

SPECIAL MEETING – PERSONNEL COMMITTEE – COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

To be held at the JOINT ADMINISTRATION OFFICE
1955 Workman Mill Road, Whittier, California

WEDNESDAY

February 26, 2020

At 11:00 A.M.

District(s)	Chairperson
SBC, 5	FUREY
1, 8	ANDREWS
2	WARNER (Committee Chairperson)
3	SANTA INES
4	HORVATH
9	KUEHL
14	PARRIS
15	BARAKAT
16	JOE
17	TORNEK
18	TAJ
19	ROGERS
20	HOFBAUER
21	MORRIS
22	FINLAY
23	DAVIS
27, SCV	BARGER
28	PIERONI
29	WOODS

1. Approve Minutes of Special Meeting Held January 22, 2020

2. Re: Districts’ Connection Fee Ordinances

Summary: Connection fees are paid by new users of Districts’ wastewater collection and treatment systems to pay for the cost of expanding facilities to accommodate the incremental discharge from that user. Revisions to the Connection Fee Ordinances and the Joint Outfall System Agreement are recommended that will reduce most connection fee amounts, provide additional flexibility for capital funds, and bring the Ordinances into compliance with new state laws. In January, the recommended revisions were presented to the Committee. The Committee endorsed proceeding with revisions and requested additional information and analysis. Drafts of the Master Connection Fee Ordinance and Amended Joint Outfall Agreement that incorporate the proposed revisions are attached. Information requested by the Committee will be presented at the meeting.

3. Re: Proposed Solid Waste Financial Reserve Policy

Summary: Maintaining prudent financial reserves allows the Districts to provide cost-effective solid waste management services, weather periods of economic downturn, and construct capital projects in a timely manner. The proposed policy establishes targets for the various Solid Waste reserves to help achieve these goals for the Districts’ Solid Waste System. A draft policy was presented to the Solid Waste Ad Hoc Committee, comprised of four Sanitation Districts’ Directors and four key City/County staff, which endorsed the draft policy. A summary letter and the proposed policy is attached. The Chief Engineer and General Manager will brief the Committee.

4. Status Report

Summary: The Chief Engineer and General Manager will update the Personnel Committee on various matters.

Adjourn

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 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.



SANITATION DISTRICTS OF LOS ANGELES COUNTY

Converting Waste Into Resources

Robert C. Ferrante

Chief Engineer and General Manager

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February 19, 2020

Personnel Committee
County Sanitation Districts
of Los Angeles County

Directors:

Solid Waste Financial Reserve Policy and Master Connection Fee Ordinance

The agenda for the February 26, 2020 meeting of the Personnel Committee contains two items regarding financial management. The first item is the proposed Solid Waste Financial Reserve Policy (Policy), which is intended to provide guidance to create financial stability, allowing us to provide vital services in a cost-effective manner and construct capital projects in a timely fashion despite fluctuations in costs from year to year. While not mandated by law, it is recommended that the Financial Reserve Policy be adopted as a matter of best practice. The second item is the proposed changes to the Master Connection Fee Ordinance (Ordinance) as previously discussed with the Personnel Committee on January 22, 2020.

FINANCIAL RESERVE POLICY

The Districts' have each adopted Wastewater Financial Reserve Policies that cover funds used for wastewater operations. This proposed Policy would apply to funds for solid waste facilities and programs which the Districts own and operate. Funds for the solid waste facilities and programs in which the Districts act as a contract operator are not included in this Policy, as those funds may have specific restraints outlined in their respective Joint Powers Agreements. The Policy establishes guidelines for accumulating and expending reserve funds and ensuring that funds are available in a timely manner so that the Districts can continue to provide vital services without interruption. The Policy would reinforce that prudent reserves guard against adverse financial impacts from unforeseen circumstances such as natural disasters or other emergencies without jeopardizing service or requiring immediate, severe rate increases.

Reserves and cash resources are divided into three categories: unrestricted, designated, and restricted. Unrestricted funds constitute the monies collected or generated by or on behalf of the Districts Solid Waste System except those that have been deemed to be Designated or Restricted. Designated funds have Board-imposed restrictions for specific purpose such as capital facilities and land acquisition. These monies are not otherwise legally restricted, and the Board has the discretion to re-designate the actual or intended usage of these monies. Restricted funds have restrictions that are imposed externally, e.g., through law, administrative action, or contractual arrangements, and can only be used for the purpose for which they were established.

A draft of the revised Policy is attached. If endorsed by the Personnel Committee, the Policy would be presented to the 15 Sanitation Districts party to the Solid Waste System Agreement at the March Board meetings with consideration of formal adoption by District No. 2 tentatively scheduled for April.

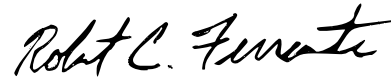
MASTER CONNECTION FEE ORDINANCE

At the January 22, 2020, meeting of the Personnel Committee, recommendations for revision of the Master Connection Fee Ordinance were presented. The Committee concurred with many of the recommendations. At the February 26 meeting, a presentation will be made with additional information and alternative approaches to calculating the connection fee. To facilitate discussion at the meeting, a proposed Ordinance has been drafted that incorporates the concepts presented at the January meeting including:

- Fees to be calculated using a capital buy-in, not future expansion model.
- Allow connection fee funds (both future and existing) to be used for any capital project, not just expansion.
- Allow additional payment flexibility for certain industrial customers.
- Exempts Accessory Dwelling Units that meet the definitions of an ADU or Junior ADU in Government Code Section 65852.2.

These changes require adoption of new Connection Fee Master Ordinances and Connection Fee Rate Ordinances by each District, and an amendment to Joint Outfall System Agreement for the Joint Outfall Districts. Drafts of the revised Ordinance and Joint Outfall Agreement that incorporate the concepts discussed at the January meeting are attached. If endorsed by the Personnel Committee, the Ordinance would be presented to each Board for adoption over the next several months. If approved, the new Ordinances would take effect July 1, 2020.

Very truly yours,



Robert C. Ferrante

Enclosures
RCF:gc

AN ORDINANCE PRESCRIBING FEES FOR THE PRIVILEGE OF CONNECTING ANY PARCEL OR INDUSTRIAL OPERATION WITHIN THE BOUNDARIES OF COUNTY SANITATION DISTRICT NO. 2 OF LOS ANGELES COUNTY DIRECTLY OR INDIRECTLY TO THE SEWERAGE SYSTEM, OR FOR INCREASING THE STRENGTH AND/OR QUANTITY OF WASTEWATER ATTRIBUTABLE TO A CONNECTED PARCEL OR INDUSTRIAL OPERATION WITHIN THE DISTRICT, AND PROVIDING FOR THE COLLECTION OF THOSE CHARGES.

THE BOARD OF DIRECTORS OF COUNTY SANITATION DISTRICT NO. 2 OF LOS ANGELES COUNTY ORDAINS AS FOLLOWS:

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PART I - GENERAL PROVISIONS

SECTION 1.01 – SHORT TITLE

This Ordinance shall be known as the *Master Connection Fee Ordinance of County Sanitation District No. 2 of Los Angeles County*.

SECTION 1.02 – PURPOSE

The purpose of this Ordinance is to impose fees for the privilege of connecting facilities to the sewerage system or for the privilege of increasing the strength or quantity of wastewater discharged from connected facilities, and to provide for the collection of those fees. Revenue derived under this Ordinance shall be used for the District's capital facilities, the Joint Outfall System's capital facilities and to fund loans as provided for in this Ordinance.

SECTION 1.03 – AUTHORITY

The District is empowered to fix fees or charges for the privilege of connecting directly or indirectly to the sewerage system and to prescribe, revise, and collect fees, tolls, rates, rentals, or other charges for services and facilities furnished by the District pursuant to California Health & Safety Code section 5471.

SECTION 1.04 – ADDITIONAL REVENUE

The revenue derived under this Ordinance shall be in addition to all revenue otherwise collected by or on behalf of the District including, but not limited to, ad valorem taxes, federal and state grants and loans, bond revenue, contract revenue, investment income, annexation fees, service charges, and wastewater treatment surcharges imposed under the Wastewater Ordinance.

SECTION 1.05 – ADMINISTRATION

The Chief Engineer shall administer, implement, and enforce the provisions of this Ordinance.

SECTION 1.06 – VALIDITY

If any court holds any part, section, subsection, paragraph, sentence, clause or phrase of this Ordinance to be held invalid or unconstitutional for any reason, that decision shall not affect the validity or constitutionality of the remainder of this Ordinance. The Board of Directors declares that it would have adopted each provision of this Ordinance irrespective of the validity of any other provision.

SECTION 1.07 – SUPERSESSSION

This Ordinance shall supersede the *Master Connection Fee Ordinance of County Sanitation District No. 2 of Los Angeles County* adopted on November 28, 2018 with respect to any rights, duties, or privileges arising after the effective date of this Ordinance.

SECTION 1.08 – EFFECTIVE DATE

This Ordinance shall become effective 30 days after its adoption.

PART II – DEFINITIONS

This Ordinance shall be construed according to the following definitions:

SECTION 2.01 – ACCESSORY DWELLING UNIT

An Accessory Dwelling Unit (ADU) shall mean, pursuant to California Government Code Section 65852.2 and as amended, an attached or a detached residential dwelling unit that provides complete independent living facilities for one or more persons and is located on a lot with a proposed or existing primary residence. It shall include permanent provisions for living, sleeping, eating, cooking, and sanitation on the same parcel as the single-family or multifamily dwelling is or will be situated.

SECTION 2.02 – ADDED BURDEN

An added burden shall mean the actual or anticipated number of capacity units attributable to a parcel or industrial operation in excess of its baseline capacity units.

SECTION 2.03 – BASELINE CAPACITY UNITS

Baseline capacity units shall mean the number of capacity units that the District attributes to a parcel or industrial operation in accordance with Section 3.05.

SECTION 2.04 – BOARD OF DIRECTORS

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

SECTION 2.05 – CAPACITY UNIT

Capacity unit shall mean the burden in terms of capacity that a typical single-family home places on the sewerage system based on flow, chemical oxygen demand, and suspended solids.

SECTION 2.06 – CHIEF ENGINEER

Chief Engineer shall mean the Chief Engineer and General Manager of County Sanitation District No. 2 of Los Angeles County or his/her designee.

SECTION 2.07 – COD OR CHEMICAL OXYGEN DEMAND

COD or chemical oxygen demand shall mean the measure of chemically-decomposable material in wastewater as represented by the oxygen utilized as determined by the procedures specified in Section 414(A) of the Wastewater Ordinance.

SECTION 2.08 – DISCHARGER

Discharger shall mean any person responsible for the payment of a connection fee for an industrial operation.

SECTION 2.09 – DISTRICT

District shall mean County Sanitation District No. 2 of Los Angeles County.

SECTION 2.10 – DOMESTIC WASTEWATER

Domestic wastewater shall mean the water-carried wastes produced from non-industrial activities and that result from normal living processes, irrespective of where these wastes are discharged to the sewerage system.

SECTION 2.11 – EXEMPT ACCESSORY DWELLING UNIT

An Exempt Accessory Dwelling Unit is one that meets the definitions of an ADU or Junior ADU in Government Code Section 65852.2 and as amended.

SECTION 2.12 – FACILITY

Facility shall mean an improvement on or to be located on a parcel that discharges or will discharge wastewater directly or indirectly to the sewerage system.

SECTION 2.13 – INDUSTRIAL OPERATION

Industrial operation means any activity that generates industrial wastewater, whether located on one or multiple parcels, that is discharged or will be discharged directly or indirectly to the

sewerage system, and that has obtained or is required to obtain an industrial wastewater discharge permit as provided in the Wastewater Ordinance.

SECTION 2.14 – INDUSTRIAL WASTEWATER

Industrial wastewater shall mean all liquid-carried wastes of the community, excluding domestic wastewater, rainwater, groundwater, stormwater, and drainage of contaminated and uncontaminated water. Industrial wastewater may include wastewater from any industrial operation, including manufacturing, processing, producing, institutional, commercial, agricultural, or other operations containing significant quantities of wastes of nonhuman origin. All liquid wastes hauled by truck, rail, or another means for disposal to the sewer shall constitute industrial wastewater regardless of the original source of the wastes. Hauled domestic wastewater is included in the category of industrial wastewater. Wastewater discharges from the following sources, when accepted into the sewerage system by the Chief Engineer, shall constitute industrial wastewater under this Ordinance: rainwater, groundwater, stormwater, or contaminated and uncontaminated water.

SECTION 2.15 – JOINT OUTFALL DISTRICTS

Joint Outfall Districts shall mean those Districts signatory to the Amended Joint Outfall Agreement, effective July 1, 1995, and as thereafter amended.

SECTION 2.16 – JOINT OUTFALL SYSTEM

Joint Outfall System shall mean the portion of the sewerage system jointly owned by the Joint Outfall Districts and listed in the Amended Joint Outfall Agreement, effective July 1, 1995, and as thereafter amended.

SECTION 2.17 – LOCAL AGENCY

Local agency includes the County of Los Angeles; a city, whether general law or chartered; a school district; a community redevelopment agency; a municipal corporation; a district; or any board, commission, or agency thereof.

SECTION 2.18 – LOCAL GOVERNMENTAL DIVERSION

Local governmental diversion shall mean any diversion from a stormwater conveyance or stormwater impoundment facility that is: a) owned by a local agency; b) discharged to the sewer system solely during periods of unused capacity as defined in the Industrial Wastewater Discharge Permit; c) dedicated to uses that directly benefit the public in general as opposed to a single class or classes of individuals.

SECTION 2.19 – LOCAL GOVERNMENTAL FACILITY

Local governmental facility shall mean any facility that is: a) owned by a local agency; b) located on a parcel that is entirely within the District; c) not required to pay wastewater treatment surcharges under the Wastewater Ordinance; d) used solely for governmental as opposed to proprietary functions; and e) dedicated to uses that directly benefit the public in general as opposed to a single class or classes of individuals.

SECTION 2.20 – MASTER SERVICE CHARGE ORDINANCE

Master Service Charge Ordinance shall mean the *Master Service Charge Ordinance of County Sanitation District No. 2 of Los Angeles County* adopted July 10, 2013, and as thereafter amended.

SECTION 2.21 – NOTICE OF CHARGES

Notice of charges shall mean a written statement by the Chief Engineer setting forth the amount of the connection fee, including any penalties, interest, and additional charges, due pursuant to this Ordinance.

SECTION 2.22 – PARCEL

Parcel shall mean any area of land contained within a single legal description that is shown on maps prepared and filed by the Assessor's Office of the county in which the land is located.

SECTION 2.23 – PERSON

Person shall mean any individual, sole proprietorship, partnership, limited liability company, limited liability partnership, corporation, committee, association, public agency, public entity, municipal corporation, or any other organization or group of persons, public or private.

SECTION 2.24 – PRIME INTEREST RATE

Prime interest rate shall mean the base rate on corporate loans posted by at least 75% of the nation's thirty largest banks as published in *The Wall Street Journal* or, if not reported in such newspaper, as reported in such other source as may be selected by the Chief Engineer.

SECTION 2.25 – SERVICE OF NOTICE OF CHARGES

Service of notice of charges shall mean delivery of a notice of charges in person or by first class or certified mail addressed to the address last known to the Chief Engineer. Service of notice of charges made by mail shall be complete at the time of deposit, postage prepaid, in a facility regularly serviced by the U.S. Postal Service.

SECTION 2.26 – SEWERAGE SYSTEM

Sewerage system shall mean the whole or any part of the network of wastewater collection, conveyance, treatment, and disposal facilities that are either owned in whole or in part by the District or used by the District pursuant to contract.

SECTION 2.27 – SUSPENDED SOLIDS

Suspended solids shall mean the insoluble solid matter suspended in wastewater under conditions normally found in the sewer that is separable by laboratory filtration in accordance with the procedures specified in Section 414(A) of the Wastewater Ordinance.

SECTION 2.28 – TEMPORARY PROJECT

Temporary project means a project that will not place an added burden on the sewerage system for more than five years. Temporary projects may include groundwater clean-up projects, water clean-up technology demonstration projects, construction dewatering, periodic maintenance of water storage and conveyance facilities, well development, hydrotesting, water and sewer line cleaning and slope stabilization projects.

SECTION 2.29 – TOTAL NET POSITION

Total Net Position shall be defined as the residual of assets, liabilities, deferred outflow and deferred inflow presented in the statement of financial position. Assets, liabilities, deferred outflow and deferred inflow are defined by the Governmental Accounting Standards Board's Concept Statement Number 4.

SECTION 2.30 – UNIT OF USAGE

Unit of usage shall mean the basic unit of measure (e.g., dwelling unit, square footage) that quantifies the degree of use of a particular facility located on or to be located on a parcel. The square footage of a facility shall be based upon the gross exterior dimensions of the structure.

SECTION 2.31 – USER CATEGORY

User category shall mean the specific classification of a facility that characterizes its use (e.g., single family home, restaurant).

SECTION 2.32 – WASTEWATER

Wastewater shall mean the liquid-carried wastes of the community and all constituents and residues thereof. Wastewater includes domestic and industrial wastewater but does not include rainwater, groundwater, stormwater, or drainage or other water unless otherwise provided for in Section 2.14 of this Ordinance.

SECTION 2.33 – WASTEWATER ORDINANCE

Wastewater Ordinance shall mean the *Wastewater Ordinance* adopted by the County Sanitation Districts of Los Angeles County effective on April 1, 1972, and as amended effective on July 1, 1975, July 1, 1980, July 1, 1983, November 1, 1989, and July 1, 1998 and as thereafter amended.

PART III – FEES

SECTION 3.01 – IMPOSITION OF CONNECTION FEES

Any person imposing an added burden on the sewerage system shall pay a connection fee to the District, except for the following:

- (1) An existing industrial operation placing an added burden of 25% or less;

- (2) A local governmental facility; or
- (3) A local governmental diversion; or
- (4) An Exempt Accessory Dwelling Unit.

SECTION 3.02 – CALCULATION OF THE CONNECTION FEE

The connection fee shall equal the product of the rate determined in accordance with Section 3.03 and the added burden placed on the sewerage system.

SECTION 3.03 – DETERMINATION OF THE CONNECTION FEE RATE

The District’s Capital component shall be determined by dividing the District’s Total Net Position, by the total number of actively discharging capacity units within the District.

The Joint Outfall Capital component shall be determined by dividing the Joint Outfall System’s Total Net Position by the total number of actively discharging capacity units within the Joint Outfall System.

The service charge rate adopted by the Board of Directors pursuant to the Master Service Charge Ordinance for the fiscal year in which the connection fee rate is to become effective shall be converted into dollars per capacity unit on the basis that one sewage unit is equivalent to one capacity unit. The resulting value shall be known as the operational cost component.

- (1) For persons imposing an added burden on the sewerage system who are not subject to requirement of the Wastewater Ordinance to pay wastewater treatment surcharges, the connection fee rate shall be equal to the sum of the District’s Capital component, the Joint Outfall System’s Capital component, and the operational cost component. The Board of Directors shall from time to time adopt this connection fee rate.
- (2) For persons imposing an added burden on the sewerage system who are subject to the requirement of the Wastewater Ordinance to pay wastewater treatment surcharges, the connection fee rate shall be equal to the sum of the District’s Capital component and the Joint Outfall System’s Capital component.

SECTION 3.04 – CALCULATION OF THE NUMBER OF CAPACITY UNITS

- (1) The number of capacity units (CU) attributable to a parcel or industrial operation shall be determined by the following formula:

$CU = X \left(\frac{FLOW_c}{FLOW_{sth}} \right) + Y \left(\frac{COD_c}{COD_{sth}} \right) + Z \left(\frac{SS_c}{SS_{sth}} \right)$

where:

X = The proportion of the total capital costs required to construct the sewerage system, including conveyance, treatment, and disposal of wastewater, that is attributable to flow.

Y = The proportion of the total capital costs required to construct the sewerage system, including conveyance, treatment, and disposal of wastewater, that is attributable to COD,

Z = The proportion of the total capital costs required to construct the sewerage system, including conveyance, treatment, and disposal of wastewater that is attributable to suspended solids,

FLOW_{sfh} = Average flow of wastewater from a single-family home in gallons per day,

COD_{sfh} = Average loading of COD in the wastewater from a single-family home in pounds per day,

SS_{sfh} = Average loading of suspended solids in the wastewater from a single-family home in pounds per day,

FLOW_c = Actual or anticipated flow of wastewater, in gallons per day, that will enter the sewerage system from the parcel or industrial operation,

COD_c = Actual or anticipated loading of COD, in pounds per day, that will enter the sewerage system from the parcel or industrial operation,

SS_c = Actual or anticipated loading of suspended solids, in pounds per day, that will enter the sewerage system from the parcel or industrial operation,

The Board of Directors shall periodically adopt the values for X, Y, Z, FLOW_{sfh}, COD_{sfh}, and SS_{sfh}.

- (2) For the purpose of determining the number of capacity units attributable to a parcel other than an industrial operation, the Board of Directors shall, from time to time, adopt a list of user categories and associated mean loadings per unit of usage for each user category. Using the adopted list of user categories, the Chief Engineer shall determine the user category that best represents the actual or anticipated use of the parcel or facilities on the parcel. If the Chief Engineer determines that a parcel has multiple facilities or uses for which no single user category accurately represents the actual or intended uses or facilities on that parcel, the Chief Engineer may assign multiple user categories to that parcel. The Chief Engineer shall then determine the number of units of usage corresponding to the user categories of the uses or facilities existing or anticipated to exist on the parcel. Using the applicable user categories, the associated mean loadings, and the units of usage, the Chief Engineer shall then determine the estimated flow, COD, and suspended solids loadings for the parcel.

- (3) For the purpose of determining the number of capacity units attributable to an industrial operation, flow, COD, suspended solids and domestic wastewater loadings shall be based on the following:
 - (a) For new industrial operations, information contained in the Permit for Industrial Wastewater Discharge as defined in the Wastewater Ordinance, or
 - (b) For existing industrial operations, information contained in the discharger's current or audited surcharge statement or in its approved revised Permit for Industrial Wastewater Discharge, or other credible information, including the District's monitoring data.

The Chief Engineer may, at any time after connection, monitor the actual flow, COD, and suspended solids discharged by an industrial operation. If a discrepancy exists between the measured and reported quantities of flow, COD, and suspended solids, the determination of the appropriate connection fee shall be based on the amount of the measured quantities.

SECTION 3.05 – DETERMINATION OF THE NUMBER OF BASELINE CAPACITY UNITS

- (1) The number of baseline capacity units attributable to an industrial operation shall be as follows:
 - (a) The number of capacity units for which connection fees have been paid; and
 - (b) The greatest number of capacity units shown to have been used by the industrial operation in any one fiscal year during the period fiscal year 1976-77 through 1981-82, based on paid surcharge statements; or
 - (c) For industrial operations discharging less than one million gallons per year, the greatest number of capacity units shown to have been used in any one fiscal year during the period, fiscal year 1976-77 through 1981-82, based on water consumption or other credible information.
- (2) The number of capacity units attributable to a parcel that does not include an industrial operation shall be as follows:
 - (a) The number of capacity units for which connection fees have been paid; and
 - (b) The greatest number of capacity units attributable to the parcel during the period July 1, 1976 through December 14, 1981, based on the applicable user category and units of usage for each facility located on the parcel.

SECTION 3.06 – ELECTION TO DEMONSTRATE

Industrial operations that discharge more than one million gallons per year or that have greater than average industrial wastewater strengths may elect to demonstrate a reduction under this section. If the number of capacity units attributable to such an industrial operation increases by more than 25%, an election may be made to demonstrate that changed circumstances or

conditions, including operational modifications, conservation, or pretreatment, will reduce the number of capacity units attributable to that industrial operation to an increase of 25% or less.

Election and Collateral Requirements. An election to demonstrate a reduction must be made in writing to the Chief Engineer within 45 days of service of notice of charges. The election to demonstrate must be accompanied by collateral in the form of a cash deposit, a surety bond, a perpetual standby letter of credit, an assignment of certificate of deposit, or such other cash-equivalent security as may be approved by the Chief Engineer in an amount that will reasonably assure payment of 50% of the connection fee that would be due in the event the demonstration fails to result in the required reduction.

Optional Non-Refundable Deposit. A nonrefundable deposit of a portion of the connection fee may be made at the commencement of the demonstration period. This deposit shall be used as a capacity unit credit, calculated at the connection fee rate in effect at the time of deposit, to be applied to the connection fee payable at the end of the demonstration period. Collateral requirements shall then be determined based on the balance of the connection fee.

Demonstration Period. The period in which a reduction may be demonstrated shall be the next full fiscal year, July 1 through June 30, inclusive, following the written election to demonstrate. The demonstration period may be postponed to the subsequent fiscal year if a request for postponement is made in writing before the start of the original demonstration period. Requests for postponement must be accompanied by both 1) a nonrefundable payment of five percent of the billed connection fee, and 2) the collateral provided above. No capacity units shall be attributable to the industrial operation as a result of the nonrefundable payment.

The Chief Engineer may allow the twelve-month demonstration period to begin during the fiscal year in which the election is made. The demonstration shall then be based on discharge data obtained during that period, and such data shall be submitted in a format acceptable to the Chief Engineer.

At the conclusion of the demonstration period, the Chief Engineer shall evaluate all pertinent data and determine whether the required reduction has been demonstrated. Capacity units associated with a nonrefundable deposit shall not be considered in determining whether the required reduction has been demonstrated.

Successful Demonstration. Upon demonstrating to the reasonable satisfaction of the Chief Engineer that the added burden has been reduced to a 25% or less increase:

- (1) The collateral will be returned; and
- (2) Any capacity units associated with the nonrefundable deposit shall be added to the baseline for the industrial operation.

Unsuccessful Demonstration. If the demonstration has not resulted in the required reduction, the Chief Engineer shall prepare and serve a notice of charges. The connection fee shall be determined on the basis of the added burden during the demonstration period, less any capacity units associated with a nonrefundable deposit. The connection fee shall be based on the connection fee rate then in effect. Unless an election to make a supplemental demonstration is made, the connection fee shall be immediately due and payable and shall become delinquent on the date set forth in the notice of charges. Delinquent charges shall be subject to penalty and

additional interest under Section 4.03. The Chief Engineer shall apply the collateral to all delinquent charges, including penalties and interest.

Supplemental Demonstration. If the required reduction has not been demonstrated, the discharger may elect to make supplemental demonstrations. The demonstration period for supplemental demonstrations shall be the twelve months immediately following the end of the previous demonstration period. Elections to make supplemental demonstrations shall be made in writing within the time period specified by the Chief Engineer and shall be accompanied by collateral as provided above. Dischargers electing to make supplemental demonstrations must make a nonrefundable payment of five percent of the connection fee that would have been due at the end of the previous demonstration period. No capacity units shall be attributed to the industrial operation as a result of this payment.

Effect of Bankruptcy Filing. If a discharger files for bankruptcy protection during a demonstration period, the demonstration shall be immediately voided, and all collateral (except any nonrefundable payments) shall be refunded.

SECTION 3.07 – TEMPORARY PROJECTS

- (1) In lieu of a connection fee, the Chief Engineer may allow the person responsible for the temporary project to pay an annual capital usage fee at the beginning of each year or part of a year for which the project is connected directly or indirectly to the sewerage system, not to exceed five years.
- (2) The annual capital usage fee will be equal to 2.5% of the connection fee that would have been due for the added burden estimated to be imposed on the sewerage system in that year. A capital usage fee must be paid in advance and in full on an annual basis, and will not be subject to offset, refund, reduction, or proration. Failure to make advance payment by the date shown on the notice of charges will result in immediate revocation of the industrial wastewater discharge permit without further notice.
- (3) No temporary project will be eligible for the election described in Section 3.06.
- (4) In the event that any temporary project for which a capital usage fee has been paid continues to place an added burden on the sewerage system for longer than five years, a full connection fee shall be imposed at the then-current connection fee rate less the amount of all sums previously paid to the District as capital usage fees for the project.

SECTION 3.08 – INDUSTRIAL OPERATION RELOCATION CREDITS

The Chief Engineer shall allow a relocation credit when an established industrial operation relocates to a different parcel within the same sewerage system if:

- (1) Essentially the same industrial operation is relocated to the new parcel;

- (2) The Chief Engineer determines that there is adequate hydraulic capacity to accommodate the discharge associated with the relocated industrial operation and that the relocation does not impose an added burden on the sewerage system;
- (3) The industrial operation being relocated actively discharged from the parcel to the sewerage system for a twelve consecutive month period before the relocation;
- (4) The Chief Engineer determines that the industrial operation is being relocated for a business purpose other than effectuating a transfer of capacity units; and
- (5) The person relocating the industrial operation is one of the following:
 - (a) The same person responsible for the establishment of the capacity units for the industrial operation;
 - (b) The successor-in-interest to the person responsible for the establishment of the capacity units for the industrial operation;
 - (c) The owner of a parcel where an industrial operation responsible for the establishment of the capacity units has ceased and who subsequently establishes a new industrial operation on that parcel (for at least twelve consecutive months); or
 - (d) The tenant or lessee of a parcel where an industrial operation responsible for the establishment of the capacity units has ceased and who subsequently establishes a new industrial operation at that site (for at least twelve consecutive months), if the tenant or lessee has obtained the prior written consent of the parcel owner.

When a relocation credit is allowed, the parcel from which the industrial operation was relocated shall retain at least the number of capacity units attributable to the user category "dry manufacturing." Relocation credits shall be adjusted to reflect any difference in capacity unit formulas between Districts. Relocation credits applied for by persons described in Subsections (5)(c) and (d) above, shall not exceed four times the average number of capacity units that the industrial operation used during any twelve consecutive month period before the relocation. In no case shall relocation credits exceed the number of capacity units that would be attributable to the industrial operation before the relocation had the industrial operation been located in the District.

If the discharge from an industrial operation for which a relocation credit has been allowed is not within 25% of the capacity units remaining at the site within six months following the allowance of the credit, then the Chief Engineer shall revoke the relocation credit, and shall impose connection fees, penalties, and interest on the industrial operation that was allowed the relocation credit. Relocation credits shall not be allowed when a facility has been abandoned for more than six months and a subsequent industrial operation has initiated a wastewater discharge from the facility.

PART IV – COLLECTION AND PAYMENT

SECTION 4.01 – COLLECTION AND PAYMENT OF CONNECTION FEE

Connection fees payable by persons responsible for industrial operations are due upon service of notice of charges. Connection fees payable by other persons must be paid before an added burden, as that term is defined in Section 2.02, is imposed on the sewerage system and before a sewer connection permit is issued by the local permitting agency.

The connection fee shall be paid to the District either in person at the Joint Administration Office of the County Sanitation Districts of Los Angeles County, located at 1955 Workman Mill Road, Whittier, California, by mailing the appropriate payment to the County Sanitation Districts of Los Angeles County, P.O. Box 4998, Whittier, California 90607-4998 or using any other approved method.

SECTION 4.02 – INDUSTRIAL OPERATION PAYMENT PLAN OPTION

Within 45 days after service of notice of charges, a person responsible for an industrial operation that has not elected to demonstrate a reduction under Section 3.06 may elect to pay a minimum of ten percent of the fee and pay the remaining balance in equal monthly installments over a period not to exceed six years. Upon making such an election, the Chief Engineer shall prepare a written payment schedule. The payment schedule shall set forth each monthly payment and shall be signed and agreed to by the discharger.

- (1) Payment schedules of three years or less shall provide for interest on the unpaid balance at one percent over the prime interest rate in effect at the beginning of the fiscal year during which the election was made, compounded monthly, not to exceed 0.95 percent per month.
- (2) Payment schedules of greater than three years shall provide for interest on unpaid balance at three percent over prime interest rate in effect at the beginning of the fiscal year during which the election was made, compounded monthly, not to exceed 0.95 percent per month.

Installment payments are due and payable on the first day of each month and become delinquent on the fifteenth day of each month. Penalties and additional interest under Section 4.03 shall be imposed on delinquent installment payments. Upon default in the payment of any monthly installment, the entire connection fee, penalties, and interest shall become immediately due. Capacity units associated with the principal portion of the connection fee shall be attributed to the industrial operation only upon full payment of the entire installment payment obligation, including the principal amount of the connection fee, accrued interest, and penalties. In the event of the closure of the industrial operation or the termination of discharge during the installment payment period, the capacity units associated with the principal portion of the payments received shall be attributed to the industrial operation.

SECTION 4.03 – PENALTY AND INTEREST CHARGES FOR DELINQUENT CONNECTION FEE PAYMENT

For existing connections, unpaid fees and charges shall become delinquent 45 days after mailing or personal service of notice of charges. For new connections, unpaid fees and charges shall become delinquent 45 days after an application for connection to the sewerage system is approved by the District or 45 days after a connection is made, whichever occurs first. A basic penalty charge of 10 percent of any unpaid amount shall be added to any connection fee that becomes delinquent. Additional monthly penalties and interest at the maximum rate provided by law shall accrue on the total of all delinquent fees plus penalty charges.

For industrial operations, unpaid fees and charges shall become delinquent 45 days after mailing or personal service of notice of charges. A basic penalty charge of 10 percent of any unpaid amount shall be added to any connection fee that becomes delinquent. After 45 days, but no later than 90 days, a person responsible for an industrial operation may make an election to demonstrate under section 3.06 or to enter into a payment schedule under section 4.02 provided the requirements of the respective sections are met and the 10 percent penalty charge is paid. After 90 days, the election to demonstrate or to enter into a payment schedule options are no longer available and additional monthly penalties and interest at the maximum rate provided by law shall accrue on the total of all delinquent fees plus penalty charges.

SECTION 4.04 – FEE FOR RETURNED CHECKS

The Chief Engineer shall add an administrative charge to the connection fee in the event a check tendered for payment is returned or dishonored. The administrative charge shall be in the amount of the District's added cost in processing returned or dishonored checks, as determined by the Chief Engineer, up to the maximum amount allowed by law.

SECTION 4.05 – MANNER OF PAYMENT

The Chief Engineer shall determine the manner in which connection fees may be paid. If a manner of payment requires the District to pay a transaction fee, the parcel owner shall pay the transaction fee to the District as an additional charge.

PART V – FUNDS

SECTION 5.01 – DISPOSITION OF FUNDS

Connection fee revenue shall be divided into two parts, the capital portion and the operational cost portion. The capital portion shall be determined by multiplying the total revenue received by the proportion of the connection fee rate attributable to the capital components. The capital portion of the fee shall be deposited into capital funds pursuant to Section 5.02. The remainder of the fee, the operational cost portion, shall be deposited into the District's Operating Fund.

SECTION 5.02 – CAPITAL FUNDS

The District shall establish a fund known as the "District's Capital Fund." The share of the capital portion of the connection fee revenue attributable to the District's capital facilities shall be deposited into the District's Capital Fund. District's Capital Fund monies may be used only for capital costs of the District's sewerage system, except those funds loaned out pursuant to Section 5.04.

The District, along with the other Joint Outfall Districts, shall establish a fund known as the "Joint Outfall System Capital Fund." The Joint Outfall System Capital Fund shall be jointly owned and maintained by the Joint Outfall Districts. The share of the capital portion of the connection fee revenue attributable to the Joint Outfall System shall be deposited into the Joint Outfall System Capital Fund. Joint Outfall System Capital Fund monies may be used only for capital costs of the Joint Outfall System, except those funds loaned out pursuant to Section 5.04.

SECTION 5.03 – TRANSMUTATION OF PAST FUNDS

Any funds designated for system expansion and collected under previous Connection Fee Ordinance's shall be transmuted to the Capital Funds. All funds from the District's Capital Improvement Fund shall be transmuted to the District's Capital Fund. All funds from the Joint Outfall System's Capital Improvement Fund shall be transmuted to the Joint Outfall System's Capital Fund.

SECTION 5.04 – AUTHORIZATION TO LOAN FUNDS

In addition to other forms of investments permitted under the District's investment policy, the Chief Engineer is authorized, pursuant to Government Code Section 66013, to make inter-fund loans from the District's Capital Fund and from the District's proportionate share of the Joint Outfall System's Capital Fund to the District's Operating Fund provided that:

- (1) The Capital Fund retains sufficient monies to timely undertake necessary capital projects; and
- (2) Any loan made pursuant to this section shall be for a term of not to exceed 15 years at an interest rate equal to the District's Composite Interest Rate on invested funds as of the date of the loan.

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

JOINT OUTFALL AGREEMENT

THIS JOINT OUTFALL AGREEMENT (“**Agreement**”) is made as of July 1, 2020 (“**Effective Date**”) and is among the following 17 districts:

COUNTY SANITATION DISTRICT NO. 1 OF LOS ANGELES COUNTY,
COUNTY SANITATION DISTRICT NO. 2 OF LOS ANGELES COUNTY,
COUNTY SANITATION DISTRICT NO. 3 OF LOS ANGELES COUNTY,
COUNTY SANITATION DISTRICT NO. 5 OF LOS ANGELES COUNTY,
COUNTY SANITATION DISTRICT NO. 8 OF LOS ANGELES COUNTY,
COUNTY SANITATION DISTRICT NO. 15 OF LOS ANGELES COUNTY,
COUNTY SANITATION DISTRICT NO. 16 OF LOS ANGELES COUNTY,
COUNTY SANITATION DISTRICT NO. 17 OF LOS ANGELES COUNTY,
COUNTY SANITATION DISTRICT NO. 18 OF LOS ANGELES COUNTY,
COUNTY SANITATION DISTRICT NO. 19 OF LOS ANGELES COUNTY,
COUNTY SANITATION DISTRICT NO. 21 OF LOS ANGELES COUNTY,
COUNTY SANITATION DISTRICT NO. 22 OF LOS ANGELES COUNTY,
COUNTY SANITATION DISTRICT NO. 23 OF LOS ANGELES COUNTY,
COUNTY SANITATION DISTRICT NO. 28 OF LOS ANGELES COUNTY,
COUNTY SANITATION DISTRICT NO. 29 OF LOS ANGELES COUNTY,
COUNTY SANITATION DISTRICT NO. 34 OF LOS ANGELES COUNTY, and
SOUTH BAY CITIES SANITATION DISTRICT OF LOS ANGELES COUNTY

(collectively, the “**Signatory Districts**” and each individually a “**District.**”)

A. Pursuant to the provisions of the County Sanitation District Act (Chapter 3, Part 3, Division 5 of the Health and Safety Code of the State of California) and other applicable laws, the Signatory Districts have previously jointly owned and operated a common sewerage system known as the “**Joint Outfall System**” in accordance with a series of joint exercise of powers agreements commonly known as *Joint Outfall Agreements*, the most recent of which is entitled the *Amended Joint Outfall Agreement* and became effective July 1, 1995.

B. Studies have shown that it is economically and environmentally advantageous for the Joint Outfall System to provide treatment and disposal by: (a) one downstream treatment plant discharging effluent to the ocean (hereinafter referred to as the “**Joint Water Pollution Control Plant**”), and (b) a network of upstream water reclamation plants discharging effluent and providing water for reuse. The upstream water reclamation plants return the untreated solids to the sewers for processing at the downstream Joint Water Pollution Control Plant. The system of sewers, pumping plants and other incidental sanitation works is so constructed that wastewater from any given District can be treated at one or more of the foregoing treatment plants.

C. By virtue of the foregoing, the Signatory Districts have determined that the Joint Outfall System will be a system of sewers, pumping plants, treatment plants, outfalls and incidental sanitation works that will be constructed, maintained, and operated as one unit.

D. The Signatory Districts have determined that the existence of a Joint Outfall System that can accommodate the demands of any of the Signatory Districts is of benefit to all of the Signatory Districts, and, further, that the efficient operation and maintenance of each of the facilities encompassed within the Joint Outfall System is of benefit to all of the Signatory Districts.

E. The Signatory Districts have determined that the most equitable manner of distributing capital and operation and maintenance costs attributable to the Joint Outfall System continues to be by apportioning said costs between the Signatory Districts on the basis of each District's use of the Joint Outfall System measured in terms of sewage units, defined below, which takes into account the quantity and strength of the wastewater.

F. It is desirable for each Signatory District to retain ownership of, and responsibility for, its local sewerage facilities.

G. The Board of Directors of each of the Signatory Districts finds and declares by resolution duly adopted that the objects and purposes of the County Sanitation District Act and of the Health and Safety Code of California will be accomplished efficiently and economically, and that it will be in the public interest and to the advantage of said Districts to acquire, construct, maintain, operate, and use jointly with all Signatory Districts the Joint Outfall System in the proportions and subject to the terms and conditions as set forth in this Agreement.

NOW, THEREFORE, the Signatory Districts agree as follows:

1. DEFINITIONS. For the purpose of this Agreement:

1.1. **Chief Engineer** means the Chief Engineer and General Manager of the County Sanitation Districts of Los Angeles County.

1.2. **District No. 2** means County Sanitation District No. 2 of Los Angeles County.

1.3. **Joint Outfall System** means the system of wastewater collection, treatment and disposal facilities currently consisting of one downstream treatment plant discharging effluent to the ocean, a network of upstream water reclamation plants, sewers, pumping plants, outfalls, and incidental sanitation works as shown on the map as Exhibit A and as more particularly described in Exhibit B and as that system may be modified or expanded pursuant to the terms of this Agreement.

1.4. **Local Sewerage Facilities** means those sewer lines (or any portions), pumping plants and other incidental sanitation works that are connected to the Joint Outfall System but do not constitute a part of that system.

1.5. **Sewage Unit** means the anticipated average daily quantity of sewage (wastewater) flow and strength from a typical single family home measured in terms of flow, chemical oxygen demand, and suspended solids as more particularly defined and established in Exhibit C.

1.6. **Surcharge Revenue** means the revenue derived from the Wastewater Treatment Surcharge program as provided in the Wastewater Ordinance.

1.7. **Wastewater Ordinance** means an ordinance providing for the administration of an industrial wastewater control system, for regulating sewer construction and sewer use, for the imposition of permit requirements for industrial wastewater dischargers, for the prohibition, regulation and pretreatment of industrial wastewaters, for the imposition of fees and charges, for the distribution of revenue, for the implementation of federal and state pollution control regulations and for the implementation of other methods of controlling and regulating the discharge of wastewaters, dated April 1, 1972, and as thereafter amended.

2. JOINT PARTICIPATION

The Signatory Districts shall participate jointly in the proportions specified below in the acquisition, construction, operation, and maintenance of the Joint Outfall System including both the parts already acquired and constructed and the parts that may be acquired and constructed in the future, and to pay for the costs attributable to the Joint Outfall System, as specified below.

3. DISTRICT NO. 2 THE APPOINTED AGENT

3.1. Subject to any limitations or conditions set forth below, District No. 2 shall have full authority for the acquisition, construction, operation, and maintenance of the sites, facilities and equipment that comprise the Joint Outfall System.

3.2. Such authority shall include the payment of all costs incurred by or to be paid in connection with the acquisition, construction, operation, and maintenance of the Joint Outfall System, and each District shall pay or cause to be paid into the funds of District No. 2, its proportionate share of those costs, in accordance with the provisions below.

3.3. Such authority shall extend to the acquisition of necessary land or interests therein, together with such facilities and equipment as are found necessary for construction, operation, and maintenance of the Joint Outfall System. District No. 2 shall manage the wastewater and effluent flow throughout the Joint Outfall System, determine the extent of treatment to be provided by each of the treatment plants included in the Joint Outfall System, and manage and/or sell all biosolids, effluent, electrical power, or by-products arising out of the operation of the Joint Outfall System.

3.4. District No. 2 may exercise this authority either directly or through contractual arrangements with others. Without limiting the generality of the foregoing sentence and notwithstanding any other provisions of this Agreement, District No. 2 shall have full authority as agent for the Signatory Districts to enter into joint powers agreements upon such terms and conditions as are specified therein with other governmental agencies.

3.5. District No. 2 is authorized to make application for and receive such grants or loans as may from time to time become available under various programs of federal, state or local governments.

4. ALLOCATION OF COSTS

4.1. Cost Determination on the Basis of Sewage Units. The Chief Engineer shall determine annually the number of sewage units attributable to each Signatory District. Such determination shall govern the allocation of costs between the Signatory Districts.

4.2. Capital and Operation and Maintenance Expenditures. Capital and operation and maintenance expenditures paid by District No. 2 which are attributable to the Joint Outfall System shall be apportioned among the Signatory Districts in the ratio that the number of sewage units attributable to each such District bears to the aggregate number of sewage units attributable to all of the Signatory Districts.

4.3. Payment of Capital and Operation and Maintenance Expenditures. Within 60 days after the end of each calendar month District No. 2 shall present to each of the Signatory Districts a statement of the expenditures made by District No. 2 for capital and for operation and maintenance which are attributable to the Joint Outfall System. Each such District shall pay to District No. 2 its proportionate share of such expenditures on the basis set forth above.

5. ALLOCATION OF LOCAL COSTS

All local costs shall be paid by the District for whose benefit such costs are incurred, and shall not be allocated among the other Signatory Districts.

6. DISTRIBUTION OF REVENUE DERIVED UNDER THE WASTEWATER ORDINANCE. Each Signatory District has by amendment to its Wastewater Ordinance provided that any revenue derived from industries discharging wastewater into the Joint Outfall System, including, but not limited to, surcharge revenue, shall be distributed in accordance with this Agreement. Such revenue shall be distributed as follows:

6.1. All revenue, except for revenue obtained from the peak flow charge in the wastewater treatment surcharge formula, shall be distributed to the District within which the source of the wastewater discharge that generated said revenue is located.

6.2. Peak flow revenue shall be apportioned among each of the Signatory Districts in the ratio of each District's obligation to pay for the costs of the Joint Outfall System as provided in Section 4.

7. PAYMENT FOR JOINT OUTFALL SYSTEM CAPITAL

7.1. Whenever an added burden is imposed on the Joint Outfall System, the District in which the added burden occurs shall pay into an account, to be denominated the Joint Outfall Capital Improvement Fund, an amount of money sufficient to offset the investments and net capital costs of improvements of the Joint Outfall System. The Chief Engineer and General Manager shall prepare cost calculations upon which this determination shall be based.

7.2. This historically has been accomplished by the adoption of uniform Connection Fee Ordinances by all Signatory Districts.

7.3. All amounts paid into the Joint Capital Improvement Fund shall be apportioned among each of the Signatory Districts in the ratio that the number of sewage units attributable to each such District bears to the aggregate number of sewage units attributable to all of the Signatory Districts.

8. DISTRIBUTION OF OTHER REVENUE

All revenue received from the sale of biosolids, effluent, electrical power or other by-products or which otherwise arises out of the ownership or operation of any Joint Outfall System facility shall be apportioned among each of the Signatory Districts in the ratio of each District's obligation to pay for the costs of the Joint Outfall System as provided for in Section 4 above.

9. DISPOSAL OF WASTEWATER ORIGINATING OUTSIDE DISTRICT

Each of the Signatory Districts undertakes and agrees that it will not allow the use of the Joint Outfall System, directly or indirectly, for the disposal of wastewaters originating outside its territorial limits except in the manner, to the extent, and on the conditions agreed upon and consented to by each of the other Signatory Districts. In the event that the contracted entitlement of said outside source does not exceed one one-hundredth of one percent (.01%) of the total flow in the Joint Outfall System, the consent of the other Signatory Districts shall not be required and all wastewater so received from said outside territory pursuant to such agreement shall be regarded as the wastewater of the District originally receiving the same insofar as the use and allocation of costs of the Joint Outfall System is in any way affected thereby. However, if the contracted entitlement of said outside source does exceed one one-hundredth of one percent (.01%) of the total flow in the Joint Outfall System, the consent of the other Signatory Districts shall be required and the sewage units associated with said contract together with any such contract heretofore entered into shall be apportioned to the Signatory Districts in the ratio that the number of sewage units originating in each District bears to the aggregate number of sewage units originating in all of the Signatory Districts.

10. PROTECTION OF THE JOINT OUTFALL SYSTEM

10.1. The Joint Outfall System shall not be used by any District for any purpose other than the conveyance, treatment, and disposal of wastewater and incidental disposal of by-products, and said use shall be subject to the terms and conditions set forth in the Wastewater Ordinance heretofore adopted by all Signatory Districts as that Ordinance may hereafter be amended by all parties hereto, or as any similar ordinance adopted by all Signatory Districts may from time to time provide.

10.2. No Signatory District shall in any way grant, encumber, limit, or restrict its interest in the Joint Outfall System, or partition or seek to partition the same or have any part thereof set apart in severalty, without the prior consent of the other Signatory Districts.

11. ADDITION OF FACILITIES TO JOINT OUTFALL SYSTEM

If the Chief Engineer determines that a sewerage facility either provides a benefit to two or more Signatory Districts or otherwise advances the collective objectives of the Signatory

Districts, that facility shall become part of the Joint Outfall System. The Chief Engineer shall certify that fact and shall attach appropriate documentation to this Agreement.

12. TITLE TO REAL PROPERTY

12.1. Fee title to real property required for the Joint Outfall System for the use and benefit of the Signatory Districts shall be acquired by, and held in the name of, the District in which the said real property is located, whether such acquisition is by purchase, condemnation, gift or otherwise.

12.2. Fee title to real property required by the Joint Outfall System, but not located within any Signatory District, shall be acquired by and held in the name of District No. 2 for the use and benefit of said Districts.

13. SETTLEMENT OF DISPUTE OR CONTROVERSY

If any dispute or controversy arises in connection with the books, records, or accounts of any Signatory District pertaining to the Joint Outfall System or in connection with the acquisition, construction, operation, maintenance, repair, construction, reconstruction, or enlargement of the Joint Outfall System, or in connection with any of the affairs or operation thereof, then the Board of Directors of each Signatory District shall appoint or designate one member thereof as an arbitrator, and said arbitrators so chosen shall act as a Board of Arbitration in connection with such dispute or controversy, and the findings of fact approved by the vote of a majority of the members of said Board of Arbitration shall be binding and conclusive upon all the parties hereto, and may be enforced judicially by any Signatory District.

14. WITHDRAWAL

14.1. This Agreement and the Joint Outfall System provided hereby shall continue in effect so long as it shall be to the interest and advantage of two or more Signatory Districts. If at any time it should cease to be to the interest and advantage of any Signatory District to continue as a party to this Agreement, and its Board of Directors has so found and declared by resolution adopted by a majority of all of its members, it may withdraw from this Agreement and terminate its obligations hereunder after sixty (60) days notice in writing to the other Signatory Districts of its intention so to do, and by the full and complete discharge of all its debts and obligations hereunder for which it shall be or become liable up to the date of its withdrawal.

14.2. If any Signatory District withdraws from this Agreement, this Agreement will continue in effect thereafter as to the remaining Districts in like manner as if the withdrawing District had never been a party to the Agreement. Any District so withdrawing shall not be entitled to be reimbursed for any contributions previously made by it, directly or indirectly to the Joint Outfall System, and no payment shall be made to such withdrawing District. The withdrawing District shall continue to be responsible for its proportionate share of the obligations heretofore incurred by District No. 2 on its behalf. Each remaining District's ownership of the Joint Outfall System will be augmented proportionately.

15. DISSOLUTION OR REORGANIZATION

In the event of dissolution or reorganization of the Joint Outfall System, ownership shall be apportioned to each Signatory District in the ratio that the number of sewage units attributable to each District bears to the aggregate number of sewage units attributable to all of the Signatory Districts as determined by the Chief Engineer.

16. SUPERSESSON OF PRIOR AGREEMENT

This Agreement supersedes the Amended Joint Outfall Agreement that became effective July 1, 1995.

Each Signatory District has by resolution duly approved and adopted this Joint Outfall Agreement and authorized the Chairperson of its Board of Directors to execute the same and deliver it to each of the other Signatory Districts.

[insert signature blocks below]

**SOLID WASTE
FINANCIAL RESERVE POLICY**

**County Sanitation District No. 2
of
Los Angeles County**

November 2019

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Solid Waste Financial Reserve Policy

1. Policy Statement

The Districts Solid Waste System provides essential public services and, to that end, has made an extensive investment in public infrastructure, operating facilities, and other related assets. Maintaining prudent financial reserves provides the resources to allow the continued delivery of reliable and high-quality service. Financial reserves provide significant benefits including:

- Improves liquidity so capital projects can be constructed in a timely fashion, despite fluctuations in cost from year to year;
- Allows the Solid Waste System to effectively respond to economic, environmental, and regulatory changes;
- Allows the Solid Waste System to meet long-term post-closure maintenance costs associated with solid waste landfills.

The Districts Solid Waste System is comprised of the facilities owned by the 15 Sanitation Districts signatory to the Sanitation Districts' Solid Waste System Agreement (System Agreement). County Sanitation District No. 2 of Los Angeles County ("District") acts as the administrative district for the Districts Solid Waste System, as described in the System Agreement. This Policy provides guidance for the management of the reserves for the Districts Solid Waste System. This Policy does not apply to contract landfills, and other contract facilities or funds (e.g., equipment pools, the Southeast Resource Recovery Facility, County Trust Fund, etc.). Unless otherwise noted, all reserves and funds described herein refer to Districts Solid Waste System reserves and funds, which are separate and distinct from those of the District.

2. Treasurer; Administration

- 2.1 The District, through its Investment Policy, has appointed the District's Chief Engineer and General Manager as the Treasurer of the District.
- 2.2 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.
- 2.3 The Treasurer shall develop procedures to implement this Policy and shall report to the Board of Directors (Board) in accordance with the requirements of law and this Policy.

3. Types of Funds/Reserves

The District will maintain Solid Waste financial assets in various "Funds" as described in this Policy. To the extent possible, Fund balances will be maintained in amounts sufficient to meet appropriate

targeted goals, as established in this Policy in cash and/or cash equivalents, and permitted investments as prescribed in the District's Investment Policy. The Solid Waste Funds are categorized under this Policy as Unrestricted, Designated, or Restricted as follows:

3.1 Unrestricted

The Unrestricted Fund includes all monies collected or generated by or on behalf of the Districts Solid Waste System except those that have been deemed to be Designated or Restricted.

3.2 Designated

Designated Reserve Funds are the group of Reserve Funds for which the Board has imposed restrictions on the use of the monies in them for specific purposes such as capital facilities and land acquisition. These monies are not otherwise legally restricted and the Board has the discretion to re-designate the actual or intended usage of these monies.

3.3 Restricted

Restricted Reserve Funds are the group of Reserve Funds that have been established to comply with restrictions that have been imposed externally through law (federal, state, or local governments), administrative action (District adopted ordinances), or contractual arrangements (e.g., bond indentures). The monies in Restricted Reserve Funds can only be used for the purpose for which they were established or dedicated until the restrictions are removed by the party that imposed them or the contractual agreement that created them has expired.

4. Unrestricted Funds

4.1 District Joint Refuse System Operating Fund

4.1.1 Purpose

Monies in the Operating Fund may be used for any purpose consistent with the budget, other Board direction, legal requirements and this Policy. Operating Fund monies include all types of revenue unless otherwise designated or restricted. The Operating Fund must be sufficient to meet the cash flow needs of the District and to meet current and anticipated expenses in accordance with the long-term budgetary projections.

4.1.2 Targeted Goal

The targeted goal balance will be six months of projected operating expenses.

4.1.3 Review Timeline

The targeted goal shall be reviewed annually. At any time, if the operating fund balance is less than one and a half months of projected operating expenses, the Treasurer will notify the District's Board of Directors at the next regularly scheduled Board meeting and present a plan to resolve the issue.

4.1.4 Funding

All revenues other than those placed in Designated or Restricted Reserve Funds shall be placed in the Operating Fund.

4.2 Puente Hills Landfill and Spadra Landfill Operating Funds

4.2.1 Purpose

Each Facility's Operating Fund serves as the source of monies for landfill expenses. These funds are only spent on post-closure operations and maintenance of each respective landfill and, in general, come from restricted post-closure reserves. Monies in each respective Facility's Operating Fund may be used for any purpose consistent with the budget, other Board direction, legal requirements and this Policy. Operating Fund monies include all types of revenue unless otherwise designated or restricted.

4.2.2 Targeted Goal

The minimum targeted goal balance for the Operating Fund must be sufficient to meet the cash flow needs of the District and to meet current and anticipated expenses in accordance with budgetary projections for each landfill.

4.2.3 Review Timeline

The minimum targeted goal shall be reviewed annually.

4.2.4 Funding

The only significant sources of revenue are transfers of interest earnings from the Designated or Unrestricted Reserves of the Districts Joint Refuse System and from respective Post-Closure Funds for each landfill.

5. **Designated Reserves**

5.1 Natural Disaster Fund

5.1.1 Purpose:

The Natural Disaster Fund is designated to pay for short-term costs in the event of an earthquake or other natural disaster in order to continue District operations until state or federal relief funds are received. This can include funding immediate repairs to existing facilities and, if the Joint Administration Office becomes unusable, securing other office space. The Natural Disaster Fund will be pooled, shared proportionally among all of the Districts, not just those party to the Solid Waste Agreement, and the Districts Solid Waste System.

5.1.2 Targeted Goal:

The initial targeted goal balance for the pooled Natural Disaster Fund is \$17 million. The Districts' Insurance and Claims Coordinator will determine the appropriate share for each District and the Districts Solid Waste System, taking into consideration such factors as value of assets and risk assessment.

5.1.3 Review Timeline:

The targeted goal balance will be reviewed and adjusted every five years.

5.1.4 Funding:

At the end of each five-year review period, the Treasurer will make a transfer from the Districts System Operating Funds to the Natural Disaster Fund, as necessary, for their share of any increase in the targeted goal.

5.2 Districts Joint Refuse System Capital Reserve Fund

5.2.1 Purpose:

The size and scope of capital projects (and the associated cost) varies from year to year. Additionally, many projects may occur over multiple years. This Fund will ensure that monies are available to meet capital expenses over the next two years.

5.2.2 Targeted Goal:

The targeted goal for this fund is equal to the next two year's planned, cash-funded capital expenses, not including the current fiscal year.

5.2.3 Review Timeline:

The targeted goal will be reviewed and adjusted annually in conjunction with the preparation of the final budget.

5.2.4 Funding:

Once the District Joint Refuse System Operating Fund meets its targeted goal, the Treasurer will annually transfer an amount necessary to reach the targeted goal from its Operating Fund to this Fund.

5.2.5 Additional Monies

The District may place additional monies into this Fund at any time so that the balance exceeds the targeted goal based upon long-term capital needs. Monies in excess of the targeted goal can be withdrawn at any time without prior Board authorization.

5.3 Other Reserve Funds

From time to time, the Board of Directors may deem it prudent to establish other designated reserve funds in order to further the mission of the Districts Solid Waste System. The Treasurer

will create such Reserve Funds as directed and will establish appropriate targeted goals, review timelines, and funding mechanisms. This Policy will be amended to reflect the Board's direction with respect to any additional Designated Reserve Funds.

6. Restricted Reserves

6.1 Other Post-Employment Benefits (OPEB) Reserve Fund

6.1.1 Purpose:

The Sanitation Districts of Los Angeles County collectively provide health care and dental benefits for all retired employees and their dependents or survivors. The Districts have voluntarily elected to enter into a prefunding plan for their OPEB program. The OPEB funds must be held by a qualified third-party trustee.

6.1.2 Targeted Goal:

The yearly targeted goal will be to transfer to the OPEB Reserve Fund an amount equal to the Districts' annual required contribution (ARC) as determined by a qualified actuarial consultant.

6.1.3 Review Timeline:

The actuarial review is required at least biennially.

6.1.4 Funding:

Each year the Treasurer will collectively transfer the ARC to the third-party trustee in installments as required under the terms of the agreement with the trustee. Each transfer shall be apportioned among the Districts and Districts Solid Waste System Entities in proportion to the salaries incurred by the Wastewater District or Districts Solid Waste System since the previous transfer was made.

6.2 Puente Hills Landfill and Spadra Landfill Post-Closure Maintenance Reserves

6.2.1 Purpose:

CalRecycle requires operators of solid waste disposal facilities to demonstrate adequate financial assurances for costs of post-closure maintenance. In lieu of establishing a trust account, CalRecycle considers a pledge of revenue to be an acceptable form of demonstration.

6.2.2 Targeted Goal:

The targeted goal is to provide enough interest revenue to pay for post-closure maintenance activities at the Puente Hills and Spadra Landfills.

6.2.3 Review Timeline:

The targeted goal shall be reviewed annually.

6.2.4 Funding:

Any interest earned on these Reserves shall remain in the respective Fund until necessary for meeting post-closure expenses.

6.3 Backup Post-Closure Reserve Fund (Formerly Cost Transition Fund)

6.3.1 Purpose:

In anticipation of the closure of Puente Hills Landfill in 2013, the District developed a comprehensive plan of transitioning from local waste disposal to a remote disposal system in order to ensure sufficient capacity for waste disposal in Los Angeles County. Waste would be processed and sorted at local material recovery facilities (MRFs)/transfer stations and the residual waste would be loaded into containers and transported by truck or rail to remote landfills for disposal. Based on existing conditions, it is not anticipated that the remote disposal system will be necessary for a number of years.

While this fund may not be necessary to provide a cost transition to the Waste-by-Rail system for a number of years, the District has pledged interest from the Districts Joint Refuse System to meet CalRecycle requirements for closed landfills which is discussed further in Section 6.2. Based on the most recent projections, interest from this fund is necessary to meet CalRecycle requirements, and therefore the fund is restricted until interest from this fund is no longer necessary to meet CalRecycle requirements.

6.3.2 Targeted Goal:

The long-term targeted goal is to provide enough supplemental interest revenue to pay for post-closure maintenance activities at the Puente Hills and Spadra Landfills that cannot be covered by their respective post-closure reserve funds.

A review of this Fund will be completed annually to ensure sufficient funds exist to meet CalRecycle requirements.

6.3.3 Funding:

After the initial deposit into this Fund, monies may be transferred from the Districts Joint Refuse Operating Fund if they are available and are needed to reach the targeted goal.

6.4 Puente Hills Landfill and Spadra Landfill Corrective Action Trust Accounts

6.4.1 Purpose:

CalRecycle requires operators of solid waste disposal facilities to demonstrate adequate financial assurances for costs of known or reasonably foreseeable corrective action.

6.4.2 Targeted Goal:

The targeted goal for these Trust Accounts is determined after consultation with a third party consultant to project the cost of any known or reasonably foreseeable corrective action.

6.4.3 Review Timeline:

The minimum targeted goal shall be reviewed every five years by the District and CalRecycle.

6.4.4 Funding:

If additional funding is required, a transfer from the Districts Joint Refuse System Operating Fund would be made to meet the required fund balances.

6.5 Puente Hills Landfill Site Development Fund

6.5.1 Purpose:

The monies in this Fund are restricted to the development, operation and maintenance of a park at Puente Hills Landfill by the County of Los Angeles.

6.5.2 Targeted Goal:

There is no targeted goal. Deposits into this Fund stopped when the Puente Hills Landfill ceased operations. Monies in this Fund will be transferred to the County of Los Angeles at their request until the Fund is fully depleted.

6.5.3 Review Timeline:

No review is necessary as there is no targeted goal.

6.5.4 Funding:

Except for interest on Fund investments, no additional monies will be transferred to this Fund.

6.6 Other Reserve Funds

From time to time, it may be necessary to establish other restricted reserve funds in accordance with law or other statutory requirements or with contractual agreements to which the District in its capacity as administrator of the Districts Solid Waste System is a party. The Treasurer will create such Reserve Funds as mandated and will establish appropriate targeted goals, reviews, and funding mechanisms.

7. Solid Waste Financial Reserve Policy Adoption

This Policy will be reviewed on an annual basis and any modifications must be approved by the Board. Prior to such 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 _____.

DRAFT