



September 3, 2021

Boards of Directors
County Sanitation District No. 27 and
Newhall Ranch Sanitation District
of Los Angeles County

Directors:

The enclosed consolidated agenda includes the following items for the regular meetings of the Boards of Directors of District No. 27 and Newhall Ranch Sanitation District meeting ~~Tuesday, September 14, 2021.~~ **Wednesday, September 15, 2021**

1. Minutes. (3 and 5) Copies of the minutes have been provided to each of the Directors.

2. District Expenses. (3 and 5) Local Districts' expenses represent costs incurred for operations, maintenance, and capital projects that are the sole responsibility of the individual District. Each District's share of allocated expenses represents its proportionate share of expenditures made by District No. 2, the Administrative District, on behalf of the individual districts that are parties to the Joint Administration Agreement. This Agreement provides for the joint administration and technical support for all of the signatory Districts along with the methodology for allocating these costs to each District. A listing of Districts' payments and previously approved budgets can be found on the Districts' website at lacsd.org/financial-documents. This item is consistent with the Districts' Guiding Principle of commitment to fiscal responsibility and prudent financial stewardship.

District No. 27 –

Local District Expenses:	
Operations & Maintenance (O & M)	\$16,333.44
Capital	8,114.00
Allocated Expenses:	
Joint Administration	2,261.22
Total Expenses	<u>\$26,708.66</u>

Newhall Ranch Sanitation District –

Local District Expenses:	
Operations & Maintenance (O & M)	\$213,144.17
Capital	33,338.66
Allocated Expenses:	
Joint Administration	6,244.24
Technical Support	3,195.94
Total Expenses	<u>\$255,923.01</u>

3. Agreement for Payment Unfunded Accrued Liability (3 and 5). The proposed Agreement will effectuate the payment of the Districts' UAL obligation with CalPERS using funds set aside for Solid Waste landfill post-closure maintenance costs. In return, all Districts will contribute to a "Fee-In-Lieu Fund" that will be available for post-closure maintenance costs. The proposal will result in a cumulative \$250 million in savings for all Districts and provide a more certain funding source for post-closure maintenance costs. The Personnel Committee endorsed staff's recommendation that the Agreement be presented to each of the Boards for approval. The agreement will only be implemented if approval of a revised Pledge of Revenue Agreement is obtained from CalRecycle. A letter describing the proposed exchange with estimated interest savings for each District and presentation slides are attached. Staff has determined that approval of the Agreement does not constitute a "Project" under the California Environmental Quality Act (CEQA)

pursuant to California Public Resources Code Section 21065 and Title 14 of the California Code of Regulations (“CEQA Guidelines”) Section 15378. This item is consistent with the Districts’ Guiding Principles of commitment to fiscal responsibility and prudent financial stewardship; and to plan for both short-term and long-term needs to minimize the need for significant rate increases.

Very truly yours,

A handwritten signature in cursive script that reads "Robert C. Ferrante".

Robert C. Ferrante

RCF:drs

Enclosures

Notice and Agenda

REGULAR MEETING — BOARD OF DIRECTORS — COUNTY SANITATION DISTRICT NO. 27/
NEWHALL RANCH SANITATION DISTRICT

To be held in the HEARING ROOM
OF THE BOARD OF SUPERVISORS
Kenneth Hahn Hall of Administration, Los Angeles, California

*In Response to concerns about the Novel Coronavirus (COVID-19), and in accordance with the
Governor's Executive Order N-29-20 and N-08-21, you may find further information at:*

<http://bos.lacounty.gov/Board-Meeting/Board-Agendas>

TUESDAY	WEDNESDAY	September 14, 2021	September 15, 2021	At 9:30 A.M.
BARGER	HAHN	SOLIS (Chairperson)	KUEHL	MITCHELL

1. Recommendation: Approve minutes of the regular meetings held June 8, 2021 (both Districts) and the special meeting held June 22, 2021 (Newhall Ranch Sanitation District) (5)
2. Recommendation: Approve April, May, June, and July 2021 Expenses in Total Amounts of \$26,708.66 (District No. 27) (3) and \$255,923.01 (Newhall Ranch Sanitation District) (5)
3. Recommendation: Approve and Order Executed [Joint Agreement for the Payment of the County Sanitation Districts of Los Angeles County Unfunded Accrued Liability \(UAL\) for the California Public Employees' Retirement System \(CalPERS\) \(Agreement\) \(Both Districts\)](#)

Adjourn

DIST. 27 AND NRSB
DOC 6296815

SEPTEMBER 14, 2021



September 3, 2021

Boards of Directors
Los Angeles County Sanitation Districts

Directors:

**Agreement for Payment of the Districts'
CalPERS Unfunded Accrued Liability (UAL) for Employees' Pensions**

The agendas for the upcoming meetings of the Boards of Directors contain an item recommending approval of a proposed *Joint Agreement for the Payment of the County Sanitation Districts of Los Angeles County Unfunded Accrued Liability for the California Public Employees' Retirement System* (Agreement), which is an agreement among the 24 Districts that effectuates the payment of the Districts' UAL obligation with CalPERS using funds set aside for Solid Waste landfill post-closure maintenance costs. In return, all Districts will contribute to a "Fee-In-Lieu Fund" that will fund landfill post-closure maintenance costs. The proposal will result in a cumulative \$250 million in savings from avoided interest for all Districts and provide a more certain funding source for post-closure maintenance costs. The Personnel Committee endorsed presenting the Agreement to each of the Boards for approval.

UAL

The UAL is the outstanding pension liability owed by the Districts for past service by District employees, and results from CalPERS investments underperforming or demographic assumptions that have shifted resulting in higher retirement liabilities than expected. The UAL is determined annually by CalPERS. The Districts are required to make annual payments to pay down the UAL and these payments are calculated using a 7% interest rate. According to the CalPERS valuation report dated June 30, 2020, if the UAL was paid down in accordance with the minimum payment schedule, there would be approximately \$380 million in interest cost.

CalPERS allows and encourages additional payments above the minimum payment amount, including full payoff of the UAL at any time. A common practice for agencies is to pay the UAL off by issuing Pension Obligation Bonds (POBs) or similar financing mechanisms, which would carry a lower interest rate than the 7% used for UAL payments. An even better alternative is to use available reserves to pay off the UAL.

LANDFILL POST-CLOSURE MAINTENANCE RESPONSIBILITIES

Fifteen of the 24 Districts are signatory to an agreement that formed the Solid Waste System (SW System). As parties to the agreement, these 15 Districts own the Districts' solid waste facilities including two closed landfills: Spadra and Puente Hills. The SW System is required to maintain environmental control systems at the landfills until they no longer pose a threat to the public health and safety and the environment. In order to provide funding for these post-closure maintenance responsibilities, approximately \$590 million has been set aside to provide interest revenue for post-closure maintenance costs, which are currently

approximately \$14 million per year. Earnings on the reserves is currently 1% to 2% and the interest revenue is falling short of maintenance costs.

PROPOSAL TO PAY OFF THE UAL

The proposed agreement calls for the use of up to \$470 million of the post-closure reserves to pay off the current UAL and potentially any new UAL that could be required in the next 2 years' CalPERS valuation reports. In return for use of post-closure maintenance reserves, all Districts would pay into a new "Fee-In-Lieu Fund" (Fund) which would be available for use by the SW System to pay for landfill post-closure maintenance costs. The Fund's purpose, targeted amount, and funding sources are defined in the proposed revisions to the Solid Waste Financial Reserve Policy. Payments into the Fund would continue as needed until the total payments made by the Districts equal the payments that would have been made on POBs. CalRecycle, which requires that the SW System demonstrate and pledge adequate revenue for post-closure maintenance costs, is currently reviewing revisions to the existing pledge of revenue agreement between District No. 2 and CalRecycle that will include the new Fee-In-Lieu fund payments as a source of revenue.

BENEFITS OF THE PROPOSAL

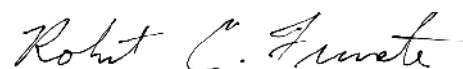
The proposed agreement provides significant benefits to all of the Districts:

- Saves approximately \$250 million in interest that would accrue on the UAL under the CalPERS payment schedule. Individual District savings are shown in the table on page 3.
- The savings translates into an immediate savings across the Districts of approximately \$20 million per year.
- The payments into the Fund in total will be no more than the payments that would have been made toward POBs, and the Districts will benefit from a longer payback period relative to bonds of approximately 40-60 years.
- The SW System achieves more certainty that funding of post-closure maintenance costs will be available, and in effect receives a higher interest rate than would be earned on its post-closure funds.

CONCLUSION / FUTURE ACTIONS

The Agreement was presented to the Personnel Committee at several meetings between September 2020 and April 2021 and the Committee unanimously endorsed presenting the agreement to each of the Boards for consideration. District No. 2 will also consider approval of the revised Solid Waste Financial Reserve Policy. A new pledge of revenue agreement between CalRecycle and District No. 2 will be executed at a future meeting, pending CalRecycle approval of the new revenue arrangement. After each of the documents has been approved and executed, post-closure maintenance funds will be used to pay off up to \$470 million in UAL accrued through June 30, 2022. Any additional or future UA will be addressed separately and is not included in this Agreement.

Very truly yours,



Robert C. Ferrante

Savings by District

District / Entity	Approximate Total Savings
District 1	\$ 12,200,000
District 2	18,900,000
District 3	13,300,000
District 4	300,000
District 5	20,900,000
District 8	13,000,000
District 9	-
District 14	9,300,000
District 15	13,400,000
District 16	5,600,000
District 17	800,000
District 18	10,100,000
District 19	2,300,000
District 20	9,700,000
District 21	13,500,000
District 22	8,000,000
District 23	3,000,000
District 27	-
District 28	200,000
District 29	1,600,000
South Bay Cities	5,000,000
Santa Clarita Valley	28,800,000
District 34	-
Newhall Ranch	1,000,000
Districts' SW System	33,700,000

Cumulative savings of the payments required under the proposed exchange, vs. the minimum payments required by CalPERS toward the UAL. Present value at 1.5% discount rate.



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

CALPERS Unfunded Accrued Liability (UAL)/Post Closure Maintenance Funding Exchange

**For Consideration at
September 2021 Board
Meetings**

September 2021



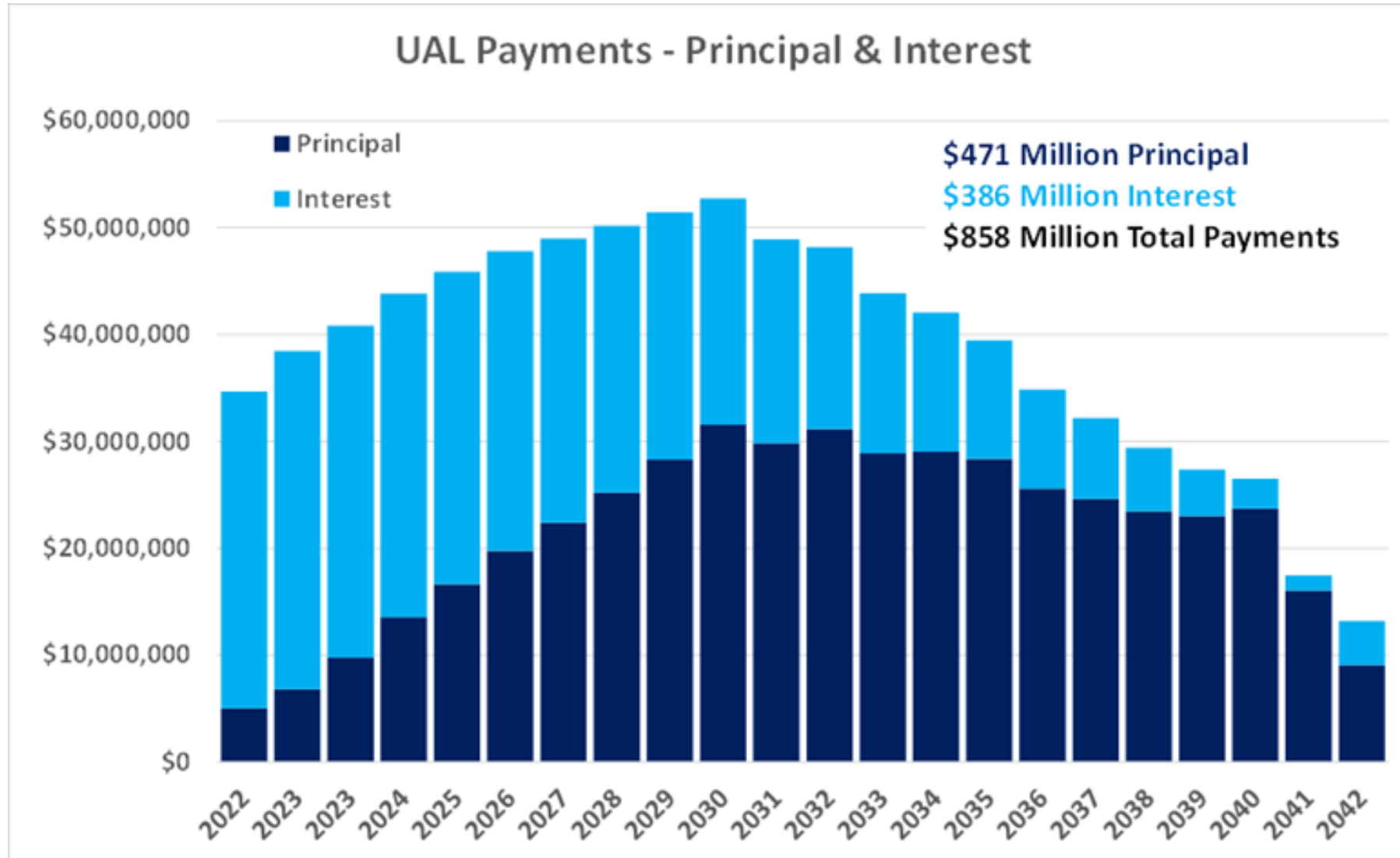
OUR SERVICE AREA

Introduction

- The Districts' Unfunded Accrued Liability (UAL) payments to CalPERS are a significant part of the Districts' labor costs. The payments are calculated as if the UAL was a loan at 7% interest.
- The Districts Solid Waste System Post-Closure Maintenance Funds are earning very low interest revenue.
- The proposal: Use landfill post-closure maintenance funds to pay off Districts' Unfunded Accrued Liability (UAL), and in return the Districts will cover post-closure maintenance costs.



CalPERS UAL Minimum Payment Schedule



Approximate payments as expected to be shown in the June 2020 report.



Landfill Post-Closure Maintenance

- Two distinct requirements:
 - Maintain environmental control systems until they no longer pose a threat to the public health and safety and the environment.
 - Demonstrate to CalRecycle that an ongoing revenue source is available for post-closure maintenance costs *or* turn funds over to trust for CalRecycle to manage.
- Current Pledge of Revenue Agreement with CalRecycle requires interest revenue generated by post-closure reserve funds be used for post-closure maintenance costs.



Proposal

- Use up to \$470 million of landfill post-closure maintenance funds to pay off UAL accrued through the June 30, 2022 report.
- In lieu of continuing to pay CalPERS UAL annual payments, Districts will pay a reduced annual fee into a “Fee-in-Lieu” fund.
- The “Fee-in-Lieu” would fund landfill post-closure maintenance costs until the total payments equal the payments that would have been made on Pension Obligation Bonds (POBs).



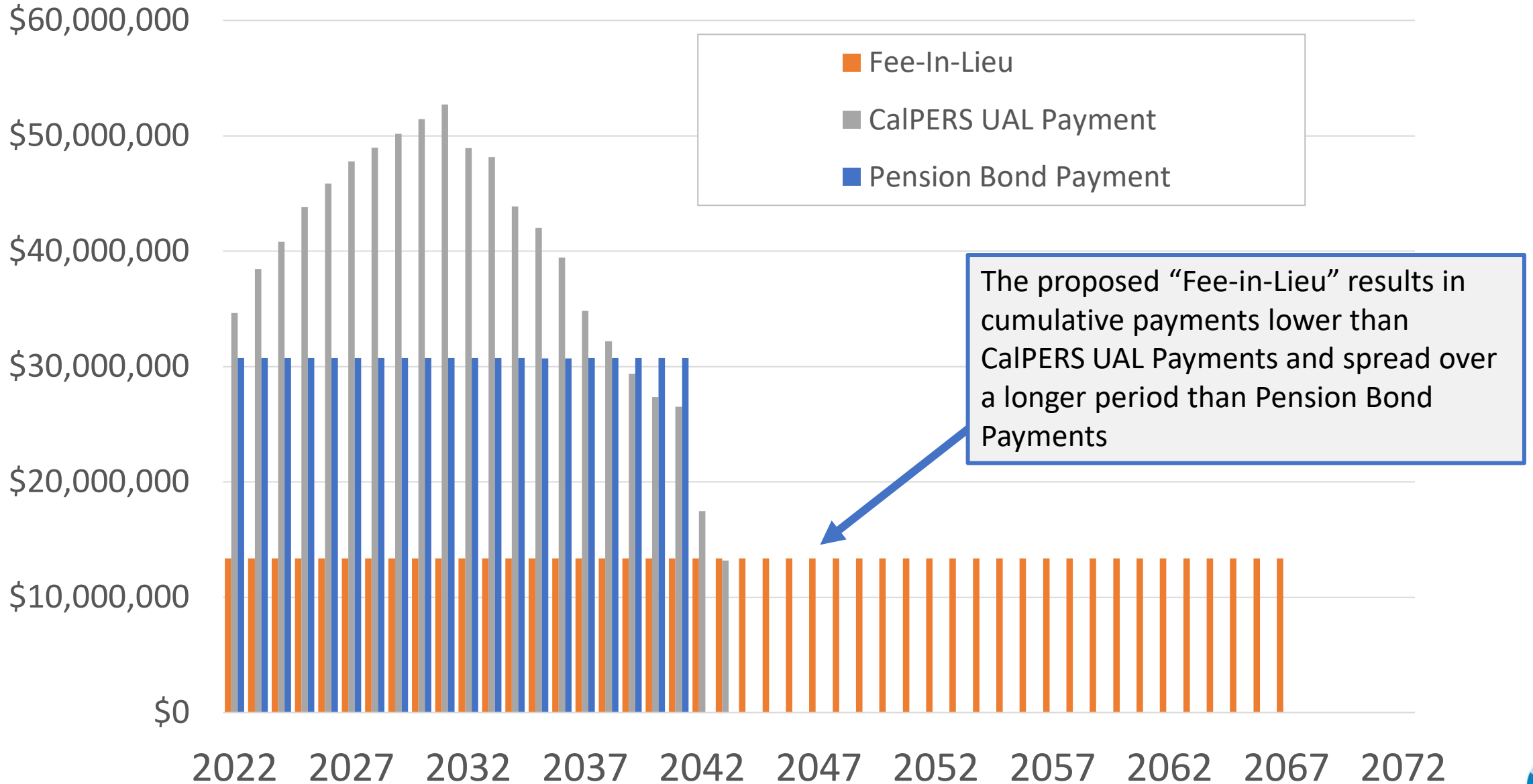
Advantages of Proposed Exchange

Julio Morales, Municipal Advisor, Urban Futures Inc.

- Using reserves is ideal for reducing or eliminating UAL.
- The proposed exchange is a solution that uses reserves that are currently committed to other purposes.
- Pension Obligation Bonds (POBs) are an alternative if no funds are available.
- Financial advantages of the proposed exchange over POBs:
 - Interest would be paid to others instead of supporting District activities.
 - Payments spread over 40 to 60 years, vs. 20 years for POBs.
- Equivalent exchange of obligations – UAL costs vs. post-closure maintenance costs.



Annual Cost Comparison



Short-Term Annual Savings by District

Continued UAL Payments vs. the Proposed "Fee-in-Lieu" Payments

	Approximate Annual Savings
District 1	\$ 1,540,000
District 2	2,340,000
District 3	1,720,000
District 4	20,000
District 5	2,610,000
District 8	1,200,000
District 9	-
District 14	860,000
District 15	1,810,000
District 16	890,000
District 17	120,000
District 18	1,230,000

	Approximate Annual Savings
District 19	\$ 330,000
District 20	740,000
District 21	1,600,000
District 22	1,130,000
District 23	260,000
District 27	-
District 28	40,000
District 29	120,000
South Bay Cities	540,000
Santa Clarita Valley	2,100,000
District 34	-
Newhall Ranch	60,000
Districts' SW System	3,680,000

Approximate annual savings, average for FY 2022 through FY 2026.



Total Savings by District

Continued UAL Payments vs. the Proposed "Fee-in-Lieu" Payments

	Approximate Total Savings	
District 1	\$	12,200,000
District 2		18,900,000
District 3		13,300,000
District 4		300,000
District 5		20,900,000
District 8		13,000,000
District 9		-
District 14		9,300,000
District 15		13,400,000
District 16		5,600,000
District 17		800,000
District 18		10,100,000

	Approximate Total Savings	
District 19	\$	2,300,000
District 20		9,700,000
District 21		13,500,000
District 22		8,000,000
District 23		3,000,000
District 27		-
District 28		200,000
District 29		1,600,000
South Bay Cities		5,000,000
Santa Clarita Valley		28,800,000
District 34		-
Newhall Ranch		1,000,000
Districts' SW System		33,700,000

Through approximately 2080. Net present value at 1.5% discount rate.



Timeline

- District Boards to consider approval of the Agreement in September 2021.
- District No. 2 to consider revisions of the Solid Waste Financial Reserve Policy.
- New pledge of revenue agreement being reviewed by CalRecycle.
- Execution of new pledge of revenue agreement in fall 2021 pending CalRecycle approval.
- Payment of UAL to occur through 2023 as post-closure reserve fund investments are liquidated and new UAL totals are determined by CalPERS.



Recommendation

- Approval of the proposed agreement by each District.
- Approval of the revised Solid Waste Financial Reserve Policy by District No. 2.
- Actions in the agreement will not begin until CalRecycle approves the revised Pledge of Revenue Agreement.



**JOINT AGREEMENT FOR THE PAYMENT OF THE COUNTY SANITATION
DISTRICTS OF LOS ANGELES COUNTY UNFUNDED ACCRUED LIABILITY FOR
THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

This Joint Agreement for the payment of the County Sanitation Districts of Los Angeles County Unfunded Accrued Liability for the California Public Employees' Retirement System (the "**Agreement**") is entered into by the following:

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. 4 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. 9 OF LOS ANGELES COUNTY,

COUNTY SANITATION DISTRICT NO. 14 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. 20 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. 27 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,
SOUTH BAY CITIES SANITATION DISTRICT OF LOS ANGELES COUNTY,
SANTA CLARITA VALLEY SANITATION DISTRICT OF LOS ANGELES COUNTY, and
NEWHALL RANCH SANITATION DISTRICT OF LOS ANGELES COUNTY.

This Agreement is made in consideration of the following matters:

RECITALS:

- A. The aforesaid County Sanitation Districts (collectively, the “**Districts**”) are organized and exist as public agencies pursuant to the provisions of the County Sanitation District Act (Chapter 3, Part 3, Division 5 of the California Health and Safety Code (“**HSC**”).

- B. HSC §4840 allows the Districts to find and declare, by resolution, that it is in their interest or advantage to enter into an agreement for the maintenance of a centralized and joint administrative organization to oversee and carry out the general administration affairs, along with other related tasks and work, as may be determined in such a written agreement.
- C. Under the authority of HSC §4840, the Districts, by and through the Amended Joint Administration Agreement, dated September 10, 2014, (the “**JAA**”) have determined that it is in the collective best interests of all of the Districts to have a single, joint and centralized administrative organization for the purposes of overseeing and administering the daily operations and obligations of the Districts. Section 1 of the JAA designates County Sanitation District No. 2 of Los Angeles County as the centralized joint administrative organization for the Districts (the “**Administrator**”).
- D. HSC §4840 further allows the Districts to participate in the California Public Employees Retirement System (“**CalPERS**”) and allows the Administrator to calculate the payment and apportionments of costs along with the collection, receipt and distribution of pension payments for the Districts.
- E. Section 6 of the JAA authorizes the Districts’ participation in CalPERS through the Administrator, and the Administrator is designated to have all the powers and is authorized to perform all of the duties of a public agency for purposes of CalPERS, in accordance with HSC §4840.
- F. HSC §4841 requires the JAA specify the proportionate amount to be paid by each of the Districts towards the costs and expenses of the Administrator, and towards the salaries and compensation of all staff and personnel employed jointly by the Districts through the Administrator.
 - a. Section 2 of the JAA outlines the allocation and apportionment process for all costs incurred in connection with the operation and maintenance of the Administrator.
 - b. Pursuant to Section 6 of the JAA, each signatory District has agreed to contribute and to pay into the funds of the JAA its proportionate share of the amount the JAA may be required to pay to CalPERS.

- G. In accordance with the JAA, the Administrator has elected to participate in the CalPERS program for employee pensions. Payments made to CalPERS by the Administrator include costs for both the normal cost rate, expressed as a percentage of the payroll for the Districts (the “**Normal Costs**”), and the annual payments toward the Unfunded Accrued Liability incurred by the Districts (the “**UAL**”). The UAL is calculated based on the present value of future employer contributions for service that has already been earned by employees/members of the retirement system, minus any payments made.
- H. Each August, CalPERS publishes an Annual Valuation Report (the “**Annual Report**”) that is based on asset value and calculated liabilities as of June 30 of the previous year and sets the required minimum payment schedule starting July 1 of the following year. CalPERS allows employers to make additional discretionary payments towards the UAL at any time in order to reduce or eliminate the total UAL balance and thereby reduce future required contributions.
- I. The JAA requires CalPERS costs related to current service be distributed proportional to the salaries and wages paid by each District. The JAA requires costs that can be readily segregated and allocated to be charged to each District. Given the nature of the Districts’ accounting processes and the inherent uncertainty and impracticality of determining each Districts’ share of costs related to paying down the UAL, apportioning the amount of the UAL allocable to each individual District is impracticable. The Administrator, in accordance with its duties and responsibilities as outlined in the HSC and the JAA, has determined that it is in the best interests of the Districts to treat the UAL as a joint administration expense.
- J. Pursuant to the CalPERS valuation process, any additional UAL, or reduced UAL in the form of a credit, will be added to the Districts total existing UAL amount causing a increase or decrease in the annual minimum required payment toward the UAL. At present, the UAL includes a 7% annual interest rate calculation.
- K. County Sanitation Districts 4, 9, 14, 20, 27, 28, 34, the Santa Clarita Valley Sanitation District and the Newhall Ranch Sanitation District (collectively, the “**Non-SW Districts**”) are all signatories to the JAA and, therefore, all share in the responsibility to contribute

towards payment of the UAL. The Non-SW Districts are not party to the Solid Waste Agreement (defined below).

- L. County Sanitation Districts Nos. 1, 2, 3, 5, 8, 15, 16, 17, 18, 19, 21, 22, 23, 29, and the South Bay Cities Sanitation District of Los Angeles County (collectively the “**SW Districts**”) are all signatories to the JAA and to the Sanitation Districts Solid Waste Management System Agreement, dated February 21, 1996 and amended May 23, 2007 (the “**SW Agreement**”). The SW Agreement designates the Administrator as the administrative organization for the SW Districts.
- M. Section 4 of the SW Agreement grants the Administrator full authority for, among other things, control and disbursement of all System Funds [defined in Section 1 of the SW Agreement as revenues originally contributed to the Sanitation Districts Solid Waste Management System (the “System”) and revenues earned through operation of the System, all of which are held in the Los Angeles County Sanitation District Joint Refuse Transfer and Disposal System Fund], the authority to negotiate agreements and employ personnel.
- N. As of the date of this Agreement, the Solid Waste System (as defined in the SW Agreement), under the ownership of the SW Districts, has established restricted funds for the purpose of providing interest revenue to pay the ongoing maintenance and post-closure costs for the Puente Hills and Spadra Landfills (collectively, the “**Post-Closure Funds**”). Post-closure costs are currently approximately \$14 million per year and costs are expected to continue to be incurred for at least 30 years.
- O. The Post-Closure Funds were established by and are maintained by the Administrator in accordance with the terms of the Pledge of Revenue Agreement between the Administrator and the State of California, Department of Resources Recycling and Recovery (“**CalRecycle**”) dated June 27, 2012 (the “**Revenue Agreement**”).
- P. The Districts have a shared interest in making one or more discretionary payments, as allowed by CalPERS, to pay down the full amount of the UAL (the “**UAL Payments**”) in order to realize savings by reducing or eliminating the amount of the current UAL and the subsequent annual payments that are calculated using a 7% interest rate.

- Q. The signatory Districts to this Agreement agree that in return for the SW Districts Post-Closure funds paying off the UAL of all Districts, each signatory District will pay an annual fee to a newly established fund (the “**Fee-In-Lieu Fund**”), which will be managed in accordance with the Administrator’s Solid Waste Financial Reserve Policy (the “**Reserve Policy**”). Proceeds from the established Fee-In-Lieu Fund will be used to cover post-closure costs, and any related obligations, in the future
- R. The Non-SW Districts will have the benefit of the SW Districts lump sum payment to CalPERS on the Non-SW Districts’ behalf. The SW Districts will be able to rely on the non-SW Districts contributions to the Fee-In-Lieu Fund to provide an income stream for future obligations. The signatory Districts agree that this exchange of obligations and benefits is equivalent, and this Agreement provides a net equivalent benefit to all Districts.
- S. The total amount of the fees paid into the Fee-In-Lieu Fund will in no case exceed the amount that would have been paid toward market-rate pension obligation bonds. The expected savings compared to continuing with minimum annual UAL payments will be approximately \$250 million, and the fees paid into the Fee-In-Lieu fund are expected to end after 40 to 60 years.

NOW, THEREFORE, the Parties agree as follows:

I. Definitions

- A. **Administrator** – See Recital C – As designated in Section 1 of the JAA, County Sanitation District 2 of Los Angeles County is designated as the centralized joint administrative organization for the Districts.
- B. **Agreement** – See Introduction paragraph – This Joint Agreement for the payment of the County Sanitation Districts of Los Angeles County Unfunded Accrued Liability for the California Public Employees’ Retirement System.
- C. **Annual Report** – See Recital H – The annual valuation report published by CalPERS that includes cost calculations payable in the upcoming fiscal year.
- D. **CalPERS** – See Recital D – The California Public Employees Retirement System.

- E. **CalRecycle** – See Recital O – The State of California, Department of Resources Recycling and Recovery.
- F. **Districts** – See Recital A – The listed County Sanitation Districts of Los Angeles County.
- G. **Fee-In-Lieu Fund** – See Recital Q – Newly established fund which will receive payments pursuant to the terms and provisions of this Agreement.
- H. **Fee Payment** – See Section III(a)(iii), Repayment Structure – The annual payment, calculated by the Administrator in accordance with the Reserve Policy, due from each District to replenish the Fee-In-Lieu Fund
- I. **HSC** – See Recital A – The California Health and Safety Code, Chapter 3, Part 2, Division 5, also known as the County Sanitation District Act.
- J. **JAA** – See Recital C – The Districts Amended Joint Administration Agreement dated September 10, 2014.
- K. **Non-SW Districts** – See Recital K – The County Sanitation Districts Nos. 4, 9, 14, 20, 27, 28, 34, the Santa Clarita Valley Sanitation District and the Newhall Ranch Sanitation District.
- L. **Normal Costs** – See Recital G – Defined in the CalPERS “Actuarial Valuation as of June 30, 2019 for the Miscellaneous Plan of the Los Angeles County Sanitation District No. 2” as a percentage of the payroll for the Districts as calculated by CalPERS staff.
- M. **Post-Closure Funds** – See Recital N – Restricted funds, established by the Solid Waste System and held by the Administrator for the purpose of providing interest revenue to pay the ongoing maintenance and post-closure activities for the Puente Hills and Spadra Landfills.
- N. **Reserve Policy** – See Recital Q – Administrator’s Solid Waste Financial Reserve Policy that outlines the permissible use of the Fee-In-Lieu Funds.
- O. **Revenue Agreement** – See Recital O – The Pledge of Revenue Agreement between the Administrator and CalRecycle dated June 27, 2012.

- P. **SW Agreement** – See Recital L – The Sanitation Districts Solid Waste Management System Agreement, dated February 21, 1996.
- Q. **SW Districts** – See Recital L – The County Sanitation Districts Nos. 1, 2, 3, 5, 8, 15, 16, 17, 18, 19, 21, 22, 23, 29, and the South Bay Cities Sanitation District of Los Angeles County.
- R. **UAL** – See Recital G – The Unfunded Accrued Liability as calculated by CalPERS staff.
- S. **UAL Payments** – See Recital P – One or more discretionary payments made to CalPERS to reduce or eliminate the UAL.

II. UAL Payment Structure

- A. As of the June 30, 2020 Annual Report, the Districts' UAL is \$500,264,079. Depending on actual investment return and actuarial assumptions, there may be additional UAL bases or credits reflected in the June 30, 2021 and June 30, 2022 valuation reports.
- B. **Joint Agreement Between SW and Non-SW Districts**
 - i. The SW Districts, through the Administrator, agree to and will cause to be transferred from the Post Closure Funds an amount not to exceed \$470 million for the purpose of making the UAL Payments. Fund transfer may occur in one lump sum or multiple smaller transfers. The Administrator will make discretionary UAL Payments to CalPERS on behalf of all Districts as soon as practical to pay down the amount of the UAL accrued up to, and including, the total reflected in the June 30, 2022 actuarial report. In no event will the UAL Payments described in this Agreement exceed the \$470 million allocated and authorized under this Agreement. The Administrator shall not begin the UAL payment process until revisions to the Revenue Agreement that reflect the terms of this Agreement are approved by CalRecycle.
 - ii. Following the execution of this Agreement, there may be additional UAL, or reduced UAL credit, that is charged or credited to the Districts by CalPERS after June 30, 2022. Any future UAL beyond the June 30, 2022 Annual Report or any

UAL in excess of \$470 million allocated and authorized under this Agreement must be paid by the Districts in accordance with the cost allocation provided for in the JAA as determined by the Administrator.

- C. The Administrator will confirm all payments made pursuant to this Agreement were received by CalPERS and duly credited against the Districts' UAL.

III. Repayment Structure

- A. In accordance with the terms and provisions of the JAA and as allowed by governing law, the Administrator is authorized to charge for labor and employment costs, including salaries and compensation.
- B. All existing and future UAL costs and any future payments into the Fee-In-Lieu Fund both constitute and are a Joint Administrative Cost as described in the JAA.
- C. Each year during the annual budget process, the Administrator will determine the amount needed to replenish the Fee-In-Lieu Fund based on the reserve target established in the Reserve Policy (the “**Fee Payment**”). The Fee Payment shall be apportioned among the Districts in accordance with the JAA process used to determine the allocation of other administrative costs pursuant to Section 2 of the JAA.
- D. The Administrator will establish the Fee-In-Lieu Fund upon completion of the first UAL Payment. Each District will make regular payments towards its annual Fee Payment with the total amount of the Fee Payment being due on or before June 30th of each year. An initial transfer from the Post-Closure Fund will be made to establish the Fee-In-Lieu Fund in an amount not to exceed \$15 million. Reserve targets, fund use restrictions, and payment administration for the Fee-In-Lieu Fund are addressed in the Reserve Policy.
- E. The contributions to the “Fee-in-Lieu” fund from the signatory Districts shall not exceed the equivalent amount that would have been paid had the UAL Payments been financed using pension obligation bonds assuming the current market interest rate of 3.1% (the current market rate for AA+ bonds) with the bonds paid over 20 years. It is expected that this cap will be reached in approximately 40 to 60 years.

IV. Other Terms and Provisions

- A. This Agreement terminates when the cap as outlined in Section III(E) above on total Fee in Lieu payments is reached.
- B. The recitals set forth in sections A through S above, including all definitions contained and therein, are expressly incorporated as terms of this Agreement
- C. This Agreement represents the entirety of the understanding and agreement by and among the Districts' regarding the matters contained herein.
- D. This Agreement does not create any new obligations from, or benefit to or for, any of the Districts beyond what is discussed in this Agreement.
- E. This Agreement does not obligate or bind any District that is not a SW District for any cost or obligation of the SW Districts.
- F. This Agreement does not change any of the obligations of the SW Districts under the Revenue Agreement.
- G. Any portion of the Post-Closure Fund not utilized for payment of the UAL belongs to the SW Districts and may continue to be used by the SW Districts for any legally authorized purpose.
- H. If one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect by a court, arbitrator or administrative agency having jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.
- I. The Districts agree to provide reasonable assistance to one another and cooperate to carry out the intent and fulfill the provisions of this Agreement. Each of the Districts shall promptly execute and deliver all documents and perform all acts as necessary to carry out the matters contemplated in this Agreement.

- J. The Districts' Chief Engineer, or his/her designee, is authorized to take all actions on behalf of the Districts in connection with any approvals, consents, or actions of or by the Districts under this Agreement.
- K. This Agreement may be executed in any number of counterparts, and each of such counterparts for all purposes shall be deemed to be an original, and all of such counterparts shall constitute one and the same Agreement.
- L. For any District that does not approve this Agreement, that District will continue to pay their approximate portion of the UAL Payment. The Fee Payment and all other provisions in this Agreement will only apply to those Districts that approve the agreement.

[Signatures on following page]

IN WITNESS WHEREOF, each signatory District below has duly approved and adopted this Agreement and authorized the Chairperson of its Board of Directors to execute the same.

ATTEST: COUNTY SANITATION DISTRICT NO. 1
OF LOS ANGELES COUNTY

Secretary Chairperson

ATTEST: COUNTY SANITATION DISTRICT NO. 2
OF LOS ANGELES COUNTY

Secretary Chairperson

ATTEST: COUNTY SANITATION DISTRICT NO. 3
OF LOS ANGELES COUNTY

Secretary Chairperson

ATTEST: COUNTY SANITATION DISTRICT NO. 4
OF LOS ANGELES COUNTY

Secretary Chairperson

ATTEST: COUNTY SANITATION DISTRICT NO. 5
OF LOS ANGELES COUNTY

Secretary Chairperson

ATTEST: COUNTY SANITATION DISTRICT NO. 8
OF LOS ANGELES COUNTY

Secretary Chairperson

ATTEST: COUNTY SANITATION DISTRICT NO. 9
OF LOS ANGELES COUNTY

Secretary Chairperson

ATTEST:

COUNTY SANITATION DISTRICT NO. 14
OF LOS ANGELES COUNTY

Secretary

Chairperson

ATTEST:

COUNTY SANITATION DISTRICT NO. 15
OF LOS ANGELES COUNTY

Secretary

Chairperson

ATTEST:

COUNTY SANITATION DISTRICT NO. 16
OF LOS ANGELES COUNTY

Secretary

Chairperson

ATTEST:

COUNTY SANITATION DISTRICT NO. 17
OF LOS ANGELES COUNTY

Secretary

Chairperson

ATTEST:

COUNTY SANITATION DISTRICT NO. 18
OF LOS ANGELES COUNTY

Secretary

Chairperson

ATTEST:

COUNTY SANITATION DISTRICT NO. 19
OF LOS ANGELES COUNTY

Secretary

Chairperson

ATTEST:

COUNTY SANITATION DISTRICT NO. 20
OF LOS ANGELES COUNTY

Secretary

Chairperson

ATTEST:

COUNTY SANITATION DISTRICT NO. 21
OF LOS ANGELES COUNTY

Secretary

Chairperson

ATTEST:

COUNTY SANITATION DISTRICT NO. 22
OF LOS ANGELES COUNTY

Secretary

Chairperson

ATTEST:

COUNTY SANITATION DISTRICT NO. 23
OF LOS ANGELES COUNTY

Secretary

Chairperson

ATTEST:

COUNTY SANITATION DISTRICT NO. 27
OF LOS ANGELES COUNTY

Secretary

Chairperson

ATTEST:

COUNTY SANITATION DISTRICT NO. 28
OF LOS ANGELES COUNTY

Secretary

Chairperson

ATTEST:

COUNTY SANITATION DISTRICT NO. 29
OF LOS ANGELES COUNTY

Secretary

Chairperson

ATTEST:

COUNTY SANITATION DISTRICT NO. 34
OF LOS ANGELES COUNTY

Secretary

Chairperson

ATTEST:

SOUTH BAY CITIES SANITATION DISTRICT
OF LOS ANGELES COUNTY

Secretary

Chairperson

ATTEST:

SANTA CLARITA VALLEY SANITATION
DISTRICT OF LOS ANGELES COUNTY

Secretary

Chairperson

ATTEST:

NEWHALL RANCH SANITATION DISTRICT
OF LOS ANGELES COUNTY

Secretary

Chairperson

APPROVED AS TO FORM:

LEWIS BRISBOIS BISGAARD & SMITH LLP

District Counsel