

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF
SOUTH BAY CITIES SANITATION DISTRICT
HELD AT THE OFFICE OF THE DISTRICT
VIA TELECONFERENCE

February 16, 2022
1:30 o'clock, P.M.

The Board of Directors of South Bay Cities Sanitation District of Los Angeles County met in regular session via teleconference.

There were present: Chris Pimentel, Alternate Director from El Segundo
Michael Detoy, Director from Hermosa Beach
Hildy Stern, Director from Manhattan Beach
David McGowan, Alternate Director from Palos Verdes Estates
David Bradley, Director from Rancho Palos Verdes
Frank Zerunyan, Director from Rolling Hills Estates
Patrick J. Furey, Chairperson, Director from Torrance

Absent: Bill Brand, Director from Redondo Beach

Also present: Kimberly S. Christensen, Secretary to the Board
Wes Beverlin, District Counsel

RE: PUBLIC COMMENT 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: DIRECTOR FROM CITY OF PALOS VERDES ESTATES A certificate from the City Clerk of the City of Palos Verdes Estates was presented to the Secretary stating that at a meeting of the City Council held December 14, 2021, Ms. Victoria Lozzi was elected Mayor of the City of Palos Verdes Estate, which is the designation of the presiding officer of the governing body of that city and automatically places Ms. Lozzi on this Board.

Upon motion of Director Zerunyan, duly seconded and unanimously carried by a roll-call vote, the certificate was accepted and ordered filed.

RE: ALTERNATE DIRECTOR FROM CITY OF PALOS VERDES ESTATES A copy of an action taken by the City Council of the City of Palos Verdes Estates at a meeting held December 14, 2021 was presented to the Secretary stating that Mr. David McGowan, a member of the City Council of the City of Palos Verdes Estate, was appointed to serve as alternate Director from the city.

Upon motion of Director Zerunyan, duly seconded and unanimously carried by a roll-call vote, the action was accepted and ordered filed.

RE: DIRECTOR FROM CITY OF ROLLING HILLS ESTATES A certificate from the City Clerk of the City of Rolling Hills Estates was presented to the Secretary stating that at a meeting of the City Council held January 25, 2022, Mr. Frank Zerunyan was elected Mayor of the City of Rolling Hills Estates, which is the designation of the presiding officer of the governing body of that city and automatically places Mr. Zerunyan on this Board.

Upon motion of Director Zerunyan, duly seconded and unanimously carried by a roll-call vote, the certificate was accepted and ordered filed.

RE: ALTERNATE DIRECTOR FROM CITY OF ROLLING HILLS ESTATES A copy of an action taken by the City Council of the City of Rolling Hills Estates at a meeting held January 25, 2022 was presented to the Secretary stating that Ms. Britt Huff, a member of the City Council of the City of Rolling Hills Estates, was appointed to serve as alternate Director from the city.

Upon motion of Director Zerunyan, duly seconded and unanimously carried by a roll-call vote, the action was accepted and ordered filed.

RE: MINUTES
 Upon motion of Director Zerunyan, duly seconded and unanimously carried by a roll-call vote, the minutes of the regular meeting held January 19, 2022, were approved.

RE: DISTRICT EXPENSES
 The following expenses for the month of December 2021 were presented and upon motion of Director Zerunyan, duly seconded and unanimously carried by a roll-call vote, were approved:

Local District Expenses:	
Operations & Maintenance (O & M) Local District Sewers	\$ 169,678.80
Capital – Local Capital	214.04
Allocated Operations & Maintenance Expenses:	
Joint Administration	86,949.45
Technical Support	68,704.01
Joint Facilities	387,343.53
Allocated Capital Expenses:	
Joint Administration	4,615.38
Technical Support	172.22
Total Expenses	<u>\$717,677.43</u>

RE: RESOLUTION PROCLAIMING A LOCAL EMERGENCY, RATIFYING THE PROCLAMATION OF A STATE OF EMERGENCY ON MARCH 4, 2020 BY CALIFORNIA GOVERNOR AND AUTHORIZING REMOTE TELECONFERENCE MEETINGS OF THE LEGISLATIVE BODY - ADOPT

A proposed *Resolution of the Board of Directors of the South Bay Cities Sanitation District of Los Angeles County Proclaiming a Local Emergency, Ratifying the Proclamation of a State of Emergency on March 4, 2020 by California Governor and Authorizing Remote Teleconference Meetings of the Legislative Body*, was presented. Remote teleconferenced meetings, during the continued existence of the Governor’s proclaimed state of COVID-19 emergency, will be conducted under the provisions of AB 361 which added California Government Code Section 54953(e), to the Brown Act. Under the provisions of AB 361 and Government Code Section 54953(e), each District must adopt, by majority vote, a resolution making certain findings about the continuing COVID state of emergency and health and safety risks of conducting their meeting in person. By statute, this Resolution and its referenced findings, are only legally valid for 30 days. The Resolution was attached to the agenda. A recommendation was made to adopt the Resolution.

Upon motion of Director Zerunyan, duly seconded and unanimously carried by a roll-call vote, the following Resolution was adopted:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
 SOUTH BAY CITIES SANITATION DISTRICT OF LOS ANGELES COUNTY
 PROCLAIMING A LOCAL EMERGENCY, RATIFYING THE PROCLAMATION
 OF A STATE OF EMERGENCY ON MARCH 4, 2020
 BY CALIFORNIA GOVERNOR AND AUTHORIZING
 REMOTE TELECONFERENCE MEETINGS OF THE LEGISLATIVE BODY

WHEREAS, South Bay Cities Sanitation District of Los Angeles County (“District”) is committed to preserving and nurturing public access and participation in meetings of the District’s Board of Directors and committees; and

WHEREAS, all meetings of the District’s Board of Directors are open and public, pursuant to the requirements of the Ralph M. Brown Act (California Government Code Sections 54950-54963) (the “Brown Act”), so that any member of the public may attend, participate, observe and watch the District’s Board of Directors conduct business; and

WHEREAS, the Brown Act, Section 54953(e), allows for conducting and participating in meetings by members of a legislative body, without compliance with the requirements of the Brown Act Section 54953(b)(3), subject to the existence of certain conditions; and

WHEREAS, a required condition under the Brown Act Section 54953(e) is the declaration of a state of emergency by the Governor pursuant to California Government Code Section 8625, proclaiming the existence

of conditions of disaster or of extreme peril to the safety of persons and property within California caused by the conditions outlined and described in California Government Code Section 8558; and

WHEREAS, a proclamation of a state of emergency is made when there is an actual incident, threat of disaster, or extreme peril to the safety of persons and property within the jurisdictions that are within the District's boundaries, caused by natural, technological, or human-induced disasters; and

WHEREAS, it is further required that the state or local officials have imposed or recommended measures to promote social distancing, or the Board of Directors of the District have held a meeting where it considered and determined that meeting in person would present imminent risks to the health or safety of attendees; and

WHEREAS, such conditions now exist in the District as Governor Newsom declared a State of Emergency on March 4, 2020 as a result of the threat of COVID-19; and

WHEREAS, the Centers for Disease Prevention and Control, in its publication "How to Protect Yourself & Others" updated August 13, 2021, have recommended social distancing practices, including staying 6 feet away from others and avoiding crowds and poorly ventilated spaces in order to protect individuals and others from COVID-19; and

WHEREAS, the County of Los Angeles Department of Public Health Order of the Health Officer issued September 17, 2021 (the "County Order") includes a finding that the existing community transmission of COVID-19 in Los Angeles County remains high and continues to present a high risk of infection and harm to the health of those who are not and cannot be vaccinated against COVID-19 especially when there is an absence of capacity limits and physical distancing requirements for both indoor and outdoor settings. The County Order further finds that COVID-19 infection remains a significant health hazard to all residents; and

WHEREAS, the District's Board of Directors does hereby find that the ongoing and significant risks associated with COVID-19 infection, especially in the absence of capacity limits and physical distancing requirements for indoor activities, on those who are not and cannot be vaccinated, and that COVID-19 infection remains a significant health hazard to all residents, has caused, and will continue to cause, conditions of peril to the safety of persons within the District that are likely to be beyond the control of services, personnel, equipment and facilities of the District, and desires to proclaim a local emergency and ratify the proclamation of a state of emergency by the Governor of the State of California, and further, ratify the County Order findings related to the ongoing health hazards of COVID-19; and

WHEREAS, as a consequence of the declared state of emergency and the local emergency, the Board of Directors of the District does hereby find that the District shall continue to conduct its meetings in accordance with the provisions and requirements of the Brown Act Section 54953(e), and that the legislative bodies of the District shall comply with the requirements to provide the public with access to, and an opportunity to comment at all meetings of the District's legislative bodies in accordance with the requirements of the Brown Act Section 54953(e)(2); and

WHEREAS, the District will continue its practice of live streaming its meetings via the Zoom software platform which allows members of the public to observe and participate in the meetings via video or call-in options, and will continue to offer members of the public an opportunity to make oral comments during the meetings and/or submit written comments before the meetings.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF SOUTH BAY CITIES SANITATION DISTRICT OF LOS ANGELES COUNTY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Recitals. The Recitals set forth above are true, correct, and are incorporated in this Resolution by reference.

Section 2. Proclamation of Local Emergency. The Board of Directors of the District does hereby proclaim that a local emergency now exists throughout the territory of the District and, as described in the County Order, there remains evidence of sustained and high community transmission rates of COVID-19 resulting in high risks of infection and harm to the health of those who are not and cannot be vaccinated against COVID-19, especially when there is an absence of capacity limits and physical distancing requirements for both indoor and outdoor settings, and COVID-19 infection remains a significant health hazard to all residents of the District.

Section 3. Ratification of Governor's Proclamation of a State of Emergency. The District's Board of Directors hereby ratifies the Governor of the State of California's Proclamation of a State of Emergency, effective as of its issuance date of March 4, 2020.

Section 4. Remote Teleconference Meetings. The Chief Engineer and General Manager, staff and legislative bodies are hereby authorized and directed to take all actions necessary to carry out the intent and purpose of this

Resolution including, without limitation, conducting open and public meetings in accordance with the Brown Act Section 54953(e) and all other applicable provisions of the Brown Act.

Section 5. Effective Date of Resolution. This Resolution shall take effect immediately upon its adoption and shall be effective until the earlier of (i) 30 days after the date of this resolution, or such time that the District's Board of Directors adopts a subsequent resolution in accordance with the Brown Act Section 54953(e)(3) to extend the time during which the legislative bodies of the District may continue to teleconference without compliance with the requirements of the Brown Act Section 54953(b)(3).

PASSED AND ADOPTED by the Board of Directors of South Bay Cities Sanitation District of Los Angeles County this 16th day of February 2022 by the following vote:

AYES: Seven (7)

NOES: None

ABSTAIN: None

ABSENT: One (1)

RE: RESOLUTION OF THE BOARD OF DIRECTORS OF SOUTH BAY CITIES SANITATION DISTRICT OF LOS ANGELES COUNTY AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF A MASTER OBLIGATION AGREEMENT, AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF A JOINT ACQUISITION AGREEMENT AND A BOND PURCHASE AGREEMENT IN CONNECTION WITH THE ISSUANCE OF LOS ANGELES COUNTY SANITATION DISTRICTS FINANCING AUTHORITY REVENUE BONDS, 2022 SERIES A (GREEN BONDS) (SRF LOANS REFUNDING), APPROVING THE ISSUANCE OF SAID BONDS AND THE FORM OF THE INDENTURE PURSUANT TO WHICH THE SAME ARE TO BE ISSUED, AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND AN OFFICIAL STATEMENT IN CONNECTION THEREWITH AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND CERTIFICATES AND RELATED ACTIONS ADOPT

A proposed Resolution Authorizing The Execution and Delivery by the District of a Master Obligation Agreement, Authorizing the Execution and Delivery by the District of a Joint Acquisition Agreement and a Bond Purchase Agreement in Connection with the Issuance of Los Angeles County Sanitation Districts Financing Authority Revenue Bonds, 2022 Series A (Green Bonds) (SRF Loans Refunding), Approving the Issuance of said Bonds and the form of the Indenture Pursuant to which the same are to be Issued, Authorizing the Distribution of a Preliminary Official Statement and an Official Statement in Connection Therewith and Authorizing the Execution of Necessary Documents And Certificates and Related Actions was presented. In order to finance the Clearwater Tunnel Project, the Districts applied for low-cost loans from the State Water Resources Control Board's Clean Water State Revolving Fund (SRF) and the US Environmental Protection Agency's Water Infrastructure Finance and Innovation Act (WIFIA) program. In order to finalize these two loans, 42 existing SRF loans to the Joint Outfall System Districts must be refunded either by paying off with cash reserves or through the issuance of bonds. Staff recommends using cash reserves to pay off the existing loans with a remaining term of less than two years, low balances, or that have pre-paid interest (35 loans for a total of \$46

million). The remaining seven SRF loans (\$100 million) would be refunded with revenue bonds. These actions allow the Districts to move forward with finalizing the WIFIA and SRF loans for the Tunnel Project, which will save up to \$6 million per year compared to market-rate bond financing. The proposed Resolution includes approval of the necessary documents, direction to staff to distribute the documents, and authority for the Financing Authority to sell new revenue bonds on the Districts' behalf. The necessary extensive documents to be considered for the sale of the bonds are available at <https://www.lacsd.org/JOSbonds>. A letter discussing this issue accompanies the agenda. Approval of this does not constitute a "Project" as defined in California Public Resources Code Section 21065 as funds will be used to repay existing financial obligations. This item is consistent with the Districts' Guiding Principles of commitment to fiscal responsibility and prudent financial stewardship; and to protect financial and facility assets through prudent investment and maintenance programs. A copy of the proposed Resolution was attached to the agenda. A recommendation was made to adopt the Resolution. Furthermore, a recommendation was made to approve the use of Standard & Poor's Financial Services LLC, at a cost of approximately \$100,000, as the bond rating agency.

The Chief Engineer and General Manager advised the Directors that there was a brief presentation regarding the Clearwater Tunnel Financing Plan and proposed loan refunding and bond issuance. A letter discussing this matter was attached to the agenda. The matter was previously discussed with the Financing

Authority, consisting of the same members of the Personnel Committee (all Districts' Chairs), which recommended moving the item forward to all Boards. Last week, the Southern Boards approved the actions. It is recommended that District No. 5 and South Bay Cities District consider approval of the item. He introduced Mr. Matt Eaton, Department Head of Financial Management, to discuss this matter in detail.

Mr. Eaton stated that the Clearwater Tunnel is a seven-mile outfall tunnel, which will convey effluent from the Joint Water Pollution Control Plant in Carson to White Point at the Palos Verdes Peninsula. It will replace the two current tunnels, constructed in 1937 and 1958. The new tunnel will provide additional reliability, redundancy, and adequate treatment of wastewater

The Districts needs to refund existing JOS loans to receive \$570 million in state and federal low-interest financing. The U.S. Environmental Protection Agency Water Infrastructure Finance and Innovation Act (WIFIA) program will provide a \$441 million loan. The Clean Water State Revolving Fund will provide a \$127 million loan. Low-interest financing will save up to \$6 million per year over 30 years.

He explained the initial steps needed to obtain low-cost financing. To finalize the process of securing the new low interest loans, the Districts must pay off or refund 42 existing SRF loans. It is recommended to use cash reserves to pay off 35 loans for those with a remaining term of less than two years, those with low balances, or those that have pre-paid interest (\$56.2 million); and issue bonds to refund the remaining seven SRF loans (\$103.6 million).

He discussed the next steps. In the month of February, the individual Districts will consider approval of the action. On February 23, the Financing Authority will consider final approval. On March 1, the Districts will pay off 35 loans using cash reserves. On April 7, the bond sale closes and the remaining seven loans will be paid off. Approval of the low-cost SRF and WIFIA loans is expected in April or May.

Director Hahn stated that she mentioned a couple years ago that the agency should obtain a pool of underwriters to expand the opportunity to minority-owned and women-owned businesses. She asked if the Districts' has a strategy in this matter.

Mr. Eaton stated Director Hahn had requested this last summer at the previous financing authority meeting. Based on her request, Districts' staff planned on issuing a Request for Proposal or Qualifications (RFP/RFQ) early this year. This current bond issuance arose at the last minute due to a May 15 deadline related to finalizing the infrastructure act. There wasn't enough time for District's staff to go through the formal RFP or RFQ process. The process will be initiated as soon as the current bond issuance is closed.

Director Hahn stated that the 'big boys' are the ones that benefit from these types of transactions, as they make so much money from so many entities. It is important for public agencies, including the Sanitation Districts, to create a diverse pool and provide an opportunity for others.

Mr. Eaton agreed. He stated that the Districts did not have any expectations of issuing bonds prior to this matter.

The Chief Engineer and General Manager stated that the Districts has already done this with its Purchasing Policy with respect to disadvantaged firms and vendors and will plan to issue an RFP or RFQ for an underwriter.

Director Hahn stated that this would be a good opportunity for others to benefit with a lot of loans.

Director Hahn stated that she was ready to approve the item.

Chairperson Furey agreed with Director Hahn.

Director Zerunyan also agreed. He stated that the Districts should issue an RFQ to gather a group of qualified entities. The Districts would then send an RFP out to those who are included on a list of qualified entities.

The Chief Engineer and General Manager stated that this will be the plan, and the matter will be brought to the Financing Authority's next meeting. They will endeavor to ensure a balance in that pool.

Upon motion of Director Zerunyan, duly seconded and unanimously carried by a roll-call vote, the Board of Directors of South Bay Cities Sanitation District of Los Angeles County approved the use of Standard &

Poor's Financial Services LLC, at a cost of approximately \$100,000, as the bond rating agency. Furthermore, the following Resolution was adopted:

RESOLUTION OF THE BOARD OF DIRECTORS OF SOUTH BAY CITIES DISTRICT OF LOS ANGELES COUNTY AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF A MASTER OBLIGATION AGREEMENT, AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF A JOINT ACQUISITION AGREEMENT AND A BOND PURCHASE AGREEMENT IN CONNECTION WITH THE ISSUANCE OF LOS ANGELES COUNTY SANITATION DISTRICTS FINANCING AUTHORITY REVENUE BONDS, 2022 SERIES A (GREEN BONDS) (SRF LOANS REFUNDING), APPROVING THE ISSUANCE OF SAID BONDS AND THE FORM OF THE INDENTURE PURSUANT TO WHICH THE SAME ARE TO BE ISSUED, AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND AN OFFICIAL STATEMENT IN CONNECTION THEREWITH AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND CERTIFICATES AND RELATED ACTIONS

WHEREAS, South Bay Cities Sanitation District of Los Angeles County (the "District") and certain other County Sanitation Districts of Los Angeles County (collectively, the "MOA Districts") desire to establish the terms and conditions for the incurrence by each MOA District from time to time of obligations of such MOA District to finance or refinance the acquisition, construction, equipping and improvement of such MOA District's sewerage system and other items with respect thereto that such MOA District may lawfully finance or refinance ("Projects");

WHEREAS, there has been prepared a form of a Master Obligation Agreement, by and among the MOA Districts and Zions Bancorporation, National Association, as master trustee, which sets forth such terms and conditions for the incurrence by each MOA District from time to time of obligations of such MOA District to finance or refinance Projects of such MOA District (such Master Obligation Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Master Obligation Agreement");

WHEREAS, certain of the County Sanitation Districts of Los Angeles County, including the District, commonly referred to as the Joint Outfall Districts (the "Districts"), financed certain capital additions, replacements, betterments, extensions and improvements to their respective sewerage systems with proceeds of loans evidenced by (a) Loan Contract (Contract No. 09-857-550; Project No. 5539-110), by and among the Districts and the State Water Resources Control Board, (b) Loan Contract (Contract No. 13-811-550; Project No. 5892-110), by and among the Districts and the State Water Resources Control Board, (c) Loan Contract (Contract No. 12-832-550; Project No. 7694-110), by and among the Districts and the State Water Resources Control Board, (d) Loan Contract (Contract No. D16-01011; Project No. 8189-110), by and among the Districts and the State Water Resources Control Board, (e) Loan Contract (Contract No. D16-01012; Project No. 8204-110), by and among the Districts and the State Water Resources Control Board, (f) Loan Contract (Contract No. D16-01013; Project No. 8205-110), by and among the Districts and the State Water Resources Control Board and (g) Loan Contract (Contract No. D17-01016; Project No. 8226-110), by and among the Districts and the State Water Resources Control Board (the "State Loans");

WHEREAS, in order to achieve certain savings, each District desires to prepay its respective share of each of the State Loans;

WHEREAS, the Districts desire that the Los Angeles County Sanitation Districts Financing Authority (the "Authority") assist the Districts in financing the prepayment of the State Loans;

WHEREAS, in order to provide funds to prepay the State Loans, the Districts and the Authority desire that the Authority issue its Los Angeles County Sanitation Districts Financing Authority Revenue Bonds, 2022 Series A (Green Bonds) (SRF Loans Refunding) (the "Bonds");

WHEREAS, the Bonds will be issued pursuant to an Indenture by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the "Indenture");

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

WHEREAS, all of the Authority's right, title and interest in and to the Joint Acquisition Agreement (other than such rights of the Authority that are, as provided in the Indenture, retained by the Authority) will, pursuant to the Indenture, be assigned and transferred to the Trustee;

WHEREAS, the rights and obligations of each District under and as provided in the Joint Acquisition Agreement and the Installment Payments of such District, and the rights and obligations of the Trustee, as assignee of the Authority, under and as provided in the Joint Acquisition Agreement and the Installment Payments, will, in all respects, be subject to the rights and obligations of, and the restrictions and limitations on, such District and the Trustee, as assignee of the Authority, under and as provided in the Master Obligation Agreement;

WHEREAS, B of A Securities, Inc. (the "Representative"), on behalf of itself and J.P. Morgan Securities LLC, has presented the Authority and the Districts with a form of Bond Purchase Agreement, pursuant to which the Representative proposes to purchase the Bonds (such Bond Purchase Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Purchase Agreement");

WHEREAS, a form of the Preliminary Official Statement to be distributed in connection with the offering and sale of the Bonds has been prepared, which Preliminary Official Statement contains certain information regarding the District, the Master Obligation Agreement, the Joint Acquisition Agreement, the Indenture and the Bonds (such Preliminary Official Statement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Preliminary Official Statement");

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

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

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

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of South Bay Cities Sanitation District of Los Angeles County, as follows:

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

Section 2. The Master Obligation Agreement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, is hereby approved, and each of the Chairperson of the Board of Directors, the Chairperson *Pro Tem* of the Board of Directors, or such other member of the Board of Directors as the Chairperson may designate, the Chief Engineer and General Manager of the District and the Assistant Chief Engineer and Assistant General Manager of the District (each, an "Authorized Officer") is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name and on behalf of the District, to execute and deliver the Master Obligation Agreement in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The Joint Acquisition Agreement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, is hereby approved, and each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name and on behalf of the District, to execute and deliver the Joint Acquisition Agreement in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that such changes, insertions and omissions shall not result in the aggregate principal amount of Bonds payable from the

Installment Payments payable by the District under the Joint Acquisition Agreement initially being in excess of \$8,640,000, shall not result in the final scheduled payment date of the Installment Payments payable by the District under the Joint Acquisition Agreement being later than October 1, 2032 and shall not result in a true interest cost attributable to the Installment Payments payable by the District under the Joint Acquisition Agreement being in excess of 2.00% per annum.

Section 4. The Indenture, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, is hereby approved, and the issuance of the Bonds on the terms and conditions set forth therein, and subject to the limitations specified therein, is hereby approved; provided, however, that the aggregate principal amount of the Bonds shall not exceed \$100,000,000, the final maturity date of the Bonds shall not be later than October 1, 2032 and the true interest cost for the Bonds shall not be in excess of 2.00% per annum.

Section 5. The Purchase Agreement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, is hereby approved, and each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name and on behalf of the District, to execute and deliver the Purchase Agreement in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the underwriters' discount for the sale of the Bonds (exclusive of any original issue discount) shall not exceed 0.25% of the initial aggregate principal amount of the Bonds.

Section 6. The information regarding the District, the Master Obligation Agreement, the Joint Acquisition Agreement, the Indenture and the Bonds contained in the Preliminary Official Statement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, with such changes, insertions and omissions therein as may be approved by an Authorized Officer, is hereby approved, and the distribution of the Preliminary Official Statement in connection with the offering and sale of the Bonds is hereby authorized and approved. If determined by the Authority to be necessary or appropriate, the Authorized Officers are hereby authorized to certify on behalf of the District that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by said Rule).

Section 7. The preparation and delivery of a final Official Statement (the "Official Statement"), and its use in connection with the offering and sale of the Bonds, be and the same is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement, with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. Each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name and on behalf of the District, to execute the final Official Statement and any amendment or supplement thereto, for and in the name of the District.

Section 8. The Board of Directors hereby authorizes the execution and delivery of all agreements, documents, certificates and instruments authorized by this Resolution to be executed and delivered (a) with electronic signatures using DocuSign, as the same may be permitted under the California Uniform Electronic Transactions Act, and (b) with digital signatures using DocuSign, as the same may be permitted under Section 16.5 of the California Government Code.

Section 9. The Authorized Officers and the officers and employees of the District are, and each of them is, hereby authorized and directed, for and in the name and on behalf of the District to do any and all things and to execute and deliver any and all agreements, documents, certificates and instruments that they or any of them deem necessary or advisable in order to consummate the transactions contemplated by this Resolution and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution.

Section 10. All actions heretofore taken by the Authorized Officers and the officers and employees of the District with respect to the prepayment of the State Loans and the issuance and sale of the Bonds, or in connection with or related to any of the agreements, documents, certificates or instruments referred to herein, are hereby approved, confirmed and ratified.

Section 11. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED by the Board of Directors of South Bay Cities Sanitation District of Los Angeles County on February 16, 2022.

AYES: Directors Pimentel, Detoy, Stern, McGowan, Bradley, Zerunyan, and Furey

NOES: None

ABSTAIN: None

ABSENT: Director Brand

RE: SERVICE CHARGE REPORT RECEIVE AND ORDER FILED - AN ORDINANCE PRESCRIBING THE SERVICE CHARGE RATE AND MEAN LOADINGS PER UNIT OF USAGE AND PROVIDING FOR THE COLLECTION OF SUCH CHARGES ON THE TAX ROLL - AN ORDINANCE PRESCRIBING INDUSTRIAL WASTEWATER SURCHARGE RATES INTRODUCE - SET PUBLIC HEARING FOR May 18, 2022 AND GIVE REQUIRED NOTICE

A report titled *South Bay Cities Sanitation District Service Charge Report for Fiscal Year 2022-23*, prepared in accordance with Section 5473 of the Health and Safety Code of the State of California and which establishes the formula for the calculation of a sewage unit that represents the average daily quantity of sewage flow and strength from a single-family home (SFH), was presented.

A letter describing the required Board actions together with a copy of the Service Charge Report, the preliminary budget, and the proposed service charge rate and industrial wastewater surcharge rate ordinances, accompanied the agenda. In this District, the current service charge rate per single-family home (SFH) is \$11.33 per month (\$136 per year). The proposed rate for fiscal year 2022-23 is \$6.25 per month (\$75 per year) with rates remaining the same at least through fiscal year 2025-26. Owners of multiple dwelling units and commercial properties are charged in proportion to their use compared to a SFH. Changes to the Joint Outfall System industrial wastewater surcharge rates are also proposed that result in an overall initial decrease in the rate. 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.

The Chief Engineer and General Manager stated that last year, there was no rate increase. A Director Ad Hoc Committee, which included Chairperson Furey, reviewed the Joint Outfall System rate-setting process. He advised that there will be a brief presentation regarding proposed rates for the next four years. The proposed rates were reviewed with the Personnel Committee, consisting of the Chairs of each District, which endorsed moving the matter forward to each Districts' Boards of Directors for consideration. He introduced Mr. Matt Eaton, Department Head of Financial Management, to give a presentation regarding this matter.

Mr. Eaton stated that as the Chief Engineer and General Manager mentioned, the last rate package established rates from July 1, 2017, through June 30, 2021. Last year, there was no rate increase. It is recommended to increase rates at an average of approximately two percent per year for the next four years.

He showed a map of the Joint Outfall System (JOS) service area.

In late 2020, a JOS Ad Hoc Committee, consisting of Directors, was formed to revisit assumptions on how service charge rates are determined for the 17 JOS Districts. Their goal was a fair, simple, and transparent rate-setting process. He advised that the new Joint Outfall Agreement and Financial Reserve Policies that were adopted in fall 2021 implemented the Committee's recommendations. Changes were implemented that lead to each household and commercial business, regardless of which District they are in, paying the same amount for service when including the total of ad valorem (AV) tax, service charge, and use of reserves.

He reviewed a bar graph showing the annual average funding for the next four years. The service charge, shown in blue, is used to cover annual operations and maintenance capital expenses. The AV tax revenue, shown in orange, varies significantly between parcels and Districts. Some Districts are short on reserves, so they have a higher service charge which is represented by the yellow bar showing how much funds are going to replenish the reserves. The excess reserves, shown in grey, will be used to cover annual expenses. A typical homeowner throughout the Districts will pay approximately \$230 per year in total amount paid.

Next, he showed a table of the proposed service charge rates for each District. Most Districts will have a proposed 1.5-2 percent increase. He stated that District No. 5 is a typical District and will have a proposed 2.3 percent increase per year. The South Bay Cities District's service charge will decrease from \$136 to \$75 per year. This District can draw from reserves, which are over target, and it has a higher AV tax revenue.

The implementation schedule, as shown on a slide, was discussed. In February, the Boards will be briefed; receive and file the service charge report; and report and introduce the ordinances. In March/April, Proposition 218 informational mailers will be mailed, and informational meetings will be held for residents/ratepayers. In May, each Board will hold a public hearing and adopt the ordinances. The rates will be effective July 1, 2022.

An Ordinance Prescribing the Service Charge Rate and Mean Loadings per Unit of Usage for South Bay Cities Sanitation District of Los Angeles County and Providing for the Collection of Such Charges on the Tax Roll, was presented and introduction of the Ordinance was recommended.

An Ordinance Prescribing Industrial Wastewater Surcharge Rates for South Bay Cities Sanitation District of Los Angeles County, was presented and introduction of the Ordinance was recommended.

A recommendation was made that, in accordance with Proposition 218 and with Section 5473 of the Health and Safety Code, the Board instruct the District Clerk to mail individual notices to all affected property owners and to publish newspaper notices to inform the public of the date, time, and place for a combined public hearing on the Service Charge Report, the proposed rates, and the collection of the service charge on the property tax roll. Furthermore, a recommendation was made that a combined public hearing be set for May 18, 2022, at 1:30 p.m. via teleconference. After the public hearing is closed, the Board will consider adoption of the Service Charge Report, and adoption of the ordinances establishing the service charge and industrial wastewater surcharge rates, with the new rates effective on July 1, 2022.

BE IT RESOLVED, that the Board does hereby fix May 18, 2022 at 1:30 p.m. as the date and time, via teleconference, as the place for a public hearing on *South Bay Cities Sanitation District Service Charge Report for Fiscal Year 2022-23*, the proposed service charge and industrial wastewater surcharge rates, and the collection of the service charge on the property tax roll.

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

Upon motion of Director Detoy, duly seconded and unanimously carried by a roll-call vote, the *South Bay Cities Sanitation District Service Charge Report for Fiscal Year 2022-23* was ordered filed with the Clerk of the District. Furthermore, *An Ordinance Prescribing the Service Charge Rate and Mean Loadings per Unit of Usage for South Bay Cities Sanitation District of Los Angeles County, and Providing for the Collection of Such Charges on the Tax Roll*; and *An Ordinance Prescribing Industrial Wastewater Surcharge Rates for South Bay Cities Sanitation District of Los Angeles County* were introduced and, after a reading of the titles thereof, further reading of said ordinances were waived.

The meeting was adjourned by the Chairperson.

PATRICK FUREY
Chairperson

ATTEST:

KIMBERLY S. CHRISTENSEN
Secretary

/ee