump it without damaging the pipelines. This is a similar purification system to the one used in the space shuttles.

In response to Director Pimentel, the Chief Engineer and General Manager stated that MWD member agencies and their retailer customers may be able to sign long-term agreements to obtain purified water. MWD has 26 member agencies that they distribute water to, and they collect fees from those agencies.

In response to Director Pimentel, Mr. Andrew Hall, Assistant Department Head of Financial Management, stated that MWD is exploring options to offset costs and appropriately price recycled water within the context of their entire water source portfolio. The Chief Engineer and General Manager stated that when

water and electricity conservation are stressed, rates are increased because conservation reduces the amount of sales revenue. Property tax bills are also being looked at as an additional method of offsetting the cost of water projects.

The Chief Engineer and General Manager reminded everyone that the Districts and MWD received \$80 million from the state and \$99 million in a grant from the federal government to assist in planning.

In response to Director Barger, Mr. Ray Tremblay, Department Head of Facilities Planning stated that MWD rate increase may be 10 to 20 percent, but MWD staff is still doing evaluations, so it has not been determined.

In response to Director Pimentel, the Chief Engineer and General Manager stated that it is correct that the same ratepayers will get hit with an increase again. When MWD got 16 percent approved, they only expected to get a 3 to 4 percent increase in real terms due to conservation. Southern California has done a great job with water conservation. It is understood that water usage is currently similar to what was used in 1970 within the City of Los Angeles, but now with 20 percent more people.

In response to the Chairperson, the Chief Engineer and General Manager stated that there have been no formal objections to the project or the EIR. The Districts and MWD have kept the non-governmental organization community and environmental groups informed, and they are supportive of recycled water and would like to see the project move forward.

In response to Director Barakat, the Chief Engineer and General Manager stated that 80 to 90 percent of the cost of treatment for the Districts is fixed; with little variable costs. The same most likely exists for MWD to maintain the aqueducts that deliver water; it's a fixed cost from year to year. He stated it is a tough message to tell people that they've conserved water, but the water agencies still must raise rates as costs continue to rise.

The Chief Engineer and General Manager showed a slide regarding the Proposed Amended and Restated Agreement. The initial agreement in 2015 was amended in 2020. Staff will present another amended agreement to District No. 2 in early October. If approved, staff will take the lead on the planning, design, construction and operation of the biological treatment, and provide support for the demonstration facility. The Districts would also share in use of grant funds as well as sharing MWD's consultants for help with the progressive design build approach to delivery of the biological treatment.

The Districts is responsible for the largest part of the pretreatment which includes a new membrane bioreactor that is a combined biological treatment and filtration process that conditions the water for advanced treatment and protects the downstream reverse osmosis process. The Districts may face additional regulations on what is discharged to the ocean in the future. The Districts would accomplish future reductions in part through the proposed biological treatment. Thus, it makes sense for the Districts, with its expertise and potential future needs for biological treatment, to take this over responsibility.

The upcoming District No. 2 Board actions are as follows:

- October 2024: Approve amended and restated agreement.
- Early 2025: Approve subrecipient agreement for federal grant.
- Summer 2025: Release Request for Proposals (RFP) for Biological Treatment Progressive Design-Build. The contract with the selected project team will not be awarded until the project is approved by the Districts' Board.
- Early 2026: Certify final EIR and approve project.
- Spring 2026: Approve JOS rates necessary to fund the project through Proposition 218 process.

In response to the Chairperson, the Chief Engineer and General Manager stated that the Clearwater Tunnel is still needed. The final step in the PWSC treatment process is reverse osmosis. Purified water comes out, but a concentrate with all the contaminants must be discharged to the ocean as well as the remaining cleaned wastewater that is not recycled.

In response to Director Woods, the Chief Engineer and General Manager stated that the Portuguese Bend slide is no threat to the Districts' outfalls. The Districts has a sewer line that services the landslide area and parts of the peninsula, which has been moved above ground and can be extended as needed. The slide is wider than previously thought, and as it continues to increase, it may reach one of our major pumping plants. Staff is actively monitoring this situation.

RE: DISTRICTS' GENERAL COUNSEL
DISCUSS

The Chief Engineer and General Manager stated that in 2019, the Districts submitted a Request for Proposals (RFP) for legal services. Through a Districts' selection

team, Ms. Jessica Lienau, Districts' Counsel, and her team, were awarded a five-year contract for legal services. The Districts is currently in the fifth year of this contract. Ms. Lienau has been with Lewis Brisbois Bisgaard & Smith LLP (LBBS) for ten years and is moving to another law firm, Nossaman LLP (Nossaman). Districts' staff has approved this proposal.

Ms. Lienau stated that LBBS received negative coverage in the news approximately a year ago causing the Districts' counsel team to start a discernment process to explore an option to join another firm. Nossaman is a good fit for attorneys who work for a public agency, as the firm is familiar with law in the areas of infrastructure, public agency, employment law, environmental issues, and air and water quality issues. Currently, many of the Districts' legal issues need go to special counsel; this would no longer be necessary because Nossaman has a team of experts. It is a firm committed to Diversity, Equity, and Inclusion (DEI). Districts' matters will be covered by the Nossaman team which will include, Jessica Lienau, Kristen Deal, and Wesley Beverlin. One other partner is still undecided.

In response to Director Finlay, Ms. Lienau stated that the majority of her time is spent on Districts' work. She also does general counsel work for LBBS and will do so for Nossaman as well. Mr. Beverlin spends more than 90 percent of his time on work for the Districts, and Ms. Deal's work at LBBS is only for the Districts. The LBBS team predominantly works for the Districts.

In response to the Chairperson, Ms. Lienau stated that there is no additional information on the issue that occurred a year ago, and the lawyers who were involved are no longer at the firm. LBBS has taken steps to remedy issues; for example, they have obtained a DEI consultant to do an audit of the firm. The events of last year are not indicative of how Ms. Lienau's team conducts business.

In response to Director Barger, the Chief Engineer and General Manager stated that the Districts would have to sign a new agreement with Nossaman and amend their agreement with LBBS. The rates would be the same through the end of the five-year term (June 30, 2025). Ms. Lienau stated that, regarding the progressive design build process, for example, Nossaman has a team of attorneys; LBBS does not.

In response to Director Saro, the Chief Engineer and General Manager stated that when the Districts went out to bid for a legal team in 2019, it was the first time in the history for the agency. Ms. Lienau is only the sixth general counsel for the agency. The Districts is more tied to the *people* than the *firm* of LBBS. When the Districts entered into a five-year agreement which goes through June 30, 2025, there was an option to extend. This is a tremendous advantage to the Districts' continuity. Staff recommends entering into an engagement agreement with Nossaman. Ms. Lienau and team will produce their rates for the period starting July 1, 2025, in January, and how to proceed will be discussed at that time.

In response to Director Finlay, the Chief Engineer and General Manager stated that LBBS is not equipped to handle Districts' matters once Ms. Lienau's team departs the firm, as the remaining attorneys at LBBS have not worked on Districts' issues and do not have the requisite experience.

In response to the Chairperson, Ms. Lienau stated that the new firm can handle the Districts' long-term legal needs without a great deal of outside assistance from special counsel.

The Chairperson shared about when she and Director Horvath conducted attorney interviews; two or three were interviewed at the time, and Ms. Lienau's team was far and above the most superior. They were the right team.

In response to Director Barakat, Ms. Lienau stated that she did not have information on billables. The Chief Engineer and General Manager stated that attorney cost with LBBS may have dropped because of the use of specialized counsel for several items. Special counsel was issued for the Tulare Lake Compost litigation, as well as for the infrastructure for the construction of the tunnel boring machine, as there will probably be construction claims in the future. It is good to have specialized attorneys for this, and they exist at Nossaman. If the Directors concur to allow the LBBS team to move to Nossaman, staff will take the engagement letter to District No. 2, with the same rates and personnel. Ms. Lienau and team will start working at Nossaman by the middle of November. Ms. Lienau will provide proposed rates for the next five years and will bring those to the meeting in January 2025. At that time, a decision will be made to continue with Nossaman or go out to bid.

In response to Director Woods, Ms. Lienau stated that her team would honor the same rates through June 30, 2025. Any specialist required may have a different rate. This information has not yet been requested.

In response to Director Finlay, Ms. Lienau stated that there was a joint discussion with all the partners who work for the Districts. All of those leaving LBBS have a good relationship with LBBS and there should be no animosity. The Districts' workers' compensation will remain at LBBS.

The Chief Engineer and General Manager will proceed with engagement with Nossaman with the same rates. In January, the proposed rates for the next five years will be discussed and considered for approval.

RE: PENSION FUNDING POLICY
DISCUSS

The Districts contracts with the California Public Employees' Retirement System (CalPERS) for retirement benefits for employees. Prudent management of the Districts' pension liability, and ensuring pension costs are not subject to unexpected increases, will reduce undesirable impacts on the Districts' reserves and rates. A Pension Funding Policy is proposed to proactively address the Districts' pension obligations; a draft of this policy was attached to the agenda.

The Chief Engineer and General Manager introduced Mr. Matt Eaton, Deputy Assistant Chief Engineer and Department Head of Financial Management, to speak about the funding of our pension obligations. Mr. Eaton stated that there are currently four formal financial policies in place for the Districts; an Investment Policy, Debt Management Policy, Purchasing Policy and a Financial Reserve Policy.

There are no recommended changes on these policies, but there is a recommendation for a new Pension Funding Policy. Mr. Eaton will be presenting on this policy, and staff is looking for concurrence or direction from the Directors.

There are two tiers of CalPERS employees, Classic and Public Employees' Pension Reform Act (PEPRA). There are two components of required contributions, Normal Cost and Unfunded Accrued Liability (UAL). Normal Cost represents the current actuarial value of the costs for active employees. If all investment and demographic experience exactly matched the actuarial assumptions, normal cost would be sufficient to fully fund all benefits. The contribution rate for Classic members is set by statute based on benefit formula, whereas for PEPRA members it is based on 50 percent of the total normal cost.

When plan experience differs from the actuarial assumptions, UAL emerges. The new UAL may be positive or negative. If the total UAL is positive (i.e., accrued liability exceeds assets), the employer is required to make contributions to pay off the UAL over time. This is called the Unfunded Accrued Liability Contribution component.

In measuring the UAL each year, plan experience is split by source. Common sources of UAL include investment experience different than expected, non-investment experience different than expected, assumption changes, and benefit changes. Each source of UAL (positive or negative) forms a base that is amortized, or paid off, over a specified period of time in accordance with the CalPERS Actuarial Amortization Policy. The Unfunded Accrued Liability Contribution is the sum of the payments on all bases.

A summary of the Fee-in-Lieu Agreement was shown on a slide. Mr. Eaton stated that an agreement was previously reached among the Districts to use Solid Waste landfill post-closure funds to pay down the Districts' UAL in return for the Districts funding post-closure to save on UAL costs and improve assurances of funding for post-closure.

Mr. Eaton stated that \$470 million of landfill post-closure maintenance funds are being used to pay off the UAL. Some investments haven't matured, but once they have, it will be a total of \$470 million. The UAL peaked before the exchange at \$500 million. The UAL is expected to be at \$254 million by 2024 and the Districts will be 90 percent funded.

In response to Director Pimentel and the Chairperson, Mr. Eaton stated that the previous UAL and any new UAL are combined. The Districts won't get an official number for the 2024 UAL until August 2025.

In response to Director Woods, Mr. Eaton said that Districts' staff is currently made up of half PEPRA and half Classic employees. The Districts' pension costs and UAL will stabilize with the gradual migration toward all employees becoming PEPRA employees.

In response to Director Barakat, the Chief Engineer and General Manager stated that the Districts is still paying off the \$80 million settlement for the Puente Hills Landfill Park.

Mr. Eaton continued his presentation with the proposed policy. He stated that the UAL will fluctuate in the future and may increase due to the varying CalPERS investment returns and the changing actuarial assumptions, such as demographic changes.

The proposed policy would set UAL funding targets with an overall goal of 100 percent and a minimum target of 90 percent. If funding percentage reach below 70 percent, the shortfall will be presented to the Committee for guidance.

The proposed policy also describes the available methods to meet funding targets. Staff will be able to use available funds for a one-time payment or accelerated payments, as payments can be made to the UAL at any time. Dedicated funds for capital projects can be financed to free up funds for additional payments to the UAL. Additionally, a Section 115 Pension Trust fund would be made available, which accumulates monies to be used for CalPERS' pension costs and future pension obligations, as well as to mitigate budget impacts of costs associated with future UAL.

The key benefits of the Section 115 Pension Trust are that investments are controlled by the Districts, it allows for a wider range of investment opportunities, and it can be used to offset CalPERS normal cost payments and pre-payments of UAL obligations. Staff is recommending an initial funding of \$5 million for fiscal year 2025-26 and annual funding based on the difference between historic and current pension costs, not to exceed \$10 million without Board approval.

Mr. Eaton showed a chart with three scenarios on how CalPERS' returns are doing. The chart showed different ways to use the Section 115 Pension Trust. If there are excess funds, money can be put into the Section 115 Pension Trust. If it is a financially neutral year, the Districts can consider not contributing or drawing from the Trust. If the Districts is struggling with reserves, staff can draw from the Section 115 Pension Trust to pay down pension costs. It is based on how the Districts is doing financially. The ultimate goal is to achieve 90 percent funding without having ups and downs on rates and reserves.

In response to Director Woods, Mr. Eaton stated that the Section 115 Pension Trust is interest bearing. Quite a few cities use this plan. The Districts' financial advisor advised on the Pension Funding Policy and the Section 115 Pension Trust.

Mr. Eaton stated that today, staff is seeking direction on the proposed policy and provided the following proposed policy schedule:

- October 2024: If needed, Committee comments will be incorporated and presented for endorsement during the scheduled meeting.
- November and December 2024: If the Committee concurs, the Pension Funding Policy will be presented. All 24 Districts would have to agree to endorse the policy.

In response to Director Pimentel, Mr. Eaton stated that the real target is 100 percent.

In response to the Chairperson, Mr. Eaton reviews the investment policies every year.

In response to Director Barger, Mr. Eaton indicated staff and legal counsel would review the need for all Districts to approve the policy. The Districts' agreement with CalPERS is with District 2 only.

RE: DIRECTOR COMPENSATION
DISCUSS

The Chief Engineer and General Manager stated that a written policy was attached to the agendas for the Director Compensation Ordinance. The Committee

agreed to this in May 2024 and came to a good compromise as follows:

- Directors will receive \$175 for attending one Board meeting.
- Directors will receive \$125 per meeting if attending two or more Board meetings on the same day.
- There will be an annual increase, utilizing a formula similar to what the employees are receiving.

In response to Director Finlay, if Directors attend one meeting, the payment is \$175; if a Director attends two Board meetings on the same day, the payment will be a total of \$250.

In response to Director Saro, the Chief Engineer and General Manager stated that the hope is that the compensation will be attractive to Directors who must drive a distance to attend Board meetings.

In response to Director Barger, the Chief Engineer and General Manager stated that the increase is only for individuals who attend one Board meeting. The increase for attending one meeting is 1.2 percent or \$50 from 2001.

In response to Director Cerda, South Bay Cities Districts currently allows \$125 per Director who comes to one Board meeting, and for Directors who attend two meetings in the same day, the payment will be \$125 and one half.

In response to the Chairperson, the Chief Engineer and General Manager stated that it would be beneficial to keep the accounting methods the same for every District.

The Chief Engineer and General Manager announced that there was concurrence to move forward.

RE: STATUS REPORT/DIRECTOR COMMENTS The Chief Engineer and General Manager stated that the
ITEMS NOT LISTED ON AGENDA next Committee meetings will be on October 23, 2024,
and then again in January 2025.

In response to the Chairperson, the Chief Engineer and General Manager announced that, due to the upcoming holidays, the dates for the November and December Board meetings for the Northern Districts, which normally meet on the fourth Wednesday of the month, have been changed. The regular meetings scheduled on Wednesday, November 27, 2024, and Wednesday, December 25, 2024, will be canceled and rescheduled to Monday, November 18, 2024, and Monday, December 16, 2024, respectively, at 1:30 p.m.

The meeting was adjourned by the Chairperson.

CATHY WARNER
Chairperson

ATTEST:

KIMBERLY S. CHRISTENSEN
Secretary

/ee