

3. Contd.

	District No. 2	Joint Administration	Technical Support	Joint Outfall System	Solid Waste System	Stormwater
Operations & Maintenance	<u>\$5,731</u>	\$912,227	\$5,525,439	\$28,341,196	\$7,697,332	<u>\$3,185</u>
Capital Allocated Expenses:		<u>855,088</u>	<u>40,586</u>	28,935,973	346,778	
Joint Administration				5,530,551	1,878,581	
Joint Outfall Technical Support				<u>4,509,896</u>	<u>321,817</u>	
Total Expenses:	<u>\$5,731</u>	<u>\$1,767,315</u>	<u>\$5,566,025</u>	<u>\$67,317,616</u>	<u>\$10,244,508</u>	<u>\$3,185</u>

4. Authorize Payment to Lewis, Brisbois, Bisgaard & Smith LLP, in Amount of \$173,919.60, for Legal Services Rendered and Reimbursement of Expenses Advanced in Various Districts’ Matters for Month of September 2024

REGULAR AGENDA

1. Re: Contract with Sancon Technologies, Inc., in Amount of Approximately \$3,290,096, for Construction of [Joint Outfall H Unit 9C Trunk Sewer Rehabilitation Phase I](#) (Project)

- (a) Report on Bids and Award and Order Executed Contract
- (b) Order Staff to Review Insurance and Surety Bonds for Performance and Payment and, if Sufficient, Order Secretary to Execute Contract Evidencing Approval of Bonds and Insurance
- (c) Adopt Resolution of the Board of Directors of County Sanitation District No. 2 of Los Angeles County Establishing its Intention to be Reimbursed for Expenditures Related to the Project

Summary: The Project consists of the rehabilitation of approximately 18,067 feet of 20- to 25-inch-diameter corroded concrete pipe and appurtenant structures that were constructed in the 1950s. The work is located within the cities of La Verne, San Dimas, and unincorporated Los Angeles County as shown on the attached map. The bid summary/recommendation to award is attached. Staff has determined that the Project is exempt or otherwise not subject to the provisions of the California Environmental Quality Act (CEQA) pursuant to California Public Resources Code Section 21080(b)(4) and Title 14 of the California Code of Regulations (“CEQA Guidelines”) Section 15301. The attached resolution declares the Districts’ intent to seek reimbursement for certain expenditures if bonds are issued for this Project. The resolution action does not commit the Districts to issue bonds, it identifies the intended use of bond proceeds and expands the time frame for when expenditures could be reimbursed. This item is consistent with the Districts’ Guiding Principles to protect financial and facility assets through prudent investment and maintenance programs; and commitment to operational excellence (protection of public health and the environment, regulatory compliance, and cost effectiveness).

2. Authorize Issuance of Purchase Order to Chambers Group in Amount of Approximately \$108,600 for Professional Biological Resources Support Services for Marina Pumping Plant No. 1 Site Improvements (Project)

Summary: The Project was awarded by the Board in June 2024 and will repair and upgrade the existing pumping plant facility, including construction of a new electrical building and other site improvements. The Project is located in the City of Long Beach (City), and the City is requiring biological resources surveys and monitoring of all ground-disturbing construction activities at the site. Consulting services are necessary to provide specialized expertise for these required services. Proposals were solicited from 44 consulting firms and 4 were received. Chambers Group was the highest ranked firm based on qualifications and cost. This item is consistent with the Districts’ Guiding Principle of commitment to operational excellence (protection of public health and the environment, regulatory compliance, and cost effectiveness).

3. Authorize Extension of Purchase Order to Pioneer Americas LLC (Pioneer) in Amount of Approximately \$19,300,000 to Furnish and Deliver Sodium Hypochlorite to A.K. Warren Water Resource Facility, Various Water Reclamation Plants, and Puente Hills Gas-to-Energy Facility (PERG)

Summary: Sodium hypochlorite is used to disinfect final effluent at the Districts’ wastewater treatment facilities and for pH control at the cooling towers at PERG. Pioneer proposed to extend the contract for one additional year and continue to supply sodium hypochlorite at the same price as the existing agreement, and it is in the best interest of the Districts to extend the purchase order at this time. This item is consistent with the Districts’ Guiding Principles of commitment to fiscal responsibility and prudent

3. Contd.

financial stewardship; and commitment to operational excellence (protection of public health and the environment, regulatory compliance, and cost effectiveness).

4. Authorize One-Year Extension of Purchase Orders for Contract Laboratories to Perform Sample Analyses as Follows:

- (a) To Eurofins Eaton in Amount of Approximately \$48,000
- (b) To Eurofins Environmental Testing in Amount of Approximately \$87,000
- (c) To Eurofins Environmental Testing N.A. in Amount of Approximately \$200,000
- (d) To Weck Laboratories in Amount of Approximately \$342,000

Summary: Some laboratory sample analyses in support of various compliance and special projects cannot be cost-effectively performed using Districts' resources because they require specialized equipment or methods to complete. To acquire contract laboratories to provide these services, the Districts issued a Request for Proposals (RFP) and received four proposals. After reviewing the proposals, staff recommended services be split amongst the responsive proposers as no single laboratory could perform all sample analyses specified in the RFP. Subsequently, blanket purchase orders were issued to all four responsive laboratories for one year (January 1, 2024 – December 31, 2024), with the option to extend for up to two additional years. To date, these commercial laboratories have provided satisfactory services and their proposed costs remain competitive so staff is seeking a one-year extension of the existing purchase orders at an estimated total cost of \$677,000. Staff has determined that approval of extension of the purchase orders does not constitute a "Project" under the California Environmental Quality Act (CEQA) pursuant to California Public Resources Code Section 21065 and Title 14 of the California Code of Regulations ("CEQA Guidelines") Section 15378. This item is consistent with the Districts' Guiding Principles of commitment to fiscal responsibility and prudent financial stewardship; and commitment to operational excellence (protection of public health and the environment, regulatory compliance, and cost effectiveness).

5. Approve Change Order No. 2 to Contract No. 5582 with Mladen Buntich Construction Co., Inc., for Construction of *Joint Outfall A Unit 3C Trunk Sewer Rehabilitation Phase 2* (Project); Resulting in Payment of \$558,680 for Extra Work

Summary: As part of the Project, the contractor was required to rehabilitate a 78-inch semi-elliptical corroded concrete pipe sewer by slip lining with fiberglass reinforced liner pipe. On February 5, 2024, following a series of significant rain events, several sewer structures in the vicinity of the Project were damaged as the result of an increase in stormwater inflow, which pressurized the sewer, uplifted the anchored concrete structure lids, and caused a significant sewer overflow. In preparation for this upcoming wet weather season, the contractor was directed to proactively modify 25 existing sewer manholes near the Project by installing stainless-steel pressure covers and hold-down tabs to prevent a similar event from occurring. This item is consistent with the Districts' Guiding Principles to protect financial and facility assets through prudent investment and maintenance programs; and commitment to operational excellence (protection of public health and the environment, regulatory compliance, and cost effectiveness).

6. Approve Selection of Mission Square Retirement (Mission Square) to Administer Employees' Deferred Compensation Program and Authorize Chief Engineer and General Manager to Take All Actions Necessary to Implement Program

Summary: The Districts sponsors a 457(b) deferred compensation program for Districts' employees, administered by a third-party administrator. Mission Square has administered the deferred compensation program for many years. The Districts periodically undertakes a solicitation process to ensure that cost-effectiveness and quality of service is maintained. Proposals from three firms were recently solicited, reviewed, and evaluated by the Districts' Deferred Compensation Committee, comprised of Districts' employees and retirees. Mission Square was the top-ranked firm based on qualifications and level of service, and it also provided the lowest-cost proposal. Costs for plan administrator services are borne by participating employees. This item is consistent with the Districts' Guiding Principle to maintain salaries and benefits, based on metrics, to attract and retain a dedicated and talented staff.

7. Re: Food Waste Slurry at A.K. Warren Water Resource Facility (Warren Facility)

- (a) Approve Two Template Agreements for Delivery and Acceptance of Food Waste Slurry at Warren Facility (Templates)
- (b) Authorize Districts' Chief Engineer and General Manager to Execute Future Agreements for Delivery and Acceptance of Food Waste Slurry at Warren Facility with Same Pricing, Terms, and Conditions (Agreements)

Summary: The Districts operates a food waste recycling program at the Warren Facility. Processed food waste slurry is received and co-digested with wastewater sludge to generate renewable natural gas. Twelve companies currently deliver food waste slurry to the Warren Facility under a combination of

7. Contd.

annual and multi-year agreements through December 31, 2024. Depending on the Template, new Agreements would allow the companies to deliver food waste slurry to the Warren Facility until December 31, 2025, or December 31, 2026. The Templates have similar terms to the current agreements but include new or updated provisions for delinquency interest, insurance requirements, public records compliance procedures, and facility inspection. The base processing fee for 2025 is \$30.53 per ton, which is an increase of 2.8 percent based on the Consumer Price Index for Los Angeles-Long Beach-Anaheim area. Customers will have the option to choose between a one-year Template Agreement or two-year, put-or-pay Template Agreement, which offers discounted fees ranging from \$22.53 to \$29.19 per ton, depending on the tonnage committed. Board authority is requested for the Districts' Chief Engineer and General Manager to execute future Agreements based on the appropriate Template and all related documents regarding delivery and acceptance of food waste slurry at the Warren Facility. Staff has determined that the activities described herein do not constitute a "Project" under the California Environmental Quality Act (CEQA) pursuant to California Public Resources Code Section 21065 and Title 14 of the California Code of Regulations ("CEQA Guidelines") Section 15378. This item is consistent with the Districts' Guiding Principle to provide leadership in our industry through innovation, compliance, and cost effectiveness.

8. Re: Payment Card Interchange Fee and Merchant Discount Antitrust Litigation

- (a) Approve and Order Executed *Agreement For Representation and Authority to Represent* (Agreement) with ICS Tax, LLC (ICS)

- (b) Authorize Chief Engineer and General Manager to Take All Actions on Behalf of Districts Required Under Agreement

Summary: A class action lawsuit was filed on behalf of merchants against Visa and Mastercard, alleging antitrust violations that led to increased costs for merchants. A settlement has been reached, allowing entities who accepted credit cards between 2004 and 2019 to receive compensation. The Districts collected over \$60 million via credit cards during this time period and could be eligible for an estimated \$120,000 from the settlement. The proposed Agreement would allow ICS to represent the Districts in filing a claim for its portion of the settlement. It is estimated that their fee will be approximately \$24,000, though the firm will perform the work on a contingency basis and will not receive any fees if they are not successful with the claims. This item is consistent with the Districts' Guiding Principle of commitment to fiscal responsibility and prudent financial stewardship.

9. Approve and Order Executed Documents as Follows:

- (a) *Settlement Agreement and Release of All Claims* with Paul Barron (Barron) to Settle Personal Injury Lawsuit

Summary: On February 15, 2022, a collision occurred between a customer vehicle and a Districts-owned loader at the Downey Area Recycling and Transfer Station. On September 14, 2022, Barron filed a lawsuit against the Districts in Los Angeles Superior Court, Case No. LASC 22STCV30013, to recover for personal injury damages arising out of the incident. Pursuant to the Board's direction, on or about October 8, 2024, the parties agreed to a monetary settlement of plaintiff's claim. Barron has agreed to a proposed settlement of all claims which would result in the Districts' payment of approximately \$795,000 in exchange for a general release of the Districts. The Chief Engineer and General Manager and Districts Counsel recommend the settlement. This item is consistent with the Districts' Guiding Principle of commitment to fiscal responsibility and prudent financial stewardship. *The Board may meet in closed session to confer with District's Counsel pursuant to Government Code Section 54956.9(a). – Existing Litigation.*

- (b) *Support Services Agreement* (Agreement) with Clean Water Works Education Foundation (CWWEF)

Summary: The Board previously approved the submittal of filings to allow the formation of the CWWEF, to be a tax-exempt, non-profit education foundation focused on the Districts' goal to educate the public regarding clean water, wastewater and sanitation in Los Angeles County and their importance to public health and the environment. With initial Districts' staff and financial support, the CWWEF would work to expand the Districts' education programs and activities in the Districts' service area and will have the ability to apply for grant funding and accept donations. During the past year, the CWWEF Board of Directors made up of District No. 2 Chairperson, Chief Engineer and General Manager, and District No. 8 Chairperson, was formed. Administrative materials have been developed and the official launch of the foundation website and activities are scheduled for January 2025. The proposed Agreement would allow the Districts to provide staff assistance, office space, and use of Districts vehicles to CWWEF at no cost, and also provides for CWWEF to reimburse the Districts for other third-party expenses. No direct financial support to CWWEF is proposed at this time, but the Districts will work in collaboration with the foundation and cover expenses for the Districts budgeted education and outreach programs. This item is consistent with the Districts' Guiding Principle to maximize use of our assets and resources (recycled water, recyclables, and energy).

10. Approve Settlements with Former District Employees and Authorize District Counsel to Execute Compromises and Releases in Connection with Pending Workers' Compensation Appeals Board Proceedings as Follows:

(a) With Gino Perez

Summary: During employment with the Districts, Gino Perez sustained work-related injuries, which included a specific injury and cumulative trauma to the neck, back, right shoulder, head, lumbar spine, bilateral elbows/wrist, and right shoulder. Gino Perez's attorney and District Counsel have agreed on a proposed settlement in the form of a Compromise and Release of \$140,000. Approximately \$65,000 is required for pending orthopedic medical care. The remaining \$75,000 represents the settlement for all other future medical care. District Counsel believes the settlement is cost effective and recommends that the proposed settlement be approved.

(b) With Marlow Hartson

Summary: During employment with the Districts, Marlow Hartson sustained a work-related injury to the lumbar spine with disc degeneration and bulging. Marlow Hartson's attorney and District Counsel have agreed on a proposed settlement in the form of a Compromise and Release of \$200,000. The settlement includes \$56,868 for permanent disability benefits, and \$8,000 for the required job displacement voucher, with the remaining \$135,132 representing the settlement for all other future medical care. District Counsel believes the settlement is cost effective and recommends that the proposed settlement be approved.

11. Introduce Director Compensation Ordinance

Summary: In May 2024, the Personnel Committee provided direction to draft a new Director Compensation Ordinance as the stipend has not changed since 2001. The proposed Ordinance, which is attached, would increase compensation to \$175 per meeting, which is equivalent to a 1.7 percent annual increase since the last compensation increase. For Directors attending multiple meetings on the same day, they would be compensated at \$125 per meeting, which is unchanged from the existing stipend. Additionally, the proposed Ordinance institutes an annual increase in the stipend based on inflation, not to exceed 5 percent per year. This item is consistent with the Districts' Guiding Principle of commitment to fiscal responsibility and prudent financial stewardship.

12. Adopt Pension Funding Policy (Policy)

Summary: 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. The attached Policy is proposed to proactively address the Districts' pension obligations. In September and October, staff presented to the Personnel Committee the proposed Policy to help the Districts manage its pension obligations more effectively. The committee supported its adoption. This item is consistent with the Districts' Guiding Principle of commitment to fiscal responsibility and prudent financial stewardship.

13. Re: Joint Outfall System Financial Review for Fiscal Year 2023-24

Summary: The Chief Engineer and General Manager will review the Fiscal Year 2023-24 financial performance for the Joint Outfall System. This item is consistent with the Districts' Guiding Principle of commitment to fiscal responsibility and prudent financial stewardship.

14. Re: Tulare Lake Compost Facility

- (a) CLOSED SESSION – *Conference with Legal Counsel Pursuant to Government Code Section 54956.9(d)(1) Three Existing Cases* – Westlake Farms, Inc. v. County Sanitation District No. 2, San Luis Obispo County Superior Court Case No. 16CV-0244; Ceil Howe Jr. v. County Sanitation District No. 2, San Luis Obispo County Superior Court Case No. 16CV-0283; and County Sanitation District No. 2 v. Westlake Farms et al., Court of Appeal, Second Appellate District, Case No. B322095
- (b) CLOSED SESSION - *Conference with Legal Counsel Pursuant to Government Code Section 54956.9(d)(1) One Existing Case* – Sandridge Partners, L.P. v. County Sanitation District No. 2, Kings County Superior Court Case No. 23CU-0484
- (c) CLOSED SESSION - *Conference with Legal Counsel Pursuant to Government Code Section 54956.9(d)(1) One Existing Case* – Sandridge Partners, L.P. v. Michael Sullivan and Tulare Lake Reclamation District No. 761, Kings County Superior Court Case No. 24CU-0240

14. Contd.

- (d) **CLOSED SESSION** - *Conference with Legal Counsel Pursuant to Government Code Section 54956.9(d)(1) One Existing Case* – County Sanitation District No. 2 v. Sandridge Partners, L.P., Kings County Superior Court Case No. 24CU-0310

Summary: The Chief Engineer and General Manager and District Counsel will discuss these matters in closed session.

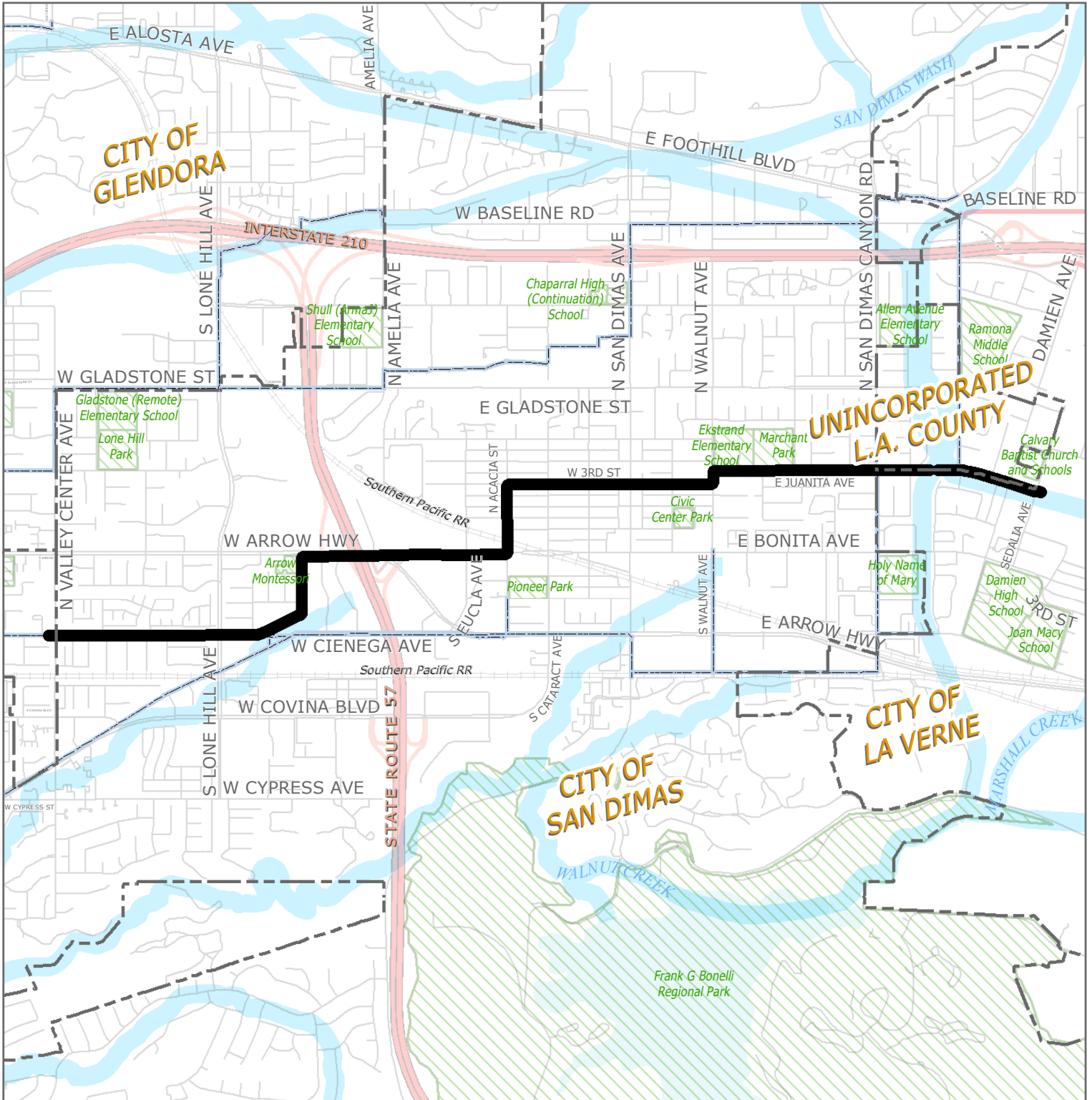
Adjourn to Monday, November 18, 2024, 1:30 p.m., at the Joint Administration Office, 1955 Workman Mill Road, Whittier

Status Report: Prior to or during the meeting session, the Chief Engineer and General Manager may update the Directors on various matters concerning the Districts that may be of current interest to the Directors.

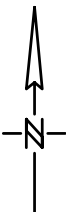
Public Comment: Members of the public may address the Board of Directors on any item shown on the agenda or matter under the Board's authority. A "Request to Address Board of Directors" form is available. In compliance with the Americans with Disabilities Act, if you require special assistance to participate in this meeting, please contact the Secretary to the Boards' Office (562) 908-4288, extension 1100. Notification of 48 hours prior to the meeting will enable staff to make reasonable arrangements to ensure accessibility to this meeting. (28CFR 35.101 et seq. ADA Title II).

Document Requests: Links to supporting documents are available online at the time of posting. Agendas and supporting documents or other writings that will be distributed to Board members in connection with matters subject to discussion or consideration at this meeting that are not exempt from disclosure under the Public Records Act are available for inspection following the posting of this agenda at the office of the Secretary to the Boards of Directors located at the Districts' Joint Administration Building, 1955 Workman Mill Road, Whittier, California, 90601, or at the time of the meeting at the address posted on this agenda.

JOINT OUTFALL H UNIT 9C TRUNK SEWER REHABILITATION PHASE I



 PROJECT ROUTE



TO: BOARD OF DIRECTORS OF COUNTY SANITATION
DISTRICT NO 2 OF LOS ANGELES COUNTY

RE: AGENDA ITEM NO. R-1(a)

FOR BOARD MEETING November 13, 2024

BIDS were received at the District Office on October 15, 2024

FOR JOINT OUTFALL H UNIT 9C TRUNK SEWER REHABILITATION PHASE I

No. of Bids Received: 5

<u>BIDDER</u>	<u>TOTAL BID</u>
Sancon Technologies, Inc.	<u>\$3,290,096.00</u>
Southwest Pipeline & Trenchless Corp.	\$3,488,624.00
Insituform Technologies, LLC	\$4,687,822.00
SAK Construction, LLC	\$4,884,894.00
Spiniello Infrastructure West, Inc.	\$6,552,186.00

RECOMMENDATION:

Award contract to Sancon Technologies, Inc., low bidder, in the amount of approximately \$3,290,096.00.

Engineer's Estimate: \$4,500,000.00



Robert C. Ferrante
Chief Engineer and
General Manager

RESOLUTION OF THE BOARD OF DIRECTORS OF COUNTY SANITATION DISTRICT NO. 2 OF LOS ANGELES COUNTY ESTABLISHING ITS INTENTION TO BE REIMBURSED FOR EXPENDITURES RELATED TO THE JOINT OUTFALL H UNIT 9C TRUNK SEWER REHABILITATION PHASE I

WHEREAS, the County Sanitation District Nos. 1, 2, 3, 5, 8, 15, 16, 17, 18, 19, 21, 22, 23, 28, 29 and 34 of Los Angeles County and South Bay Cities Sanitation District of Los Angeles County (collectively the “JOS Districts”) have entered into that certain Joint Outfall Agreement dated July 1, 2022 (the “Agreement”) for the purposes of constructing, operating and maintaining a common sewage system, known as the Joint Outfall System, which consists of a system of sewers, pumps plants, treatment plants and other facilities as one unit (the “Joint Outfall System”); and

WHEREAS, pursuant to the Agreement, County Sanitation District No. 2 of Los Angeles County (the “District”) has been appointed as the Agent on behalf of the JOS Districts, for amongst other things, the acquisition, construction, operation and maintenance of the Joint Outfall System, including the financing of any facilities thereto; and

WHEREAS, the District desires to finance the costs of the planning, design and construction of the JOINT OUTFALL H UNIT 9C TRUNK SEWER REHABILITATION PHASE I (the “Project”) to improve the Joint Outfall System; and

WHEREAS, the District intends to finance the Project with moneys (the “Project Funds”) through the sale of obligations the interest upon which is excluded from gross income for federal income tax purposes (the “Obligations”); and

WHEREAS, prior to the issuance of the Obligations, the District desires to incur certain capital expenditures (“Expenditures”) with respect to the Project from available monies of the Joint Outfall System; and

WHEREAS, the District has determined that those moneys to be advanced on and after the date hereof to pay for the Expenditures are available only for a temporary period, and it is necessary to reimburse the District for the Expenditures from the proceeds of the Obligations.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE BOARD OF DIRECTORS OF COUNTY SANITATION DISTRICT NO. 2 OF LOS ANGELES COUNTY AS FOLLOWS:

Section 1. The District hereby states its intention and reasonably expects to reimburse Expenditures paid prior to the issuance of the Obligations from the Project Funds.

Section 2. The reasonably expected maximum principal amount of the Project Funds is \$3,948,115.00.

Section 3. This Resolution is being adopted no later than 60 days after the date on which the District will expend the moneys for the construction portion of the Project costs to be reimbursed with Project Funds.

Section 4. Each of the District expenditures will be a type properly chargeable to a capital account under general federal income tax principles.

Section 5. To the best of our knowledge, the District is not aware of the previous adoption of official intents by the District that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued.

Section 6. This Resolution is adopted as an official intent of the District in order to comply with Treasury Regulation § 1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of Project costs.

Section 7. All the recitals in this Resolution are true and correct and the District so finds, determines and represents.

ADOPTED this __ day of _____, 20__.

Chairperson of the Board of Directors

ATTEST:

Secretary to the Board of Directors

CERTIFICATION

I, _____, Secretary to the Board of Directors of County Sanitation District No. 2 of Los Angeles County, certify that the foregoing resolution was adopted by the Board of Directors at a regular meeting held on the ____ day of ____, 20__, by the following vote of the Directors:

AYES:

NOES:

ABSTAIN:

ABSENT:

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____, 20__.

Secretary to the Board of Directors

AN ORDINANCE PROVIDING COMPENSATION FOR MEMBERS
OF THE BOARD OF DIRECTORS OF COUNTY SANITATION
DISTRICT NO. 2 OF LOS ANGELES COUNTY

SECTION 1.0 AUTHORITY

Pursuant to Section 4733 of the California Health and Safety Code, the Board of Directors of County Sanitation District No. 2 (the “Board”) of the Los Angeles County Sanitation Districts (the “Districts”) may, by ordinance, fix the amount of compensation paid to each Board member for each Board meeting attended or for each day’s service rendered as a Board member, together with any incidental expenses incurred as a result of Board duties (the “Incidental Expenses”). Pursuant to Districts Ordinance titled “An Ordinance Providing Compensation for Members of the Board of Directors For County Sanitation District No. 2 of Los Angeles County”, the current rate of compensation is \$125 for each Board meeting attended or for each day’s services rendered, together with any Incidental Expenses.

Pursuant to Section 4733 of the California Health and Safety Code, the Board may, by ordinance adopted pursuant to Water Code Section 20200-20207, increase the amount of compensation to be paid to Board Members for each day’s service.

Pursuant to Water Code Section 20200-20207, the Board may, after holding a public hearing, adopt an ordinance increasing Board Member compensation for each day’s service in an amount not to exceed five percent (5%) for each calendar year following the operative date of the last adjustment.

SECTION 2.0 REPEAL OF ORDINANCE

Districts Ordinance titled “An Ordinance Providing Compensation for Members of the Board of Directors For County Sanitation District No. 2 of Los Angeles County” is hereby repealed in its entirety and shall immediately become ineffective upon the effective date of this Ordinance.

SECTION 3.0 COMPENSATION

- A. A member of the Board of this District shall be compensated at the rate of \$175 plus incidental expenses for:
1. Each meeting of the Board attended by that member.
 2. Each Service Event, in which a member of the Board renders service on behalf of the Districts either individually or in conjunction with other Districts by request of the Board including, but no limited to:
 - (a) Attending scheduled tours of Districts facilities.
 - (b) Attending meetings, other than Board meetings, including meetings of the Personnel and/or Collective Committees, as those same are defined in the Amended Joint Administration Agreement dated September 10, 2014, as that Agreement may be amended from time to time.
 - (c) Rendering service at the request of the Chief Engineer and General Manager of the Districts on matters the Board has previously delegated authority to the Chief Engineer and General Manager of the Districts and the Board has previously

determined are compensable to the Board member and in accordance with the requirements of Sections 53232 *et. seq.* of the California Government Code.

(d) Rendering service on any matter the Board has authorized a member of the Board to act and which the Board has previously determined are compensable to the Board member and in accordance with the requirements of Sections 53232 *et. seq.* of the California Government Code.

3. In the event that the member attends more than one meeting or Service Event on the same day, the rate of compensation is \$125 per meeting or Service Event.

B. Pursuant to Section 4733 of the California Health and Safety Code, compensation payable to a member of the Board shall be limited to a maximum of six (6) days in any calendar month, together with any Incidental Expenses.

C. If any of the services rendered by a member of the Board of Directors of this District or incidental expenses are common to more than one County Sanitation District of Los Angeles County which has provided for the payment of compensation to Board members, the compensation to be paid by this District shall be equal to the rate provided in Section 2.0 (A) divided by the number of such County Sanitation Districts of Los Angeles County being represented by the member.

D. On July 1 of each year, beginning with July 1, 2026, the amount of compensation, as laid out in Section 3A above, shall increase by the increase in the Consumer Price Index for All Urban Consumers (CPI-U) for Los Angeles-Long Beach for the 12-month period ending in the preceding March, rounded to the nearest whole dollar, not to exceed five percent (5%) unless said increase is waived by the Board.

SECTION 4.0 SEVERABILITY

If any provision of this Ordinance is adjudged by a Court of proper jurisdiction to be invalid, or unenforceable, it is the intention of the Board adopting this Ordinance that all other provisions of this Ordinance shall remain valid and fully enforceable.

SECTION 5.0 EFFECTIVE DATE

This Ordinance shall become effective January 1, 2025, or sixty (60) days following its adoption, whichever is later. The Clerk of the Board shall certify the adoption of this Ordinance and shall cause a summary to be published in a newspaper of general circulation as required by law.

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 _____ by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

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



**LOS ANGELES COUNTY
SANITATION DISTRICTS**
Converting Waste Into Resources

PENSION FUNDING POLICY

For District No. 2 Consideration

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Pension Funding Policy

SECTION 1. POLICY STATEMENT

The Los Angeles County Sanitation Districts (Collectively Districts or individually District) recognize that a fully-funded defined benefit pension plan requires financial discipline and long-term commitment. The Districts also recognize that an unfunded pension liability could potentially cause financial stress, impact on operations, and pressure on user rates and charges. This policy reflects the Districts' commitment to achieve a fully funded pension plan in a timely and cost-effective manner.

The Districts have a history of being fiscally conservative and follow prudent financial management practices. Therefore, this policy was developed to:

- Ensure the Districts have the flexibility to respond to changes in future service priorities, revenue levels, and operating expenditures
- Provide fiscal protocols to address the Districts' Unfunded Accrued Liability (UAL)
- Maintain the Districts' financial position
- Preserve the Districts' creditworthiness
- Ensure that all pension funding decisions are made in members best interests and protect the interests of ratepayers, retirees, and employees.

SECTION 2. ADMINISTRATION

- 2.1 County Sanitation District No. 2 of Los Angeles County, through the Joint Administration Agreement (JAA), has been designated as the administrative organization for the Districts. This designation includes the handling of administrative actions related to employees, their benefits, and the California Public Employees' Retirement System (CalPERS).
- 2.2 Each District, through the Investment Policy, has appointed the District's Chief Engineer and General Manager as the Treasurer of the District.
- 2.3 The Treasurer, or his or her designee, is hereby authorized to implement this Policy, and establish and maintain all financial reserves in accordance with this Policy and all provisions of law.
- 2.4 The Treasurer shall develop procedures to implement this Policy and shall report to the Board of Directors (Board) of each District in accordance with the requirements of law and this Policy.

SECTION 3. BACKGROUND

The Districts provide a defined benefit pension plan through CalPERS. All qualified full-time Districts employees are required to participate in CalPERS. CalPERS provides retirement, disability benefits, death benefits, and annual cost of living adjustments to plan members and beneficiaries.

The Districts have two (2) pension plans through CalPERS that employees currently have vested pension benefits in:

- Classic Plan (2.0% @ 55) accounts for the significant majority of the Districts’ pension liability.
- Public Employment Pension Reform Act Plan “PEPRA” (2.0% @ 62) – enacted by California Legislation for employees hired and new entrants after January 1, 2013.

The Districts are statutorily required to make payments to CalPERS on an annual basis. The Districts’ annual payments to CalPERS are comprised of two components: Normal Costs and unfunded accrued liability (UAL) Payments.

- Normal Cost – represents the cost of pension benefits earned by current employees for their current year of service. Normal Costs payments are made monthly to CalPERS, which are based on a percentage of payroll.
- UAL Payments – represents the shortfall in assets needed to fully fund prior benefits earned by employees and retirees. UAL payments are annual fixed dollar payments required to fund this shortfall.

The Districts’ UAL represents a significant long-term liability. Given that the CalPERS annual UAL payment is a fixed dollar amount, the liability shall be viewed similarly to the Districts’ long-term loan and bond debts.

3.1 UAL Post-Closure Exchange Agreement

The Districts have entered into an “exchange” agreement to apply a portion reserves available in the Landfill Post-Closure Fund toward the Districts’ UAL. The exchange was structured to leverage the Landfill Post-Closure Funds and generate interest costs savings on the CalPERS liability:

- The Districts made a total of \$344.4 Million in Additional Discretionary Payments (ADPs) from the Landfill Post-Closure Fund to partially pay off the UAL at the time in FY 21-22 and FY 22-23.
- Instead of paying annual CalPERS UAL payments, the Districts are required to pay a reduced annual fee into the Fee-In-Lieu Fund.
- Annual Payments are capped at \$634 Million – equal to the payments that would have been paid on a Pension Obligation Bond (POB): \$470 million 30-year POBs @ 3.1%.
- The “Fee In Lieu” Fund is available to pay for post-closure maintenance costs.
- After cap is reached, post-closure maintenance cost responsibility reverts back to solid waste system.
- The “Fee-in-Lieu” Fund’s purpose, target levels and funding are defined in the Districts’ Solid Waste Financial Reserve Policy.

3.2 Annual Adjustment to UAL/Amortization Bases

Every year around September, CalPERS releases a new actuarial valuation report, based on values as of June 30th of the previous year. CalPERS calculates the Districts’ UAL as of this new valuation date, which increases or decreases from year to year, due to changes in the following factors/assumptions:

- Investment Performance – adjustment for investment gains/losses relative to the stated CalPERS Discount Rate (6.80% as of July 1, 2024);
- Demographic Performance – adjustments made based on actual performance compared to actuarial assumptions, which includes early/late retirement, disability, mortality, promotion, terminations, etc.
- Actuarial Assumptions - changes in the discount rate, life expectancy, rate of inflation, rate of return, etc.);
- Payroll / Benefit Changes - increase/decrease in number of employees or salary increases or adjustments.

SECTION 4. FUNDING PLAN AND OBJECTIVES

The Districts’ funding goal is to be 100% funded (including funds in a Section 115 Trust). The Districts shall review its funding level each year, and take appropriate action(s) to maintain a minimum targeted funded ratio of 90% (based on the most CalPERS annual actuarial report). If the Districts funded ratio drops below 70%, the Treasurer will present to the Districts’ Personnel Committee, a plan to address the shortfall.

The Districts will attempt to meet its pension funding obligations as follows:

4.1 Actuarially Determined Contributions

Each fiscal year, the Districts will contribute the normal cost and unfunded accrued liability (“UAL”) as described in Section 3.

4.2 Annual UAL Payment

CalPERS offers the option to make monthly payments on the UAL or prepay the entire annual UAL amount at a discounted level by the end of July. The Districts will prepay its annual UAL payment each July to achieve budgetary savings as long as the Districts’ are able to maintain sufficient reserves.

4.3 Additional Funding Options

The Districts shall utilize the following methods to ensure funding remains above 90%. In the event that the funding drops below 90%, the Treasurer will utilize the methods below with a goal to return to a 90% funded status within 10 years.

The targets and funding mechanisms shall be re-evaluated as the transition toward fewer Classic employees and retirees progresses. In particular, by 2050 it is expected that less than 5% of employees will be Classic, and the total number of Classic employees and retirees will be significantly reduced, resulting in a smaller and less volatile UAL.

In evaluating the use of the following methods, the Treasurer shall prioritize achieving the lowest overall long-term cost, while continuing to maintain adequate reserves for other needs.

4.3.1. ADPs

The Districts will seek to consistently apply available funds toward its pension liability. The Districts will make annual contribution from excess operating funds, in a manner consistent with the Board's Fund Balance and Reserve Policies.

4.3.2. Tax-Exempt Exchange

To the extent the Districts have pay-go capital projects, the Districts shall seek to finance such projects with tax-exempt bonds and use the scheduled budget amounts to pre-pay the UAL. The Districts shall use the scheduled UAL payments to pay the debt service on the bonds and derive savings from the interest cost differential.

4.3.3. Accelerated Pay-off of New Bases

When new bases are added to the Districts' UAL, the Districts shall seek to accelerate the repayment of such bases over a shorter timeline (e.g., 20-year base repaid in 10 years) using alternative amortization schedules allowed by CalPERS such as Fresh Start.

4.3.4. Internal Loan/ Investment

The Districts shall seek to optimize its capital structure and review the opportunity costs/return of its investment and capital financings. To the extent that the Districts has the capacity to advance, loan and/or invest a portion of its funds designated or restricted for a specific purpose and the expected return is below the current CalPERS Discount Rate (i.e., 6.80%), then it shall consider structuring an internal loan or investment to address the District's retirement benefits.

4.3.5. Section 115 Pension Trust

The Districts shall establish and maintain a pension stabilization fund in the form of a Section 115 Pension Trust (Trust). Assets in the Trust may be used only for pension related costs. The Districts' objective with the Trust is to accumulate assets to fund its CalPERS pension costs and future obligations, as well as mitigate the budget impact of costs associated with future UAL. The Districts will strive to meet the following guidelines:

- **Initial Deposit:** To begin the funding of the Trust, the Districts will make a one-time contribution of \$5 million to the Trust.
- **Ongoing Deposits:** The Districts will consider making additional contributions to the Trust on an annual basis. The amount will be calculated as the difference between 25 percent of estimated base salaries less any payments made to CalPERS and payments required in the UAL Post Closure Exchange Agreement. In the event that the calculation is negative, no ongoing deposit will be made. If the total amount of this payment is less than \$10 million, the Treasurer will include this payment in the annual budgets for review and approval by each District. In the event a calculated annual deposit is above that amount, the Treasurer will present the proposed contribution to the Districts' Personnel Committee for review and approval prior to including in each District's budget.
- **Investment Portfolio Selection:** The Treasurer or his/her designee, will work with the Trust's investment advisor, to select investment portfolios based on the Districts' risk tolerance and projected withdrawal schedule from the Trust.

- Use of Trust Funds: Funds as allowed by the Trust may be used for any of the following purposes: (1) the annual UAL payment to CalPERS, (2) the annual normal cost payment to CalPERS, (3) reimbursement to the Districts for CalPERS pension costs, and (4) Additional Discretionary Payments to CalPERS.
- Funding Goals: When measuring its funded ratio, the Treasurer will incorporate assets in the Trust, in addition to the assets under management by CalPERS. The Districts may consider foregoing contributions to the Trust if its funded ratio exceeds the target 90% funded status, or if the current assets on deposit in the Trust are projected to be sufficient to cover budgetary fluctuations in the future.

SECTION 5. BASE SELECTION STRATEGIES

When making additional payments to CalPERS, the Districts are required to select which base these monies should be applied. The Districts will select paying off shorter-term bases to have the maximum impact on budgetary savings, and longer-term bases to maximize total UAL savings. In general, the Treasurer will prioritize total savings as long as near-term operational and capital needs can be met.

SECTION 6. SUPERFUNDED STATUS

In the event that the funded ratio in the CalPERS actuarial valuation report is 90 percent or higher, the Districts will not make discretionary payments towards CalPERS pension costs, unless required under the UAL Post-Closure Exchange Agreement. In the event that either the Classic or PEPRA plans achieve “superfunded” status, where asset values exceed the accrued liability (i.e., funding level exceeds 100%), the Districts shall direct funds otherwise available for the Additional Funding Options in 4.3 toward the District’s Other Post-Employment Benefits (OPEB) liability. In the event that both the Pension plan and OPEB liabilities are fully-funded or super-funded, no additional funding will be made.

SECTION 7. PENSION FUNDING POLICY ADOPTION

This Policy will become effective after approval by all of the Districts Boards. This Policy will be reviewed on an annual basis and any modifications must be approved by the Boards. After each review, the matter will be referred to the Personnel Committee (comprised of the Chairpersons of the Board of Directors of each active County Sanitation District of Los Angeles County) for its consideration.

Adopted this _____ day of _____