

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

April 28, 2021
11:00 o'clock, A.M.

Pursuant to the call of the Chairperson and upon written notice of the Secretary setting the time and place of a special meeting and mailed to each Director at least 24 hours before the meeting, a special meeting of the Personnel Committee of the County Sanitation Districts of Los Angeles County was held at the Joint Administration Office, 1955 Workman Mill Road, Whittier, California, on April 28, 2021, at 11:00 a.m., via teleconference, for the purpose of:

1. Public Comment
2. Approve Minutes of Special Meeting Held February 10, 2021
3. Re: Districts Employees' Pension Unfunded Accrued Liability and Solid Waste System Financial Reserves

There were present: Patrick J. Furey, South Bay Cities and District No. 5
Sonny Santa Ines, District No. 3
Lindsey Horvath, District No. 4
Joseph Buscaino, Districts Nos. 8 and 16
Janice Hahn, District No. 9
Richard Barakat, District No. 15
Katheryn Barger, District No. 17
Ali Sajjad Taj, District No. 18
Todd Rogers, District No. 19
Steve Hofbauer, District No. 20
Cory Moss, District No. 21
Margaret E. Finlay, District No. 22
William "Bill" Davis, District No. 23
Hilda Solis, District No. 27
Michael T. Davitt, District No. 28
Cathy Warner, Chairperson, District No. 2

Absent: Ali Saleh, District No. 1
R. Rex Parris, District No. 14
Edward Wilson, District No. 29
Laurene Weste, Santa Clarita Valley

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

The Chairperson reviewed the logistics and protocols for the meeting. She stated that all Directors participated in the meetings via Zoom with most of the Sanitation Districts' support staff. Members of the public were able to submit comments electronically and participate in the Zoom meetings.

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

RE: MINUTES Upon motion of Director Finlay, duly seconded and unanimously carried by a roll-call vote, the minutes of the special meeting held on February 10, 2021, were approved.

RE: DISTRICTS EMPLOYEES' PENSION
UNFUNDED ACCRUED LIABILITY AND
SOLID WASTE SYSTEM FINANCIAL
RESERVES

The Chairperson explained the organization of the meeting. All questions and commentary will be held until after the presentation. Questions will be taken in order of request. Directors may use the raise hand feature or chat on the Zoom platform.

The Chief Engineer and General Manager welcomed the Directors. He thanked the Directors for their attendance. He advised that he had a brief presentation then the Committee will discuss the matter. Staff is seeking direction on moving forward on the Unfunded Accrued Liability (UAL) and Solid Waste System financial reserves.

Last year, staff proposed using a portion of the Districts' Solid Waste Post-Closure Maintenance (PCM) funds (\$585 million) to pay off the pension UAL with CalPERS which totals \$468 million. This would be an internal transfer, and in exchange, the Districts would pay the PCM costs that maintain the environmental controls at the Districts-owned closed landfills, for the next 40-60 years. The Personnel Committee discussed the matter over several meetings and heard from Julio Morales, a Registered Municipal Advisor, who discussed the various benefits. The Personnel Committee endorsed to move the consideration of the UAL exchange agreement and Solid Waste System Reserve Policy forward. The Los Angeles County Board of Supervisor Directors were concerned that because of the County's lawsuit related to the funding level of the Puente Hills Landfill (PHLF) Park development, utilizing the funds for the exchange would diminish a potential source of Park funding in the event the lawsuit went in their favor. District No. 2, the administrative District, voted against the exchange, which stopped the exchange from moving forward. At the request of Directors, in part due to the new Director turnover, a closed session was held in March with the Solid Waste Districts to give Directors a full understanding of the legal case filed against the Districts regarding funding for the PHLF Park.

He advised that the total pension liability or UAL is currently \$468 million as of April 2021. The UAL is effectively a loan at 7 percent interest, which is a very high interest rate by today's standards. Minimum payments total \$858 million over 22 years (interest is \$390 million). The UAL can be paid off at any time. CalPERS encourages agencies to pay off their pension liability early to save interest.

He showed a table comparing the UAL exchange to Pension Obligation Bonds (POBs). The savings over the life for both options, in terms of interest relative to just paying CalPERS, is \$250 million. The UAL exchange spreads out costs over 40-60 years, whereas the POBs is set at 20 years. The Districts would realize substantial savings in the first 20 years of \$600 million. The exchange can bring the solid waste system reserves above minimum policy Board approved targets. The interest earned from the PCM fund is supposed to cover maintenance costs for the landfills, although it is now not performing as intended. The interest rate is so low that it is eating away at the principal. Although all the PCM funds are not needed to cover the UAL, the exchange saves more money over the next 20 years, bolsters solid waste reserves, and makes additional funds available.

He showed a cumulative cost comparison on a line graph. The gray line showed the cost of continuing to pay CalPERS, which over the next 22 years is approximately \$858 million. The blue line showed the pension obligation bonds option and a payment of \$610 million and a savings of \$250 million. The graph illustrated the benefit of the exchange. An additional benefit of the exchange is helping the solid waste system. He showed two charts illustrating solid waste finances. The graphs do not paint a good picture of the solid waste system finances. He showed the net losses over the last five years. Most of the loss originates from capital projects and upgrades. Some capital upgrades are compliance related, such as stormwater requirements. The significant capital upgrades include the processing equipment for the food waste program and the Puente Hills Materials Recovery Facility's (PHMRF) new sorting line. All capital expenditures, totaling approximately \$50 million over the last five years, have impacted the Solid Waste Operations and Capital reserves. As he previously mentioned many times, reserves have dwindled to half of the minimal Board-approved reserve target.

In 2018, a Solid Waste Ad Hoc Committee (Committee) was convened. The Committee consisted of several Directors, City Public Works directors, and County Public Works Department staff. The Committee reviewed the Districts' Solid Waste Operations and made recommendations regarding how to move forward. The Committee recommended that the Districts needs to remain as a public operations' presence in the solid waste market. The Districts needs to change and be competitive by raising rates that meet the Districts' needs and expenses. Also, it needs to focus on areas where the Districts brings value – the food waste recycling program and the PHMRF new sorting line. In the next few years, the Districts would recalibrate to focus on growth in the Districts' food waste recycling and sorting line operation and less on solid waste transfer operations to the Orange County landfills. The transfer operations are expected to continue to diminish through 2025, and Orange County may not allow the transfer of waste in the future. The goal is to stabilize operations to provide necessary value and breakeven or earn revenue to increase reserves. It would be good for the Districts to sustain operations

to bring value to the public. He recommended the exchange to not only save significant interest for the agency, but to save drastic cuts and bring reserves up in the next few years to a stable level.

Two options were shown on a slide. He stated that as a third option, the Districts could do nothing and continue to pay CalPERS the significantly high interest. The exchange option provides many benefits. The exchange consists of a two-step process. First, the exchange would be considered by all Districts in May/June. Second, the Pledge of Revenue (POR) Agreement with CalRecycle would be considered by District No. 2 in June/July. The POBs or equivalent financing option would require staff to generate the necessary documents, a meeting of the Financing Authority (same Directors as Personnel Committee Directors), and approval by all Districts.

At this time, the Chief Engineer and General Manager advised that this was the end of his presentation and opened the meeting for discussion questions from Directors.

Director Hahn thanked the Chief Engineer and General Manager. She addressed her fellow Directors and stated that the matter has been discussed many times. She is aware that \$50,000 per day is being accrued and this has impressed the Directors and all affected want to end that. She knows that staff and Directors want to pay off the pension obligations. Districts' labor partners have expressed the importance of having their pensions fully funded as well. As the Chief Engineer and General Manager mentioned in his presentation, Supervisor Solis, herself, and their fellow Supervisors were concerned, and they feel the Directors all are obligated to make good on the promise of a PHLF Park after the landfill was closed. The neighboring residents who have lived with the landfill suffered those impacts and were promised, in exchange, that a park would be built. The County and the Districts have tried mediation, but that was because the lawyers and both parties were unable to come to an agreement. The Supervisors have a real desire to find a pathway forward where both parties can agree on a price tag for the PHLF Park and also pay off the pension obligations. She stated that the charts presented in the Chief Engineer and General Manager's presentation show that POBs are an option, but not the best option for saving money compared to the exchange. She stated that the Chief Engineer and General Manager has a good relationship with Mr. Mark Pestrella, Director of Public Works, and the County Supervisors. She feels that both parties can maintain a good relationship, agree to an amount that is not too much nor too little, and pay off the UAL. If all Directors agree, she made a motion that the UAL payment actions be presented to the Boards, but delayed one month until Supervisor Solis, herself, the Chief Engineer and General Manager, and Chairperson Warner can figure it out and agree upon an amount to bring a settlement to the Board in June. She stated that she hoped to get support from all Directors, keep the lawyers out of it, and try to settle the lawsuit to do what's best for everyone.

The Chief Engineer and General Manager stated that Director Hahn's statement was appreciated. The Districts want to maintain the great relationship with the County Board of Supervisors, Departments of Public Works and Public Health, and other County partners. He thinks that Director Hahn's proposal is possible. He mentioned that the schedule that is laid out would require a couple of months for all the Districts to approve the exchange agreement, then the Pledge of Revenue Agreement would have to be approved by CalRecycle. He is hopeful that the process would be completed by June/July and the timeframe fits in with the settlement discussions. He stated that this is a direction that would be a good pathway forward.

In response to Director Finlay, the Chief Engineer and General Manager stated that the current minimum amount of solid waste reserve target includes the next six months of operation and maintenance expenses and two years of capital projects for an approximate total of \$52-53 million. Currently, that amount changes year to year. For capital, not the most conservative approach, only the next two years are covered. In the third through fifth year, there would need to be additional revenue. There are additional projects that need to be completed, including expansion of the Food Waste Program as cities face the requirements of meeting organics diversion. The solid waste reserves should be above the minimum target moving forward and is at a precarious position being 50 percent below the minimum requirement.

Director Barakat stated that the PHLF Park matter is not on the agenda. He considered the Park discussion a violation of the Brown Act and the public has a right to know if there is a discussion on the Park. The UAL and PHLF Park are separate issues. He stated that millions of dollars have already been wasted and another delay will waste another month. He stated that he would like the matters to be separated moving forward. Many will benefit from taking care of the UAL and he repeated that each item should stand on its own.

Director Horvath stated that Supervisor Hahn's proposal is a creative solution. She asked District Counsel's opinion as to whether the discussion is appropriate.

The Chief Engineer and General Manager stated that Supervisor Hahn is asking that the UAL proposal move forward but hold the execution of the agreement for one month to allow for a settlement discussion. He advised that staff is willing to do so.

District Counsel stated that the Chief Engineer and General Manager's understanding of Supervisor Hahn's request is correct. This is a broad discussion and well within the parameters of the agenda item and the Brown Act.

Director Horvath stated that she was interested in hearing what her colleagues had to say about separating the items. She stated that she is in support of the proposal and is interested if the discussion could bring resolution.

The Chief Engineer and General Manager stated that the Directors can discuss language in open session, although they cannot discuss details of potential settlement terms. That type of discussion must be in closed session with the Solid Waste Districts because they own the solid waste system's assets. Speaking in general about the lawsuit is within the Supervisor's context.

Director Barakat stated that he did not want to get into negotiations with ongoing litigation. He asked if discussions related to potential settlement terms is tied to the UAL item and if it is conditional. He asked if the UAL is not going to be funded depending on what the Districts gives for the PHLF Park.

Director Hahn stated that she was trying to provide a pathway forward. She stated that she is not negotiating in this meeting, but rather trying to endorse the exchange to pay off the pension obligation. She stated the exchange is a better option. All Directors are on the same side of paying off the pension obligation, saving the Districts money, and not spending \$50,000 per day. She stated that initially she and Supervisor Solis were concerned that the reserves were in the same pot of money that would be used to fund the PHLF Park and that the lawsuit will not be heard for two years. District No. 2 wants the PHLF Park and the UAL to be funded. She stated that she wants to find a pathway forward. She wants Director Warner, the Chief Engineer and General Manager, and both Supervisors to come to an agreement. She stated that everybody wins, and as to the question if the two issues are tied together, she stated that she does not know, but has the desire to come to an agreement. However, she has an obligation to the PHLF Park development. She also stated that approving a settlement means no one gets exactly what they want.

Chairperson Warner opined that she believed that Director Hahn's comments were genuine. She stated that the Supervisor's general overture is to find a solution. She wants to find a way to solve both issues. The way to do it is to plan for future discussions. Once those discussions are held, the matter must come back to the Solid Waste System's Districts. Let us not get ahead and stay with what is proposed and work out both issues, each step, and come back to those Solid Waste Districts.

Director Santa Ines thanked Supervisor Hahn for coming up with a creative pathway towards resolution. He wanted the Directors to keep in mind that the Districts is losing \$50,000 per day, which translates to one employee per year. He asked if there is a plan for a compromise because the park that the Districts wants and the park the County wants are not the same as each envisioned. The County Supervisors, Chairperson Warner, and the Chief Engineer and General Manager need a plan to sit down and discuss something that will work for both parties. Timing is everything and the clock is ticking.

Chairperson Warner cautioned that the PHLF Park settlement is not on the agenda and, as acting Chairperson, reminded the Directors about the Brown Act. Details of potential settlement must be discussed in a future meeting with the Directors.

Director Hahn stated that Chairperson Warner was correct and thanked Director Santa Ines and stated that he characterized issues between the Districts and County. Any potential settlement terms must be discussed and there would need to be compromise. She advised that neither party will get exactly what they want, but this is a pathway forward and everybody can win. She stated that she believes in relationships and has built her political career on relationships. She stated that she, Chairperson Warner, the Chief Engineer and General Manager, and Supervisor Solis can figure it out, if the Directors allowed it, by buying a little time before the exchange is brought back for another vote. She stated she is confident they can come to an agreement.

Director Rogers stated that he was very disappointed with District No. 2 for not moving forward and proceeding with the UAL exchange. He stated that it was a bad decision for the Districts. He was in absolute support to move forward, ratify the actions and restart the proposal. He advised that he supports endorsing the exchange and allowing staff and any other parties to negotiate what needs to be negotiated to make this happen.

The Chief Engineer and General Manager stated that what the Supervisor has asked for is that in May the exchange would not be brought back to the individual Districts after an endorsement, but only go before the Boards for consideration in the second week of June, which would allow time to move forward.

Director Hahn motioned to endorse the UAL/PCM exchange, which is notable since she had voted against the exchange the last time. She asked that the Board hold the voting on actions for one month. She stated that it is a better deal for the Districts. The motion was seconded by Chairperson Warner.

Director Furey endorsed the motion and feels secure of a resolution.

Chairperson Warner stated that the motion is to endorse the UAL/PCM exchange, for the item to come to the Boards in one month (second week of June), and to give direction to Districts' staff, Chairperson Warner, and Supervisors Solis and Hahn to facilitate settlement discussions, and for all discussions regarding the PHLF Park to come back to the Solid Waste Districts. She asked the Secretary for a roll-call vote.

The Chief Engineer and General Manager stated that the motion is correct with respect to the PHLF Park issue which would reconvene in closed session as needed.

The Secretary took a roll-call vote and the motion passed unanimously, as follows:

AYES (16): Directors Furey (2), Santa Ines, Horvath, Buscaino (2), Hahn, Barakat, Barger, Taj, Rogers, Hofbauer, Moss, Finlay, Davitt, and Warner

NOES (0): None

ABSENT (6): Saleh, Parris, Davis (absent from vote only), Solis (absent from vote only), Wilson, and Weste

ABSTAIN (0): None

Chairperson Warner stated that she appreciated the Directors and thanked the Supervisor for her suggestion. She stated that she looks forward to the first step of a resolution.

RE: STATUS REPORT

The Chief Engineer and General Manager stated that he had a few updates to report to the Directors.

Regional Recycling Water Program. The Chief Engineer and General Manager discussed the Districts' Regional Recycled Water Program (RRWP) which is in partnership with the Metropolitan Water District (MWD) for an advanced water treatment system at the Joint Water Pollution Control Plant (JWPCP). This project is to deliver purified water to groundwater basins throughout Los Angeles County and to potentially connect to MWD's drinking water plants, as shown on a map. The map showed the backbone system that would convey the purified water to various spreading areas. The RRWP has the potential of being the world's largest recycling water project, which would treat 150 million gallons per day, which is 10 percent of the annual Metropolitan need.

Last week, Governor Newsom announced a possible cut by the Federal Government from the water supply to Arizona and Nevada from the Colorado River. Should this occur, the RRWP would provide 10 percent of the water supply which can be banked during good years. The RRWP, along with Los Angeles City's Hyperion project, will put us in a good position to handle the impacts of climate change and the impacts with the water supply.

Environmental analysis and preliminary engineering are moving forward and ready to commence. Conveyance routes are being evaluated along Los Angeles and San Gabriel Rivers. The Districts is working with the County and Public Works, which controls the right-of-way, for additional supply basins. The Districts is analyzing treatment processes for upgrade alternatives for JWPCP. The state is developing regulations for direct potable reuse, although the current draft is extremely conservative. Currently, the project is 2 ½ years to the decision point to proceed with the full-scale project.

Telecommuting–Work-From-Home. The Chief Engineer and General Manager stated that Districts' office staff (500-600 employees) have been working from home since March 2020. According to Governor Newsom's announcement to reopen California on June 15, management set a tentative target date of July 1 to transition all employees to return to the office over the summer. Other agencies, including Los Angeles County Department of Public Works and the Orange County Sanitation District, will also be transitioning their employees back into the office. Management is working with the unions and employee units on a permanent

post-COVID Work-from-Home Policy. The Policy is being drafted to allow employees who can work from home to continue to do so on a part-time basis as an employee benefit. This is what is being seen in the industry and private businesses. This is a benefit that many employees find desirable and it has environmental benefits.

Kaanaana v. Barrett Business Services, Inc. (BBSI). The Chief Engineer and General Manager stated that between 2007 and 2013, BBSI provided belt/floor sorters for the Districts' recycling facilities. Approximately 12 contract employee workers filed a lawsuit against BBSI for several issues including a claim stating that they are entitled to prevailing wage because their work qualified as "public works" under the state definition. Historically, prevailing wage was paid for construction on public works, for example, sewer construction. The matter was escalated to the State Supreme Court, which ruled that for special districts, "public works" also includes the operation and maintenance of public facilities. When that was changed, it slightly modified the definition of "public works." The word "construction" was removed, and removing it opens the definition up. The court's decision may impact the Districts' solid waste finances and the agency may be required to pay the labor providers more for this type of work. The Department of Industrial Relations (DIR) determines the amount of prevailing wage or the average wage for certain job classifications by region. There are not many special districts that operate materials recovery facilities. The Districts might be the only one in Southern California. In addition to salary, the Districts requires that contract workers be given paid time-off and medical insurance. The Districts also required that the workers be paid above minimum wage. BBSI has asked the Districts to cover the prevailing wage portion of the lawsuit, if applicable. The matter would be addressed with BBSI and the Districts will work with the DIR as things move forward.

Tulare Lake Composting Facility. The Chief Engineer and General Manager stated that there is a lawsuit with the original tenant farmer regarding the Districts' alleged failure to deliver compost in a timely way to him. The Districts countersued for the farmer's violation of lease terms. The original tenant farmer sold his lease to another entity who is interested in acquiring the Districts' water rights. Trial commenced in February 2020, but it was declared a mistrial after the Superior Court shut down all civil cases in March 2020 because of COVID-19. The jury trial is set to commence next week. The solution to the COVID-19 shutdown was for both parties to split the cost of using a hotel ballroom for the trial. The California judicial commission said it is inappropriate and that the perception is only those with money can have their jury trials move forward. The judge today stated that our trial will not be conducted May 5 and will continue to be delayed.

In response to Director Hahn, the Chief Engineer and General Manager stated that years ago the Districts purchased approximately 14,000 acres of farmland to build a compost facility. The Districts leased the surrounding property back to the original tenant farmer to continue its farming operations and use the compost once it became available. When they started their operations, construction of the facility was delayed for several reasons. The farmer sold his lease rights to the property to another entity, without the Districts' knowledge. The entity continued to operate under the lease. Originally, the entity wanted to purchase the land for water rights. When the Districts did not agree to sell, a lawsuit was filed.

Senate Bill (SB) 1383 Organics Diversion. The Chief Engineer and General Manager stated that methane is 20 percent more potent than CO₂ as a greenhouse gas. SB 1383 sets new goals to divert organics away from landfills by 50 percent by 2020 and 75 percent by 2025. Costs for jurisdictions to comply with SB 1383 are expected to increase, but the Districts' organic management programs can help to mitigate costs. Enforcement starts on January 1, 2022. He advised that the Districts is processing 300 tons per day of food waste and has additional capacity to receive more. The gas from the digestion of the food waste is converted to renewable energy and natural gas, displacing fossil fuel and greenhouse gas. Directors with questions may contact him or staff familiar with organic requirements.

The meeting was adjourned by the Chairperson.

CATHY WARNER
Chairperson

ATTEST:

KIMBERLY S. CHRISTENSEN
Secretary

/mh