

PLEDGE OF REVENUE AGREEMENT

This Pledge of Revenue Agreement (“**Agreement**”) is between COUNTY SANITATION DISTRICT NO. 2 OF LOS ANGELES COUNTY (the “**District**”) and the STATE OF CALIFORNIA, DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (“**CalRecycle**”). This Agreement becomes effective upon execution by both parties

The District is a county sanitation district organized and existing under the provisions of California Health and Safety Code Sections 4700 *et seq.*

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 Amended Joint Administration Agreement, dated September 10, 2014, (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 District as the administrative organization for the SW Districts.

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 CalPERS Unfunded Accrued Liability. The Non-SW Districts are not party to the SW Agreement.

The District is the operator of the Puente Hills Landfill, which ceased accepting waste in October of 2013. CalRecycle accepted the Construction Quality Assurance Certification Report for closure of the Puente Hills Landfill on December 6, 2018. The Puente Hills Landfill has since been maintained by the District in conformance with the landfill’s Solid Waste Facility Permit No. 19-AA-0053, issued by the County of Los Angeles, Department of Public Health, serving as the Local Enforcement Agency (“**LEA**”) for CalRecycle, which permit incorporates by reference the landfill’s approved Final Closure and Postclosure Maintenance Plans.

The District is the operator of the Spadra Landfill (Facility No. 19-AA-0015), which ceased accepting waste in April of 2000. CalRecycle subsequently accepted the Construction Quality Assurance Certification Report for closure of the Spadra Landfill on July 18, 2002. The Spadra Landfill has since been maintained by the District in conformance with the landfill’s approved Final Postclosure Maintenance Plan.

California Public Resources Code, Sections 43500 through 43610.1, and Title 27 of the California Code of Regulations, Division 2, Subdivision 1, Chapter 6, (“**Regulations**”) require operators of solid waste landfills to demonstrate the availability of financial resources to conduct closure, postclosure maintenance, and corrective action activities.

The District had previously established trust funds for postclosure maintenance for the Puente Hills and Spadra Landfills and placed those funds, together with other funds, in dedicated interest-bearing accounts (“**Dedicated Accounts**”).

The District is party to the 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 “**UAL Agreement**”). Pursuant to the approval of their Boards of Directors

on September 8, 2021, the SW Districts and Non-SW Districts are signatory to the UAL Agreement, under which they have agreed that in return for the Dedicated Accounts paying off/down the Unfunded Accrued Liability of all Districts in an amount not to exceed \$470 million, each signatory District will pay an annual fee to a new fund (the “**Fee-In-Lieu Fund**”), which will be established upon execution of this Agreement and managed in accordance with the District’s Solid Waste Financial Reserve Policy adopted on September 8, 2021.

In consideration of the acceptance and approval of CalRecycle, the District will provide financial assurance for the postclosure maintenance of the Puente Hills and Spadra Landfills through revenues provided by the UAL Agreement, interest revenues from the solid waste reserves, revenues from the Post Closure Contingency Fund , and surplus revenues generated by operations of other Districts’ solid waste facilities. The District has determined that the projected revenue from these sources will provide the amount of revenue necessary to maintain compliance with the Regulations.

The District and CalRecycle therefore agree as follows:

1. The District hereby establishes a pledge of revenue to demonstrate financial responsibility for postclosure maintenance costs at the Puente Hills Landfill and the Spadra Landfill in accordance with Sections 22228 and 22245 of the Regulations.

2. The revenues pledged by the District are the revenues provided by the UAL Agreement, interest revenues from the solid waste reserves, revenues from the Post Closure Contingency Fund, and revenues generated by operations of other Districts’ solid waste facilities.

3. The annual amount of the revenue pledged by the District equals the estimated cost per year for postclosure maintenance of the Puente Hills and Spadra Landfills based on the greater of the most recently approved or most recently submitted postclosure maintenance cost estimates prepared in accordance with Section 21840 of the Regulations. The current total annual estimated postclosure maintenance cost for both landfills in 2021 dollars is \$14,202,042 per year: \$10,637,907 per year for the Puente Hills Landfill and \$3,564,135 per year for the Spadra Landfill. The total amount of the pledge is the amount of the postclosure cost estimates multiplied by the factors established under Section 22211(a) and (b) of the Regulations. The current factor is thirty (30) for the Puente Hills Landfill and fifteen (15) for the Spadra Landfill. The amount of this pledge will increase or decrease in accordance with any change in the amount of the greater of the most recently approved or most recently submitted postclosure maintenance cost estimates and any change in the above-described factor for the Puente Hills Landfill that has been approved by CalRecycle under the procedures established by Section 22211(a). This Agreement will remain in effect for the state-mandated period of postclosure maintenance.

4. Within 30 days before July 1 of each year, the District may withdraw from the Fee-In-Lieu Fund and/or from the other solid waste funds being pledged the amount of each year’s pledged revenue and transfer that amount into the operating funds for the Puente Hills and Spadra Landfills. The District shall continue to have its operating accounts for the Puente Hills and Spadra Landfills held by the Auditor-Controller of the County of Los Angeles.

5. The District shall disburse the operating funds for postclosure maintenance in accordance with the approved final postclosure maintenance plans for the landfills.

6. Upon execution of this Agreement, the District shall make an initial transfer of funds from the Dedicated Accounts to establish the Fee-In-Lieu Fund in accordance with the terms of the UAL Agreement.

7. The UAL Agreement shall not be amended without CalRecycle's prior written consent.

8. The Chief Engineer and General Manager is directed to produce an Annual Certification Report (form CalRecycle 114) as required by Section 22233(b)(4)(B) of the Regulations to demonstrate that the pledged revenue continues to be available when needed and will cover the applicable cost estimates identified in the updated Annual Inflation Factor Report required by Section 22236 of the Regulations. It is understood that copies of the Resolution and Pledge of Revenue Agreement are not required annually, unless amended.

9. If revenues are at any time insufficient to provide the amount of revenue pledged, or to pay postclosure maintenance costs of the Puente Hills and Spadra Landfills, or if the District ceases at any time to retain control of its ability to allocate the pledged revenues to pay postclosure maintenance costs at those landfills, the District shall notify CalRecycle and shall provide alternate or additional financial assurance coverage within sixty (60) days after the deficiency occurs, in accordance with Section 22245 of the Regulations.

10. If CalRecycle, RWQCB, or LEA staff determine that the District has failed, or is failing, to perform postclosure maintenance at either the Puente Hills Landfill or the Spadra Landfill as required by law, CalRecycle, RWQCB or LEA staff, as applicable, shall, upon reasonable notice, meet and confer with the District and attempt to resolve the alleged deficiencies. If no agreement is reached, the matter will be handled in accordance with applicable enforcement procedures contained in CalRecycle, State Water Resources Control Board and LEA governing statutes, regulations, and policies. If CalRecycle then determines that the District has failed, or is failing, to perform postclosure maintenance as required by law, CalRecycle may direct the Auditor – Controller of the County of Los Angeles to make payment from the pledged revenues to provide for the cost of postclosure maintenance activities in accordance with the landfills' approved final postclosure maintenance plans.

11. CalRecycle accepts and approves the District's pledge of revenue described above.

12. This Agreement may be executed in counterparts or by electronic signature in a form acceptable to CalRecycle.

13. Each party is signing this Agreement on the date set forth below that party's signature.

STATE OF CALIFORNIA
DEPARTMENT OF RESOURCES RECYCLING
AND RECOVERY

By: _____
Paulina Lawrence, Branch Chief
Permitting & Asst. Branch

Dated: _____

Approved as to Form:

By: _____
Harlee Branch
Assistant Chief Counsel

COUNTY SANITATION DISTRICT NO. 2
OF LOS ANGELES COUNTY

By: _____
Chairperson

Dated: _____

Attest:

Secretary

Approved as to Form:
Lewis Brisbois Bisgaard & Smith LLP

By: _____
District Counsel