

MINUTES OF THE SPECIAL MEETING OF THE
BOARD OF DIRECTORS OF
COUNTY SANITATION DISTRICT NO. 17
HELD AT THE OFFICE OF THE DISTRICT

April 24, 2013
1:30 o'clock, P.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 Board of Directors of County Sanitation District No. 17 of Los Angeles County was held, at the office of the District, 1955 Workman Mill Road, Whittier, California, on April 24, 2013, at 1:30 p.m., for the purpose of:

1. Approve Minutes of Regular Meeting Held February 27, 2013
2. Approve Warrants in Amount of \$2,810.50
3. Approve Departmental Invoices in Total Amount of \$364,664.00 for Months of February and March 2013
4. Adopt Resolution Approving Issuance of Bonds and Authorizing the Following:
 - a) Execution and Delivery by District of Joint Acquisition Agreement and Bond Purchase Agreement in Connection with Issuance of Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2013 Series A (Senior Ad Valorem Obligation Bonds)
 - b) Distribution of Preliminary Official Statement and Official Statement in Connection Therewith
 - c) Execution of Necessary Documents and Certificates and Related Actions
5. Order Wastewater Service Charge Report, Containing Description of Each Parcel and Amount of Proposed Wastewater Service Charge for Fiscal Year 2013-14 for Each Parcel, Filed with Clerk of Board of Directors of District; Establish Date, Time, and Place for Public Hearing on Report; and Order Publication of Required Public Notices

There were present: Michael D. Antonovich, Director from Los Angeles County
Mark Ridley-Thomas, Director from Los Angeles County

Absent: William J. Bogaard, Chairperson, Director from Pasadena

Also present: Kimberly S. Compton, Secretary to the Board

Upon motion of Director Antonovich, duly seconded and unanimously carried, Director Ridley-Thomas was elected Chairperson pro tem.

Upon motion of Director Antonovich, duly seconded and unanimously carried, the minutes of the regular meeting held February 27, 2013, were approved.

RE: WARRANTS

trict, in the amount of \$2,810.50, were approved.

Upon motion of Director Antonovich, duly seconded and unanimously carried, warrants issued by the Dis-

RE: DEPARTMENTAL INVOICES

The following departmental invoices for the months of February and March 2013 were presented and upon motion of Director Antonovich, duly seconded and unanimously carried, were approved:

No. 277 - February 2013

DEBIT:

C.S.D. #17 - Operating Fund - Operation & Maintenance	\$154,804.58
C.S.D. #17 - Operating Fund - Joint Administration - Capital	805.94
C.S.D. #17 - Operating Fund - Joint Outfall - Capital	25,968.73
C.S.D. #17 - Operating Fund - Local - Capital	1,121.28
C.S.D. #17 - Operating Fund - Joint Outfall - Capital Improvement Fund	934.84
	<u>\$183,635.37</u>

CREDIT:

C.S.D. #2 - Operating Fund - Abatement of Expense - I.D.S.	\$183,635.37
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No. 315 - March 2013

DEBIT:

C.S.D. #17 - Operating Fund - Operation & Maintenance	\$137,959.19
C.S.D. #17 - Operating Fund - Joint Administration - Capital	3,687.38
C.S.D. #17 - Operating Fund - Joint Outfall - Capital	35,689.66
C.S.D. #17 - Operating Fund - Local - Capital	560.39
C.S.D. #17 - Operating Fund - Joint Outfall - Capital Improvement Fund	3,132.01
	<u>\$181,028.63</u>

CREDIT:

C.S.D. #2 - Operating Fund - Abatement of Expense - I.D.S.	\$181,028.63
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RE: JOINT ADMINISTRATION - JOINT
OUTFALL - LOCAL DISTRICT 2013 SERIES
A REVENUE BONDS - CAPITAL PROJECTS
RESOLUTION APPROVING ISSUANCE OF
BONDS - ADOPT

Prior to meeting in regular session, and as recorded in the Status Report presented to the Boards on this date, the Chief Engineer and General Manager referred to previous discussions with the Boards concerning the refinancing of the 2003 revenue bonds and updated the Directors on the advantages of the refinancing in the

current low interest rate market and on the continued use of property tax revenue to secure the bond debt incurred for necessary sewerage infrastructure projects.

In regular session, the Chief Engineer and General Manager advised in 2011, the Los Angeles County Sanitation Districts Financing Authority (comprised of all active Districts and governed by a Commission made up of those Districts' chairpersons), on behalf of this District and all other active Districts, was able to refinance a portion of the existing 2003 bonds because interest rates had reached historically low levels. Now, because interest rates have remained at those low levels, further savings can be realized by refinancing the remaining 2003 bonds. This matter has been discussed with the Authority's Commission, which recommends proceeding with the refinancing. The proposed Resolution includes approval of the necessary documents, direction to staff to distribute the documents, and authority for the Financing Authority to sell new revenue bonds on the District's behalf. Under the proposed action, the District would also pledge its pro rata share of the ad valorem property taxes to the repayment of the bonds and would approve the issuance of approximately \$885,000 of refinancing bonds, resulting in a net present value savings of \$243,000. The necessary extensive documents to be considered for the sale of the bonds are included on attached disk. The Chief Engineer and General Manager will discuss this matter. A copy of the proposed Resolution was attached to the agenda.

Upon motion of Director Antonovich, duly seconded and unanimously carried, the following Resolution was adopted:

RESOLUTION OF THE BOARD OF DIRECTORS OF COUNTY SANITATION
DISTRICT NO. 17 OF LOS ANGELES COUNTY AUTHORIZING THE EXECUTION
AND DELIVERY BY THE DISTRICT OF A JOINT ACQUISITION AGREEMENT AND
A BOND PURCHASE AGREEMENT IN CONNECTION WITH THE ISSUANCE OF LOS
ANGELES COUNTY SANITATION DISTRICTS FINANCING AUTHORITY CAPITAL
PROJECTS REVENUE BONDS, 2013 SERIES A (SENIOR AD VALOREM OBLIGATION
BONDS), AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL
STATEMENT AND AN OFFICIAL STATEMENT IN CONNECTION THEREWITH AND
AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND
CERTIFICATES AND RELATED ACTIONS

WHEREAS, the Los Angeles County Sanitation Districts Financing Authority (the "Authority") previously issued its Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2003 Series A (Senior Ad Valorem Obligation Bonds) (the "Prior Bonds");

WHEREAS, the Prior Bonds were issued to finance and refinance certain improvements to the sewerage systems of certain of the County Sanitation Districts of Los Angeles County (the "Districts"), including County Sanitation District No. 17 of Los Angeles County (the "District");

WHEREAS, in order to achieve certain savings, the Authority and the Districts desire to refund the outstanding Prior Bonds;

WHEREAS, in order to provide funds to refund the Prior Bonds, the Authority and the Districts desire that the Authority issue its Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2013 Series A (Senior Ad Valorem Obligation Bonds) (the "Bonds");

WHEREAS, the Bonds will be payable from and secured by installment payments (the "Installment Payments") to be made by the Districts pursuant to a Joint Acquisition Agreement by and among the Districts and the Authority (such Joint Acquisition Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Joint Acquisition Agreement");

WHEREAS, the Bonds will be issued pursuant to an Indenture by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Indenture");

WHEREAS, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the underwriters (the "Underwriters"), has presented the Authority and the Districts with a form of Bond Purchase Agreement, pursuant to which the Underwriters propose to purchase the Bonds (such Bond Purchase Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Purchase Agreement");

WHEREAS, a draft of the Preliminary Official Statement to be used in connection with the offering and sale of the Bonds has been prepared (such Preliminary Official Statement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution being referred to herein as the "Preliminary Official Statement");

WHEREAS, there have been prepared and submitted to this meeting forms of;

- (a) the Joint Acquisition Agreement;
- (b) the Indenture;
- (c) the Purchase Agreement; and
- (d) the Preliminary Official Statement;

WHEREAS, the Board of Directors of the District (the "Board") desires to approve the issuance of the Bonds and the execution of such documents and the performance of such acts as may be necessary or desirable to effect the issuance of the Bonds;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of County Sanitation District No. 17 of Los Angeles County, as follows:

Section 1. All of the recitals herein contained are true and correct and the Board so finds.

Section 2. The form of Joint Acquisition Agreement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, is hereby approved, and each of the Chairperson of the Board, the Chairperson *Pro Tem* of the Board, or such other member of the Board as the Chairperson may designate, the Chief Engineer and General Manager of the District and the Assistant Chief Engineer and Assistant General Manager of the District (collectively, the "Authorized Officers") is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name and on behalf of the District, to execute and deliver the Joint Acquisition Agreement in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the aggregate principal amount of Installment Payments payable by the District under the Joint Acquisition Agreement shall not exceed \$1,160,000, the term of the Joint Acquisition Agreement shall not extend beyond October 1, 2023 and the true interest cost applicable to the Installment Payments payable by the District under the Joint Acquisition Agreement shall not exceed 4.0 percent per annum.

Section 3. The issuance of the Bonds in accordance with the terms of the Indenture, in substantially the form presented to this meeting, is hereby approved.

Section 4. The form of Purchase Agreement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, is hereby approved, and each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name and on behalf of the District, to execute and deliver the Purchase Agreement in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the Underwriters' discount for the sale of the Bonds (exclusive of any original issue discount) shall not exceed 0.5 percent of the initial aggregate principal amount of the Bonds.

Section 5. The form of Preliminary Official Statement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, with such changes, insertions and omissions therein as may be approved by an Authorized Officer, is hereby approved, and the distribution of the Preliminary Official Statement in connection with the offering and sale of the Bonds is hereby authorized and approved. If determined by the Authority to be necessary or appropriate, the Authorized Officers are hereby authorized to certify on behalf of the District that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by said Rule).

Section 6. The preparation and delivery of a final Official Statement (the "Official Statement"), and its use in connection with the offering and sale of the Bonds, be and the same is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement, with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. Each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name and on behalf of the District, to execute the final Official Statement and any amendment or supplement thereto, for and in the name of the District.

Section 7. The Chief Engineer and General Manager of the District, and her designees, are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to consummate the transactions herein authorized and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution.

Section 8. All actions heretofore taken by the Chief Engineer and General Manager of the District, the designees of the Chief Engineer and General Manager of the District and the authorized agents of the District with respect to the transactions herein authorized above are hereby approved, confirmed and ratified.

Section 9. This Resolution shall take effect immediately upon its adoption.

RE: SERVICE CHARGE REPORT
RECEIVE AND ORDER FILED
SET PUBLIC HEARING FOR
MAY 22, 2013, AND GIVE
REQUIRED NOTICE

Prior to meeting in regular session, the Chief Engineer and General Manager updated the Directors on the Districts' wastewater rates for the various Boards meeting today, as recorded in the Status Report presented on this date.

In regular session, the Chief Engineer and General Manager presented a report titled *County Sanitation District No. 17 Service Charge Report for Fiscal Year 2013-2014*, prepared in accordance with Section 5473

of the Health and Safety Code of the State of California and which establishes the formula for the calculation of a sewage unit that represents the average daily quantity of sewage flow and strength from a single-family home (SFH). She referred to the letter dated April 17, 2013, to the Board, which stated that in May 2011, following extensive discussions with the Board, individual notices were mailed to every property owner, and following a public hearing, service charge rates were adopted for three fiscal years (2011-12 through 2013-14), with the ensuing charges to be collected as a line item on the property tax bill. Multi-year rates were necessitated by the extensive capital program being undertaken over the next several years and the need to avoid extraordinarily large increases in the service charge rate in any given fiscal year. Additionally, under the noticing requirements of Proposition 218, the Districts would be obligated to spend approximately \$400,000 to \$500,000 each year if multi-year rates were not adopted.

In this District, the current service charge rate per SFH is \$11.50 per month (\$138 per year). The rate for fiscal year 2013-2014, as adopted by the Board of Directors, is \$11.67 per month (\$140 per year), an increase of \$0.17 per month per SFH. Owners of multi-family residential units will pay 60 percent of the adopted SFH rate and condominiums will pay 75 percent of the adopted SFH rate. Likewise, commercial and industrial dischargers will pay in proportion to their use compared to a SFH. Dischargers with verified low water usage (particularly seniors, retirees, and those on fixed income) can also qualify for a reduced charge.

The preliminary budget for fiscal year 2013-2014 provides a comparison with the current 2012-13 budget and a breakdown of the items included in the budget. In preparing the preliminary budget, it is projected that the general revenue sources available to the District for meeting expenses during the coming fiscal year include cash on hand, capital improvement fund monies, a pro rata share of the ad valorem (property) taxes, state low-interest loans, industrial wastewater surcharge, interest income, contract revenue, and rate stabilization fund monies. The Districts have also applied for a \$3 million grant under the State's Proposition 84 funding, which has been identified as a potential revenue source in FY 2013-14. The supplemental revenue required to meet expenses will be collected through the proposed service charges. A final budget will be presented to the Board for consideration in June as part of the overall budgetary process, including approving appropriations and establishing appropriations limits.

She stated that the preliminary budget has been prepared in accordance with the Joint Administration and Joint Outfall Agreements. These agreements allocate Joint Administration and Joint Outfall costs to each signatory District according to the ratio of the number of sewage units in a District to the total number of sewage units in all the Districts signatory to each agreement. A sewage unit represents the average daily sewage flow and strength (measured in terms of chemical oxygen demand and suspended solids) from a single-family home. In the Joint Outfall System (JOS), there are approximately 1.9 million sewage units. This method of allocating costs considers flow as well as the strength of sewage from all types of users and is the most equitable way to distribute Joint Administration and Joint Outfall costs.

She informed the Directors that the existing software for managing financial information (budgeting, finance, accounting, purchasing, etc.) and human resources information (payroll, benefits, employee services and records, etc.) is inefficient and obsolete by industry standards. In an effort to reduce costs and improve efficiencies, the Districts have been developing system requirements to procure an Enterprise Resource Planning (ERP) System that will integrate all finance and human resources data and work-flow functionality. It is anticipated this new software will be purchased in fiscal year 2013-14 at a cost of approximately \$8 million.

Several sources of funding have been used to meet the financial needs of the Districts. These sources have included state low interest loans, bonds previously issued by the Districts, and connection fee monies collected from new users of the sewerage system and those expanding their discharge. The loans and bond proceeds reduce the immediate impact of the capital expenditures by spreading the costs over a greater number of years, but must ultimately be repaid by the system users through the service charge (residential and commercial users) and industrial wastewater surcharge (industrial users) programs. Connection fees will be used to pay for any expansion-related capital projects so that existing users are not required to subsidize growth.

Projects that have already received state low-interest loans include secondary treatment and odor control facilities at the JWPCP, power generation equipment, expansion of the San Jose Creek WRP, and modifications of the WRPs to remove nitrogen. In total, the JOS has received \$470 million in state-low interest loans. Taking advantage of the lower interest rate of the loans as compared to bonds has allowed the Districts to realize a net present value savings of approximately \$90 million by participating in the loan program.

The state low-interest loan program has a cap on the annual funding that an agency can receive in a single year. Because of this cap, the Districts have also sold \$445 million of bonds to supplement the amount of funding available for capital projects. In 2011, the Districts were able to refinance approximately \$150 million of these bonds, resulting in a collective net present value savings of \$10.6 million Districts-wide. Another \$107 million of new bonds are proposed to be issued for refunding in fiscal year 2013-14, at a collective net present value savings of \$29 million.

The Chief Engineer and General Manager recommended that, in accordance with Section 5473 of the Health and Safety Code, the Board instruct the District Clerk to publish newspaper notices to inform the public of the date, time, and place for a public hearing on the Service Charge Report, and that the public hearing be May 22, 2013, at 1:30 p.m. in the District's Board Room at the Joint Administration Office, 1955 Workman Mill Road, Whittier for the purpose of public discussion of the proposed service charge and its collection on the property tax roll. After the public hearing is closed, the Board will be requested to consider adoption of the Service Charge Report and adoption of a Resolution providing for the collection of the service charge on the property tax roll for fiscal year 2013-2014.

Upon motion of Director Antonovich, duly seconded and unanimously carried, the *County Sanitation District No. 17 Service Charge Report for Fiscal Year 2013-14* was ordered filed with the Clerk of the District, and the Board does hereby fix May 22, 2013, at 1:30 p.m. as the date and time, and the District's Board Room at the Joint Administration Office, 1955 Workman Mill Road, Whittier, California, as the place for a public hearing on *County Sanitation District No. 17 Service Charge Report for Fiscal Year 2013-14*, the Report having been duly filed with the District Clerk; and providing for the collection of the service charge on the property tax roll for fiscal year 2013-14.

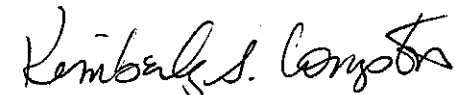
The Clerk of this Board shall cause notice of the filing of the Report and the time and place of the public hearing to be published once a week for two successive weeks in the *Pasadena Star-News*, a daily newspaper having a general circulation in the District, printed and published in Los Angeles County and hereby designated for such publication, there being no newspaper of general circulation printed and published within the District, and in such other publications as are deemed appropriate by the Chief Engineer and General Manager.

Upon motion of Director Antonovich, duly seconded and unanimously carried, the meeting was adjourned to May 22, 2013, 1:30 p.m., at the District Office, 1955 Workman Mill Road, Whittier, California.



MARK RIDLEY-THOMAS
Chairperson pro tem

ATTEST:



KIMBERLY S. COMPTON
Secretary

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