

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2022 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the 2022 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2022 Bonds. See "TAX MATTERS."*



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

**\$89,900,000**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**FINANCING AUTHORITY**  
**Revenue Bonds, 2022 Series A**  
**(Green Bonds)**  
**(SRF Loans Refunding)**

**Dated: Date of Delivery**

**Due: October 1, as shown on the Inside Cover**

The Los Angeles County Sanitation Districts Financing Authority Revenue Bonds, 2022 Series A (Green Bonds) (SRF Loans Refunding) (the "2022 Bonds") are issued pursuant to the Indenture, dated as of April 1, 2022 (the "Indenture"), by and between the Los Angeles County Sanitation Districts Financing Authority (the "Authority") and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). The 2022 Bonds are being issued to (i) prepay certain loans with the California State Water Resources Control Board, with an aggregate outstanding principal amount of \$104,903,162.37 (the "Prepaid State Loans") and (ii) to pay costs of issuance of the 2022 Bonds. See "THE PLAN OF FINANCE" herein. The 2022 Bonds are special, limited obligations of the Authority, payable solely from Authority Revenues (as defined herein), which consist of Installment Payments (as defined herein) payable severally by the Participating Districts pursuant to the Joint Acquisition Agreement and any other amounts held in the funds and accounts established under the Indenture (other than the Rebate Fund). Each Participating District is obligated to make its Installment Payments solely from Net Revenues (defined herein) as set forth in the Master Obligation Agreement, dated as of April 1, 2022 (the "Master Obligation Agreement"), by and among the Participating Districts and Zions Bancorporation, National Association, as Master Trustee (the "Master Trustee"). The Installment Payments constitute "Senior Obligations" of the respective Participating Districts pursuant to the Master Obligation Agreement. Each Participating District may incur additional Senior Obligations payable from its Net Revenues on a parity with the Installment Payments subject to the satisfaction of certain conditions of the Master Obligation Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2022 Bonds - Additional Obligations." As of the date of issuance of the 2022 Bonds, the only outstanding Senior Obligations of the respective Participating Districts will be the Installment Payments. Neither the faith and credit nor the taxing power of the Authority, any Participating District or the State of California (the "State"), or any political subdivision thereof, is pledged to the payment of the 2022 Bonds. The obligation of each of the Participating Districts to make its respective Installment Payments is a special, limited obligation of such Participating District payable solely from its Net Revenues and the other assets pledged to the payment thereof under the Master Obligation Agreement, and does not constitute a debt of the respective Participating Districts or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. Neither the faith and credit nor the taxing power of a Participating District or the State or any political subdivision thereof is pledged to the payment of the Installment Payments.

The 2022 Bonds are not subject to redemption prior to maturity.

The 2022 Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on the 2022 Bonds will be payable on each April 1 and October 1 (each an "Interest Payment Date") commencing October 1, 2022. DTC will act as securities depository for the 2022 Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of the 2022 Bonds purchased by them. Payment of principal, premium, if any, and interest on 2022 Bonds are payable directly to DTC by U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). Upon receipt DTC is obligated to remit principal, premium, if any, and interest to DTC Participants (as defined herein) for subsequent disbursement to the purchasers of the 2022 Bonds as described herein. See "APPENDIX B - BOOK-ENTRY ONLY SYSTEM."

This cover page contains certain information for quick reference only and is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "CERTAIN RISK FACTORS" herein for a description of certain risks associated with an investment in the 2022 Bonds.

*The 2022 Bonds are offered when, as and if issued and received by the Underwriters, subject to approval of legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the Authority. Certain legal matters will be passed upon for Authority by its Disclosure Counsel, Stradling Yocca Carlson & Rauth, Sacramento, California. Certain legal matters will be passed upon for the Underwriter by Katten Muchin Rosenman LLP, New York, New York, and for the Authority and Participating Districts by Lewis Brisbois Bisgaard & Smith LLP, Los Angeles, California. Montague DeRose and Associates, LLC, Westlake Village, California is serving as Municipal Advisor to the Authority. It is anticipated that the 2022 Bonds in book-entry form will be available for delivery to DTC in New York, New York on or about April 7, 2022.*

**BofA Securities**

**J.P. Morgan**

**\$89,900,000**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**FINANCING AUTHORITY**  
**Revenue Bonds, 2022 Series A**  
**(Green Bonds)**  
**(SRF Loans Refunding)**

**MATURITY SCHEDULE**

(Base CUSIP<sup>†</sup>: 545149)

<b>Maturity Date (October 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP<sup>†</sup></b>
2022	\$ 6,475,000	5.000%	0.910%	LC8
2023	6,730,000	5.000	1.070	LD6
2024	7,075,000	5.000	1.280	LE4
2025	7,430,000	5.000	1.400	LF1
2026	7,810,000	5.000	1.500	LG9
2027	8,205,000	5.000	1.600	LH7
2028	8,630,000	5.000	1.710	LJ3
2029	9,070,000	5.000	1.760	LK0
2030	9,530,000	5.000	1.830	LL8
2031	9,235,000	5.000	1.890	LM6
2032	9,710,000	5.000	1.960	LN4

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<sup>†</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright © 2022 CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the Participating Districts or the Underwriter take any responsibility for the accuracy of such numbers.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2022 Bonds, the Authority or the Participating Districts other than those contained herein and, if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the 2022 Bonds, and the 2022 Bonds may not be sold in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2022 Bonds. Statements contained in this Official Statement that involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been furnished by the Authority, the Participating Districts and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs of the Authority or the Participating Districts since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

Certain statements included or incorporated by reference in the following information constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance, or achievements described to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the Participating Districts’ forecasts in any way. Except as set forth in the Continuing Disclosure Agreement, neither the Participating Districts nor the Authority plans to issue any updates or revisions to those forward-looking statements if or when the expectations, or events, conditions, or circumstances on which such statements are based occur or do not occur.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Los Angeles County Sanitation Districts maintains a website. The information therein is not incorporated by reference and should not be relied upon in making an investment decision.

**LOS ANGELES COUNTY SANITATION DISTRICTS  
FINANCING AUTHORITY  
Revenue Bonds, 2022 Series A  
(Green Bonds)  
(SRF Loans Refunding)**

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**AUTHORITY OFFICERS**

Margaret Finlay, *Chairperson*  
Robert C. Ferrante, *President*  
Charles E. Boehmke, *Vice President*  
Alan C. Nyberg, *Treasurer*<sup>1</sup>  
Kimberly Christensen, *Secretary*

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**PARTICIPATING DISTRICTS' MANAGEMENT**

Robert C. Ferrante, *Chief Engineer and General Manager*  
Charles E. Boehmke, *Assistant Chief Engineer and Assistant General Manager*  
Samuel Espinoza, *Engineering Department*  
Raymond L. Tremblay, *Facilities Planning Department*  
Kenneth P. Rademacher, *Wastewater Management Department*  
Martha R. Tremblay, *Technical Services Department*  
Matthew A. Eaton, *Financial Management Department*  
Jeremy Freelove, *Acting Chief Accountant*<sup>1</sup>

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**SPECIAL SERVICES**

**Bond Counsel**

Orrick, Herrington & Sutcliffe LLP

**Disclosure Counsel**

Stradling Yocca Carlson & Rauth, a Professional  
Corporation

**Authority and Participating Districts Counsel**

Lewis Brisbois Bisgaard & Smith LLP

**Municipal Advisor**

Montague DeRose and Associates, LLC

**Trustee**

U.S. Bank Trust Company, National Association

**Master Trustee**

Zions Bancorporation, National Association

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<sup>1</sup> Alan Nyberg retired from the position of Chief Accountant effective on March 11, 2022. Jeremy Freelove was appointed as the acting Chief Accountant on March 14, 2022 and is expected to become the permanent Chief Account on or about April 6, 2022.

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**\$89,900,000**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**FINANCING AUTHORITY**  
**Revenue Bonds, 2022 Series A**  
**(Green Bonds)**  
**(SRF Loans Refunding)**

**INTRODUCTION**

*This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents described herein. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Indenture, the Joint Acquisition Agreement and the Master Obligation Agreement. See Appendix C – “FORM OF MASTER OBLIGATION AGREEMENT” and Appendix D – “SUMMARY OF CERTAIN LEGAL DOCUMENTS” attached hereto.*

**General**

This Official Statement, including the cover page and all appendices hereto, provides certain information concerning the sale and delivery of \$89,900,000 aggregate principal amount of Los Angeles County Sanitation Districts Financing Authority Revenue Bonds, 2022 Series A (Green Bonds) (SRF Loans Refunding) (the “2022 Bonds”) by the Los Angeles County Sanitation Districts Financing Authority (the “Authority”). County Sanitation Districts Nos. 1, 2, 3, 5, 8, 15, 16, 17, 18, 19, 21, 22, 23, 28, 29 and 34 of Los Angeles County and South Bay Cities Sanitation District of Los Angeles County (“SBC”) (collectively, the “Participating Districts” and individually, a “Participating District”) are participating in this financing pursuant to a Joint Acquisition Agreement (the “Joint Acquisition Agreement”), dated as of April 1, 2022, to be entered into by and among the Participating Districts and the Authority, and each Participating District agrees thereunder to make Installment Payments (hereinafter defined). County Sanitation District No. 34 of Los Angeles County is currently inactive and its initial Shared Project Percentage (hereinafter defined) under the Joint Acquisition Agreement will be zero, and, as a result, County Sanitation District No. 34 of Los Angeles County will not initially be responsible for making any Installment Payments.

The 2022 Bonds are to be issued pursuant to an Indenture (the “Indenture”), dated as of April 1, 2022, to be entered into by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The 2022 Bonds are being issued by the Authority in accordance with the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (commencing with Section 6584) (the “Act”).

**The Authority**

The Authority was formed in 1993 pursuant to the provisions of State law governing the joint exercise of powers, being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended (the “Joint Exercise of Powers Law”) and the Joint Exercise of Powers Agreement by and among certain sanitation districts within the County of Los Angeles (the “County”), dated April 14, 1993 (the “Joint Powers Agreement”). The membership of the Authority is currently comprised of the 23 active sanitation districts within the County. The Authority was created for the purpose of, among other things, assisting the member sanitation districts within the County in the planning, financing, development, acquisition, construction, operation and maintenance of projects relating to the such districts’ wastewater management systems. The

Authority is governed by a Commission, which consists of the Chairperson of each of the member sanitation districts . See “THE AUTHORITY.”

### **The Participating Districts**

California law permits counties to form one or more county sanitation districts within the county to provide sewage conveyance, treatment, and disposal services to the persons within the service area of each such district. There are currently 24 independent county sanitation districts established in the County, each with its own board of directors (collectively the “LACSD”). Seventeen of the LACSD have entered into a JO Agreement (hereinafter defined) providing for joint administration of the construction, supervision, operation and maintenance of the sanitation works, refuse transfer and disposal works of each district. The Participating Districts in this financing consist of the 17 districts that are signatories to the JO Agreement. Sixteen of the Participating Districts are active sanitation districts. The remaining one district (County Sanitation District No. 34 of Los Angeles County) is currently inactive. The Participating Districts’ combined service area covers approximately 660 square miles, encompassing all or portions of 72 cities and unincorporated territory within the County. The Participating Districts serve the wastewater and solid waste management needs of approximately 4.9 million people, which is approximately 49% of the population of the County. The City of Los Angeles serves most of the remaining portions of the County. See “THE DISTRICTS.”

### **Purpose of the 2022 Bonds**

The 2022 Bonds are being issued to (i) prepay certain loans with the California State Water Resources Control Board (the “SWRCB”), with an aggregate outstanding principal amount of \$104,903,162.37 (the “Prepaid State Loans”) and (ii) pay costs of issuance of the 2022 Bonds. See “ESTIMATED SOURCES AND USES.”

### **Security for the 2022 Bonds**

The 2022 Bonds are special, limited obligations of the Authority secured by a pledge of Authority Revenues (as defined herein), which consist of certain payments (“Installment Payments”) to be made severally by the Participating Districts pursuant to the Joint Acquisition Agreement and amounts on deposit in the funds and accounts established pursuant to the Indenture, other than the Rebate Fund.

The Installment Payment due and payable by each Participating District on March 15 and September 15 of each year, commencing on September 15, 2022 (each a “Payment Date”) is equal to the product of (a) such Participating District’s Shared Project Percentage, times (b) the interest on, or the principal of and interest on, as applicable, the 2022 Bonds due on the following Interest Payment Date. The “Shared Project Percentage” is, with respect to any Participating District, for any period, the percentage, specified in decimal form, of the quotient of (a) the number of Sewage Units attributable to such Participating District for such period, divided by (b) the aggregate number of Sewage Units attributable to all of the Participating Districts for such period (which methodology for determining such Shared Project Percentage conforms to the methodology by which costs of the Joint Outfall System are allocated among the Participating Districts pursuant to the JO Agreement). See “SECURITY AND SOURCES OF PAYMENT FOR THE 2022 BONDS – Participating District’s Shared Project Percentages” herein for the initial Shared Project Percentages of each Participating District. Pursuant to the Indenture, the Installment Payments are to be applied to the payment of the principal of and interest on the 2022 Bonds, and the Installment Payments of each Participating District are required to be made in amounts that are sufficient, but no more than sufficient, to pay such Participating District’s Shared Project Percentage of the scheduled payments of principal of and interest on the Outstanding 2022 Bonds.

Each Participating District is obligated to make its Installment Payments solely from its Net Revenues (defined herein) and the other assets pledged to the payment thereof as provided in the Master Obligation Agreement, dated as of April 1, 2022, by and among the Participating Districts and Zions Bancorporation,

National Association, as Master Trustee (the “Master Trustee”) (the “Master Obligation Agreement”). See APPENDIX C – “FORM OF MASTER OBLIGATION AGREEMENT.” Net Revenues are Revenues (as defined below) of such Participating District that remain after payment of Maintenance and Operation Costs for such Participating District. The Joint Acquisition Agreement constitutes a “Senior Contract” and a “Senior Obligation Instrument” Under the Master Obligation Agreement, the Installment Payments constitute “Senior Obligations,” “Shared Project Obligations” and “Supported Obligations” of each of the Participating Districts under the Master Obligation Agreement. Under certain specified circumstances, certain of the Participating Districts may be required to make Support Payments to other Participating Districts. For information relating to a Participating District’s obligation to pay Support Payments, see “SECURITY AND SOURCES OF PAYMENT FOR THE 2022 BONDS – General -Installment Payments as Shared Project Obligations and Support Obligations.”

Each Participating District, subject to the requirements of the Master Obligation Agreement, may incur additional Senior Obligations payable from Net Revenues of such Participating District on a parity with the Installment Payments in the future. Pursuant to the Master Obligation Agreement, the Participating Districts may not incur obligations that are secured on a basis senior to the Installment Payments under the Joint Acquisition Agreement. Under the Master Obligation Agreement, the Participating Districts are permitted to incur Subordinate Obligations. The obligation to make the Installment Payments from Net Revenues would be senior to payments of any Subordinate Obligations that are secured on a basis subordinate to the Installment Payments. See “See “SECURITY AND SOURCES OF PAYMENT FOR THE 2022 BONDS - Additional Obligations.”

The obligations of the Participating Districts under the Joint Acquisition Agreement, including the obligation to make Installment Payments, are several and not joint. Failure by one or more of the Participating Districts to make its Installment Payments or, if required, Support Payments under the Joint Acquisition Agreement could materially affect the Authority’s ability to timely pay debt service on the 2022 Bonds. The 2022 Bonds are special, limited obligations of the Authority. Neither the faith and credit nor the taxing power of the Authority, any Participating District or the State, or any political subdivision thereof, is pledged to the payment of the 2022 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2022 BONDS.”

### **Rate Covenant**

Under the Master Obligation Agreement, each Participating District has covenanted, to the extent permitted by applicable law, to fix, prescribe and collect rates and charges for the services of its Sewerage System that will be at least sufficient to yield during each Fiscal Year (i) Revenues of such Participating District for such Fiscal Year sufficient to make all deposits, transfers and payments required pursuant to the Master Obligation Agreement to be made in such Fiscal Year and (ii) a Senior Debt Service Coverage Ratio of such Participating District for such Fiscal Year of not less than 1.25:1.

The Participating District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Revenues and Senior Debt Service Coverage Ratio from such reduced rates and charges will at all times be sufficient to meet the requirements of the Master Obligation Agreement. Pursuant to the Master Obligation Agreement, the Participating District shall not be in default of the obligations to set rates and charges described above if it fails to satisfy such requirements for a Fiscal Year; provided, however, that the Participating District shall be in default if it fails to satisfy the requirements for two consecutive Fiscal Years. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2022 BONDS – Rate Covenant.”

### **Existing Obligations of the Participating Districts**

As of the date of issuance of the 2022 Bonds, and following the prepayment of the Prepaid State Loans, the only Outstanding Obligations of the respective Participating Districts will be the Installment Payments.

## **Additional Obligations**

Each Participating District, upon the satisfaction of certain conditions set forth in the Master Obligation Agreement, may also issue Senior Obligations (payable from Net Revenues of such Participating District on a parity with the Installment Payments) and Subordinate Obligations, as provided in the Master Obligation Agreement. No obligations may be issued by the Participating Districts that are payable on a basis senior to the Installment Payments. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2022 BONDS – Additional Obligations.”

## **Continuing Disclosure Agreement**

In connection with the 2022 Bonds, the Authority will agree to provide annually certain financial information and operating data relating to the Authority and the Participating Districts by not later than the date in each year that is eight months after the end of the Authority’s Fiscal Year, which date is presently March 1 (the “Annual Report”), commencing with the Annual Report for the 2021-2022 Fiscal Year, and to provide notices of enumerated events. See “CONTINUING DISCLOSURE” herein. The specific nature of the information to be contained in the Annual Report and the notices of material events and certain other terms of the continuing disclosure obligation are set forth in APPENDIX E – “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

## **“Green Bond” Designation**

The Participating Districts and the Authority are designating the 2022 Bonds as “Green Bonds” due to the environmental benefits of the capital improvements to the Joint Outfall System financed with the proceeds of the Prepaid State Loans.

*Use of Proceeds.* The proceeds of the 2022 Bonds, with the exception of proceeds used to fund costs of issuance, are expected to be applied to the prepayment of the Prepaid State Loans. The proceeds of the Prepaid State Loans were applied to partially fund the rehabilitation of existing sewers and construction of wastewater conveyance and treatment facilities in the Joint Outfall System, including the construction of a pumping facility, a flow equalization tank and an odor control system and the rehabilitation of certain pipes, piper liners and reaches, among other improvements.

*Green Bonds Sustainability.* The purpose of designating the 2022 Bonds as “Green Bonds” is to allow owners of the 2022 Bonds to invest directly in bonds which finance environmentally beneficial projects. Neither the Participating Districts nor the Authority make any representation as to the sustainability of the 2022 Bonds to fulfill such environmental or sustainability criteria. The 2022 Bonds may not be a suitable investment for all investors seeking exposure to green or sustainable assets. There is currently no market consensus on what precise attributes are required for a particular project to be defined as “green” or “sustainable” and therefore no assurance can be provided to investors that the capital improvements to the Sewerage System financed with the proceeds of Prepaid State Loans will continue to meet investor expectations regarding sustainability performance.

The term “Green Bonds” is not defined in the Indenture, the Joint Acquisition Agreement, the Master Obligation Agreement, or other legal documents executed by the Participating Districts or the Authority in connection with the issuance of the 2022 Bonds. The term “Green Bonds” are solely for identification purposes and is not intended to provide or imply that the owners of the 2022 Bonds are entitled to any security other than that described under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE 2022 BONDS.”

## Miscellaneous

The statements herein concerning the 2022 Bonds are summaries of certain provisions of the Indenture, the Joint Acquisition Agreement and the Master Obligation Agreement. These summaries do not purport to be complete, and are qualified in their entirety by reference to the Indenture, the Joint Acquisition Agreement and Master Obligation Agreement. Financial and statistical information set forth herein, except for the Audited Financial Statements included in APPENDIX A – “AUDITED FINANCIAL STATEMENTS OF THE DISTRICTS,” is unaudited. Unless otherwise indicated, the statistical and financial information set forth in this Official Statement has been provided by the Participating Districts.

Copies of all documents referred to herein, including the Master Obligation Agreement, the Joint Acquisition Agreement, the Indenture, the Joint Administration Agreement, the JO Agreement and the Joint Exercise of Powers Agreement may be obtained upon written request directed to the County Sanitation Districts of Los Angeles County, P. O. Box 4998, Whittier, California 90607-4998, Attention: Secretary to the Boards.

## THE 2022 BONDS

### Description of the 2022 Bonds

The 2022 Bonds will bear interest from their date of delivery, at the respective rates set forth on the inside cover page of this Official Statement. Interest on the 2022 Bonds is payable semi-annually beginning October 1, 2022 and on each April 1 and October 1 (each an “Interest Payment Date) thereafter until maturity as provided for in the Indenture and as described herein. The 2022 Bonds will mature in the respective aggregate principal amounts and on the respective dates set forth on the inside cover page of this Official Statement.

**THE 2022 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AUTHORITY REVENUES AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, ANY PARTICIPATING DISTRICT OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE 2022 BONDS.**

The 2022 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the 2022 Bonds. While the 2022 Bonds are held in the book-entry system of DTC, all payments of principal and interest on the 2022 Bonds will be made to Cede & Co., as registered owner of the 2022 Bonds. See APPENDIX B–“BOOK-ENTRY ONLY SYSTEM.”

### No Redemption of 2022 Bonds

The 2022 Bonds are not subject to redemption prior to maturity.

**ESTIMATED SOURCES AND USES**

The estimated sources and uses of the proceeds of the 2022 Bonds are described in the following table.

**Estimated Sources and Uses of Proceeds of the 2022 Bonds**

<u>SOURCES:</u>	
Principal amount of the 2022 Bonds	\$ 89,900,000.00
Plus Original Issue Premium	16,121,262.60
<b>TOTAL SOURCES:</b>	<b>\$106,021,262.60</b>
<u>USES:</u>	
Prepayment of Prepaid State Loans <sup>(1)</sup>	\$105,585,554.15
Costs Of Issuance <sup>(2)</sup>	435,708.45
<b>TOTAL USES:</b>	<b>\$106,021,262.60</b>

<sup>(1)</sup> Includes interest accrued to the prepayment date.

<sup>(2)</sup> Costs of issuance include, among other things, costs of rating agencies, financial advisory fees, underwriters’ discount, initial fees and charges of the Trustee and Bond Counsel fees.

**THE PLAN OF REFUNDING**

The 2022 Bonds are being issued to provide funds to (i) prepay the Prepaid State Loans, with an aggregate outstanding principal amount of \$104,903,162.37 and (ii) pay costs of issuance of the 2022 Bonds. See “ESTIMATED SOURCES AND USES.”

A portion of the proceeds of the 2022 Bonds are expected to be applied to payment in full of the Prepaid State Loans on or about April 7, 2022.

**SECURITY AND SOURCES OF PAYMENT FOR THE 2022 BONDS**

**General**

Authority Revenues and Installment Payments

The 2022 Bonds are special, limited obligations of the Authority payable solely from the Authority Revenues and the other assets pledged therefor under the Indenture (other than the Rebate Fund). The “Authority Revenues” consist of all Installment Payments payable by the Participating Districts pursuant to the Joint Acquisition Agreement, including any amounts received by the Trustee as a result of or in connection with the Trustee’s pursuit of remedies under the Joint Acquisition Agreement upon a Joint Acquisition Agreement Default Event.

The Joint Acquisition Agreement provides that the Installment Payments payable by each Participating District are due on each Payment Date in an amount equal to the product of such Participating District’s Shared Project Percentage times the interest on, or the principal of and interest on, as applicable, the 2022 Bonds due on the following Interest Payment Date. The “Shared Project Percentage” is, with respect to any Participating District, for any period, the percentage, specified in decimal form, of the quotient of (a) the number of Sewage Units attributable to such Participating District for such period, divided by (b) the aggregate number of Sewage Units attributable to all of the Participating Districts for such period (which methodology for determining such Shared Project Percentage conforms to the methodology by which costs of the Joint Outfall System are allocated among the Participating Districts pursuant to the JO Agreement). See “– Participating District’s Shared Project Percentages” below for the initial Shared Project Percentages of each

Participating District. Pursuant to the Indenture, the Installment Payments are to be applied to the payment of the principal of and interest on the 2022 Bonds, and the Installment Payments of each Participating District are required to be made in amounts that are sufficient, but no more than sufficient, to pay such Participating District's Shared Project Percentage of the scheduled payments of principal of and interest on the Outstanding 2022 Bonds.

As described in the Joint Acquisition Agreement, the Installment Payments of each Participating District are designated by such Participating Districts as Senior Obligations under the Master Obligation Agreement. In addition, the Joint Acquisition Agreement constitutes a Senior Contract under the Master Obligation Agreement with respect to each Participating District and, consequently, a Senior Obligation Instrument under the Master Obligation Agreement with respect to each Participating District.

#### Pledge of Each Participating District's Revenues Under Master Obligation Agreement

Subject only to the provisions of the Master Obligation Agreement permitting the application of each Participating District's Revenues for the purposes and on the terms and conditions set forth in the Master Obligation Agreement, each Participating District, in order to secure the payment of its Senior Obligations, the Obligation Instruments pursuant to which such Senior Obligations are incurred and the Master Obligation Agreement, and to secure the performance and observance of all of the covenants and agreements of such Participating District contained in the Obligations Instruments and Master Obligation Agreement, grants a lien on and a security interest in, and pledges to and for the benefit of the Obligees with respect to its Senior Obligations, all of its Revenues and any other amounts held in its Operating Fund and Senior Obligation Payment Fund (but not any such Revenues or other amounts held in its Subordinate Obligation Payment Fund, Rate Stabilization Fund or Surplus Fund). Such pledge of each Participating District constitutes a first lien on and security interest in such assets of such Participating District, which shall immediately attach to such assets and be effective, binding and enforceable against such Participating District, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, the Master Obligation Agreement, irrespective of whether such parties have notice of the lien on, security interest in and pledge of such assets and without the need for any physical delivery, recordation, filing or further act.

The Senior Obligations of a Participating District are special, limited obligations of such Participating District payable solely from such Participating District's Net Revenues and the other assets pledged to the payment thereof under the Master Obligation Agreement, and do not constitute a debt of such Participating District or the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction. Neither the faith and credit nor the taxing power of a Participating District or the State or any political subdivision thereof is pledged to the payment of such Participating District's Obligations.

"Net Revenues" means, with respect to a Participating District, for any period (a) the Revenues of such Participating District for such period, less (b) the Operation and Maintenance Costs of such Participating District for such period.

"Revenues" means, with respect to a Participating District, for any period, all income and revenue received by such Participating District from the operation or ownership of such Participating District's Sewerage System, determined in accordance with Generally Accepted Accounting Principles, including all rates and charges received by such Participating District for the services of its Sewerage System, investment income (to the extent generally available to pay costs with respect to its Sewerage System) and all other money howsoever derived by such Participating District from the operation or ownership of its Sewerage System or arising from its Sewerage System, including the ad valorem property taxes received by such Participating District during such period pursuant to Article XIII A of the Constitution of the State of California and Section 95 et seq. of the California Revenue and Taxation Code, but excluding (a) payments received under Qualified Swap Agreements, (b) refundable deposits made to establish credit, (c) advances or contributions in aid of

construction, and (d) ad valorem property taxes levied to pay any voter approved general obligation indebtedness of such Participating District.

“Operation and Maintenance Costs” means, with respect to a Participating District, for any period (a) the reasonable and necessary costs expended or incurred by such Participating District for maintaining and operating its Sewerage System, calculated in accordance with Generally Accepted Accounting Principles, including the reasonable expenses of management and repair and other expenses necessary to maintain and preserve its Sewerage System in good repair and working order, and including salaries and wages of employees, payments to its employee retirement systems (to the extent paid from Revenues of such Participating District), overhead, insurance, taxes if any, fees of auditors, accountants, attorneys or engineers and insurance premiums, and (b) Administrative Costs and scheduled periodic fees, but not Debt Service, Reimbursement Obligations or reimbursements payable pursuant to any Reserve Guaranty, payable to an Obligee pursuant to an Obligation Instrument to which such Participating District is a party in consideration of such Obligee’s making, or standing ready to make, advances or draws thereunder available to such Participating District pursuant to the provisions of such Obligation Instrument or, with respect to an Obligee that is a Credit Support Provider, such Obligee’s standing ready to provide moneys necessary for payment to the Owners of the Credit Enhanced Obligations, the Debt Service payments on which are secured by a Credit Support Instrument between such Participating District and such Credit Support Provider, but excluding in all cases (i) depreciation, replacement and obsolescence charges or reserves therefor, (ii) amortization of intangibles or other bookkeeping entries of a similar nature, (iii) costs of capital additions, replacements, betterments, extensions or improvements to its Sewerage System that, under Generally Accepted Accounting Principles, are chargeable to a capital account or to a reserve for depreciation, and (iv) charges for the payment of any Debt Service on Obligations of such Participating District.

“Sewerage System” means, with respect to a Participating District, the whole and each and every part of the wastewater collection, conveyance, treatment, disposal and administrative facilities of such Participating District, including such Participating District’s ownership interest, if any, pursuant to the Joint Administration Agreement, such Participating District’s ownership interest, if any, pursuant to the JO Agreement, such Participating District’s ownership interest, if any, pursuant to a City of Los Angeles Agreement, all real and personal property, or any interest therein, constituting a part thereof and all additions, improvements, betterments and extensions thereto whether presently existing or hereafter acquired, constructed or installed. For information concerning the JO Agreement, and the City of Los Angeles Agreement, see “THE DISTRICTS – Existing Wastewater Facilities.”

None of the Participating Districts has incurred any obligations that are secured on a basis senior to the Installment Payments, nor may any Participating District incur any obligations that are secured on a basis senior to the Installment Payments. For more information on the additional obligations that each Participating District may incur on parity with or subordinate to the Installment Payments, see “ – Additional Obligations” herein.

Pursuant to the Master Obligation Agreement, all Connection Fees received by a Participating District will be deposited when and as received in its Capital Improvement Fund. Each Participating District will apply the Connection Fees on deposit in its Capital Improvement Fund to the payment of the costs of acquiring, constructing and installing improvements to the Sewerage System of such Participating District to which such Connection Fees may be properly applied. Additionally, a Participating District may from time to time (a) transfer Connection Fees from its Capital Improvement Fund to its Senior Obligation Payment Fund to be applied to the payment of Outstanding Senior Obligations of such Participating District, but only if and to the extent that such Connection Fees may be lawfully applied to the payment of such Senior Obligations, and (b) transfer Connection Fees from its Capital Improvement Fund to its Subordinate Obligation Payment Fund to be applied to the payment of Outstanding Subordinate Obligations of such Participating District, but only if and to the extent that such Connection Fees may be lawfully applied to the payment of such Subordinate Obligations. See APPENDIX D - “SUMMARY OF CERTAIN LEGAL DOCUMENTS” attached hereto.

Many of the Participating Districts also furnish solid waste collection, transfer, treatment, disposal, processing and storage facilities and services to persons within their jurisdictions. These facilities and services are provided on a basis that is financially and operationally independent from the Sewerage System. The revenues received by any Participating District from such facilities and services are not included in the Revenues of the Participating District under the Joint Acquisition Agreement and are not pledged to the make the Installment Payments.

#### Installment Payments as Shared Project Obligations and Supported Obligations

Pursuant to the terms of the Joint Acquisition Agreement, the Installment Payments constitute both Shared Project Obligations and Supported Obligations of the respective Participating Districts. Under the Master Obligation Agreement, Shared Project Obligations are Obligations incurred pursuant to an Obligation Instrument, such as the Joint Acquisition Agreement, pursuant to which the Obligations of two or more Participating Districts are incurred for purposes of financing or refinancing a Shared Project. Shared Project Obligations will also constitute Supported Obligations if, pursuant to the provisions of Section 3.04(a) of the Master Obligation Agreement, each Participating District party to the Obligation Instrument pursuant to which such Shared Project Obligations are incurred agrees to make Support Payments to each other District that is a party such Obligation Instrument, if and as required pursuant to the provisions of Section 3.04(a) of the Master Obligation Agreement. The parties to the Obligation Instrument pursuant to which the Supported Obligations are issued are referred to as the "Support Group."

With respect to Supported Obligations, if, in any month, a Participating District that is a member of a Support Group for Supported Obligations that are Senior Obligations determines that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations, such Participating District (being the Supported District), will, as soon as possible, but in any event no later than the fifth Business Day immediately preceding the last day of such month, notify each other District that is a member of such Support Group (being the Supporting Districts) (i) that such Supported District has determined that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations in such month, and (ii) of such Supported Obligations Deficit Amount.

Under the Master Obligation Agreement, each such Supporting District notified of such Supported Obligations Deficit Amount will be obligated to make a Support Payment in respect thereof, which Support Payment will be equal to the lesser of (i) an amount equal to the product of (A) such Supported Obligations Deficit Amount, times (B) a fraction, the numerator of which is the Shared Project Percentage of such Supporting District with respect to such Supported Obligations, and the denominator of which is the sum of the Shared Project Percentages of all Supporting Districts with respect to such Supported Obligations, and (ii) an amount equal to 20% of the Supported Obligations Transfer Amount of such Supporting District for such month in respect of such Supported Obligations. Each of such Supporting Districts so notified in such month shall, in accordance with paragraph (ii) of Section 3.03(c) of the Master Obligation Agreement, on the last day of such month, transfer from its Operating Fund to such Supported District an amount equal to such Supporting District's Support Payment for such month in respect of such Supported Obligations, or such other amount as is required to be so transferred pursuant to paragraph (ii) of Section 3.03(c) of the Master Obligation Agreement.

Upon receipt of any of such Support Payments, such Supported District must immediately transfer such Support Payment to such Supported District's Senior Obligation Payment Fund. Such Supported District is required, as and when such amount becomes available therefor pursuant Master Obligation Agreement, to transfer to each such Supporting District, an amount equal to such Support Payment made by such Supporting District, or such other amount as is required to be so transferred pursuant to the Master Obligation Agreement. The transfer by a Supporting District to a Supported District of a Support Payment will be deemed under the Master Obligation Agreement to be a purchase by such Supporting District of a proportionate interest in such Supported District's interest in the Supported Project financed or refinanced by the Supported Obligations with respect to which such Support Payment is made, and the repayment by such Supported District to such

Supporting District of such Support Payment in accordance with the Master Obligation Agreement will be deemed to be a repurchase of such proportionate interest by such Supported District.

For additional information regarding the Support Payments to be made by the Participating Districts, see Section 3.04(a) of the form of Master Obligation Agreement attached hereto as Appendix C.

#### Unconditional Obligation

The obligation of each Participating District under the Joint Acquisition Agreement to make its Installment Payments from its Net Revenues and the other assets pledged to the payment thereof under the Master Obligation Agreement is absolute and unconditional, and until such time as such Installment Payments have been paid in full (or the agreements, covenants and other obligations of the Participating Districts under the Joint Acquisition Agreement have been discharged and satisfied pursuant to terms of the Joint Acquisition Agreement), such Participating District will not discontinue or suspend any of its Installment Payments when due, whether or not the Purchased Improvements or any part thereof are operating or operable, or their use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such Installment Payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

#### Limited Liability

Under the Joint Acquisition Agreement, the obligation of each Participating District to pay its Installment Payments is a special, limited obligation of such Participating District payable solely from its Net Revenues and the other assets pledged to the payment thereof under the Master Obligation Agreement, and does not constitute a debt of such Participating District or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction. Neither the faith and credit nor the taxing power of a Participating District or the State or any political subdivision thereof is pledged to the payment of the Installment Payments of such Participating District.

The Installment Payments are not secured by, and Owners of the 2022 Bonds have no security interest in or mortgage on, the Sewerage Systems of the Participating Districts or any other real property of the Participating Districts. Default by a Participating District will not result in loss of any portion of the Sewerage System of such Participating District. For information relating to the remedies of Owners of 2022 Bonds and the Trustee upon failure of a Participating District to pay Installment Payments, see “–Events of Default” below and see “INDENTURE – Events of Default; Remedies” in APPENDIX D – “SUMMARY OF CERTAIN LEGAL DOCUMENTS,” attached hereto. For a description of the Events of Default and remedies under the Joint Acquisition Agreement, see “JOINT ACQUISITION AGREEMENT – Events of Default; Remedies” in APPENDIX D – “SUMMARY OF CERTAIN LEGAL DOCUMENTS,” attached hereto. Information relating to the Events of Default under the Master Obligation Agreement and the remedies available under the Master Obligation Agreement is provided in Article VI of the form of Master Obligation Agreement attached to this Official Statement as Appendix C.

The obligations of the Participating Districts under the Joint Acquisition Agreement are several and not joint. Each Participating District is obligated under the Joint Acquisition Agreement only to the extent of its Installment Payments and other payments required to be made under the Joint Acquisition Agreement and the Master Obligation Agreement.

The Installment Payments constitute Supported Obligations under the Joint Acquisition Agreement and the Master Obligation Agreement. Under certain specified circumstances, certain of the Participating Districts may be required to make Support Payments to other Participating Districts. For information relating to a Participating District’s obligation to pay Support Payments, see “SECURITY AND SOURCES OF PAYMENT FOR THE 2022 BONDS – General -Installment Payments as Shared Project Obligations and Support Obligations.”

## Districts' Shared Project Percentages

The Shared Project Percentages of the Participating Districts as of the date of issuance of the 2022 Bonds are shown in Table 1 that follows. The "Shared Project Percentage" is, with respect to any Participating District, for any period, the percentage, specified in decimal form, of the quotient of (a) the number of Sewage Units attributable to such Participating District for such period, divided by (b) the aggregate number of Sewage Units attributable to all of the Participating Districts for such period (which methodology for determining such Shared Project Percentage conforms to the methodology by which costs of the Joint Outfall System are allocated among the Participating Districts pursuant to the JO Agreement).

The amount of the Installment Payment payable by a Participating District on each Payment Date are equal to the product of (a) such Participating District's Shared Project Percentage times (b) the interest on, or the principal of and interest on, as applicable, the 2022 Bonds due on the following Interest Payment Date. Pursuant to the Indenture, the Installment Payments are to be applied to the payment of the principal of and interest on the 2022 Bonds, and the Installment Payments of each Participating District are required be made in amounts that are sufficient, but no more than sufficient, to pay such Participating District's Shared Project Percentage of the scheduled payments of principal of and interest on the Outstanding 2022 Bonds. County Sanitation District No. 34 of Los Angeles County is currently inactive and its initial Shared Project Percentage under the Joint Acquisition Agreement will be zero, and, as a result, County Sanitation District No. 34 of Los Angeles County will not initially be responsible for making any Installment Payments.

**TABLE 1**  
**PARTICIPATING DISTRICTS' SHARED PROJECT PERCENTAGE**

<u>District</u>	<u>Shared Project Percentage</u>
1	8.64%
2	12.98
3	10.65
5	15.47
8	3.58
15	11.24
16	6.80
17	0.87
18	7.22
19	2.27
21	9.00
22	7.41
23	0.20
28	0.28
29	0.33
34	0.00
SBC	<u>3.06</u>
TOTAL:	100.00%

## Funds Established Under the Master Obligation Agreement and Allocation of Revenues

Under the Master Obligation Agreement, each District must establish and maintain within its treasury certain funds so long as any of its Obligations remain Outstanding. For more information on such funds, see Section 3.02 of the Master Obligation Agreement attached hereto as Appendix C.

Pursuant to the Master Obligation Agreement, each Participating District, in order to carry out and effectuate such Participating District's pledge contained in Section 3.01 of the Master Obligation Agreement, is required to deposit in its Operating Fund all of such Participating District's Revenues as and when received. Each Participating District is required to pay from such Participating District's Operating Fund all of its Operation and Maintenance Costs as and when the same shall be due and payable.

Further, pursuant to the Master Obligation Agreement, each Participating District, after having paid, or having made provision for the payment of, such Participating District's Operation and Maintenance Costs, is required to, on the last Business Day of each month, set aside and deposit, transfer or pay, as the case may be, legally available Net Revenues from its Operating Fund in the amounts set forth and in the order of priority described in Section 3.03 of the Master Obligation Agreement. For more information on the allocation of each Participating District's Revenues under the Master Obligation Agreement, see Section 3.03 of the Master Obligation Agreement attached hereto as Appendix C.

### **Certain Covenants Under the Master Obligation Agreement**

#### Rate Covenant

Each Participating District has covenanted in the Master Obligation Agreement, to the extent permitted by applicable law, to fix, prescribe and collect rates and charges for the services of its Sewerage System that will be at least sufficient to yield during each Fiscal Year (i) Revenues of such Participating District for such Fiscal Year sufficient to make all deposits, transfers and payments required pursuant to the Master Obligation Agreement to be made in such Fiscal Year, including (A) payments of Operation and Maintenance Costs, and (B) all deposits, transfers and payments required by paragraphs (i) through (xiv) of Section 3.03(c) of the Master Obligation Agreement (See Section 3.03(c) of the form of Master Obligation Agreement attached as Appendix C of this Official Statement for a description of the required deposits, transfers and payments), and (ii) a Senior Debt Service Coverage Ratio of such Participating District for such Fiscal Year of not less than 1.25:1.

A Participating District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless its Revenues and Senior Debt Service Coverage Ratio from such reduced rates and charges will at all times be sufficient to meet the requirements of Section 5.07 of the Master Obligation Agreement.

A Participating District will not be in default under Section 5.07 of the Master Obligation Agreement if it fails to satisfy the requirements set forth in subsection (a) of Section 5.07 (described in the first paragraph of this subsection above) for a Fiscal Year, so long as (i) such Participating District has satisfied the requirements of clause (i) of subsection (a) of Section 5.07 (described in the first paragraph of this subsection above) for such Fiscal Year, and (ii) such Participating District has delivered to each Obligee, no later than 90 days after the end of such Fiscal Year, a written report describing the cause or causes of such failure and describing the measures that such Participating District has taken or is in the process of taking in order to prevent such a failure in the Fiscal Year next succeeding such Fiscal Year; provided, however, that such Participating District will be in default under Section 5.07 of the Master Obligation Agreement if it fails to satisfy the requirements set forth in subsection (a) of Section 5.07 of the Master Obligation Agreement (described in the first paragraph of this subsection above) for two consecutive Fiscal Years.

#### Covenant Against Encumbrances

Each Participating District has covenanted in the Master Obligation Agreement not to mortgage or otherwise encumber, pledge or place any charge upon its Sewerage System or any part thereof, or upon any of its Revenues that would impair such Participating District's ability to comply with its obligations under the Master Obligation Agreement. In addition, so long as any Obligations of a Participating District are Outstanding, such Participating District will not issue any bonds or incur obligations payable from its

Revenues or secured by a pledge, lien or charge upon its Revenues, except as provided in the Master Obligation Agreement.

#### Covenant Against Sale or Other Disposition of Property

In the Master Obligation Agreement, each Participating District has covenanted not to sell, lease or otherwise dispose of its Sewerage System or any part thereof essential to the proper operation of its Sewerage System or to the maintenance of its Revenues; except that any real or personal property which has become non-operative or that is not needed for the efficient and proper operation of such Participating District's Sewerage System, or any material or equipment that has become worn out, may be sold if such sale will not materially reduce such Participating District's Net Revenues and if the proceeds of such sale are deposited in such Participating District's Operating Fund.

Each Participating District has covenanted not to enter into any agreement or lease that would (a) impair the operation of such Participating District's Sewerage System or any part thereof necessary to secure adequate Revenues for the payment of its Obligations, (b) impair the rights of the Master Trustee or the applicable Obligees with respect to such Participating District's Revenues, or (c) otherwise materially impair the operation of such Participating District's Sewerage System. Notwithstanding the preceding sentence, a Participating District may sell or lease its Sewerage System or any part thereof if (a) such Sewerage System or such part thereof is sold or leased to another local governmental agency (including the Authority) or to a nonprofit corporation that is organized for the purpose of assisting one or more local governmental agencies in financing or refinancing capital projects, (b) in the case of a sale of its Sewerage System or a part thereof, such Participating District, as part of that same sale transaction, simultaneously repurchases its Sewerage System or such part thereof, (c) in the case of a lease of its Sewerage System or a part thereof, such Participating District, as part of that same lease transaction, simultaneously leases back, for a term that is not substantially less than the term of that lease, its Sewerage System or such part thereof, and (d) the net financing proceeds obtained by such Participating District from such sale and repurchase or lease and lease back are used by such Participating District, or set aside for use by such Participating District, either to pay for improvements to its Sewerage System or to refund or refinance its Obligations.

#### Covenant Regarding Annual Budget

On or before July 1 of each Fiscal Year, commencing July 1, 2022, each Participating District is required to adopt a budget approved by the Board of Directors of such Participating District that appropriates amounts for the payment of its Obligations payable during such Fiscal Year.

#### Additional Covenants Under the Master Obligation Agreement

For more information regarding the additional covenants of the Participating Districts under the Master Obligation Agreement, see Article V of the Master Obligation Agreement attached hereto as Appendix C.

### **Events of Default**

#### Events of Default Under the Indenture

The Indenture sets forth certain Events of Default that include (a) failure to pay any installment of principal of any 2022 Bond as and when the same shall become due and payable; (b) failure to pay any installment of interest on any 2022 Bond as and when the same shall become due and payable; (c) the occurrence and continuation of event of default under the Joint Acquisition Agreement; (d) failure by the Authority to observe and perform any of the other covenants, agreements or conditions of the Indenture or in the 2022 Bonds, and such failure continues for a period of 30 days after written notice thereof has been provided to the Authority in accordance with the terms of the Indenture, and such failure is not cured pursuant

to the terms of the Indenture, and (e) the commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute. For a description of the Events of Default under the Indenture, see “INDENTURE – Events of Default and Remedies” in APPENDIX D – “SUMMARY OF CERTAIN LEGAL DOCUMENTS,” attached hereto.

#### Events of Default Under the Joint Acquisition Agreement

Events of Default under the Joint Acquisition Agreement, with respect to a Participating District, include (a) the failure of such Participating District to pay any its Installment Payments as and when the same shall become due and payable; (b) the occurrence and continuance of an event of default under the Master Obligation Agreement with respect to such Participating District; (c) the failure by such Participating District to observe and perform any of the covenants, agreements or conditions applicable to it set forth in the Joint Acquisition Agreement, and such failure continues for a period of 30 days after written notice thereof has been provided to such Participating Districts in accordance with the terms of the Indenture, and such failure is not cured pursuant to the terms of the Indenture; and (d) the commencement by such Participating District of a voluntary case under Title 11 of the United States Code or any substitute or successor statute. For a description of the Events of Default under the Joint Acquisition Agreement, see “JOINT ACQUISITION AGREEMENT – Events of Default and Remedies” in APPENDIX D – “SUMMARY OF CERTAIN LEGAL DOCUMENTS,” attached hereto.

#### Events of Default Under the Master Obligation Agreement

The Master Obligation Agreement contains several Events of the Default with respect to the Participating Districts. The Events of Default under the Master Obligation Agreement are provided in Section 6.01 of the form of Master Obligation Agreement attached to this Official Statement as Appendix C.

#### **Limitations on Enforcement by Owners**

No Owner of any 2022 Bonds has any right to institute any suit, action or proceeding at law or in equity for the enforcement of any remedy under the Indenture unless, among other things, the Owners of 2022 Bonds of not less than a majority of the aggregate 2022 Bonds then outstanding have made a written request to the Trustee, have afforded the Trustee the opportunity to comply with such request for a period of not less than 60 days, and have offered indemnification to the Trustee as provided in the Indenture. See “INDENTURE – Limitations on Owners’ Right to Sue” in APPENDIX D – “SUMMARY OF CERTAIN LEGAL DOCUMENTS,” attached hereto.

For a discussion of the Trustee’s and the Owners’ remedies upon an Event of Default under the Indenture, see “INDENTURE – Events of Default; Remedies” in APPENDIX D – “SUMMARY OF CERTAIN LEGAL DOCUMENTS,” attached hereto.

#### **Additional Obligations**

**Senior Obligations.** A Participating District may from time to time, in order to finance or refinance a Project, incur Senior Obligations, payable from Net Revenues of such Participating District as provided in the Master Obligation Agreement on a parity with all other Outstanding Senior Obligations of such Participating District, but only subject to the satisfaction of the conditions described in Section 4.01 of the Master Obligation Agreement. See Section 4.01 of the form of Master Obligation Agreement attached hereto as Appendix C.

**Subordinate Obligations.** A Participating District may from time to time, in order to finance or refinance a Project, incur Subordinate Obligations, payable from Net Revenues of such Participating District as provided herein on a basis subordinate to the payment therefrom of the Senior Obligations of such Participating District, but only subject to the satisfaction of the conditions described in Section 4.02 of the

Master Obligation Agreement. See Section 4.02 of the form of Master Obligation Agreement attached hereto as Appendix C.

**Existing Obligations of the Participating Districts**

Following the issuance of the 2022 Bonds and the prepayment of the Prepaid State Loans, the only Outstanding Obligations of the respective Participating District will be the Installment Payments, which are Senior Obligations.

**Debt Service Requirements for the 2022 Bonds**

The following table sets forth the debt service requirements for the 2022 Bonds.

**TABLE 2  
DEBT SERVICE**

<b>2022 Bonds</b>			
<b>Fiscal Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30</b>			
2023	\$6,475,000.00	\$4,258,208.34	\$ 10,733,208.34
2024	6,730,000.00	4,003,000.00	10,733,000.00
2025	7,075,000.00	3,657,875.00	10,732,875.00
2026	7,430,000.00	3,295,250.00	10,725,250.00
2027	7,810,000.00	2,914,250.00	10,724,250.00
2028	8,205,000.00	2,513,875.00	10,718,875.00
2029	8,630,000.00	2,093,000.00	10,723,000.00
2030	9,070,000.00	1,650,500.00	10,720,500.00
2031	9,530,000.00	1,185,500.00	10,715,500.00
2032	9,235,000.00	716,375.00	9,951,375.00
2033	9,710,000.00	242,750.00	9,952,750.00
Total	\$89,900,000.00	\$26,530,583.34	\$116,430,583.34

**THE AUTHORITY**

The Authority was formed pursuant to the provisions of the Joint Exercise of Powers Law and the Joint Powers Agreement. The membership of the Authority is currently comprised of the 23 active county sanitation districts of the LACSD. The Authority was created for the purpose of, among other things, assisting the LACSD in the planning, financing, development, acquisition, construction, operation and maintenance of projects relating to the LACSD’s sewerage systems. The Joint Powers Agreement expires upon the later of April 14, 2043, or the date on which no obligations of the Authority remain outstanding and no material contracts to which the Authority is a party remain in effect. Additional county sanitation districts may become parties to the Joint Powers Agreement upon the filing of certain documents with the Authority and the approval of the Commission of the Authority. New members would not be obligated to make any payments with respect to the 2022 Bonds.

The Authority is governed by a Commission, which consists of the Chairperson of each of the member sanitation districts. The Commission may exercise all rights, powers, duties, and privileges of the Commission set forth in the Joint Powers Agreement. The current officers of the Authority are listed under “LOS ANGELES COUNTY SANITATION DISTRICTS FINANCING AUTHORITY” at the beginning of this Official Statement. For information relating to the organization and management of the Participating Districts, see “THE DISTRICTS – Organization and Administration” herein.

## **THE DISTRICTS**

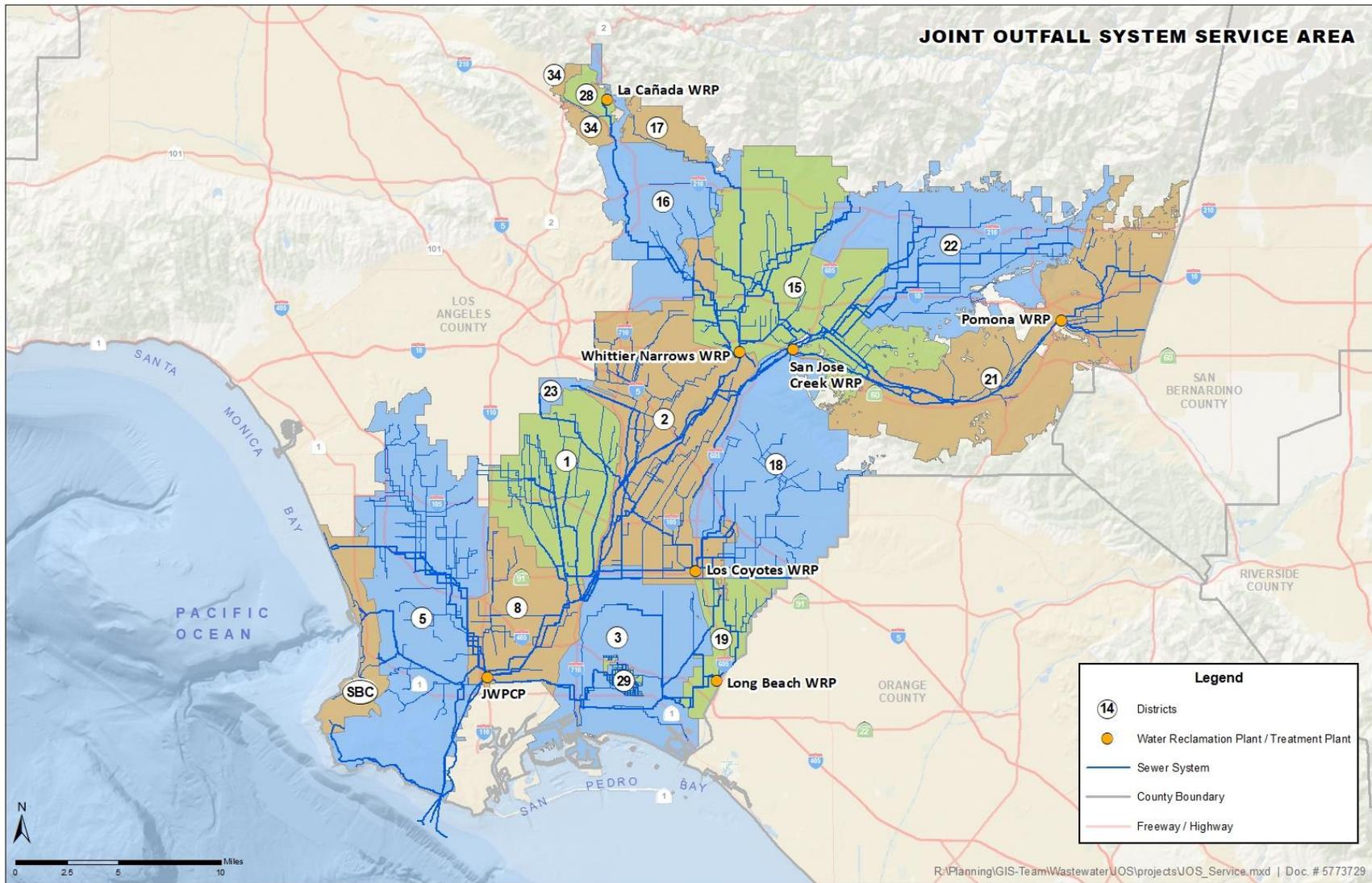
California law permits the formation of one or more county sanitation districts within counties to provide sewage conveyance, treatment, and disposal services to persons within the service area of each such district. There are currently 24 independent county sanitation districts within the County, each with its own Board of Directors. These districts have entered into a Joint Administration Agreement providing for joint administration and staffing of the construction, supervision, operation, and maintenance of the sewerage system.

### **The Participating Districts**

The Participating Districts consist of 17 of the 24 independent county sanitation districts in the County. Sixteen of the Participating Districts are members of the Authority (see “THE AUTHORITY”). County Sanitation District No. 34 of Los Angeles County is currently inactive and is not a member of the Authority. The general vicinity map on the following page shows each Participating District’s boundaries within the County. Table 3 lists the jurisdictions located within each Participating District, and Table 4 sets forth a summary of certain statistics relating to the Participating Districts.

The Participating Districts’ service area covers approximately 660 square miles encompassing all or a portion of 72 cities and unincorporated territory within the County. (Participating Districts may annex additional area from time to time, in accordance with State law and policies established by the Participating Districts.) The Participating Districts provide wastewater treatment and disposal service to approximately 4.9 million people (49% of the population of the County). The City of Los Angeles provides most of the remaining sewerage services within the County. Additionally, within the Participating Districts’ service areas, each of the individual cities is generally responsible for the local collector sewers within that city.

California law permits county sanitation districts to own and operate refuse transfer and disposal facilities. Under this provision in the law, the Participating Districts provide refuse transfer and disposal facilities and services in the County. However, the solid waste operations are financially independent from the wastewater operations and no revenues generated by the solid waste operations are available for, or pledged to, the payment of the Installment Payments or with respect to any payments to be made on the 2022 Bonds.



**TABLE 3**  
**JURISDICTIONS LOCATED WITHIN PARTICIPATING DISTRICTS <sup>(1)</sup>**

<u>DIST.</u>	<u>JURISDICTION</u>	<u>DIST.</u>	<u>JURISDICTION</u>	<u>DIST.</u>	<u>JURISDICTION</u>	<u>DIST.</u>	<u>JURISDICTION</u>
1	Bell Compton Cudahy Huntington Park Long Beach Los Angeles City Lynwood Maywood Paramount South Gate Vernon Los Angeles County	5	Culver City El Segundo Gardena Hawthorne Inglewood Lawndale Lomita Los Angeles City Manhattan Beach Palos Verdes Estates Rancho Palos Verdes Redondo Beach Rolling Hills Rolling Hills Estates Torrance Los Angeles County	17	Los Angeles County Pasadena	28	La Cañada Flintridge
2	Alhambra Artesia Bell Bellflower Bell Gardens Cerritos Commerce Compton Downey Long Beach Los Angeles City Montebello Monterey Park Norwalk Paramount Pico Rivera San Gabriel South Gate Vernon Whittier Los Angeles County	8	Carson Compton Long Beach Los Angeles City Los Angeles County	18	Artesia Bellflower Cerritos Downey Industry La Habra Heights La Mirada Norwalk Pico Rivera Santa Fe Springs Whittier Los Angeles County	29	Signal Hill
3	Bellflower Cerritos Lakewood Long Beach Los Angeles City Signal Hill Los Angeles County	15	Arcadia Baldwin Park Bradbury Duarte El Monte Industry Irwindale La Puente Monrovia Montebello Monterey Park Pasadena	19	Artesia Cerritos Hawaiian Gardens Lakewood Long Beach Los Angeles County	SBC	El Segundo Hermosa Beach Manhattan Beach Palos Verdes Estates Rancho Palos Verdes Redondo Beach Rolling Hills Estates Torrance
		16	Alhambra Los Angeles City Pasadena San Marino South Pasadena Los Angeles County	21	Claremont Diamond Bar Industry La Puente La Verne Pomona San Dimas Walnut West Covina Los Angeles County	34	La Cañada Flintridge
				22	Arcadia Azusa Baldwin Park Bradbury Covina Duarte Glendora Irwindale La Verne Monrovia San Dimas Walnut West Covina Los Angeles County		
				23	Vernon		

<sup>(1)</sup> The County of Los Angeles and certain of the cities listed are located in multiple Participating Districts.

**TABLE 4  
SUMMARY OF CERTAIN STATISTICS  
RELATING TO THE PARTICIPATING DISTRICTS**

<b>District No.</b>	<b>Date of Formation</b>	<b>Date Placed in Operation</b>	<b>Area (Sq. Mi.)</b>	<b>Population<sup>(1)</sup></b>	<b>Incorp. Cities (All or Part)</b>
<b>1</b>	11-17-1924	02-13-1928	41.3	578,445	11
<b>2</b>	02-25-1924	02-13-1928	76.1	691,806	20
<b>3</b>	05-19-1924	05-20-1948	52.3	510,478	6
<b>5</b>	03-31-1924	02-13-1928	87.8	742,800	15
<b>8</b>	09-21-1925	02-13-1928	31.3	142,014	4
<b>15</b>	01-02-1945	02-27-1948	77.6	587,113	20
<b>16</b>	01-02-1946	02-27-1948	37.4	273,311	5
<b>17</b>	01-02-1946	11-23-1949	7.7	56,214	1
<b>18</b>	11-23-1948	07-01-1950	60.1	340,094	11
<b>19</b>	03-28-1950	05-19-1951	14.2	91,845	5
<b>21</b>	11-13-1951	08-21-1954	83.0	415,018	9
<b>22</b>	09-22-1953	12-06-1954	64.1	335,153	13
<b>23</b>	07-10-1956	07-14-1959	2.5	50	1
<b>28</b>	09-14-1961	11-02-1962	4.1	11,399	1
<b>29</b>	09-20-1962	11-12-1964	2.2	11,712	1
<b>SBC</b>	12-24-1923	09-12-1926	14.6	115,745	8
<b>34</b>	10-31-1967	Inactive	4.0	7,674	1

<sup>(1)</sup> Estimated population as of January 2021.

### **Organization and Administration**

The Participating Districts, along with the other seven sanitation districts in Los Angeles County, are signatories to an agreement (the “Joint Administration Agreement”) providing for the joint administration for the LACSD. Under the Joint Administration Agreement, a single staff is employed to manage the day-to-day affairs of the LACSD. That staff maintains and operates the sewerage and solid waste management systems throughout the LACSD, is responsible for the design of the sewage conveyance and treatment facilities currently operating, and manages the construction of all of the capital projects undertaken by the LACSD. Overall, there are nearly 1,700 employees, including 236 engineers, to operate and maintain existing facilities, provide for the design and construction of new facilities, and provide for management of the LACSD sewerage and solid waste management systems. The administrative headquarters of the LACSD are located in Whittier, California.

The governing body of each Participating District is composed of a Board of Directors consisting generally of the presiding officers of each of the cities located within the Participating District’s boundaries and, for those Districts whose boundaries include unincorporated areas of the County, the presiding officer of the Board of Supervisors of the County acts as the Director. Alternate Directors are designated by the respective city councils or the Board of Supervisors of the County, as applicable, to act on behalf of a Director during the Director’s absence, inability or refusal to act. LACSD in which only two jurisdictions are located appoint a third Director from the jurisdiction with the greater population. In LACSD located within only one jurisdiction (whether it be a single city or solely unincorporated areas of the County), either the members of the city council or the Board of Supervisors of the County, as applicable, serve as the Board of Directors.

As noted above, pursuant to the Joint Administration Agreement, the LACSD are jointly administered by the officers, employees, and legal counsel designated by the Joint Administration Agreement or appointed

by District No. 2. Set forth below are resumes of the Participating Districts' management associated with the wastewater management system.

Robert C. Ferrante, B.S., M.S., Chief Engineer and General Manager. Mr. Ferrante is a Registered Mechanical Engineer, State of California, and a board-certified member of the American Academy of Environmental Engineers. He serves on the Board of the Southern California Salinity Coalition, WateReuse California, and the Southern California Water Research Program.

Mr. Ferrante has been a member of the LACSD engineering staff since 1993, serving in roles throughout the agency. He served in the Air Quality Section responsible for permitting, regulatory review, and project development related to wastewater treatment and electrical power production. In 1998, Mr. Ferrante became the Operations Engineer for the Total Energy Facility, a 30-megawatt combined cycle gas turbine plant at the LACSD Joint Water Pollution Control Plant. He also was involved in the wastewater treatment processes. In 2003, he became Section Head of Energy Recovery Operations, under which he served as the Project Manager for the Commerce Refuse-to-Energy Authority. In 2008, Mr. Ferrante became the Department Head for Solid Waste Management Department, a position he held until 2012 when he was promoted to Assistant Chief Engineer and Assistant General Manager. In 2019, he was appointed at Chief Engineer and General Manager of the LACSD. He is leading efforts on greater recycling of water and organic (food) waste.

Charles E. Boehmke, B.S., M.S., Assistant Chief Engineer and Assistant General Manager. Mr. Boehmke is a Registered Civil Engineer, State of California and is a board-certified member of the American Academy of Environmental Engineers.

Mr. Boehmke has been a member of the engineering staff of the LACSD since 1990, serving in various capacities. From December 2003 to February 2012, Mr. Boehmke was in charge of the Planning Section, responsible for the environmental review and permitting for wastewater and solid waste projects and facilities. From February 2012 to July 2019, Mr. Boehmke was head of the Solid Waste Management Department, responsible for the operation and maintenance of all solid waste facilities within the LACSD. These facilities included landfills, material recovery facilities, a transfer station, energy recovery facilities, and recycle centers. From July 2019 to present, Mr. Boehmke is the Asst. Chief Engineer and Asst. General Manager of the Sanitation Districts, responsible for all wastewater management and solid waste management activities and all supporting groups within the agency. These activities include wastewater management services for over 5 million people and solid waste management for nearly one quarter of the solid waste in Los Angeles County.

Matthew A. Eaton, B.S., M.S., Department Head, Financial Management Department. Mr. Eaton is a Registered Mechanical Engineer, State of California, and is a member of the American Society of Mechanical Engineers, SWANA and Government Finance Officers Association.

Mr. Eaton has been a member of the LACSD engineering staff since 1991 and has held various positions throughout his professional career related to both wastewater and solid waste functions, primarily involved in energy recovery functions. In November 2011, Mr. Eaton became the Section Head of Energy Recovery Operations and the Project Manager for the Commerce-Refuse-to-Energy Authority. He was responsible for the management of the LACSD's solid waste energy facilities operations and for development of new projects. In May 2016, Mr. Eaton became the Assistant Department Head for the Financial Management Department, overseeing day-to-day operations of the LACSD's accounting, budget, purchasing, and revenue collection functions. In July 2019, he became the Department Head for the Department.

Raymond L. Tremblay, B.S., M.S., Department Head, Facilities Planning Department. Mr. Tremblay is a Registered Civil Engineer, State of California, and is a member of the Water Environment Federation, the California Water Environment Association, and American Society of Civil Engineers. Mr. Tremblay serves on the Board of Directors for the Urban Water Institute.

Mr. Tremblay has been a member of the LACSD engineering staff since 1993 serving in various capacities in wastewater treatment and solid waste facilities planning, construction, operation, and regulatory compliance. In 2005, Mr. Tremblay became the Monitoring Section Head, responsible for water quality at all LACSD wastewater treatment facilities. In 2008, he was promoted to Assistant Department Head of the Technical Services Department, management of water quality, water recycling, biosolids and air permit compliance, research programs, laboratory processes, public information, and regulatory and legislative advocacy functions. In December 2013, Mr. Tremblay became the Department Head of Facilities Planning, responsible for planning and environmental review for new facilities, property management, and all LACSD information services.

Samuel Espinoza, B.S., M.S., Department Head, Engineering Department. Mr. Espinoza is a Registered Civil Engineer, State of California and is a member of the Water Environment Federation, the California Water Environment Association, and the American Society of Civil Engineers. Mr. Espinoza has been a member of the engineering staff of the LACSD since 1995, serving in various capacities. From September 2004 to February 2012, Mr. Espinoza was in charge of the Wastewater Collections Systems Section, responsible for the operation and maintenance of the LACSD regional collection system. From February 2012 to February 2015, Mr. Espinoza was the Assistant Department Head in the Technical Services Department responsible for regulatory compliance, the recycled water use program and biosolids management. From February 2015 to September 2017, Mr. Espinoza was the Assistant Department Head of the Engineering Department and in September 2017, became the Department Head. The Engineering Department is responsible for the design and construction of all wastewater collection, wastewater treatment, and solid waste facilities in the LACSD.

Kenneth P. Rademacher, B.S., M.S., Department Head, Wastewater Management Department. Mr. Rademacher is a Registered Civil Engineer, State of California, Certified Grade V Wastewater Operator, State of California and is a member of the Water Environment Federation, the California Water Environment Association, and the American Society of Civil Engineers. Mr. Rademacher has been a member of the engineering staff of the LACSD since 1985, serving in various capacities. From 1999 to 2003, Mr. Rademacher was in charge of the Water Reclamation Plant Section, responsible for the operation and maintenance of 10 wastewater treatment plants located throughout Los Angeles County. From 2003 until February 2020, Mr. Rademacher was in charge of the Joint Water Pollution Control Plant, LACSD's largest wastewater treatment plant and one of the largest treatment plants in the country. In February 2020, Rademacher became the Department Head of the Wastewater Management Department and is responsible for the operation and maintenance of all wastewater collection and wastewater treatment in the LACSD.

Martha R. Tremblay, B.S., M.S., Department Head, Technical Services Department. Ms. Tremblay is a Registered Civil Engineer, State of California, and is a member of the Water Environment Federation and the California Water Environment Association. She serves on the board of the Southern California Salinity Coalition.

Ms. Tremblay has been a member of the LACSD engineering staff since 1996 serving in various capacities. In 2007, Ms. Tremblay became the Sewer Design Section Head, responsible for the design of all sewer relief, replacement, and rehabilitation projects at the LACSD. From March 2012 to March 2015, Ms. Tremblay was in charge of the Wastewater Collection Systems Section, with responsibility for operation and maintenance of the LACSD regional collection system. In March 2015, she became the Assistant Department Head and then in July 2017, became Department Head of the Technical Services Department, where she is responsible for the management of water quality, water recycling, biosolids, air permit compliance, research programs, laboratory processes, safety, and regulatory and legislative advocacy functions.

Alan C. Nyberg retired as Chief Account of the LACSD effective as of March 11, 2022. Jeremy Freelove was appointed acting Chief Accountant on March 14, 2022 and is expected to be appointed as the permanent Chief Accountant on or about April 6, 2022. Mr. Freelove's biography can be found below.

Jeremy Freelove, Acting Chief Accountant. Mr. Freelove is a member of the California Society of Municipal Finance Officers, the Government Finance Officers Association, and the National Association of Government Defined Contribution Administrators. Mr. Freelove joined LACSD in 2008 and assumed the role of Chief Accountant in 2022. He is responsible for managing all of the LACSD's accounting functions, cash management, investments, internal audit, and the administration of the employees' deferred compensation plan.

The current officers of the Authority are listed at the beginning of this Official Statement.

## **Employees**

The LACSD have nearly 1,700 full-time monthly and hourly employees. The work force of the LACSD is diverse, with the largest concentration of employees serving in the operation and maintenance of the LACSD's wastewater and solid waste facilities. As of July 1, 2021, the LACSD have an engineering staff of over 230 engineers including 183 licensed professional engineers and over 100 professionals in other technical and scientific disciplines (chemists, biologists, geologists, and accountants). The clerical and administrative staff is relatively small.

The monthly employees are divided into nine groups, seven of which are represented by national labor organizations. The Blue Collar unit, consisting of 673 employees, is represented by Service Employees International Union (SEIU) Local 721. The White Collar Unit, consisting of 99 employees; Technical Support Unit, consisting of 271 employees; the Energy Recovery Unit, consisting of 16 employees; the Professional Unit, consisting of 286 employees; the Professional Supervisory Unit, consisting of 72 employees; and the Supervisory Unit, consisting of 85 employees are represented by the American Federation of State, County & Municipal Employees (AFSCME) District Council 36. The Management Unit, consisting of 58 employees, is unrepresented and the Confidential Unit, consisting of 33 employees, is self-represented.

The Blue Collar, Professional, Professional Supervisory, and Supervisory units are working under Memorandums of Understanding that expire on June 30, 2022. The Energy Recovery, White Collar and Technical Support Units are working under Memorandums of Understanding that expire on June 30, 2024. The Confidential Unit is working under an agreement that expires on June 30, 2022.

## **Existing Wastewater Facilities**

The Participating Districts' sewerage systems include approximately 1,240 miles of main trunk sewers, 48 pumping plants, and seven sewage treatment plants. The Participating Districts currently convey and treat approximately 350 million gallons per day (mgd) of wastewater. This amount is roughly one half of the total wastewater generated in the County. The Participating Districts provide over 95 mgd of recycled wastewater for reuse in Southern California.

### Joint Outfall System

The Participating Districts are currently parties to a Joint Outfall Agreement, effective July 1, 2020 (the "Previous JO Agreement"). A new Joint Outfall Agreement ("JO Agreement") was signed in 2021 and will become effective July 1, 2022, and upon such effectiveness will supersede the Previous JO Agreement. Under the JO Agreement, Districts Nos. 1, 2, 3, 5, 8, 15, 16, 17, 18, 19, 21, 22, 23, 28, 29, 34, and SBC (the "Joint Outfall Districts"), jointly own, operate, and maintain outfall sewers, trunk sewers, pumping plants, treatment plants, and other sanitation works, collectively comprising a single regional system of sanitation works referred to as the Joint Outfall System. (District No. 34, located within a portion of La Cañada Flintridge, is currently inactive. Although District No. 34 is a party to the JO Agreement, sewerage service within District No. 34 is provided by individual private disposal systems.) The service area of the Joint Outfall System encompasses all or a portion of 73 cities and unincorporated territories, primarily outside the City of Los Angeles. The Joint Outfall System provides wastewater treatment and disposal for residential, commercial,

and industrial users and includes the following treatment plants: the Joint Water Pollution Control Plant (the “JWPCP”) located in the City of Carson, the Whittier Narrows Water Reclamation Plant near the City of South El Monte, the Los Coyotes Water Reclamation Plant in the City of Cerritos, the San Jose Creek Water Reclamation Plant adjacent to the City of Industry, the Long Beach Water Reclamation Plant in the City of Long Beach, the La Cañada Water Reclamation Plant in the City of La Cañada Flintridge, and the Pomona Water Reclamation Plant in the City of Pomona. Based on population and flow projections, the Joint Outfall System has capacity for approximately 30 years of growth.

Pursuant to the JO Agreement, capital, operation and maintenance costs related to the Joint Outfall System are apportioned among the Participating Districts according to the number of sewage units attributable to each Participating District. A sewage unit is the average daily quantity of sewage flow and strength from a single-family home. The JO Agreement provides that the Chief Engineer and General Manager of the Participating Districts will determine annually the number of sewage units attributable to each Participating District. Ownership of the Joint Outfall System is apportioned among the signatory Participating Districts in the ratio that the number of sewage units attributable to each Participating District bears to the aggregate number of sewage units attributable to all the Joint Outfall Districts.

District No. 2 has been appointed as agent of the Participating Districts for the purpose of planning, constructing, reconstructing and operating the Joint Outfall System.

For information relating to the operations of the Participating Districts, see “THE DISTRICTS – Operations” below.

**Operations**

As indicated in the following table, flows have generally remained stable in recent years. This is partially due to the water conservation efforts in the various cities over the last decade, requiring the installation of low-flow devices in new construction and the retrofitting of existing buildings.

**TABLE 5**  
**AVERAGE YEARLY FLOW FROM THE PARTICIPATING DISTRICTS**  
**Fiscal Years 2016-17 Through 2020-21**  
**(In Millions Of Gallons Per Day)**

<b>District</b>	<b>Fiscal Year 2016-17</b>	<b>Fiscal Year 2017-18</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2020-21</b>
Joint Outfall System <sup>(1)</sup>	355.63	349.31	352.21	344.79	345.62

<sup>(1)</sup> Joint Outfall System is comprised of Districts Nos. 1, 2, 3, 5, 8, 15, 16, 17, 18, 19, 21, 22, 23, 28, 29, 34 and SBC.

Competition

The Participating Districts are the sole providers of sanitary sewage treatment and disposal services within their respective service areas. The Participating Districts’ sanitary sewage treatment and disposal facilities are operated and maintained by the Participating Districts’ staff.

Customers

The estimated number of sewage units (billing units) served by the Participating Districts and the corresponding user fees and ad valorem taxes related to each for Fiscal Year 2020-21 are presented in the table below. A sewage unit is defined to be the average daily quantity of wastewater flow and strength from a single family home. Following this table is a list of the ten largest customers of the Participating Districts, their total billing for Fiscal Year 2020-21, and the percentage each represents of the total user charges collected that year.

**TABLE 6**  
**ESTIMATED SEWAGE UNITS BY CUSTOMER TYPE,**  
**USER FEES AND AD VALOREM TAXES**  
**Fiscal Year 2020-21**

<b>District</b>	<b>Number of Sewage Units<sup>(1)</sup></b>				<b>Sewage Units</b>	<b>User Fees<sup>(2)</sup></b>	<b>A.V. Taxes<sup>(2)</sup></b>
	<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Contract</b>			
Joint Outfall System	1,250,432	515,225	212,913	19,116	1,997,686	\$373,782,000	\$81,436,000

<sup>(1)</sup> A sewage unit is the average daily quantity of sewage flow and strength from a single family home.

<sup>(2)</sup> Amounts based on actual billings as presented in the 2021 Annual Comprehensive Financial Report.

**TABLE 7**  
**TEN LARGEST CUSTOMERS<sup>(1)</sup>**  
**Fiscal Year 2020-21**

<b>Company</b>	<b>Fiscal Year Billing</b>	<b>% of Total User Charges<sup>(1)</sup></b>
1. Smithfield Packaged Meats Corp.	\$ 4,385,249	1.17%
2. Torrance Refining Company LLC	3,950,556	1.06
3. Tesoro Refining & Marketing Company LLC (Carson)	3,054,625	0.82
4. DeMenno/Kerdoon, dba World Oil Recycling	2,405,515	0.64
5. Tesoro Refining & Marketing Company LLC (Wilmington)	2,376,756	0.64
6. Coast Packing Company	1,999,266	0.53
7. Phillips 66 Company	1,796,793	0.48
8. Heritage Distributing Co. Inc dba Ninth Street Dairy	1,396,528	0.37
9. DFA Dairy Brands Fluid, LLC dba Alta Dena Dairy - COI North	1,348,627	0.36
10. Saputo Cheese USA Inc.	1,199,634	0.32
<b>TOTAL:</b>	<b>\$23,913,549</b>	<b>6.40%</b>

<sup>(1)</sup> The percentage of a Participating District's total user charges paid by its largest customer varies from Participating District to Participating District and is sometimes substantially higher than that shown in Table 7 for the combined Participating Districts.

Supplies. All essential supplies for the operation and maintenance of the facilities of each Participating District are readily available at reasonable market prices. All chemicals are stored in quantities sufficient to supply operations for several weeks. Back-up supplies are maintained in case of emergency or system failure.

## **Biosolids Management**

The solid residuals that are produced during the treatment of wastewater and processed to meet certain quality criteria are classified by the U.S. Environmental Protection Agency (“EPA”) as biosolids. The Participating Districts produce biosolids at the Joint Water Pollution Control Plant (“JWPCP”), the Valencia Water Reclamation Plant (WRP), the Lancaster WRP, and the Palmdale WRP. Approximately 7% of the Districts’ biosolids (dry basis) are produced at the Valencia, Palmdale, and Lancaster WRPs, with the rest produced at the JWPCP, which processes the solids from the Participating Districts’ six upstream WRPs. The Districts have a diversified biosolids management program, which includes a number of management options.

The Participating Districts’ biosolids are currently managed at: (i) an indoor composting facility in San Bernardino County, which was developed under a joint powers agreement between the LACSD and the Inland Empire Utilities Agency; (ii) a Districts-owned and operated composting facility in Kings County; (iii) a privately-owned composting facility in Kern County, (iv) a privately-owned composting facility in San Bernardino County, (v) a privately-owned composting facility in La Paz County, Arizona; (vi) a private land-application operation with sites in Yuma County, Arizona; (vii) a privately-owned landfill facility in Kern County; (viii) a privately-owned landfill facility in Imperial County; and (ix) a privately-owned organics drying and energy recovery facility in San Bernardino County.

In the past, a portion of the Participating Districts’ biosolids was transported to Kern and Kings Counties in central California, where biosolids were directly applied to marginal farmland to amend the soil and improve its productivity. A number of counties in California enacted ordinances imposing certain restrictions on the direct land application of biosolids, but several were overturned in subsequent years. New CalRecycle rules (Senate Bill 1383) codify these decisions by banning local ordinances that “prohibit or unreasonably restrict” biosolids land application.

In 2016 the Participating Districts began operations of its own biosolids management facility, Tulare Lake Compost, which is located in Kings County. This facility recycles biosolids and agricultural waste through composting and then the finished product is applied on adjacent farmland that is also owned by the Participating Districts. Construction of additional phases of this facility have already been permitted should the Districts decide to create more biosolids management capacity. The anticipated cost for biosolids reuse is expected to range between 8% and 9% of the Participating Districts’ annual wastewater Operating and Maintenance budget. Since the start of the COVID-19 pandemic, the hauling of biosolids has been impacted by driver availability due to illness and high demand for drivers for other services. Participating Districts are evaluating options to increase driver reliability.

## **Permits and Compliance**

The Participating Districts are subject to the regulatory authority of the Los Angeles Regional Water Quality Control Board (“RWQCB”). Each of the Participating Districts’ treatment facilities are operated under permits issued by the Los Angeles RWQCB that regulate the treated effluent quality and are specific to the disposition of the treated effluent. Treatment facilities discharging directly to surface water bodies (i.e. streams, rivers, or the ocean) operate under a National Pollution Discharge Elimination System (“NPDES”) permit. Treatment facilities that produce recycled water for direct reuse (water reclamation plants or WRPs) operate under reuse permits. Direct reuse applications include landscape, agricultural and nursery irrigation, paper manufacturing, carpet dyeing, concrete mixing, oilfield injection, construction site dust control, and soil compaction. Treatment facilities whose recycled water is used for recharge of groundwater aquifers operate under groundwater recharge permits. While treatment plant effluent limits for conventional pollutants are similar for certain of these regulatory mechanisms, many reuse options require higher levels of virus inactivation through disinfection. In some instances, a particular facility may operate under two or three of these types of discharge or reuse permits depending on the use of multiple effluent management options. The Participating Districts believe that they have obtained all permits and licenses presently necessary to operate their facilities in accordance with federal and state laws. See “ACQUISITION AGREEMENT – Covenants of the Participating Districts” in APPENDIX D – “SUMMARY OF CERTAIN LEGAL DOCUMENTS,” attached hereto. A summary of operating permits and the corresponding expiration dates is shown in Table 8.

**TABLE 8  
PARTICIPATING DISTRICTS' WASTEWATER TREATMENT PLANTS PERMITS AND EXPIRATION DATES**

<b>Plant</b>	<b>Design Capacity (MGD)</b>	<b>Treatment Level</b>	<b>NPDES Permit</b>	<b>Reuse Permit (Does not expire)</b>	<b>Groundwater Recharge Permit (Does not expire)</b>
Joint Water Pollution Control Plant (JWPCP)	400	Secondary	NPDES No. CA0053813 (R4-2017-0180) Exp. 10-31-22		
Long Beach WRP	25	Tertiary	NPDES <sup>1</sup> No. CA0054119 (R4-2015-0123) Exp. 07-31-20	Order Nos. 87-47 & 97-02	
Los Coyotes WRP	37.5	Tertiary	NPDES No. CA0054011 (R4-2021-0142) Exp. 01-31-27	Order No. 2016-0068-DDW	
Pomona WRP	15	Tertiary	NPDES No. CA0053619 (R4-2021-0097) Exp. 07-31-26	Order Nos. 81-34 & 97-02	Order Nos. 91-100 & R4-2009-0048
San Jose Creek WRP	100	Tertiary	NPDES No. CA0053911 (R4-2021-0131) Exp. 11-30-26	Order Nos. 77-50 & 97-02	Order Nos. 91-100 & R4-2009-0048
Whittier Narrows WRP	15	Tertiary	NPDES No. CA0053716 (R4-2021-0096) Exp. 07-31-26	Order No. 2016-0068-DDW	Order Nos. 91-100 & R4-2009-0048
La Cañada WRP	0.2	Secondary		Order No. 00-099	

<sup>1</sup>. An application for permit renewal was submitted prior to expiration; in conformance with RWQCB policy, and the new permit is anticipated to be adopted by the Los Angeles RWQCB in February 2022.

A Participating District is required to file a Report of Waste Discharge 180 days prior to the expiration date of the existing NPDES permit. From this information, the RWQCB will prepare and circulate for public comment a proposed NPDES permit for adoption at a future RWQCB meeting. Each permit typically contains a clause that allows for the permit to be reopened to allow for the inclusion of new regulations or requirements. As a result, the Participating Districts could be subject to significantly stricter discharge standards that would require additional capital investments in the treatment facilities. Orders requiring capital construction generally include time schedules for the completion of required work. The Participating Districts' staff work closely with RWQCB staff to try to assure that the RWQCB establishes science based and reasonable objectives and regulations. In fact, as noted in the "FINANCIAL INFORMATION – Historical and Projected Operating Data," the Participating Districts are currently undertaking several water quality studies to assist the applicable RWQCBs in making their findings. If necessary, the Participating Districts would seek administrative and judicial review of any water quality standards that the Participating Districts believe are unreasonable.

The specific federal, state and local regulations applicable to the Participating Districts are revised regularly. The cost of compliance with enhanced regulatory requirements are often substantial. Except as expressly stated herein, the Participating Districts believe they are in material compliance with all applicable permits and regulations; however exceedances of applicable regulations may occur on an infrequent basis. When such exceedances of applicable regulations occur, the Participating Districts take immediate corrective actions. From time to time, the Participating Districts have exceedances or regulatory actions that result in fines or other payments that generally would not be expected to have a material adverse effect on the respective operations or financial conditions of the Participating Districts or on a Participating District's ability to make the Installment Payments as the same become due and payable. The exceedances for November and December 2021 are not finalized yet and therefore the following violations described for NPDES, reuse, and groundwater recharge permits are subject to change. See the caption "Significant Regulatory Issues" below for a description of certain significant regulatory issues relating to the Participating Districts and certain of the Participating Districts' facilities.

#### Enforceable Effluent Limits

Table 9 contains the number of violations of the enforceable effluent limits in 2021 at each treatment facility. As shown in Table 9, there was one violation each at the Los Coyotes, San Jose Creek, and La Cañada WRPs. There were no violations at any of the Participating Districts' other treatment facilities. Certain types of violations are considered "mandatory enforcement" violations requiring a fine of \$3,000 per incident. Other violations may be punishable by fine at the discretion of the applicable RWQCB. All of the violations in 2021 were non-mandatory and resulted in no enforcement, penalty, or fine.

#### Reuse Permit Compliance

In addition to the effluent limitations contained in NPDES permits, the Long Beach, Los Coyotes, Pomona, San Jose Creek, Whittier Narrows, and La Cañada WRPs each have limitations contained in reuse permits. In 2021, the Long Beach, Pomona, and San Jose Creek WRPs had one violation each. These violations were non-mandatory and resulted in no enforcement, penalty, or fine.

#### Montebello Forebay Groundwater Recharge Permit Compliance

As mentioned above, the Pomona, San Jose Creek, and Whittier Narrows WRPs also operate under a third type of permit, which allows for the application of recycled water for groundwater recharge at the Montebello Forebay Groundwater Recharge Project. In 2021, the San Jose Creek WRP had six exceedances of the daily maximum limit for total dissolved solids ("TDS") contained in the recharge permit.

While the current recharge permit does not contain monitoring and reporting requirements for N-nitrosodimethylamine ("NDMA") for groundwater recharge at the Montebello Forebay Groundwater Recharge Project, the Participating Districts have been conducting low-level monitoring for NDMA in the San Jose Creek, Pomona, and Whittier Narrows WRPs effluent since 2000 at the request of SWRCB Division of

Drinking Water (“DDW”). Results from the low-level monitoring indicate that San Jose Creek and Pomona WRPs effluent NDMA concentrations exceeded California’s NDMA drinking water notification level of 10 ng/L on a running annual average basis for each month during 2021. State regulations for surface application of recycled water for groundwater recharge allow for water quality to be assessed in the recharge water for constituents for which DDW has established a notification level (“NL”). Groundwater monitoring well sampling is being proposed for the purpose of evaluating compliance in the recharge water. In 2021, NDMA was not detected above the NL in samples collected from the groundwater monitoring wells proposed for compliance and NDMA was not detected in samples collected from production wells monitored for the project. Similarly, although monitoring for 1,2,3-trichloropropane (1,2,3-TCP) is not required under the current recharge permit, the LACSD initiated 1,2,3-TCP monitoring in the San Jose Creek, Pomona, and Whittier Narrows WRPs effluent in 2015. In 2021, the San Jose Creek WRP effluent running annual average exceeded the maximum contaminant level (“MCL”) for 1,2,3-TCP once. In 2021, 1,2,3-TCP was not detected in samples collected from the groundwater monitoring wells for the project. Additionally, although monitoring for odor is not required under the recharge permit; the LACSD initiated monitoring for odor in 2018. In 2021, the running annual average at the Pomona, San Jose Creek, and Whittier Narrows WRPs exceeded the secondary MCL for odor in February, June, August, and December 2021. Odor does not pose a health hazard, but is of aesthetic concern. The Participating Districts do not anticipate enforcement action related to the exceedances mentioned above, and discussions with both the Los Angeles RWQCB and DDW have indicated that the effluent limitations based on NLs and secondary MCLs would be removed during the next groundwater recharge permit update and instead compliance would be assessed using samples collected from groundwater monitoring wells.

**TABLE 9  
PARTICIPATING DISTRICTS' WASTEWATER TREATMENT PLANT EFFLUENT LIMITATION COMPLIANCE**

<b>Plant</b>	<b>Number of Enforceable Compliance Points<sup>a</sup> (Annual)</b>	<b>Number of Violations<sup>b</sup> (Calendar Year 2021)</b>	<b>Comments</b>
Joint Water Pollution Control Plant (JWPCP) <sup>c</sup>	4,600	0	Platinum Award from the National Association of Clean water Agencies (NACWA) for 0 violations for five consecutive years
Long Beach WRP <sup>c</sup>	5,700	0	NACWA Gold Award for 0 violations in a single year
Los Coyotes WRP <sup>c</sup>	5,600	1	NACWA Silver Award for 1 violation in a single year
Pomona WRP <sup>c</sup>	4,200	0	NACWA Gold Award for 0 violations in a single year
San Jose Creek WRP <sup>c, d</sup>	7,200	1	San Jose Creek, East: NACWA Silver Award for 1 violation in a single year San Jose Creek, West: NACWA Gold Award for 0 violations in a single year
Whittier Narrows WRP <sup>c</sup>	6,500	0	Six consecutive years with no effluent violations. Platinum Award for 0 violations for five consecutive years
La Cañada WRP <sup>e</sup>	1,500	1	NACWA Silver Award for 1 violation in a single year

- a. Approximate value as of January 1, 2022; calculated based on the total number of samples collected and the number of times those samples are compared to an effluent limit.
- b. Violations for November and December 2021 have not yet been finalized so the total number of violations are subject to change.
- c. Treatment plant has NPDES discharge requirements
- d. NACWA Awards are determined for San Jose Creek East and West separately.
- e. Treatment plant has water recycling requirements.

## Significant Regulatory Issues

The following is a summary discussion of various significant regulatory issues relating to the Participating Districts and certain of the Participating Districts' facilities:

### Temperature

The Los Angeles RWQCB recently lowered the upper limits for temperature in NPDES discharge permits issued to Participating Districts' WRPs. NPDES permits recently renewed for the San Jose Creek, Pomona, Whittier Narrows, Long Beach, and Los Coyotes WRPs now include a new, more stringent temperature limitation for effluent discharged to surface water. Because the Participating Districts' WRPs cannot currently meet this limitation, the Los Angeles RWQCB has included an in-permit 10-year compliance schedule to address the work necessary to achieve compliance. The first several years of the compliance schedule allow the Participating Districts to conduct technical studies to evaluate the new limitation and, if appropriate, propose a new site-specific objective for regulatory approval. The Participating Districts issued a Request for Proposals on December 7, 2021 to provide consulting services to evaluate temperature impacts on surface waters in the San Gabriel River watershed that receive treated effluent from Participating Districts' WRPs. A selection committee will review the proposals and select a consultant in first quarter of 2022 and commence work on preparation of the technical studies thereafter.

### PFAS

In July 2020, the SWRCB issued an investigative order (the "Investigative Order") that required public agencies operating publicly owned treatment works ("POTWs") that have a design capacity at or exceeding one million gallons per day to sample and analyze water treated in the POTWs and biosolids for the detection of certain per- and polyfluoroalkyl substances ("PFAS"). Wastewater treatment plants within the Joint Outfall System were subject to the Investigative Order.

PFAS are part of a family of thousands of synthetic compounds that are water and lipid resistant substances. This suite of chemicals includes the compounds perfluorooctanoic acid ("PFOA"), perfluorooctanesulfonic acid ("PFOS") and perfluorobutane sulfonic acid ("PFBS"). PFAS are used in a variety of manufacturing processes and in the production of a wide range of industrial and household applications. In 2017, the EPA released a statement that, based on peer-reviewed studies on laboratory animals and epidemiological evidence in human populations, exposure to PFOA and PFOS over certain levels may result in adverse health effects. In 2019, SWRCB's DDW established notification and response levels for PFOA and PFOS detected in drinking water, and, beginning on January 1, 2020, AB 756 (2019, Chapter 162) required public agencies providing drinking water to take certain actions when the drinking water exceeded such levels of PFOA or PFOS. In 2020, DDW lowered the PFOS and PFOA notification and response levels from those established in 2019. In 2021, DDW issued the notification and response level for PFBS.

SWRCB, in issuing the Investigative Order, was concerned that if PFAS-bearing wastes were discharged into a wastewater collection system, then such PFAS would potentially be discharged from the POTWs in the effluent and biosolids. According to SWRCB, the discharge of effluent could pose a threat to water quality if the effluent was discharged directly to surface waters or allowed to percolate to groundwater and land application of biosolids could potentially pose a threat to water quality by constituents percolating to groundwater or through water carrying constituents to surface water. The Participating Districts have performed the sampling and analysis required by the Investigative Order and have submitted completed results to the SWRCB.

Currently, State and federal regulatory agencies have not established regulatory thresholds for PFAS detected in POTW effluent, recycled water or biosolids; however, no assurance can be provided that future regulatory action will not be taken. PFAS are present in the effluents from the Pomona, Whittier Narrows and San Jose Creek WRPs and have been found in the groundwater in vicinity of the Montebello Forebay

Groundwater Recharge Project at concentrations above the drinking water notification levels for PFOS and PFOA, the two most common of the PFAS compounds. A drinking water standard is expected to be established by 2025. Compliance with any such future regulations by the Participating Districts could result in an increase in capital expenditures and maintenance costs in order to comply with such regulations.

### **Carson Sewer Spill**

In the afternoon on December 30, 2021, a sewer overflow on 212<sup>th</sup> Street in the city of Carson was reported to the LACSD. LACSD staff responded and discovered a section of sewer located adjacent to the 110 Freeway immediately south of 220<sup>th</sup> Street had collapsed, forming a sinkhole and blocking the sewer, triggering an overflow upstream. LACSD initiated the deployment of bypass pumps, and by approximately 9 p.m. on December 31, the bypass pumps were fully operational, and the overflow stopped. LACSD estimates that approximately 8.5 million gallons overflowed into the storm drain and ultimately into Dominguez Channel and Los Angeles Harbor. The overflow did not damage any homes or businesses in the area. LACSD washed the street, driveways and residents' cars to remediate any contamination by untreated wastewater. Landscaping repairs were also performed by LACSD. LACSD began work to clear the obstructions at the collapsed sewer on December 30, and by January 3 flow was restored through the sewer. Permanent repairs were made by LACSD to the sewer that were completed by January 13, 2022. LACSD staff is expediting repairs to nearby stretches of the sewer that were found to have indications of damage similar to those found in the collapsed sewer section that caused the overflow on December 30, 2021. The cause of the collapse is being investigated by LACSD. Record-setting rainfall was experienced in the area at the time of the incident and may have contributed to the failure. The total cost of the failure and emergency and expedited repairs are estimated to be between approximately \$3 to \$5 million. In February 2022, LACSD received a notice of violation (the "Notice of Violation") from the RWQCB due to the discharge of untreated sewage resulting from the overflow in the City of Carson. As a result of the violations identified in the Notice of Violation, LACSD could be required to pay fines potentially in excess of \$1 million. The costs of the overflow, including the potential fines under the Notice of Violation, are not expected to have a materially adverse effect on the LACSD's financial condition or to have a material adverse effect on the Participating Members' ability to pay the Installment Payments as the same become due and payable.

### **Cyber Security**

The LACSD maintain a multi-tiered suite of tools to secure its computer network and underlying data. All internet traffic and email traffic are filtered by third-party services that scan for the latest threats. This scanning blocks malicious payloads and prevents staff from accessing potentially dangerous content on the web. All web traffic entering the LACSD's network is filtered through a central firewall appliance. Internal network traffic is further scanned by an intrusion prevention appliance for malicious activity. The LACSD maintain an aggressive endpoint scanning solution that regularly scans workstations and servers for malware. The LACSD's Office 365 infrastructure is secured for external access with multifactor authentication. The LACSD's network is segmented to minimize the potential for the lateral spread of malware through the enterprise. LACSD's staff undergo monthly cybersecurity training and receive updates on cybersecurity principles.

LACSD's documents are secured in an enterprise document management system ("DMS") with role-based security access. On-premise DMS documents, databases, and network drives are backed up regularly to on-site appliance-based archival servers. These servers, in turn, are regularly archived to tapes that are stored at an off-site third-party repository. Cloud-based Office 365 content (OneDrive, SharePoint, Exchange) is archived beyond standard Microsoft data management, via a third-party cloud-based service. The use of off-site tape backups coupled with additional cloud-based backups of Office 365 data further protects the LACSD from ransomware attacks. In the event that primary on-premise archives or even the LACSD's cloud-based Exchange email environment were infected with ransomware, additional physically-disconnected data backups are available for recovery.

## **COVID-19 Pandemic**

As described further under the caption “CERTAIN RISK FACTORS—COVID-19 Pandemic,” the spread of COVID-19 has had significant negative impacts throughout the world, including in California. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the United States, the State, and numerous counties throughout the State, including the County of Los Angeles. The purposes behind these declarations are to coordinate and formalize emergency actions and across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus.

Over the course of the pandemic, the State and the County have issued various stay-at-home orders and other guidance and restrictions on businesses and other activities, which severely restricted the movements of residents and operations of business and related activities. Due to these orders, the LACSD has implemented a telecommuting plan to reduce the number of District employees in office workplaces as needed and staggered plant and field staff schedules and modified work practices to reduce close contact. Standard safety precautions such as distancing, mask use, cleaning and sanitization are being practiced. Operations and maintenance activities have been able to continue without significant interruption.

The Participating Districts did not experience any noticeable reduction in rate revenues for Fiscal Year ending June 30, 2021 and expects that it will also not experience any significant reduction of revenue in the future because sewer charges are primarily billed on the tax roll.

See “CERTAIN RISK FACTORS—COVID-19 Pandemic for a discussion of certain investor considerations relating to the COVID-19 Pandemic.

## **Master Planning**

Periodically, the Participating Districts prepare master facilities plans to assess wastewater and solid waste management needs during an identified planning period (typically consisting of the following 20 years after preparation of the master plans). The objectives of the master planning process reflect the ultimate mission of the Participating Districts to protect public health and the environment through innovative and cost-effective wastewater and solid waste management. Specifically, the objectives are to (1) provide long-term solutions for meeting water quality requirements set forth by regulatory agencies, (2) provide for overall system reliability by allowing for the inspection, maintenance, repair, and replacement of aging infrastructure, (3) provide support for emerging recycled water reuse and bio-solids beneficial use opportunities, and (4) provide adequate system capacity to meet the needs of the growing population.

With respect to providing sufficient wastewater capacity, these master planning efforts are typically initiated at least five years before additional treatment capacity is needed. This allows enough time to ensure that the facilities are constructed and operational before they are needed.

The Participating Districts also routinely exchange development and planning information with local jurisdictions. The Participating Districts provide the cities and the County with information on existing wastewater facilities and future facilities planning (including population forecasts and development monitoring lists) and, in turn, receive development and land use information from the cities and the County. This exchange aids the local jurisdictions in the development of their general plans and allows the Participating Districts to maintain current estimates of projected wastewater demand.

### *Clearwater Program*

The Clearwater Program is a comprehensive planning effort undertaken by the Joint Outfall Districts. Under the Clearwater Program, a Master Facilities Plan (“MFP”) was developed for the Joint Outfall System.

The Clearwater Program MFP includes an evaluation of infrastructure needs and will serve to guide the management and development of the Joint Outfall System through the year 2050.

Certain elements of the Clearwater Program MFP would require federal permits from the U.S. Army Corps of Engineers (“Corps”). Consequently, the LACSD partnered with the Corps in preparing a joint environmental document – the Clearwater Program Environmental Impact Report/Environmental Impact Statement (“EIR/EIS”) – to evaluate the potential environmental impacts of the plan recommended in the MFP and its alternatives. District No. 2 is the lead agency for the EIR under the California Environmental Quality Act (“CEQA”), and the Corps is the federal lead agency for the EIS under the National Environmental Policy Act (“NEPA”).

The Clearwater Program addressed some very specific goals and objectives including system capacity to meet the needs of growing communities, system reliability and aging infrastructure, emerging beneficial use opportunities for recycled water and biosolids, and long-term solutions for meeting water quality requirements.

A key recommendation from the Clearwater Program was to modify the existing ocean discharge system by constructing a new onshore tunnel, which would connect to the existing ocean outfalls. Although there is currently no indication of significant problems, it is impossible to inspect the tunnels, which have been in service for over 70 years, and assess their condition since they cannot be taken out of service. Construction of a new tunnel would ensure the overall reliability of the effluent disposal system from JWPCP and allow the existing tunnels to be taken out of service and rehabilitated as necessary.

The planned tunnel is designed to be 18-feet in diameter and will run a total length of seven miles, beginning at the JWPCP and terminating at Royal Palms Beach, where it is planned to connect to the Participating District’s existing ocean outfalls. As currently planned, the tunnel will be constructed primarily underneath public right-of-way. Construction of the tunnel project commenced at the JWPCP in 2019 and is expected to be completed, with the connection at Royal Palms Beach to the existing outfalls, in 2027. A tunnel boring machine was launched in the fall of 2021 to construct the new tunnel. The Participating Districts have currently budgeted a cost of \$900 million, which such cost includes contingencies, for the tunnel project. The District projects that funding for the tunnel project will be provided by a state loan obtained from the SWRCB through the Clean Water State Revolving Fund (“SRF”) program, a Water Infrastructure Finance and Innovation Act (“WIFIA”) Loan obtained from the EPA and Participating Districts’ funds. See the caption “-Capital Improvement Program” below.

The Clearwater Program Facility Plan and Environmental Impact Report were approved by District No. 2’s Board of Directors in November 2012.

### **Capital Improvement Program**

The Participating Districts conduct capital improvement planning on an ongoing basis for the rehabilitation, upgrade, and expansion of facilities, equipment, and improvements necessary to meet current and future needs for wastewater conveyance, treatment, and disposal services within their current and projected service areas. The Participating Districts’ capital program planning includes project scheduling, phasing, preliminary cost estimating, overall capital program coordination, and integration with other Districts’ activities. Capital program planning is carried out on a project-by-project basis for each District and is routinely conducted on up to a ten-year basis, and, in some cases, on a longer basis if required to meet various program requirements of the Participating Districts.

The following table sets forth a summary of estimated project costs for the combined Participating Districts’ five-year capital improvement program. Projects are summarized in certain categories for two five-year planning periods for fiscal years 2021-22 through 2025-26.

**TABLE 10**  
**CAPITAL IMPROVEMENT PROGRAM**  
**ESTIMATED COSTS (\$000)**  
**(All Participating Districts)**

	<b>Fiscal Year 2021-22</b>	<b>Fiscal Year 2022-23</b>	<b>Fiscal Year 2023-24</b>	<b>Fiscal Year 2024-25</b>	<b>Fiscal Year 2025-26</b>	<b>Total</b>
Sewer Projects	\$ 28,210	\$ 76,940	\$ 82,189	\$ 45,970	\$ 40,265	\$ 273,574
Pumping Plants	7,064	14,643	33,361	49,150	37,495	141,712
Treatment Plants	97,628	97,163	97,672	89,260	70,275	451,998
Tulare Lake Compost	1,310	1,310	125	325	75	3,145
Clearwater	130,000	100,000	96,500	90,000	139,448	555,948
Joint Administration	15,103	10,050	5,050	300	3,000	33,503
Miscellaneous	5,132	2,430	1,500	35,000	32,050	76,112
Contract	473	642	472	600	780	2,967
<b>TOTAL:</b>	<b>\$ 284,919</b>	<b>\$ 303,178</b>	<b>\$ 316,868</b>	<b>\$ 310,605</b>	<b>\$ 323,388</b>	<b>\$ 1,538,958</b>

The primary funding sources for the capital improvement program shown in the preceding table are user charges, connection fee revenues (See “FINANCIAL INFORMATION—Revenues.”), State Loans obtained through the SRF program, and a WIFIA Loan obtained from the EPA. Connection fees are levied upon new users who are connecting to the Sewerage System for the first time or existing users who are significantly increasing their level of discharge. The connection fees are placed in a separate Capital Improvement Fund and are only withdrawn to pay for expansion-related capital projects or to make interfund loans to pay for other capital projects as provided in the Master Connection Fee Ordinance. Substantial funding from user charges and connection fees is currently in place for the projects shown in Table 10. All additional necessary funding from user charges and connection fees will be derived from currently authorized rates and future increases in rates described in this Official Statement. See “FINANCIAL INFORMATION—Revenues.”

In addition to the primary funding sources described above, remaining capital improvement program funding may be provided by additional parity or subordinate bonds, as necessary. As described herein, through Fiscal Year 2025-26, the Participating Districts currently expect to enter into additional State Loans of approximately \$142 million and a WIFIA Loan of approximately \$441 million, for which they are in the process of or anticipate receiving but have not yet entered into. As shown in Table 13, the payment of debt service with respect to the SRF Loans and the WIFIA Loan are expected to be paid on a parity with the Participating Districts’ Installment Payments. Debt service with respect to all Obligations which the Participating Districts expect to incur in connection with the capital improvement program has been included in the projected operating results in Table 13 (to the extent any such additional Obligations commence repayment during the projection period). On a preliminary basis, the Participating Districts project that total debt service payable with respect to Senior Obligations will increase to approximately \$36.8 million per fiscal year by Fiscal Year 2028-29 (which is outside of the projection period reflected in Table 13 this Official Statement). The Participating Districts currently project debt service coverage on the Senior Obligations to decrease as the SRF Loans and the WIFIA Loan enter their respective repayment periods. The actual amount will depend on a variety of factors, including the timing of the respective borrowing, interest rates and amortization periods.

## **Other Major Initiatives**

### Recycled Water

In an effort to help alleviate the statewide drought, the Participating Districts continue to work toward maximizing recycling of the high-quality effluent produced by the WRPs. Working with local water agencies, a number of new projects are being considered to replace the use of imported water with recycled water. The effort includes new distribution piping systems to meet irrigation and industrial supply needs that will serve areas within the County not previously served. During fiscal year 2020-21, the Participating Districts supplied an average of almost 93 million gallons per day of recycled water to more than 851 reuse sites.

Furthermore, the Participating Districts worked with the Water Replenishment District of Southern California to implement a program to recycle additional water for replenishment of the Central Basin groundwater aquifer. This groundwater replenishment program provides for up to 21,000 acre-feet per year of advanced-treated recycled water from the LACSD's San Jose Creek WRP to replenish local groundwater supplies.

The Participating Districts have also evaluated how additional supplies of recycled water can be made available from all Districts' facilities, including the JWPCP. In furtherance of that objective, the Participating Districts are working with the Metropolitan Water District of Southern California on an alternatives analysis and CEQA document to examine advanced treatment of a significant portion of JWPCP effluent (which is currently discharged to the Pacific Ocean) to further supplement local supplies with recycled water. The Final CEQA document is expected in early 2024.

## **FINANCIAL INFORMATION**

Following is information concerning the revenues of the Participating Districts as well as a description of budgetary procedures.

### **Revenues**

#### Ad Valorem Taxes

One of the revenue sources of the Participating Districts is the pro rata share of the 1% ad valorem property tax levied by the County pursuant to Proposition 13. All ad valorem taxes of a Participating District are first used to help offset operation and maintenance expenses and then are used to pay the Obligations of the Participating Districts.

Property values in many of the Participating Districts have increased steadily since the 2008 recession. In addition, certain Participating Districts have seen an increase in ad valorem taxes with the dissolution of redevelopment agencies and the redistribution of their ad valorem taxes. See "Historical and Projected Operating Data – Ad Valorem Taxes" for a discussion on the assumptions regarding future ad valorem taxes and Table 8 for the historical ad valorem receipts of each of the Participating Districts.

#### Service Charges

Subsequent to the passage of Proposition 13 in 1978, the Participating Districts implemented a user fee program in order to offset the loss of ad valorem tax revenues. Each Participating District adopted a Master Service Charge Ordinance establishing the structure and mechanism for levying such a charge on all residential and commercial users. Each user's cost is based on its proportionate usage of the system, measured in terms of flow and strength (chemical oxygen demand and suspended solids). These parameters are combined into a single factor, the sewage unit. A sewage unit is equal to the discharge from a single-family home, and all other users are proportioned according to that standard. Under this system, each discharger is placed in a user

category with assumed loading factors per unit of usage (e.g., number of units, square footage) that reflect the expected discharge from that category. By determining the number of units of usage for a given parcel, the number of sewage units attributable to each parcel can be calculated. The charge per sewage unit is then calculated by dividing the required supplemental revenue by the total number of sewage units in a Participating District. The resulting service charge is designed to recoup the cost of operation and maintenance expenses and upgrade capital. To ensure complete and speedy payment of the service charge, it is collected as a separate line item on the property tax bill. Nonpayment of any portion of the bill constitutes a specific lien on the property. See “FINANCIAL INFORMATION—Tax Levies and Delinquencies.”

Set forth in Table 11 is a summary of the historical and projected service charge rates in each of the Participating Districts. To put these rates in perspective, Table 12 compares the average Joint Outfall System service charge rate with other similarly sized sewerage agencies around the United States. Agencies that do not provide the same level of treatment and agencies that treat storm water flows through a combined sewer system were not included in the survey. Additionally, the Joint Outfall System rate was adjusted to reflect the total cost to a homeowner by including the proportion of the Ad Valorem Taxes received by the Participating Districts and the cost of the local collector sewers (which are maintained by the local cities or the county).

The footnotes following Table 11 identify the status of approval of the projected increases identified in Table 11. There can be no assurances that the projected rate increases will be approved and, if approved, will not be the subject of a majority protest pursuant to Proposition 218. The projected operating results assume that the rate increases identified in Table 11 will be implemented. In the event such rate increases are not implemented with respect to a Participating District, such circumstances could have a material adverse impact on the financial condition of such Participating District.

**TABLE 11**  
**PARTICIPATING DISTRICTS' HISTORICAL AND PROJECTED SERVICE CHARGE RATES**  
**(DOLLARS PER SINGLE FAMILY HOME PER YEAR)**

<b>DIST.</b>	<b>Fiscal Year 2017-18</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2021-22</b>	<b>Fiscal Year 2022-23</b>	<b>Fiscal Year 2023-24</b>	<b>Fiscal Year 2024-25</b>	<b>Fiscal Year 2025-26</b>
1	\$ 178	\$ 183	\$ 188	\$ 193	\$ 193	\$ 196 <sup>(2)</sup>	\$199 <sup>(2)</sup>	\$202 <sup>(2)</sup>	\$205 <sup>(2)</sup>
2	169	173	177	181	181	185 <sup>(2)</sup>	189 <sup>(2)</sup>	193 <sup>(2)</sup>	197 <sup>(2)</sup>
3	166	169	172	175	175	184 <sup>(2)</sup>	193 <sup>(2)</sup>	202 <sup>(2)</sup>	211 <sup>(2)</sup>
5	155	159	163	167	167	171 <sup>(3)</sup>	175 <sup>(3)</sup>	179 <sup>(3)</sup>	183 <sup>(3)</sup>
8	180	186	192	198	198	203 <sup>(2)</sup>	208 <sup>(2)</sup>	213 <sup>(2)</sup>	218 <sup>(2)</sup>
15	154	157	160	163	163	167 <sup>(4)</sup>	171 <sup>(4)</sup>	175 <sup>(4)</sup>	179 <sup>(4)</sup>
16	151	154	157	160	160	160 <sup>(4)</sup>	160 <sup>(4)</sup>	160 <sup>(4)</sup>	160 <sup>(4)</sup>
17	152	155	158	161	161	165 <sup>(4)</sup>	169 <sup>(4)</sup>	173 <sup>(4)</sup>	177 <sup>(4)</sup>
18	170	174	178	182	182	185 <sup>(4)</sup>	188 <sup>(4)</sup>	191 <sup>(4)</sup>	194 <sup>(4)</sup>
19	164	167	170	173	173	175 <sup>(3)</sup>	177 <sup>(3)</sup>	179 <sup>(3)</sup>	181 <sup>(3)</sup>
21	167	171	175	179	179	182 <sup>(4)</sup>	185 <sup>(4)</sup>	188 <sup>(4)</sup>	191 <sup>(4)</sup>
22	162	166	170	174	174	177 <sup>(4)</sup>	180 <sup>(4)</sup>	183 <sup>(4)</sup>	186 <sup>(4)</sup>
23	126	128	130	132	132	0	0	0	0
28	138	140	142	144	144	0	0	0	0
29	339.75	339.75	339.75	339.75	339.75	349 <sup>(2)</sup>	358 <sup>(2)</sup>	367 <sup>(2)</sup>	376 <sup>(2)</sup>
SBC <sup>(1)</sup>	130	132	134	136	136	75 <sup>(3)</sup>	75 <sup>(3)</sup>	75 <sup>(3)</sup>	75 <sup>(3)</sup>

- (1) SBC indicates South Bay Cities.
- (2) Rates for Fiscal Years 2022-23 through 2025-26 were introduced by the respective Boards of the Participating Districts in accordance with Proposition 218 on February 9, 2022. Implementation of such rates are subject to approval of the related ordinance by the respective Boards following a public hearing to be held in May 2022.
- (3) Rates for Fiscal Years 2022-23 through 2025-26 were introduced by the respective Boards of the Participating Districts in accordance with Proposition 218 on February 16, 2022. Implementation of such rates are subject to approval of the related ordinance by the respective Boards following a public hearing to be held in May 2022.
- (4) Rates for Fiscal Years 2022-23 through 2025-26 were introduced by the respective Boards of the Participating Districts in accordance with Proposition 218 on February 23, 2022. Implementation of such rates are subject to approval of the related ordinance by the respective Boards following a public hearing to be held in May 2022.

**TABLE 12**  
**COST OF FY 2021-22 SEWER SERVICE IN VARIOUS**  
**METROPOLITAN CENTERS IN THE UNITED STATES**  
**(\$ PER YEAR PER SINGLE FAMILY HOME)**

<u>Agency</u>	<u>Cost of Service</u>
Joint Outfall System	\$276*
Los Angeles	370
Dallas	398
Denver	477
Orange County SD	561*
San Diego	575

\* The total cost includes the annual service charge, the pro rata share of ad valorem taxes, and the local city sewer maintenance charge. In the Joint Outfall Districts, these are \$174.29, \$46.12, and \$56.08 per year, respectively.

Connection Fees

Connection fees are levied upon all dischargers who either are connecting to the Sewerage System for the first time or who are significantly increasing their level of discharge. Anticipated discharge is measured in terms of flow and strength (chemical oxygen demand and suspended solids), and based on loadings per unit of usage (for residential and commercial users) or by an engineer’s evaluation of the actual facility (for industrial waste users). Through June 30, 2020, the fees were designed such that each user paid for the cost of constructing the capacity required to accommodate the user’s anticipated discharge. The connection fee rate was based on the estimated cost of constructing an incremental expansion of the Sewerage System (both treatment and conveyance). All connection fees were placed in the Capital Improvement Fund and are only withdrawn to pay for expansion-related capital projects (including debt service for those projects). Commencing July 1, 2020, a new connection fee ordinance was adopted with a connection fee calculated based on the new user’s proportionate share of the Participating District’s net assets, and the fees received are no longer restricted to expansion capital and now can be used to pay for any capital project. There can be no assurance that the connection fees received will be sufficient to pay for capital projects or that payment of any deficiency from Revenues will not materially adversely affect the ability of the Participating Districts to generate Net Revenues in the amounts sufficient to pay Installment Payments.

Contracts

The Participating Districts generate revenue from the sale of byproducts and sewage disposal services. The sale of byproducts includes the sale of reclaimed water, biosolids, and excess gas or energy produced at the JWPCP. It also includes the rental and lease of properties not currently needed to accommodate treatment or conveyance facilities. Such revenues are usually received through long-term contracts, and rates are set by present market conditions. The Participating Districts also generate revenue through the sale of sewage disposal services to certain facilities located outside of the Participating Districts’ boundaries. While most of these sewage disposal services contracts are with individual property owners for their specific parcels, the Participating Districts have one wholesale contract with the Inland Empire Utilities Agency for the treatment of industrial wastewater.

### Industrial Waste Surcharge

In 1972, the Participating Districts instituted a surcharge program for industrial discharges. The program requires industrial discharges to pay for operation, maintenance and upgrade capital according to their use of the sewerage system. Usage is measured in terms of three parameters: flow, chemical oxygen demand, and suspended solids. Also, dischargers with excessive peak flows must pay an additional peak flow charge. Lastly, industrial dischargers must pay a supplemental charge if their wastewater contains either benzene or thiosulfate. The method for determining the surcharge rates is similar to that for determining the service charge rate. See “Revenues – Service Charges” above.

### Investment Income

The Participating Districts’ investment income is comprised of interest received on funds maintained by each Participating District during each Fiscal Year. The amount of such income varies from year-to-year and depends on both the cash balances maintained by each Participating District and the prevailing interest rate. Each Participating District has adopted an investment policy that provides for safety of principal, adequate liquidity, and earns a market rate of return. The investment policies further define the permissible investments and establishes requirements for diversification to eliminate the risk of loss resulting from an overconcentration of assets in a specific issuer or a specific class of securities.

### **Budgetary Process**

Each Participating District’s budget consists of three major categories: (i) operation and maintenance, (ii) capital, and (iii) debt service. Costs within the first two categories can be further subdivided into two sub-groups: those related to the operation and ownership of joint facilities and those related to a Participating District’s individually owned and operated facilities. The vast majority of these costs are joint.

Operation and maintenance budget estimates are prepared each year by the Participating Districts’ staff members based upon historical information and projected changes in the sewerage facilities or requirements for the upcoming Fiscal Year. As many of the costs (e.g., pumping and chemicals) are directly related to flow, projections of the anticipated flows at each facility are made concurrently. Staffing requirements and changes in salaries and wages are also incorporated into the budget. These figures are projected over a five-year period, and anticipated changes or other anomalies are incorporated.

Each year Participating Districts’ staff prepares a detailed report on the status of each sewer system. This report is based on information gathered over the previous year by field personnel who monitor flows and available capacity in the various sewers and who inspect the sewers for any sulfide corrosion. Each of the sewers is then prioritized as to its need for relief (through expanded capacity) or rehabilitation. This information is forwarded to the Sewer Design Section and a detailed sewer design and construction schedule is developed.

The Treatment Plant Operations Section identifies necessary improvements to various treatment plants based on operational considerations. This information is forwarded to the Treatment Plant Design Section for preparation of a detailed design and construction schedule. Included in this schedule are any facilities that may be mandated by law or regulation. Information is also provided by the Planning Section as to projected population growth and flow increases so that treatment plant expansions can be scheduled appropriately.

Once all the costs (operations, maintenance and capital, including debt service) have been identified, the joint costs are apportioned to the respective Participating Districts. The apportionment is based on the proportionate usage, as measured by total sewage units in each Participating District. The apportioned joint costs are then added to each Participating District’s individual costs (including debt service) to determine that Participating District’s total budget.

The known revenue sources are identified after the budget expenditures are projected. The Participating Districts' primary revenue sources (other than service charges and industrial waste surcharges) include the Participating Districts' share of ad valorem taxes, investment income, and the rate stabilization fund. To the degree that there are expansion-related capital projects, the capital improvement fund (accumulated connection fees) will also be used as a revenue source. Bond and SRF loan proceeds are used as a source of funds to offset capital expenses if they are available; the corresponding debt service will be included as an expense in subsequent years. See "THE DISTRICTS—Revenues." The remaining difference between the expenditures and known revenues equals the amount of supplemental revenue that must be collected through the user charge program. The user charge rate is equal to the required supplemental revenue divided by the total number of equivalent users (sewage units) in the Participating District. This process is repeated for each year of the 5-year planning period, and adjustments are made for rate stabilization.

Tax revenues and supplemental user charges are received from the County in periodic installments, with the largest receipts occurring in December and April. As the Participating Districts operate on a Fiscal Year basis beginning on July 1, in order to provide sufficient revenues between July 1 and December 31, the operating fund budgets include a cash flow component to cover the period from the beginning of the Fiscal Year (July 1) until the first installment is received (December). The cash flow requirement is equal to the estimated expenses from July 1 through December 31, less any anticipated revenues.

Every year each Participating District's Board of Directors is presented with a preliminary budget and projected service charge rates. If a rate increase is recommended, individual mailed notices that comply with the terms of Proposition 218 are sent to every property owner informing them of a scheduled public hearing. See "FINANCIAL INFORMATION—Legal Debt and Tax Limitations—Statutory Limitations—Proposition 218." As described herein, after the public hearing and the Directors have considered input from the public, the Board of Directors sets the service charge rates by ordinance. If no rate increase is proposed, the Board of Directors need only consider the adoption of a resolution for the continuation of the collection of the service charge on the tax roll. In June, each Board of Directors is presented with a final budget (including any revisions to its preliminary budget) for its consideration and approval. At the same time, pursuant to California law, each Participating District's Board of Directors must adopt an appropriations limit relating to the proceeds of taxes. See "FINANCIAL INFORMATION—Legal Debt and Tax Limitations—Appropriations Limitations."

### **Relevant Financial Policies**

The Participating Districts have each adopted an investment policy with safety of principal the primary objective, while maintaining liquidity and a market rate of return on its portfolio. The investment policies are governed by and is in full compliance with the California Government Code. The Participating District's Treasurer matches investments with anticipated cash flow requirements and does not invest in securities maturing more than five years from the date of purchase unless approved by the District's Board of Directors.

The Participating Districts have each adopted a Financial Reserve Policy describing the various reserve categories and targets for each type of reserve in order to ensure the Participating District maintains prudent financial reserves and can continue to fulfill its commitment to deliver reliable and high-quality service to customers. The policy helps improve the stability of rates; minimizes risk and cost associated with borrowing; and improves liquidity to minimize effect of year-to-year fluctuations in revenue and expenses.

The Participating Districts have each also adopted a Debt Management Policy to provide guidelines in determining the appropriate use of debt financing. The policy describes the types of debt of allowed, criteria for issuing debt and provides for various measures and targets for the amount of debt and debt service.

## Historical and Projected Operating Data

The summary of Historical and Projected Operating Data set forth in Table 13 is a summary of selected historical and projected operating data of the Participating Districts. The summary shows debt service coverage on a Fiscal Year (not bond year) basis. The preparation of such projected data was based upon certain assumptions and certain forecasts with respect to conditions that may occur in the future. While the Participating Districts believe these assumptions and forecasts are reasonable for the purposes of the selected projected operating data, the Participating Districts make no representations that they will occur. To the extent that actual future conditions differ from those assumed herein, the data will vary.

Commencing in Fiscal Year 2022-23, the Participating Districts will be changing the manner in which they account for certain revenues and the payment of certain capital and operating costs of the Joint Outfall System. These changes will be used by the Participating Districts in connection with budgeting, and better reflect that these revenues and expenses are related to the needs of system as a whole, rather than the individual Participating Districts. Previously, Industrial Waste Surcharge revenue received from each industrial customer was attributed to the individual Participating District in which the customer was located. Going forward, Industrial Waste Surcharge Revenue will be considered Joint Outfall System revenue. One impact of this change is that industrial loadings will not be used to determine the size of each Participating District for purposes of determining allocation of Joint Outfall System expenses and ownership; only residential and commercial sewage units will be used to determine the particular Participating District's size and proportionate share of Joint Outfall System costs. For accounting purposes, virtually all operations and maintenance and capital expenditures will now be considered Joint Outfall System expenditures (except for District 29 that owns and maintains sewer system assets subject to takeover agreements from the City of Signal Hill that are not regional in nature); previously a distinction was made between which assets were considered part of the system, versus those considered the responsibility of individual Participating Districts. The Joint Outfall System will now maintain the majority of financial reserves for each of the Participating Districts, which will require a transfer of reserves from the Participating Districts to the Joint Outfall System. This also leads to a shift in interest revenue.

This accounting change will not affect total, combined revenues or expenses for all of the Participating Districts. However, it is expected to result in a more accurate distribution of revenues and expenses for analytical purposes and will provide additional financial and rate stability.

### Service Charges

The projections assume that the Boards of Directors of the respective Participating Districts have or will adopt service charges at the levels set forth in Table 11, and that such service charges will not be the subject of majority protests pursuant to Proposition 218. As noted in Table 11, certain of these rate increases remain subject to adoption of related ordinances by the respective Boards of the Participating Districts, following public hearings to be held in May 2022. For most of those Districts, it is assumed that service charge rates will increase in Fiscal Years 2022-23, 2023-24, 2024-25 and 2025-26 to meet anticipated debt service coverage, maintain cash reserves, and provide for capital needs.

### Ad Valorem Taxes

The projections of ad valorem taxes increase at approximately 3% in future years.

### Connection Fees

Connection fees are not reflected in the projections commencing in Fiscal Year 2022-23 for purposes of determining Net Revenues.

### Operating Expenses

Operating expenses were projected based on a review of actual expenditures, estimates of operations and maintenance costs for new treatment facilities, and a review of market conditions for key cost centers (e.g. fuel, electricity and chemicals). Operating expenses projections assume an average annual increase of 4.3% in labor for Fiscal Year 2022-23, 4.0% for Fiscal Year 2023-24, 3.3% for Fiscal Year 2024-25 and 3.0% for years after. Inflation rates assumptions for all other expenses are 5.0% for Fiscal Year 2022-23, 4.5% for Fiscal Year 2023-24, 3.5% for Fiscal Year 2024-25, and 3.0% for Fiscal Year 2025-26.

### Capital Improvements

The projections assume that the Participating Districts will implement those capital improvements described in Table 10. In order to pay a portion of the cost of such capital improvements, the projections assume that certain Participating Districts will enter into State Loans or Bonds.

### Rate Stabilization Fund

Although some of the Participating Districts have set aside monies in a Rate Stabilization Fund (as shown in Table 15) the projections assume no use of those monies by any Participating District during the projection period.

### Cautionary Statement

While the Participating Districts believe that the assumptions used to prepare the projections are reasonable, actual conditions are likely to differ from those assumed by the Participating Districts in the projected operating results set forth in Table 13, and such differences may be significant. There can be no assurances that, if actual conditions materially differ from those assumed by the Participating Districts in connection with the preparation of Table 13, such circumstances would not materially adversely affect the financial condition of one or more Participating Districts. See "RISK FACTORS" herein.

**TABLE 13**  
**PARTICIPATING DISTRICTS HISTORICAL AND PROJECTED OPERATING DATA**  
**(\$000)**

<b>DISTRICT 1</b>	<i>Historical Operating Data</i>						<i>Projected Operating Data</i>			
	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
<b>REVENUE SOURCES</b>										
User Fees <sup>(1)(2)</sup>	\$30,233	\$31,238	\$32,344	\$34,272	\$36,157	\$34,189	\$ 28,778	\$29,240	\$29,702	\$30,164
Other Revenues <sup>(2)</sup>	2,153	2,547	2,416	2,498	2,677	2,409	7,509	7,864	8,144	8,429
A.V. Tax <sup>(3)</sup>	3,253	3,514	3,855	4,193	4,547	4,111	4,902	5,147	5,404	5,675
Interest <sup>(4)</sup>	940	1,259	1,770	1,865	846	553	150	252	488	509
Rate Stabilization Fund	-	-	-	-	-	-	-	-	-	-
CIF Connection Fee Revenue <sup>(5)</sup>	2,626	2,554	2,860	2,764	1,252	1,298	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>
<b>Total Revenue</b>	<b>\$39,205</b>	<b>\$41,112</b>	<b>\$43,245</b>	<b>\$45,592</b>	<b>\$45,479</b>	<b>\$42,560</b>	<b>\$ 41,339</b>	<b>\$42,502</b>	<b>\$43,739</b>	<b>\$44,777</b>
Total Revenue for Senior Calculation <sup>(6)</sup>	36,579	38,558	40,385	42,828	44,227	41,262	41,339	42,502	43,739	44,777
<b>EXPENSES<sup>(7)</sup></b>										
Total O&M <sup>(8)</sup>	\$23,155	\$23,692	\$24,984	\$26,668	\$27,817	\$29,188	\$ 29,976	\$31,138	\$32,339	\$33,299
Rate Stabilization Fund	2,243	5,474	1,818	5,236	11,120	-	-	-	-	-
<b>Total</b>	<b>\$25,398</b>	<b>\$29,166</b>	<b>\$26,802</b>	<b>\$31,904</b>	<b>\$38,937</b>	<b>\$29,188</b>	<b>\$ 29,976</b>	<b>\$31,138</b>	<b>\$32,339</b>	<b>\$33,299</b>
<b>DEBT SERVICE PAYMENTS</b>										
<b>Senior</b>										
State Loans	\$1,503	\$1,508	\$1,523	\$1,498	\$1,503	\$1,535	\$ -	\$-	\$-	\$-
Revenue Bonds	2,171	2,174	2,169	2,167	2,200	-	-	-	-	-
2022 JOS Refunding Bonds	-	-	-	-	-	-	927	927	927	927
WIFIA Loan	-	-	-	-	-	-	-	-	-	-
Future SRF Loans	-	-	-	-	-	-	-	47	479	479
<b>Total Senior Debt Payments</b>	<b>\$3,674</b>	<b>\$3,682</b>	<b>\$3,692</b>	<b>\$3,665</b>	<b>\$3,703</b>	<b>\$1,535</b>	<b>\$927</b>	<b>\$ 974</b>	<b>\$1,406</b>	<b>\$1,406</b>
<b>Subordinate</b>										
State Loans	\$ 494	\$ 504	\$ 750	\$ 853	\$ 856	\$ 979	\$ -	\$-	\$-	\$-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-
<b>Total Subordinate Debt Payments</b>	<b>\$ 494</b>	<b>\$ 504</b>	<b>\$ 750</b>	<b>\$ 853</b>	<b>\$ 856</b>	<b>\$ 979</b>	<b>\$ -</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>
<b>Total Debt Service<sup>(9)</sup></b>	<b>\$4,168</b>	<b>\$4,186</b>	<b>\$4,442</b>	<b>\$4,518</b>	<b>\$4,559</b>	<b>\$2,514</b>	<b>\$927</b>	<b>\$974</b>	<b>\$1,406</b>	<b>\$1,406</b>
<b>DEBT SERVICE COVERAGE<sup>(10)</sup></b>										
<b>SENIOR</b>	2.91	2.41	3.48	2.75	1.20	7.23	12.25	11.66	8.11	8.17
<b>SUBORDINATE</b>	3.31	2.85	3.70	3.03	1.43	5.32	12.25	11.66	8.11	8.17

(1) Assumed \$3 increase each year for Fiscal Year 2022-23 to Fiscal Year 2025-26.

(2) Starting in Fiscal Year 2022-23, Industrial Waste Revenues are attributed to the Joint Outfall System and allocated to each District in proportion to Sewage Units. This District's share is included under the line item "Other Revenues" starting with Fiscal Year 2022-23.

(3) Property tax increases are based on the observed increases in revenue over the past three years.

(4) Assumes an interest rate of 0.5% for Fiscal Year 2022-23 and Fiscal Year 2023-24 and 1% for years thereafter.

(5) Connection Fee revenues are not included in this table starting in Fiscal Year 2022-23 as it is not directly included in Debt Coverage calculation in the Master Obligation Agreement.

(6) Does not include Connection Fee Revenue.

(7) Does not include depreciation.

(8) O&M projections assume an average annual increase of 4.3% in labor for Fiscal Year 2022-23, 4% for Fiscal Year 2023-24, 3.3% for Fiscal Year 2024-25 and 3% for years after. Inflation rates assumptions for all other expenses are 5% for Fiscal Year 2022-23, 4.5% for Fiscal Year 2023-24, 3.5% for Fiscal Year 2024-25 and 3% for Fiscal Year 2025-26.

(9) Debt service represents the Participating Districts share of Shared Projects debt service which is calculated as described in the Master Obligation Agreement.

(10) The subordinate debt coverage calculation is based on total debt service.

<b>DISTRICT 2</b>	<i>Historical Operating Data</i>						<i>Projected Operating Data</i>			
	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
<b>REVENUE SOURCES</b>										
User Fees <sup>(1)(2)</sup>	\$43,183	\$44,717	\$46,573	\$48,243	\$47,542	\$48,575	\$40,820	\$41,721	\$42,623	\$43,526
Other Revenues <sup>(2)</sup>	3,127	3,712	3,664	3,723	3,969	3,591	11,280	11,814	12,235	12,663
A.V. Tax <sup>(3)</sup>	6,786	7,286	7,654	8,044	8,887	8,314	8,736	8,998	9,268	9,546
Interest <sup>(4)</sup>	1,420	1,876	2,615	2,661	1,070	785	190	337	640	661
Rate Stabilization Fund	-	-	4,254	-	-	-	-	-	-	-
CIF Connection Fee Revenue <sup>(5)</sup>	3,687	4,348	4,477	3,431	2,422	6,230	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>
Total Revenue	\$58,203	\$61,939	\$69,237	\$66,102	\$63,890	\$67,495	\$61,026	\$62,869	\$64,767	\$66,397
Total Revenue for Senior Calculation <sup>(6)</sup>	54,516	57,591	64,760	62,671	61,468	61,265	61,026	62,869	64,767	66,397
<b>EXPENSES<sup>(7)</sup></b>										
Total O&M <sup>(8)</sup>	\$34,110	\$34,703	\$37,893	\$40,118	\$41,727	\$43,760	\$45,108	\$46,857	\$48,663	\$50,107
Rate Stabilization Fund	326	5,036	-	1,504	6,575	-	-	-	-	-
Total	\$34,436	\$39,739	\$37,893	\$41,622	\$48,302	\$43,760	\$45,108	\$46,857	\$48,663	\$50,107
<b>DEBT SERVICE PAYMENTS</b>										
<b>Senior</b>										
State Loans	\$2,183	\$2,197	\$2,294	\$2,233	\$2,226	\$2,289	\$-	\$-	\$-	\$-
Revenue Bonds	3,352	3,356	3,349	3,344	3,396	-	-	-	-	-
2022 JOS Refunding Bonds	-	-	-	-	-	-	1,393	1,393	1,393	1,392
WIFIA Loan	-	-	-	-	-	-	-	-	-	-
Future SRF Loans	-	-	-	-	-	-	-	70	720	720
Total Senior Debt Payments	\$5,535	\$5,553	\$5,643	\$5,577	\$5,622	\$2,289	\$1,393	\$1,464	\$2,113	\$2,112
<b>Subordinate</b>										
State Loans	\$ 658	\$ 674	\$1,129	\$1,211	\$1,207	\$1,398	\$-	\$-	\$-	\$-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Total Subordinate Debt Payments	\$ 658	\$ 674	\$1,129	\$1,211	\$1,207	\$1,398	\$-	\$-	\$-	\$-
Total Debt Service <sup>(9)</sup>	\$6,193	\$6,227	\$6,772	\$6,788	\$6,829	\$3,687	\$1,393	\$1,464	\$2,113	\$2,112
<b>DEBT SERVICE COVERAGE<sup>(10)</sup></b>										
SENIOR	3.51	3.09	4.56	3.56	2.13	7.04	11.43	10.94	7.62	7.71
SUBORDINATE	3.84	3.57	4.63	3.61	2.28	6.44	11.43	10.94	7.62	7.71

(1) Assumed \$4 increase each year for Fiscal Year 2022-23 to Fiscal Year 2025-26.

(2) Starting in Fiscal Year 2022-23, Industrial Waste Revenues are attributed to the Joint Outfall System and allocated to each District in proportion to Sewage Units. This District's share is included under the line item "Other Revenues" starting with Fiscal Year 2022-23.

(3) Property tax increases are based on the observed increases in revenue over the past three years.

(4) Assumes an interest rate of 0.5% for Fiscal Year 2022-23 and Fiscal Year 2023-24 and 1% for years thereafter.

(5) Connection Fee revenues are not included in this table starting in Fiscal Year 2022-23 as it is not directly included in Debt Coverage calculation in the Master Obligation Agreement.

(6) Does not include Connection Fee Revenue.

(7) Does not include depreciation.

(8) O&M projections assume an average annual increase of 4.3% in labor for Fiscal Year 2022-23, 4% for Fiscal Year 2023-24, 3.3% for Fiscal Year 2024-25 and 3% for years after. Inflation rates assumptions for all other expenses are 5% for Fiscal Year 2022-23, 4.5% for Fiscal Year 2023-24, 3.5% for Fiscal Year 2024-25, and 3% for Fiscal Year 2025-26.

(9) Debt service represents the Participating Districts share of Shared Projects debt service which is calculated as described in the Master Obligation Agreement.

(10) The subordinate debt coverage calculation is based on total debt service.

<b>DISTRICT 3</b>	<i>Historical Operating Data</i>						<i>Projected Operating Data</i>			
	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
<b>REVENUE SOURCES</b>										
User Fees <sup>(1)(2)</sup>	\$32,010	\$32,599	\$33,823	\$34,807	\$33,606	\$34,413	\$33,295	\$34,962	\$36,633	\$38,307
Other Revenues <sup>(2)</sup>	2,473	2,886	2,800	2,878	3,016	2,677	9,255	9,693	10,039	10,390
A.V. Tax <sup>(3)</sup>	5,298	5,603	6,316	6,391	6,957	6,329	6,747	6,815	6,883	6,952
Interest <sup>(4)</sup>	956	1,289	1,804	1,806	805	603	120	237	448	468
Rate Stabilization Fund	-	-	3,757	-	-	-	-	-	-	-
CIF Connection Fee Revenue <sup>(5)</sup>	2,743	2,778	3,257	2,692	1,311	777	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>
Total Revenue	\$43,480	\$45,155	\$51,757	\$48,574	\$45,695	\$44,799	\$49,418	\$51,707	\$54,003	\$56,117
Total Revenue for Senior Calculation <sup>(6)</sup>	40,737	42,377	48,500	45,882	44,384	44,022	49,418	51,707	54,003	56,117
<b>EXPENSES<sup>(7)</sup></b>										
Total O&M <sup>(8)</sup>	\$25,841	\$26,490	\$29,801	\$29,647	\$30,907	\$31,592	\$36,930	\$38,362	\$39,841	\$41,023
Rate Stabilization Fund	136	2,981	-	3,555	5,508	-	-	-	-	-
Total	\$25,977	\$29,471	\$29,801	\$33,202	\$36,415	\$31,592	\$36,930	\$38,362	\$39,841	\$41,023
<b>DEBT SERVICE PAYMENTS</b>										
<b>Senior</b>										
State Loans	\$1,727	\$1,708	\$1,764	\$1,710	\$1,693	\$1,706	\$-	\$-	\$-	\$-
Revenue Bonds	2,546	2,549	2,543	2,540	2,580	-	-	-	-	-
2022 JOS Refunding Bonds	-	-	-	-	-	-	1,143	1,143	1,143	1,142
WIFIA Loan	-	-	-	-	-	-	-	-	-	-
Future SRF Loans	-	-	-	-	-	-	-	658	591	591
Total Senior Debt Payments	\$4,273	\$4,257	\$4,307	\$4,250	\$4,273	\$1,706	\$1,143	\$1,201	\$1,734	\$1,733
<b>Subordinate</b>										
State Loans	\$ 520	\$ 524	\$ 869	\$ 927	\$ 918	\$1,042	\$-	\$-	\$-	\$-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Total Subordinate Debt Payments	\$ 520	\$ 524	\$ 869	\$ 927	\$ 918	\$1,042	\$-	\$-	\$-	\$-
Total Debt Service <sup>(9)</sup>	\$4,793	\$4,781	\$5,176	\$5,177	\$5,191	\$2,749	\$1,143	\$1,201	\$1,734	\$1,733
<b>DEBT SERVICE COVERAGE<sup>(10)</sup></b>										
SENIOR	3.33	2.91	4.14	2.77	1.65	6.67	10.92	11.11	8.17	8.71
SUBORDINATE	3.65	3.28	4.24	2.97	1.79	4.80	10.92	11.11	8.17	8.71

(1) Assumed \$9 increase each year for Fiscal Year 2022-23 to Fiscal Year 2025-26.

(2) Starting in Fiscal Year 2022-23, Industrial Waste Revenues are attributed to the Joint Outfall System and allocated to each District in proportion to Sewage Units. This District's share is included under the line item "Other Revenues" starting with Fiscal Year 2022-23.

(3) Property tax increases are based on the observed increases in revenue over the past three years.

(4) Assumes an interest rate of 0.5% for Fiscal Year 2022-23 and Fiscal Year 2023-24 and 1% for years thereafter.

(5) Connection Fee revenues are not included in this table starting in Fiscal Year 2022-23 as it is not directly included in Debt Coverage calculation in the Master Obligation Agreement.

(6) Does not include Connection Fee Revenue.

(7) Does not include depreciation.

(8) O&M projections assume an average annual increase of 4.3% in labor for Fiscal Year 2022-23, 4% for Fiscal Year 2023-24, 3.3% for Fiscal Year 2024-25 and 3% for years after. Inflation rates assumptions for all other expenses are 5% for Fiscal Year 2022-23, 4.5% for Fiscal Year 2023-24, 3.5% for Fiscal Year 2024-25, and 3% for Fiscal Year 2025-26.

(9) Debt service represents the Participating Districts share of Shared Projects debt service which is calculated as described in the Master Obligation Agreement.

(10) The subordinate debt coverage calculation is based on total debt service.

<b>DISTRICT 5</b>	<i>Historical Operating Data</i>						<i>Projected Operating Data</i>			
	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
<b>REVENUE SOURCES</b>										
User Fees <sup>(1)(2)</sup>	\$44,447	\$46,378	\$47,615	\$49,191	\$48,927	\$49,941	\$45,374	\$46,444	\$47,515	\$48,586
Other Revenues <sup>(2)</sup>	3,641	4,338	4,196	4,202	4,485	3,999	13,444	14,080	14,583	15,093
A.V. Tax <sup>(3)</sup>	11,197	12,002	12,792	13,573	14,786	13,866	14,911	15,508	16,128	16,773
Interest <sup>(4)</sup>	1,380	1,896	2,620	2,614	995	789	176	347	652	679
Rate Stabilization Fund	2,763	-	8,085	-	-	-	-	-	-	-
CIF Connection Fee Revenue <sup>(5)</sup>	3,968	5,474	4,997	4,429	2,116	4,046	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>
Total Revenue	\$67,396	\$70,088	\$80,305	\$74,009	\$71,309	\$72,641	\$73,906	\$76,379	\$78,878	\$81,130
Total Revenue for Senior Calculation <sup>(6)</sup>	63,428	64,614	75,308	69,580	69,193	68,595	73,906	76,379	78,878	81,130
<b>EXPENSES<sup>(7)</sup></b>										
Total O&M <sup>(8)</sup>	\$39,798	\$40,803	\$43,178	\$45,212	\$47,501	\$49,256	\$53,636	\$55,715	\$57,864	\$59,581
Rate Stabilization Fund	-	6,113	-	3,374	7,546	-	-	-	-	-
Total	\$39,798	\$46,916	\$43,178	\$48,586	\$55,047	\$49,256	\$53,636	\$55,715	\$57,864	\$59,581
<b>DEBT SERVICE PAYMENTS</b>										
<b>Senior</b>										
State Loans	\$2,542	\$2,558	\$2,643	\$2,518	\$2,517	\$2,549	\$-	\$-	\$-	\$-
Revenue Bonds	5,479	5,486	5,474	5,467	5,552	-	-	-	-	-
2022 JOS Refunding Bonds	-	-	-	-	-	-	1,660	1,660	1,660	1,659
WIFIA Loan	-	-	-	-	-	-	-	-	-	-
Future SRF Loans	-	-	-	-	-	-	-	84	858	858
Total Senior Debt Payments	\$8,021	\$8,044	\$8,117	\$7,985	\$8,069	\$2,549	\$1,660	\$1,744	\$2,518	\$2,517
<b>Subordinate</b>										
State Loans	\$ 766	\$ 785	\$1,301	\$1,366	\$1,365	\$1,557	\$-	\$-	\$-	\$-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Total Subordinate Debt Payments	\$ 766	\$ 785	\$1,301	\$1,366	\$1,365	\$1,557	\$-	\$-	\$-	\$-
Total Debt Service <sup>(9)</sup>	\$8,787	\$8,829	\$9,418	\$9,351	\$9,434	\$4,105	\$1,660	\$1,744	\$2,518	\$2,517
<b>DEBT SERVICE COVERAGE<sup>(10)</sup></b>										
SENIOR	2.85	2.10	3.80	2.46	1.58	6.98	12.21	11.85	8.34	8.56
SUBORDINATE	3.14	2.62	3.94	2.72	1.72	5.70	12.21	11.85	8.34	8.56

(1) Assumed \$4 increase each year for Fiscal Year 2022-23 to Fiscal Year 2025-26.

(2) Starting in Fiscal Year 2022-23, Industrial Waste Revenues are attributed to the Joint Outfall System and allocated to each District in proportion to Sewage Units. This District's share is included under the line item "Other Revenues" starting with Fiscal Year 2022-23.

(3) Property tax increases are based on the observed increases in revenue over the past three years.

(4) Assumes an interest rate of 0.5% for Fiscal Year 2022-23 and Fiscal Year 2023-24 and 1% for years thereafter.

(5) Connection Fee revenues are not included in this table starting in Fiscal Year 2022-23 as it is not directly included in Debt Coverage calculation in the Master Obligation Agreement.

(6) Does not include Connection Fee Revenue.

(7) Does not include depreciation.

(8) O&M projections assume an average annual increase of 4.3% in labor for Fiscal Year 2022-23, 4% for Fiscal Year 2023-24, 3.3% for Fiscal Year 2024-25 and 3% for years after. Inflation rates assumptions for all other expenses are 5% for Fiscal Year 2022-23, 4.5% for Fiscal Year 2023-24, 3.5% for Fiscal Year 2024-25, and 3% for Fiscal Year 2025-26.

(9) Debt service represents the Participating Districts share of Shared Projects debt service which is calculated as described in the Master Obligation Agreement.

(10) The subordinate debt coverage calculation is based on total debt service.

<b>DISTRICT 8</b>	<i>Historical Operating Data</i>						<i>Projected Operating Data</i>			
	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
<b>REVENUE SOURCES</b>										
User Fees <sup>(1)(2)</sup>	\$19,541	\$20,029	\$21,126	\$20,215	\$19,389	\$19,633	\$12,364	\$12,690	\$13,016	\$13,343
Other Revenues <sup>(2)</sup>	1,335	1,486	1,441	1,401	1,491	1,179	3,111	3,258	3,375	3,493
A.V. Tax <sup>(3)</sup>	1,907	2,032	2,220	2,304	2,447	2,278	2,433	2,481	2,531	2,582
Interest <sup>(4)</sup>	541	713	1,010	892	326	149	41	81	152	158
Rate Stabilization Fund	794	-	1,006	-	-	-	-	-	-	-
CIF Connection Fee Revenue <sup>(5)</sup>	1,646	1,481	1,766	1,272	644	2,615	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>
Total Revenue	\$25,764	\$25,741	\$28,569	\$26,084	\$24,297	\$25,855	\$17,950	\$18,510	\$19,074	\$19,576
Total Revenue for Senior Calculation <sup>(6)</sup>	24,118	24,260	26,803	24,812	23,653	23,240	17,950	18,510	19,074	19,576
<b>EXPENSES<sup>(7)</sup></b>										
Total O&M <sup>(8)(11)</sup>	\$17,100	\$16,216	\$16,856	\$16,861	\$17,088	\$15,423	\$12,457	\$12,940	\$13,439	\$13,838
Rate Stabilization Fund	-	2,057	-	71	3	-	-	-	-	-
Total	\$17,100	\$18,273	\$16,856	\$16,932	\$17,091	\$15,423	\$12,457	\$12,940	\$13,439	\$13,838
<b>DEBT SERVICE PAYMENTS</b>										
<b>Senior</b>										
State Loans	\$ 930	\$ 880	\$ 908	\$ 840	\$ 835	\$ 752	\$-	\$-	\$-	\$-
Revenue Bonds	1,324	1,326	1,323	1,321	1,342	-	-	-	-	-
2022 JOS Refunding Bonds	-	-	-	-	-	-	384	3584	384	384
WIFIA Loan	-	-	-	-	-	-	-	-	-	-
Future SRF Loans	-	-	-	-	-	-	-	19	199	199
Total Senior Debt Payments	\$2,254	\$2,206	\$2,231	\$2,161	\$2,177	\$ 752	\$ 384	\$ 404	\$ 583	\$ 582
<b>Subordinate</b>										
State Loans	\$ 280	\$ 270	\$ 447	\$ 456	\$ 453	\$ 459	\$-	\$-	\$-	\$-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Total Subordinate Debt Payments	\$ 280	\$ 270	\$ 447	\$ 456	\$ 453	\$ 459	\$-	\$-	\$-	\$-
Total Debt Service <sup>(9)</sup>	\$2,534	\$2,476	\$2,678	\$2,617	\$2,630	\$1,211	\$ 384	\$ 404	\$ 583	\$ 582
<b>DEBT SERVICE COVERAGE<sup>(10)</sup></b>										
SENIOR	2.99	2.59	4.26	3.44	2.81	9.79	14.29	13.80	9.67	9.85
SUBORDINATE	3.42	3.02	4.37	3.50	2.74	8.62	14.29	13.80	9.67	9.85

(1) Assumed \$5 increase each year for Fiscal Year 2022-23 to Fiscal Year 2025-26.

(2) Starting in Fiscal Year 2022-23, Industrial Waste Revenues are attributed to the Joint Outfall System and allocated to each District in proportion to Sewage Units. This District's share is included under the line item "Other Revenues" starting with Fiscal Year 2022-23.

(3) Property tax increases are based on the observed increases in revenue over the past three years.

(4) Assumes an interest rate of 0.5% for Fiscal Year 2022-23 and Fiscal Year 2023-24 and 1% for years thereafter.

(5) Connection Fee revenues are not included in this table starting in Fiscal Year 2022-23 as it is not directly included in Debt Coverage calculation in the Master Obligation Agreement.

(6) Does not include Connection Fee Revenue.

(7) Does not include depreciation.

(8) O&M projections assume an average annual increase of 4.3% in labor for Fiscal Year 2022-23, 4% for Fiscal Year 2023-24, 3.3% for Fiscal Year 2024-25 and 3% for years after. Inflation rates assumptions for all other expenses are 5% for Fiscal Year 2022-23, 4.5% for Fiscal Year 2023-24, 3.5% for Fiscal Year 2024-25, and 3% for Fiscal Year 2025-26.

(9) Debt service represents the Participating Districts share of Shared Projects debt service which is calculated as described in the Master Obligation Agreement.

(10) The subordinate debt coverage calculation is based on total debt service.

(11) For this District there is a significant reduction in its attributed sewage units with the re-allocation of industrial users to the JOS starting in Fiscal Year 2022-23. This results in a drop in O&M Expenses and certain other distributed revenues and expenses.

<b>DISTRICT 15</b>	<i>Historical Operating Data</i>						<i>Projected Operating Data</i>			
	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
<b>REVENUE SOURCES</b>										
User Fees <sup>(1)(2)</sup>	\$32,719	\$34,546	\$35,207	\$36,671	\$36,755	\$36,756	\$31,901	\$32,665	\$33,429	\$34,193
Other Revenues <sup>(2)</sup>	2,650	3,072	3,030	3,095	3,352	2,985	9,768	10,230	10,595	10,966
A.V. Tax <sup>(3)</sup>	7,246	7,881	8,469	8,924	9,562	8,989	9,495	9,780	10,074	10,376
Interest <sup>(4)</sup>	1,257	1,681	2,406	2,448	947	820	217	337	631	637
Rate Stabilization Fund	-	-	-	-	-	-	-	-	-	-
CIF Connection Fee Revenue <sup>(5)</sup>	2,908	3,372	3,438	2,884	2,522	4,272	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>
Total Revenue	\$46,780	\$50,552	\$52,550	\$54,022	\$53,138	\$53,822	\$51,382	\$53,012	\$54,729	\$56,172
Total Revenue for Senior Calculation <sup>(6)</sup>	43,872	47,180	49,112	51,138	50,616	49,550	51,382	53,012	54,729	56,172
<b>EXPENSES<sup>(7)</sup></b>										
Total O&M <sup>(8)</sup>	\$27,642	\$27,533	\$30,458	\$32,261	\$34,546	\$35,344	\$39,010	\$40,523	\$42,085	\$43,334
Rate Stabilization Fund	187	7,979	11,320	4,833	6,259	-	-	-	-	-
Total	\$27,829	\$35,512	\$41,778	\$37,094	\$40,805	\$35,344	\$39,010	\$40,523	\$42,085	\$43,334
<b>DEBT SERVICE PAYMENTS</b>										
Senior										
State Loans	\$1,844	\$1,819	\$1,906	\$1,855	\$1,882	\$1,903	\$-	\$-	\$-	\$-
Revenue Bonds	3,429	3,433	3,425	3,422	3,474	-	-	-	-	-
2022 JOS Refunding Bonds	-	-	-	-	-	-	1,206	1,206	1,206	1,206
WIFIA Loan	-	-	-	-	-	-	-	-	-	-
Future SRF Loans	-	-	-	-	-	-	-	61	623	623
Total Senior Debt Payments	\$5,273	\$5,252	\$5,331	\$5,277	\$5,356	\$1,903	\$1,206	\$1,267	\$1,830	\$1,829
Subordinate										
State Loans	\$ 556	\$ 558	\$ 939	\$1,006	\$1,021	\$1,162	\$-	\$-	\$-	\$-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Total Subordinate Debt Payments	\$ 556	\$ 558	\$ 939	\$1,006	\$1,021	\$1,162	\$-	\$-	\$-	\$-
Total Debt Service <sup>(9)</sup>	\$5,829	\$5,810	\$6,270	\$6,283	\$6,377	\$3,065	\$1,206	\$1,267	\$1,830	\$1,829
<b>DEBT SERVICE COVERAGE<sup>(10)</sup></b>										
SENIOR	2.94	2.12	1.20	2.47	1.64	6.86	10.25	9.85	6.91	7.02
SUBORDINATE	3.25	2.59	1.72	2.69	1.93	6.03	10.25	9.85	6.91	7.02

(1) Assumed \$4 increase each year for Fiscal Year 2022-23 to Fiscal Year 2025-26.

(2) Starting in Fiscal Year 2022-23, Industrial Waste Revenues are attributed to the Joint Outfall System and allocated to each District in proportion to Sewage Units. This District's share is included under the line item "Other Revenues" starting with Fiscal Year 2022-23.

(3) Property tax increases are based on the observed increases in revenue over the past three years.

(4) Assumes an interest rate of 0.5% for Fiscal Year 2022-23 and Fiscal Year 2023-24 and 1% for years thereafter.

(5) Connection Fee revenues are not included in this table starting in Fiscal Year 2022-23 as it is not directly included in Debt Coverage calculation in the Master Obligation Agreement.

(6) Does not include Connection Fee Revenue.

(7) Does not include depreciation.

(8) O&M projections assume an average annual increase of 4.3% in labor for Fiscal Year 2022-23, 4% for Fiscal Year 2023-24, 3.3% for Fiscal Year 2024-25 and 3% for years after. Inflation rates assumptions for all other expenses are 5% for Fiscal Year 2022-23, 4.5% for Fiscal Year 2023-24, 3.5% for Fiscal Year 2024-25, and 3% for Fiscal Year 2025-26.

(9) Debt service represents the Participating Districts share of Shared Projects debt service which is calculated as described in the Master Obligation Agreement.

(10) The subordinate debt coverage calculation is based on total debt service.

<b>DISTRICT 16</b>	<i>Historical Operating Data</i>						<i>Projected Operating Data</i>			
	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
<b>REVENUE SOURCES</b>										
User Fees <sup>(1)(2)</sup>	\$17,029	\$17,771	\$18,049	\$18,445	\$18,868	\$18,956	\$18,694	\$18,726	\$18,758	\$18,790
Other Revenues <sup>(2)</sup>	1,407	1,723	1,674	1,679	1,797	1,637	5,910	6,189	6,410	6,634
A.V. Tax <sup>(3)</sup>	5,783	5,648	6,062	6,419	6,810	6,454	6,891	7,098	7,311	7,530
Interest <sup>(4)</sup>	773	1,051	1,471	1,494	584	585	136	240	456	457
Rate Stabilization Fund	-	-	-	-	-	-	-	-	-	-
CIF Connection Fee Revenue <sup>(5)</sup>	1,489	1,679	2,057	1,515	790	451	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>
Total Revenue	\$26,481	\$27,872	\$29,313	\$29,552	\$28,849	\$28,083	\$31,631	\$32,252	\$32,934	\$33,411
Total Revenue for Senior Calculation <sup>(6)</sup>	24,992	26,193	27,256	28,037	28,059	27,632	31,631	32,252	32,934	33,411
<b>EXPENSES<sup>(7)</sup></b>										
Total O&M <sup>(8)</sup>	\$14,212	\$14,957	\$16,375	\$17,079	\$18,046	\$19,078	\$23,585	\$24,500	\$25,445	\$26,200
Rate Stabilization Fund	2,118	3,860	6,550	3,502	2,799	-	-	-	-	-
Total	\$16,330	\$18,817	\$22,925	\$20,581	\$20,845	\$19,078	\$23,585	\$24,500	\$25,445	\$26,200
<b>DEBT SERVICE PAYMENTS</b>										
<b>Senior</b>										
State Loans	\$ 982	\$1,020	\$1,054	\$1,007	\$1,009	\$1,044	\$-	\$-	\$-	\$-
Revenue Bonds	2,137	2,139	2,135	2,131	2,166	-	-	-	-	-
2022 JOS Refunding Bonds	-	-	-	-	-	-	730	730	730	729
WIFIA Loan	-	-	-	-	-	-	-	-	-	-
Future SRF Loans	-	-	-	-	-	-	-	37	377	377
Total Senior Debt Payments	\$3,119	\$3,159	\$3,189	\$3,138	\$3,175	\$1,044	\$ 730	\$ 767	\$1,107	\$1,106
<b>Subordinate</b>										
State Loans	\$ 296	\$ 313	\$ 519	\$ 546	\$ 547	\$ 637	\$-	\$-	\$-	\$-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Total Subordinate Debt Payments	\$ 296	\$ 313	\$ 519	\$ 546	\$ 547	\$ 637	\$-	\$-	\$-	\$-
Total Debt Service <sup>(9)</sup>	\$3,415	\$3,472	\$3,708	\$3,684	\$3,722	\$1,681	\$ 730	\$ 767	\$1,107	\$1,106
<b>DEBT SERVICE COVERAGE<sup>(10)</sup></b>										
SENIOR	2.68	2.24	1.20	2.20	2.10	7.59	11.02	10.11	6.77	6.52
SUBORDINATE	2.97	2.61	1.72	2.44	2.15	5.36	11.02	10.11	6.77	6.52

(1) Assumed no rate increase Fiscal Year 2022-23 to Fiscal Year 2025-26.

(2) Starting in Fiscal Year 2022-23, Industrial Waste Revenues are attributed to the Joint Outfall System and allocated to each District in proportion to Sewage Units. This District's share is included under the line item "Other Revenues" starting with Fiscal Year 2022-23.

(3) Property tax increases are based on the observed increases in revenue over the past three years.

(4) Assumes an interest rate of 0.5% for Fiscal Year 2022-23 and Fiscal Year 2023-24 and 1% for years thereafter.

(5) Connection Fee revenues are not included in this table starting in Fiscal Year 2022-23 as it is not directly included in Debt Coverage calculation in the Master Obligation Agreement.

(6) Does not include Connection Fee Revenue.

(7) Does not include depreciation.

(8) O&M projections assume an average annual increase of 4.3% in labor for Fiscal Year 2022-23, 4% for Fiscal Year 2023-24, 3.3% for Fiscal Year 2024-25 and 3% for years after. Inflation rates assumptions for all other expenses are 5% for Fiscal Year 2022-23, 4.5% for Fiscal Year 2023-24, 3.5% for Fiscal Year 2024-25, and 3% for Fiscal Year 2025-26.

(9) Debt service represents the Participating Districts share of Shared Projects debt service which is calculated as described in the Master Obligation Agreement.

(10) The subordinate debt coverage calculation is based on total debt service.

<b>DISTRICT 17</b>	<i>Historical Operating Data</i>						<i>Projected Operating Data</i>			
	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
<b>REVENUE SOURCES</b>										
User Fees <sup>(1)(2)</sup>	\$2,217	\$2,271	\$2,339	\$2,404	\$2,374	\$2,422	\$2,453	\$2,521	\$2,589	\$2,658
Other Revenues <sup>(2)</sup>	181	223	215	220	241	211	756	792	820	849
A.V. Tax <sup>(3)</sup>	559	602	636	674	714	694	715	737	759	782
Interest <sup>(4)</sup>	124	163	210	198	67	88	12	33	62	62
Rate Stabilization Fund	-	-	-	-	-	-	-	-	-	-
CIF Connection Fee Revenue <sup>(5)</sup>	176	212	213	191	77	61	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>
Total Revenue	\$3,257	\$3,471	\$3,613	\$3,687	\$3,473	\$3,476	\$3,937	\$4,082	\$4,230	\$4,350
Total Revenue for Senior Calculation <sup>(6)</sup>	3,081	3,259	3,400	3,496	3,396	3,415	3,937	4,082	4,230	4,350
<b>EXPENSES<sup>(7)</sup></b>										
Total O&M <sup>(8)</sup>	\$1,815	\$1,905	\$2,084	\$2,255	\$2,409	\$2,444	\$3,017	\$3,134	\$3,255	\$3,352
Rate Stabilization Fund	469	389	760	317	391	-	-	-	-	-
Total	\$2,284	\$2,294	\$2,844	\$2,572	\$2,800	\$2,444	\$3,017	\$3,134	\$3,255	\$3,352
<b>DEBT SERVICE PAYMENTS</b>										
<b>Senior</b>										
State Loans	\$ 127	\$ 132	\$ 135	\$ 132	\$ 135	\$ 134	\$-	\$-	\$-	\$-
Revenue Bonds	273	274	273	273	277	-	-	-	-	-
2022 JOS Refunding Bonds	-	-	-	-	-	-	93	93	93	93
WIFIA Loan	-	-	-	-	-	-	-	-	-	-
Future SRF Loans	-	-	-	-	-	-	-	5	48	48
Total Senior Debt Payments	\$ 400	\$ 406	\$ 408	\$ 405	\$ 412	\$ 134	\$ 93	\$ 98	\$ 142	\$ 142
<b>Subordinate</b>										
State Loans	\$ 38	\$ 40	\$ 67	\$ 72	\$ 73	\$ 82	\$-	\$-	\$-	\$-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Total Subordinate Debt Payments	\$ 38	\$ 40	\$ 67	\$ 72	\$ 73	\$ 82	\$-	\$-	\$-	\$-
Total Debt Service <sup>(9)</sup>	\$ 438	\$ 446	\$ 475	\$ 477	\$ 485	\$ 216	\$ 93	\$ 98	\$ 142	\$ 142
<b>DEBT SERVICE COVERAGE<sup>(10)</sup></b>										
SENIOR	1.90	2.28	1.20	2.10	1.27	6.62	9.85	9.66	6.88	7.05
SUBORDINATE	2.22	2.64	1.62	2.34	1.39	4.77	9.85	9.66	6.88	7.05

(1) Assumed \$4 increase each year for Fiscal Year 2022-23 to Fiscal Year 2025-26.

(2) Starting in Fiscal Year 2022-23, Industrial Waste Revenues are attributed to the JOS and allocated to each District in proportion to Sewage Units. This District's share is included under the line item "Other Revenues" starting with Fiscal Year 2022-23.

(3) Property tax increases are based on the observed increases in revenue over the past three years.

(4) Assumes an interest rate of 0.5% for Fiscal Year 2022-23 and Fiscal Year 2023-24 and 1% for years thereafter.

(5) Connection Fee revenues are not included in this table starting in Fiscal Year 2022-23 as it is not directly included in Debt Coverage calculation in the Master Obligation Agreement.

(6) Does not include Connection Fee Revenue.

(7) Does not include depreciation.

(8) O&M projections assume an average annual increase of 4.3% in labor for Fiscal Year 2022-23, 4% for Fiscal Year 2023-24, 3.3% for Fiscal Year 2024-25 and 3% for years after. Inflation rates assumptions for all other expenses are 5% for Fiscal Year 2022-23, 4.5% for Fiscal Year 2023-24, 3.5% for Fiscal Year 2024-25, and 3% for Fiscal Year 2025-26.

(9) Debt service represents the Participating Districts share of Shared Projects debt service which is calculated as described in the Master Obligation Agreement.

(10) The subordinate debt coverage calculation is based on total debt service.

<b>DISTRICT 18</b>	<i>Historical Operating Data</i>						<i>Projected Operating Data</i>			
	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
<b>REVENUE SOURCES</b>										
User Fees <sup>(1)(2)</sup>	\$22,732	\$24,006	\$24,780	\$24,511	\$25,319	\$25,054	\$22,808	\$23,216	\$23,625	\$24,034
Other Revenues <sup>(2)</sup>	1,707	1,986	1,970	1,944	2,480	1,859	6,275	6,571	6,806	7,044
A.V. Tax <sup>(3)</sup>	4,007	4,286	4,464	5,046	5,479	5,003	5,345	5,479	5,616	5,756
Interest <sup>(4)</sup>	706	949	1,394	1,385	614	427	112	196	378	394
Rate Stabilization Fund	-	-	1,118	-	-	-	-	-	-	-
CIF Connection Fee Revenue <sup>(5)</sup>	1,964	1,963	2,072	2,103	1,161	3,486	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>
Total Revenue	\$31,116	\$33,190	\$35,798	\$34,989	\$35,053	\$35,828	\$34,540	\$35,462	\$36,424	\$37,228
Total Revenue for Senior Calculation <sup>(6)</sup>	29,152	31,227	33,726	32,886	33,892	32,342	34,540	35,462	36,424	37,228
<b>EXPENSES<sup>(7)</sup></b>										
Total O&M <sup>(8)</sup>	\$18,247	\$18,656	\$20,304	\$21,081	\$21,226	\$22,704	\$25,082	\$26,054	\$27,059	\$27,862
Rate Stabilization Fund	492	5,801	-	3,175	166	-	-	-	-	-
Total	\$18,739	\$24,457	\$20,304	\$24,256	\$21,392	\$22,704	\$25,082	\$26,054	\$27,059	\$27,862
<b>DEBT SERVICE PAYMENTS</b>										
<b>Senior</b>										
State Loans	\$1,192	\$1,176	\$1,241	\$1,166	\$1,142	\$1,185	\$-	\$-	\$-	\$-
Revenue Bonds	1,874	1,876	1,872	1,870	1,899	-	-	-	-	-
2022 JOS Refunding Bonds	-	-	-	-	-	-	775	775	775	774
WIFIA Loan	-	-	-	-	-	-	-	-	-	-
Future SRF Loans	-	-	-	-	-	-	-	39	400	400
Total Senior Debt Payments	\$3,066	\$3,052	\$3,113	\$3,036	\$3,041	\$1,185	\$ 775	\$ 814	\$1,175	\$1,175
<b>Subordinate</b>										
State Loans	\$ 359	\$ 361	\$ 611	\$ 632	\$ 619	\$ 724	\$-	\$-	\$-	\$-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Total Subordinate Debt Payments	\$ 359	\$ 361	\$ 611	\$ 632	\$ 619	\$ 724	\$-	\$-	\$-	\$-
Total Debt Service <sup>(9)</sup>	\$3,425	\$3,413	\$3,724	\$3,668	\$3,660	\$1,908	\$ 775	\$ 814	\$1,175	\$1,175
<b>DEBT SERVICE COVERAGE<sup>(10)</sup></b>										
SENIOR	3.28	2.10	4.12	2.63	3.91	7.53	12.20	11.56	7.97	7.97
SUBORDINATE	3.61	2.56	4.16	2.93	3.73	6.88	12.20	11.56	7.97	7.97

(1) Assumed \$3 increase each year for Fiscal Year 2022-23 to Fiscal Year 2025-26.

(2) Starting in Fiscal Year 2022-23, Industrial Waste Revenues are attributed to the Joint Outfall System and allocated to each District in proportion to Sewage Units. This District's share is included under the line item "Other Revenues" starting with Fiscal Year 2022-23.

(3) Property tax increases are based on the observed increases in revenue over the past three years.

(4) Assumes an interest rate of 0.5% for Fiscal Year 2022-23 and Fiscal Year 2023-24 and 1% for years thereafter.

(5) Connection Fee revenues are not included in this table starting in Fiscal Year 2022-23 as it is not directly included in Debt Coverage calculation in the Master Obligation Agreement.

(6) Does not include Connection Fee Revenue.

(7) Does not include depreciation.

(8) O&M projections assume an average annual increase of 4.3% in labor for Fiscal Year 2022-23, 4% for Fiscal Year 2023-24, 3.3% for Fiscal Year 2024-25 and 3% for years after. Inflation rates assumptions for all other expenses are 5% for Fiscal Year 2022-23, 4.5% for Fiscal Year 2023-24, 3.5% for Fiscal Year 2024-25, and 3% for Fiscal Year 2025-26.

(9) Debt service represents the Participating Districts share of Shared Projects debt service which is calculated as described in the Master Obligation Agreement.

(10) The subordinate debt coverage calculation is based on total debt service.

<b>DISTRICT 19</b>	<i>Historical Operating Data</i>						<i>Projected Operating Data</i>			
	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
<b>REVENUE SOURCES</b>										
User Fees <sup>(1)(2)</sup>	\$6,830	\$6,634	\$6,777	\$7,103	\$6,889	\$6,958	\$6,846	\$6,924	\$7,002	\$7,081
Other Revenues <sup>(2)</sup>	486	565	548	590	631	561	1,973	2,066	2,140	2,215
A.V. Tax <sup>(3)</sup>	1,476	1,513	1,582	1,695	1,763	1,704	1,807	1,862	1,918	1,975
Interest <sup>(4)</sup>	256	345	482	504	195	164	40	66	126	128
Rate Stabilization Fund	-	-	-	-	-	-	-	-	-	-
CIF Connection Fee Revenue <sup>(5)</sup>	496	537	571	557	206	261	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>
Total Revenue	\$9,544	\$9,594	\$9,960	\$10,449	\$9,684	\$9,648	\$10,667	\$10,918	\$11,185	\$11,398
Total Revenue for Senior Calculation <sup>(6)</sup>	9,048	9,057	9,389	9,892	9,478	9,387	10,667	10,918	11,185	11,398
<b>EXPENSES<sup>(7)</sup></b>										
Total O&M <sup>(8)</sup>	\$5,188	\$5,710	\$5,565	\$6,618	\$6,579	\$7,228	\$7,882	\$8,188	\$8,503	\$8,756
Rate Stabilization Fund	923	2,019	2,510	879	809	-	-	-	-	-
Total	\$6,111	\$7,729	\$8,075	\$7,497	\$7,388	\$7,228	\$7,882	\$8,188	\$8,503	\$8,756
<b>DEBT SERVICE PAYMENTS</b>										
<b>Senior</b>										
State Loans	\$ 339	\$ 334	\$ 346	\$ 354	\$ 354	\$ 357	\$-	\$-	\$-	\$-
Revenue Bonds	604	605	604	603	613	-	-	-	-	-
2022 JOS Refunding Bonds	-	-	-	-	-	-	244	244	244	243
WIFIA Loan	-	-	-	-	-	-	-	-	-	-
Future SRF Loans	-	-	-	-	-	-	-	12	126	126
Total Senior Debt Payments	\$ 943	\$ 939	\$ 950	\$ 957	\$ 967	\$ 357	\$ 244	\$ 256	\$ 370	\$ 369
<b>Subordinate</b>										
State Loans	\$ 102	\$ 102	\$ 170	\$ 192	\$ 192	\$ 218	\$-	\$-	\$-	\$-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Total Subordinate Debt Payments	\$ 102	\$ 102	\$ 170	\$ 192	\$ 192	\$ 218	\$-	\$-	\$-	\$-
Total Debt Service <sup>(9)</sup>	\$1,045	\$1,041	\$1,120	\$1,149	\$1,159	\$ 576	\$ 244	\$ 256	\$ 370	\$ 369
<b>DEBT SERVICE COVERAGE<sup>(10)</sup></b>										
SENIOR	3.01	1.31	1.20	2.30	1.96	5.43	11.43	10.67	7.26	7.15
SUBORDINATE	3.29	1.79	1.68	2.57	1.98	4.20	11.43	10.67	7.26	7.15

<sup>(1)</sup> Assumed \$2 increase each year for Fiscal Year 2022-23 to Fiscal Year 2025-26.

<sup>(2)</sup> Starting in Fiscal Year 2022-23, Industrial Waste Revenues are attributed to the Joint Outfall System and allocated to each District in proportion to Sewage Units. This District's share is included under the line item "Other Revenues" starting with Fiscal Year 2022-23.

<sup>(3)</sup> Property tax increases are based on the observed increases in revenue over the past three years.

<sup>(4)</sup> Assumes an interest rate of 0.5% for Fiscal Year 2022-23 and Fiscal Year 2023-24 and 1% for years thereafter.

<sup>(5)</sup> Connection Fee revenues are not included in this table starting in Fiscal Year 2022-23 as it is not directly included in Debt Coverage calculation in the Master Obligation Agreement.

<sup>(6)</sup> Does not include Connection Fee Revenue.

<sup>(7)</sup> Does not include depreciation.

<sup>(8)</sup> O&M projections assume an average annual increase of 4.3% in labor for Fiscal Year 2022-23, 4% for Fiscal Year 2023-24, 3.3% for Fiscal Year 2024-25 and 3% for years after. Inflation rates assumptions for all other expenses are 5% for Fiscal Year 2022-23, 4.5% for Fiscal Year 2023-24, 3.5% for Fiscal Year 2024-25, and 3% for Fiscal Year 2025-26.

<sup>(9)</sup> Debt service represents the Participating Districts share of Shared Projects debt service which is calculated as described in the Master Obligation Agreement.

<sup>(10)</sup> The subordinate debt coverage calculation is based on total debt service.

<b>DISTRICT 21</b>	<i>Historical Operating Data</i>						<i>Projected Operating Data</i>			
	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
<b>REVENUE SOURCES</b>										
User Fees <sup>(1)(2)</sup>	\$27,715	\$28,196	\$29,927	\$30,890	\$30,269	\$31,566	\$27,688	\$28,144	\$28,601	\$29,057
Other Revenues <sup>(2)</sup>	2,829	3,442	3,218	3,498	2,611	2,296	7,821	8,191	8,484	8,781
A.V. Tax <sup>(3)</sup>	4,149	4,417	4,862	5,368	5,708	5,108	5,771	6,002	6,242	6,492
Interest <sup>(4)</sup>	1,074	1,445	2,057	2,069	798	636	172	271	516	525
Rate Stabilization Fund	-	-	-	-	-	-	-	-	-	-
CIF Connection Fee Revenue <sup>(5)</sup>	2,465	2,567	2,488	2,370	1,134	1,326	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>
Total Revenue	\$38,232	\$40,067	\$42,552	\$44,195	\$40,520	\$40,931	\$41,452	\$42,609	\$43,842	\$44,855
Total Revenue for Senior Calculation <sup>(6)</sup>	35,767	37,500	40,064	41,825	39,386	39,605	41,452	42,609	43,842	44,855
<b>EXPENSES<sup>(7)</sup></b>										
Total O&M <sup>(8)</sup>	\$21,828	\$22,379	\$24,892	\$26,221	\$27,250	\$27,425	\$31,231	\$32,441	\$33,692	\$34,692
Rate Stabilization Fund	1,174	6,010	7,777	3,846	5,782	-	-	-	-	-
Total	\$23,002	\$28,389	\$32,669	\$30,067	\$33,032	\$27,425	\$31,231	\$32,441	\$33,692	\$34,692
<b>DEBT SERVICE PAYMENTS</b>										
<b>Senior</b>										
State Loans	\$1,450	\$1,450	\$1,538	\$1,483	\$1,463	\$1,463	\$-	\$-	\$-	\$-
Revenue Bonds	2,021	2,024	2,019	2,017	2,048	-	-	-	-	-
2022 JOS Refunding Bonds	-	-	-	-	-	-	996	996	996	995
WIFIA Loan	-	-	-	-	-	-	-	-	-	-
Future SRF Loans	-	-	-	-	-	-	-	49	499	499
Total Senior Debt Payments	\$3,471	\$3,474	\$3,557	\$3,500	\$3,511	\$1,463	\$ 996	\$ 1,015	\$1,465	\$1,464
<b>Subordinate</b>										
State Loans	\$ 437	\$ 445	\$ 757	\$ 804	\$ 793	\$ 894	\$-	\$-	\$-	\$-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Total Subordinate Debt Payments	\$ 437	\$ 445	\$ 757	\$ 804	\$ 793	\$ 894	\$-	\$-	\$-	\$-
Total Debt Service <sup>(9)</sup>	\$3,908	\$3,919	\$4,314	\$4,304	\$4,304	\$2,357	\$ 996	\$ 1,015	\$1,465	\$1,464
<b>DEBT SERVICE COVERAGE<sup>(10)</sup></b>										
SENIOR	3.55	2.49	1.87	3.13	1.58	7.71	10.58	10.02	6.93	6.94
SUBORDINATE	3.90	2.98	2.29	3.28	1.74	5.73	10.58	10.02	6.93	6.94

(1) Assumed \$3 increase each year for Fiscal Year 2022-23 to Fiscal Year 2025-26.

(2) Starting in Fiscal Year 2022-23, Industrial Waste Revenues are attributed to the Joint Outfall System and allocated to each District in proportion to Sewage Units. This District's share is included under the line item "Other Revenues" starting with Fiscal Year 2022-23.

(3) Property tax increases are based on the observed increases in revenue over the past three years.

(4) Assumes an interest rate of 0.5% for Fiscal Year 2022-23 and Fiscal Year 2023-24 and 1% for years thereafter.

(5) Connection Fee revenues are not included in this table starting in Fiscal Year 2022-23 as it is not directly included in Debt Coverage calculation in the Master Obligation Agreement.

(6) Does not include Connection Fee Revenue.

(7) Does not include depreciation.

(8) O&M projections assume an average annual increase of 4.3% in labor for Fiscal Year 2022-23, 4% for Fiscal Year 2023-24, 3.3% for Fiscal Year 2024-25 and 3% for years after. Inflation rates assumptions for all other expenses are 5% for Fiscal Year 2022-23, 4.5% for Fiscal Year 2023-24, 3.5% for Fiscal Year 2024-25, and 3% for Fiscal Year 2025-26.

(9) Debt service represents the Participating Districts share of Shared Projects debt service which is calculated as described in the Master Obligation Agreement.

(10) The subordinate debt coverage calculation is based on total debt service.

<b>DISTRICT 22</b>	<b>Historical Operating Data</b>						<b>Projected Operating Data</b>			
	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
<b>REVENUE SOURCES</b>										
User Fees <sup>(1)(2)</sup>	\$23,187	\$22,566	\$23,031	\$24,646	\$23,076	\$22,317	\$22,283	\$22,661	\$23,039	\$23,416
Other Revenues <sup>(2)</sup>	1,636	2,048	2,047	2,024	2,158	1,761	6,440	6,744	6,985	7,229
A.V. Tax <sup>(3)</sup>	4,211	4,420	4,591	5,013	5,485	5,097	5,381	5,489	5,599	5,711
Interest <sup>(4)</sup>	1,215	1,265	1,788	1,787	729	677	133	253	481	485
Rate Stabilization Fund	-	-	-	-	-	-	-	-	-	-
CIF Connection Fee Revenue <sup>(5)</sup>	2,475	2,059	2,282	1,790	937	2,835	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>
Total Revenue	\$32,724	\$32,358	\$33,739	\$35,260	\$32,385	\$32,686	\$34,237	\$35,147	\$36,103	\$36,841
Total Revenue for Senior Calculation <sup>(6)</sup>	30,249	30,299	31,457	33,470	31,448	29,851	34,237	35,147	36,103	36,841
<b>EXPENSES<sup>(7)</sup></b>										
Total O&M <sup>(8)</sup>	\$17,608	\$18,333	\$20,646	\$20,688	\$21,844	\$20,515	\$25,721	\$26,719	\$27,749	\$28,572
Rate Stabilization Fund	3,818	5,071	6,550	3,043	5,350	-	-	-	-	-
Total	\$21,426	\$23,404	\$27,196	\$23,731	\$27,194	\$20,515	\$25,721	\$26,719	\$27,749	\$28,572
<b>DEBT SERVICE PAYMENTS</b>										
<b>Senior</b>										
State Loans	\$1,186	\$1,210	\$1,285	\$1,194	\$1,188	\$1,122	\$-	\$-	\$-	\$-
Revenue Bonds	1,749	1,751	1,747	1,744	1,772	-	-	-	-	-
2022 JOS Refunding Bonds	-	-	-	-	-	-	795	795	795	795
WIFIA Loan	-	-	-	-	-	-	-	-	-	-
Future SRF Loans	-	-	-	-	-	-	-	40	411	411
Total Senior Debt Payments	\$2,935	\$2,961	\$3,032	\$2,938	\$2,960	\$1,122	\$ 795	\$ 836	\$1,206	\$1,206
<b>Subordinate</b>										
State Loans	\$ 357	\$ 371	\$ 633	\$ 648	\$ 650	\$ 686	\$-	\$-	\$-	\$-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Total Subordinate Debt Payments	\$ 357	\$ 371	\$ 633	\$ 648	\$ 650	\$ 686	\$-	\$-	\$-	\$-
Total Debt Service <sup>(9)</sup>	\$3,292	\$3,332	\$3,665	\$3,586	\$3,610	\$1,808	\$ 795	\$ 836	\$1,206	\$1,206
<b>DEBT SERVICE COVERAGE<sup>(10)</sup></b>										
SENIOR	2.88	2.20	1.20	3.09	1.22	7.71	10.71	10.09	6.93	6.86
SUBORDINATE	3.43	2.69	1.79	3.22	1.44	6.73	10.71	10.09	6.93	6.86

<sup>(1)</sup> Assumed \$3 increase each year for Fiscal Year 2022-23 to Fiscal Year 2025-26.

<sup>(2)</sup> Starting in Fiscal Year 2022-23, Industrial Waste Revenues are attributed to the JOS and allocated to each District in proportion to Sewage Units. This District's share is included under the line item "Other Revenues" starting with Fiscal Year 2022-23.

<sup>(3)</sup> Property tax increases are based on the observed increases in revenue over the past three years.

<sup>(4)</sup> Assumes an interest rate of 0.5% for Fiscal Year 2022-23 and Fiscal Year 2023-24 and 1% for years thereafter.

<sup>(5)</sup> Connection Fee revenues are not included in this table starting in Fiscal Year 2022-23 as it is not directly included in Debt Coverage calculation in the Master Obligation Agreement.

<sup>(6)</sup> Does not include Connection Fee Revenue.

<sup>(7)</sup> Does not include depreciation.

<sup>(8)</sup> O&M projections assume an average annual increase of 4.3% in labor for Fiscal Year 2022-23, 4% for Fiscal Year 2023-24, 3.3% for Fiscal Year 2024-25 and 3% for years after. Inflation rates assumptions for all other expenses are 5% for Fiscal Year 2022-23, 4.5% for Fiscal Year 2023-24, 3.5% for Fiscal Year 2024-25, and 3% for Fiscal Year 2025-26.

<sup>(9)</sup> Debt service represents the Participating Districts share of Shared Projects debt service which is calculated as described in the Master Obligation Agreement.

<sup>(10)</sup> The subordinate debt coverage calculation is based on total debt service.

<b>DISTRICT 23</b>	<i>Historical Operating Data</i>						<i>Projected Operating Data</i>			
	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
<b>REVENUE SOURCES</b>										
User Fees <sup>(1)(2)</sup>	\$3,880	\$3,523	\$4,966	\$4,664	\$6,287	\$4,635	\$-	\$-	\$-	\$-
Other Revenues <sup>(2)</sup>	220	276	259	278	351	258	174	182	189	195
A.V. Tax <sup>(3)</sup>	424	426	506	562	625	514	645	690	738	790
Interest <sup>(4)</sup>	194	248	332	371	163	159	17	79	157	158
Rate Stabilization Fund	-	-	-	-	-	-	-	-	-	-
CIF Connection Fee Revenue <sup>(5)</sup>	209	258	247	235	178	79	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>
Total Revenue	\$4,927	\$4,731	\$6,310	\$6,110	\$7,604	\$5,645	\$ 836	\$ 951	\$1,084	\$1,144
Total Revenue for Senior Calculation <sup>(6)</sup>	4,718	4,473	6,063	5,875	7,426	5,566	836	951	1,084	1,144
<b>EXPENSES<sup>(7)</sup></b>										
Total O&M <sup>(8)</sup>	\$2,989	\$3,264	\$3,335	\$3,643	\$4,313	\$3,606	\$ 707	\$ 734	\$ 763	\$ 785
Rate Stabilization Fund	290	170	2,010	553	1,658	-	-	-	-	-
Total	\$3,279	\$3,434	\$5,345	\$4,196	\$5,971	\$3,606	\$ 707	\$ 734	\$ 763	\$ 785
<b>DEBT SERVICE PAYMENTS</b>										
Senior										
State Loans	\$ 154	\$ 164	\$ 163	\$ 167	\$ 197	\$ 164	\$-	\$-	\$-	\$-
Revenue Bonds	369	370	369	370	374	-	-	-	-	-
2022 JOS Refunding Bonds	-	-	-	-	-	-	21	21	21	21
WIFIA Loan	-	-	-	-	-	-	-	-	-	-
Future SRF Loans	-	-	-	-	-	-	-	1	11	11
Total Senior Debt Payments	\$ 523	\$ 534	\$ 532	\$ 537	\$ 571	\$ 164	\$ 21	\$ 23	\$ 33	\$ 33
Subordinate										
State Loans	\$ 46	\$ 50	\$ 80	\$ 91	\$ 107	\$ 100	\$-	\$-	\$-	\$-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Total Subordinate Debt Payments	\$ 46	\$ 50	\$ 80	\$ 91	\$ 107	\$ 100	\$-	\$-	\$-	\$-
Total Debt Service <sup>(9)</sup>	\$ 569	\$ 584	\$ 612	\$ 628	\$ 678	\$ 265	\$ 21	\$ 23	\$ 33	\$ 33
<b>DEBT SERVICE COVERAGE<sup>(10)</sup></b>										
SENIOR	2.66	1.85	1.20	2.96	2.36	11.31	6.01	9.61	9.88	11.01
SUBORDINATE	2.90	2.22	1.58	3.05	2.41	7.70	6.01	9.61	9.88	11.01

(1) Assumed rate decreased to \$0 each year for Fiscal Year 2022-23 to Fiscal Year 2025-26.

(2) Starting in Fiscal Year 2022-23, Industrial Waste Revenues are attributed to the Joint Outfall System and allocated to each District in proportion to Sewage Units. This District's share is included under the line item "Other Revenues" starting with Fiscal Year 2022-23.

(3) Property tax increases are based on the observed increases in revenue over the past three years.

(4) Assumes an interest rate of 0.5% for Fiscal Year 2022-23 and Fiscal Year 2023-24 and 1% for years thereafter.

(5) Connection Fee revenues are not included in this table starting in Fiscal Year 2022-23 as it is not directly included in Debt Coverage calculation in the Master Obligation Agreement.

(6) Does not include Connection Fee Revenue.

(7) Does not include depreciation.

(8) O&M projections assume an average annual increase of 4.3% in labor for Fiscal Year 2022-23, 4% for Fiscal Year 2023-24, 3.3% for Fiscal Year 2024-25 and 3% for years after. Inflation rates assumptions for all other expenses are 5% for Fiscal Year 2022-23, 4.5% for Fiscal Year 2023-24, 3.5% for Fiscal Year 2024-25, and 3% for Fiscal Year 2025-26.

(9) Debt service represents the Participating Districts share of Shared Projects debt service which is calculated as described in the Master Obligation Agreement.

(10) The subordinate debt coverage calculation is based on total debt service.

(11) For this District there is a significant reduction in its attributed sewage units with the re-allocation of industrial users to the Joint Outfall System starting in Fiscal Year 2022-23. This results in a drop in O&M Expenses and certain other distributed revenues and expenses

<b>DISTRICT 28</b>	<i>Historical Operating Data</i>						<i>Projected Operating Data</i>			
	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
<b>REVENUE SOURCES</b>										
User Fees <sup>(1)(2)</sup>	\$ 804	\$ 640	\$ 651	\$ 683	\$ 689	\$ 678	\$-	\$-	\$-	\$-
Other Revenues <sup>(2)</sup>	59	71	69	67	71	66	243	255	264	273
A.V. Tax <sup>(3)</sup>	635	679	717	755	800	778	801	825	850	876
Interest <sup>(4)</sup>	88	117	162	169	70	90	7	44	84	82
Rate Stabilization Fund	-	-	-	-	-	-	-	-	-	-
CIF Connection Fee Revenue <sup>(5)</sup>	57	52	80	56	25	11	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>
Total Revenue	\$1,643	\$1,559	\$1,679	\$1,730	\$1,655	\$1,623	\$1,051	\$1,124	\$1,198	\$1,231
Total Revenue for Senior Calculation <sup>(6)</sup>	1,586	1,507	1,599	1,674	1,630	1,612	1,051	1,124	1,198	1,231
<b>EXPENSES<sup>(7)</sup></b>										
Total O&M <sup>(8)</sup>	\$ 589	\$ 666	\$ 794	\$ 913	\$ 723	\$ 800	\$ 992	\$1,030	\$1,070	\$1,102
Rate Stabilization Fund	595	650	615	497	715	-	-	-	-	-
Total	\$1,184	\$1,316	\$1,409	\$1,410	\$1,438	\$ 800	\$ 992	\$1,030	\$1,070	\$1,102
<b>DEBT SERVICE PAYMENTS</b>										
<b>Senior</b>										
State Loans	\$ 229	\$ 41	\$ 43	\$ 40	\$ 40	\$ 42	\$-	\$-	\$-	\$-
Revenue Bonds	97	97	97	96	97	-	-	-	-	-
2022 JOS Refunding Bonds	-	-	-	-	-	-	30	30	30	30
WIFIA Loan	-	-	-	-	-	-	-	-	-	-
Future SRF Loans	-	-	-	-	-	-	-	2	16	16
Total Senior Debt Payments	\$ 326	\$ 138	\$ 140	\$ 136	\$ 137	\$ 42	\$ 30	\$ 32	\$ 46	\$ 46
<b>Subordinate</b>										
State Loans	\$ 12	\$ 13	\$ 21	\$ 22	\$ 22	\$ 26	\$-	\$-	\$-	\$-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Total Subordinate Debt Payments	\$ 12	\$ 13	\$ 21	\$ 22	\$ 22	\$ 26	\$-	\$-	\$-	\$-
Total Debt Service <sup>(9)</sup>	\$ 338	\$ 151	\$ 161	\$ 158	\$ 159	\$ 68	\$ 30	\$ 32	\$ 46	\$ 46
<b>DEBT SERVICE COVERAGE<sup>(10)</sup></b>										
SENIOR	1.20	1.29	1.21	1.78	1.24	18.75	1.98	2.96	2.81	2.84
SUBORDINATE	1.36	1.61	1.68	2.03	1.37	12.18	1.98	2.96	2.81	2.84

(1) Assumed rate decreased to \$0 each year for Fiscal Year 2022-23 to Fiscal Year 2025-26.

(2) Starting in Fiscal Year 2022-23, Industrial Waste Revenues are attributed to the JOS Joint Outfall System and allocated to each District in proportion to Sewage Units. This District's share is included under the line item "Other Revenues" starting with Fiscal Year 2022-23.

(3) Property tax increases are based on the observed increases in revenue over the past three years.

(4) Assumes an interest rate of 0.5% for Fiscal Year 2022-23 and Fiscal Year 2023-24 and 1% for years thereafter.

(5) Connection Fee revenues are not included in this table starting in Fiscal Year 2022-23 as it is not directly included in Debt Coverage calculation in the Master Obligation Agreement.

(6) Does not include Connection Fee Revenue.

(7) Does not include depreciation.

(8) O&M projections assume an average annual increase of 4.3% in labor for Fiscal Year 2022-23, 4% for Fiscal Year 2023-24, 3.3% for Fiscal Year 2024-25 and 3% for years after. Inflation rates assumptions for all other expenses are 5% for Fiscal Year 2022-23, 4.5% for Fiscal Year 2023-24, 3.5% for Fiscal Year 2024-25, and 3% for Fiscal Year 2025-26.

(9) Debt service represents the Participating Districts share of Shared Projects debt service which is calculated as described in the Master Obligation Agreement.

(10) The subordinate debt coverage calculation is based on total debt service.

<b><u>DISTRICT 29</u></b>	<b>Historical Operating Data</b>						<b>Projected Operating Data</b>			
	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
<b>REVENUE SOURCES</b>										
User Fees <sup>(1)(2)</sup>	\$1,960	\$1,937	\$2,031	\$2,053	\$2,048	\$2,003	\$1,962	\$2,023	\$2,085	\$2,147
Other Revenues <sup>(2)</sup>	109	90	88	86	92	84	287	300	311	322
A.V. Tax <sup>(3)</sup>	124	154	154	173	192	165	186	189	193	197
Interest <sup>(4)</sup>	79	107	149	158	76	78	6	14	15	14
Rate Stabilization Fund	-	-	-	-	-	-	-	-	-	-
CIF Connection Fee Revenue <sup>(5)</sup>	85	80	87	75	118	80	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>
Total Revenue	\$2,357	\$2,368	\$2,509	\$2,545	\$2,526	\$2,410	\$2,440	\$2,527	\$2,604	\$2,680
Total Revenue for Senior Calculation <sup>(6)</sup>	2,272	2,288	2,422	2,470	2,408	2,330	2,440	2,527	2,604	2,680
<b>EXPENSES<sup>(7)</sup></b>										
Total O&M <sup>(8)</sup>	\$1,304	\$1,229	\$1,262	\$1,325	\$1,333	\$1,508	\$1,437	\$1,494	\$1,550	\$1,596
Rate Stabilization Fund	653	703	974	696	890	-	-	-	-	-
Total	\$1,957	\$1,932	\$2,236	\$2,021	\$2,223	\$1,508	\$1,437	\$1,494	\$1,550	\$1,596
<b>DEBT SERVICE PAYMENTS</b>										
<b>Senior</b>										
State Loans	\$ 48	\$ 53	\$ 55	\$ 52	\$ 52	\$ 54	\$-	\$-	\$-	\$-
Revenue Bonds	30	30	30	30	31	-	-	-	-	-
2022 JOS Refunding Bonds	-	-	-	-	-	-	35	35	35	35
WIFIA Loan	-	-	-	-	-	-	-	-	-	-
Future SRF Loans	-	-	-	-	-	-	-	2	18	18
Total Senior Debt Payments	\$ 78	\$ 83	\$ 85	\$ 82	\$ 83	\$ 54	\$ 35	\$ 37	\$ 54	\$ 54
<b>Subordinate</b>										
State Loans	\$ 72	\$ 73	\$ 84	\$ 85	\$ 85	\$ 90	\$-	\$-	\$-	\$-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Total Subordinate Debt Payments	\$ 72	\$ 73	\$ 84	\$ 85	\$ 85	\$ 90	\$-	\$-	\$-	\$-
Total Debt Service <sup>(9)</sup>	\$ 150	\$ 156	\$ 169	\$ 167	\$ 168	\$ 144	\$ 35	\$ 37	\$ 54	\$ 54
<b>DEBT SERVICE COVERAGE<sup>(10)</sup></b>										
SENIOR	3.12	3.41	1.20	4.44	1.20	13.63	28.32	27.77	19.63	20.21
SUBORDINATE	2.67	2.79	1.62	3.14	1.80	6.28	28.32	27.77	19.63	20.21

<sup>(1)</sup> Assumed \$9 increase each year for Fiscal Year 2022-23 to Fiscal Year 2025-26.

<sup>(2)</sup> Starting in Fiscal Year 2022-23, Industrial Waste Revenues are attributed to the Joint Outfall System and allocated to each District in proportion to Sewage Units. This District's share is included under the line item "Other Revenues" starting with Fiscal Year 2022-23.

<sup>(3)</sup> Property tax increases are based on the observed increases in revenue over the past three years.

<sup>(4)</sup> Assumes an interest rate of 0.5% for Fiscal Year 2022-23 and Fiscal Year 2023-24 and 1% for years thereafter.

<sup>(5)</sup> Connection Fee revenues are not included in this table starting in Fiscal Year 2022-23 as it is not directly included in Debt Coverage calculation in the Master Obligation Agreement.

<sup>(6)</sup> Does not include Connection Fee Revenue.

<sup>(7)</sup> Does not include depreciation.

<sup>(8)</sup> O&M projections assume an average annual increase of 4.3% in labor for Fiscal Year 2022-23, 4% for Fiscal Year 2023-24, 3.3% for Fiscal Year 2024-25 and 3% for years after. Inflation rates assumptions for all other expenses are 5% for Fiscal Year 2022-23, 4.5% for Fiscal Year 2023-24, 3.5% for Fiscal Year 2024-25, and 3% for Fiscal Year 2025-26.

<sup>(9)</sup> Debt service represents the Participating Districts share of Shared Projects debt service which is calculated as described in the Master Obligation Agreement.

<sup>(10)</sup> The subordinate debt coverage calculation is based on total debt service.

<b>South Bay Cities</b>	<b>Historical Operating Data</b>						<b>Projected Operating Data</b>			
	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
<b>REVENUE SOURCES</b>										
User Fees <sup>(1)(2)</sup>	\$6,462	\$6,725	\$6,822	\$7,036	\$7,028	\$7,289	\$3,896	\$3,904	\$3,911	\$3,919
Other Revenues <sup>(2)</sup>	650	756	736	752	806	753	2,659	2,785	2,884	2,985
A.V. Tax <sup>(3)</sup>	5,229	5,615	5,937	6,298	6,672	6,487	6,682	6,882	7,089	7,302
Interest <sup>(4)</sup>	460	633	865	892	460	395	53	161	302	297
Rate Stabilization Fund	-	-	-	-	-	-	-	-	-	-
CIF Connection Fee Revenue <sup>(5)</sup>	636	832	755	642	338	505	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>
Total Revenue	\$13,437	\$14,561	\$15,115	\$15,620	\$15,304	\$15,430	\$13,290	\$13,732	\$14,187	\$14,502
Total Revenue for Senior Calculation <sup>(6)</sup>	12,801	13,729	14,360	14,978	14,966	14,925	13,290	13,732	14,187	14,502
<b>EXPENSES<sup>(7)</sup></b>										
Total O&M <sup>(8)</sup>	\$7,520	\$7,556	\$8,116	\$8,893	\$9,243	\$9,957	\$10,632	\$11,044	\$11,470	\$11,810
Rate Stabilization Fund	1,294	2,928	4,330	2,107	3,761	-	-	-	-	-
Total	\$8,814	\$10,484	\$12,446	\$11,000	\$13,004	\$9,957	\$10,632	\$11,044	\$11,470	\$11,810
<b>DEBT SERVICE PAYMENTS</b>										
<b>Senior</b>										
State Loans	\$ 454	\$ 448	\$ 464	\$ 451	\$ 453	\$ 480	\$-	\$-	\$-	\$-
Revenue Bonds	935	936	934	933	947	-	-	-	-	-
2022 JOS Refunding Bonds	-	-	-	-	-	-	328	328	328	328
WIFIA Loan	-	-	-	-	-	-	-	-	-	-
Future SRF Loans	-	-	-	-	-	-	-	187	170	170
Total Senior Debt Payments	\$1,389	\$1,384	\$1,398	\$1,384	\$1,400	\$ 480	\$ 328	\$ 345	\$ 498	\$ 498
<b>Subordinate</b>										
State Loans	\$ 137	\$ 137	\$ 228	\$ 245	\$ 245	\$ 293	\$-	\$-	\$-	\$-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Total Subordinate Debt Payments	\$ 137	\$ 137	\$ 228	\$ 245	\$ 245	\$ 293	\$-	\$-	\$-	\$-
Total Debt Service <sup>(9)</sup>	\$1,526	\$1,521	\$1,626	\$1,629	\$1,645	\$ 773	\$ 328	\$ 345	\$ 498	\$ 498
<b>DEBT SERVICE COVERAGE<sup>(10)</sup></b>										
SENIOR	2.77	2.25	1.21	2.70	1.23	9.74	8.09	7.79	5.46	5.41
SUBORDINATE	3.03	2.68	1.64	2.84	1.40	7.08	8.09	7.79	5.46	5.41

(1) Assumed rate decreased to \$75 each year for Fiscal Year 2022-23 to Fiscal Year 2025-26.

(2) Starting in Fiscal Year 2022-23, Industrial Waste Revenues are attributed to the Joint Outfall System and allocated to each District in proportion to Sewage Units. This District's share is included under the line item "Other Revenues" starting with Fiscal Year 2022-23.

(3) Property tax increases are based on the observed increases in revenue over the past three years.

(4) Assumes an interest rate of 0.5% for Fiscal Year 2022-23 and Fiscal Year 2023-24 and 1% for years thereafter.

(5) Connection Fee revenues are not included in this table starting in Fiscal Year 2022-23 as it is not directly included in Debt Coverage calculation in the Master Obligation Agreement.

(6) Does not include Connection Fee Revenue.

(7) Does not include depreciation.

(8) O&M projections assume an average annual increase of 4.3% in labor for Fiscal Year 2022-23, 4% for Fiscal Year 2023-24, 3.3% for Fiscal Year 2024-25 and 3% for years after. Inflation rates assumptions for all other expenses are 5% for Fiscal Year 2022-23, 4.5% for Fiscal Year 2023-24, 3.5% for Fiscal Year 2024-25, and 3% for Fiscal Year 2025-26.

(9) Debt service represents the Participating Districts share of Shared Projects debt service which is calculated as described in the Master Obligation Agreement.

(10) The subordinate debt coverage calculation is based on total debt service.

### Certain Existing Reserves of the Participating Districts.

The Participating Districts maintain a variety of reserves for operating costs, capital costs and rate stabilization. The operating fund must be sufficient to meet the cashflow needs and to meet current and anticipated expenses in accordance with the long-term budgetary projections. Table 14 contains cash and investments for each Participating District as of December 31, 2021. Table 15 below shows initially designated rate stabilization funds. Only a subset of Participating Districts will be establishing rate stabilization reserves at this time. These Participating Districts have significant existing reserves and will be using a portion of these reserves to cover costs of the Participating Districts in lieu of rate increases over the next 10 years.

**TABLE 14**  
**CASH AND INVESTMENTS AS OF DECEMBER 31, 2021<sup>(1)</sup>**

District	Unrestricted <sup>(2)</sup>	Designated <sup>(3)</sup>	Restricted <sup>(4)</sup>	Total
1	\$ 37,948,785	\$ 29,237,529	\$ 29,891,126	\$ 97,077,441
2	58,172,078	32,703,428	44,130,880	135,006,385
3	37,309,050	31,079,016	25,566,067	93,954,133
5	60,203,311	32,866,406	35,413,792	128,483,509
8	21,396,164	832,740	15,041,840	37,270,744
15	43,537,780	50,145,316	33,415,795	127,098,891
16	24,967,152	39,332,449	16,368,764	80,668,365
17	2,673,716	6,572,872	2,350,325	11,596,913
18	34,074,365	16,429,736	23,241,495	73,745,597
19	8,147,852	9,958,837	8,032,370	26,139,059
21	35,081,460	37,573,988	32,992,968	105,648,416
22	27,349,677	44,672,208	22,336,745	94,358,631
23	6,823,173	12,871,280	489,790	20,184,243
28	1,162,570	8,348,679	575,647	10,086,896
29	1,847,151	6,478,500	1,324,632	9,650,283
SBC	11,836,191	30,758,850	8,814,969	51,410,011
34	<u>1,916</u>	<u>-</u>	<u>-</u>	<u>1,916</u>
Total	\$ 412,532,393	\$389,861,834	\$299,987,204	\$1,102,381,431

- 
- (1) Joint Outfall System reserves have been distributed to each Participating District based on the District's proportionate share of the Joint Outfall System effective July 1, 2022.
- (2) Unrestricted funds include all monies collected or generated by or on behalf of the Participating District or Joint Outfall System, without regard to the source, except those that have been deemed to be Designated or Restricted.
- (3) Designated funds are funds that have imposed restrictions on the use of the monies for specific purposes such as capital facilities, land acquisition, and repair and replacement of existing assets. These monies are not otherwise legally restricted, and the Participating Districts have the discretion to redesignate the actual or intended usage of these monies.
- (4) Restricted funds have imposed restrictions externally through law (federal, state, or local governments), administrative action (adopted ordinances of the Participating Districts), or contractual arrangements (e.g., bond indentures, State Revolving Fund installment sales agreements). The monies in Restricted Reserve Funds can only be used for the purpose for which they were established or dedicated until the restrictions are removed by the party that imposed them or the contractual agreement that created them has expired.

**TABLE 15**  
**INITIAL AMOUNTS DESIGNATED IN RATE STABILIZATION FUNDS**

<b>District</b>	<b>Rate Stabilization</b>
16	\$10,000,000
17	1,900,000
23	14,500,000
28	7,000,000
29	2,500,000
SBC	13,000,000

**Existing Obligations of the Participating Districts**

Following the issuance of the 2022 Bonds and the prepayment of the Prepaid State Loans, the only Outstanding Obligations of the respective Participating District will be the Installment Payments.

**Tax Levies and Delinquencies**

In accordance with the California Revenue and Taxation Code, the County tax collector collects secured tax levies for each Fiscal Year. One-half of the tax installment is due November 1 and becomes delinquent December 10; the second installment is due February 1 and becomes delinquent April 10. A 10 percent penalty is added to any late installment. If no payments have been made on delinquent taxes at the end of five years, the property is deeded to the State. Such properties may thereafter be conveyed to the County tax collector as provided by law. Property owners may redeem property upon payment of delinquent taxes and penalties. Properties sold to the State incur a redemption penalty of 1.0 percent of the delinquent taxes per month of delinquency. Properties may be redeemed under an installment plan by paying current taxes plus 20 percent of delinquent taxes over a five-year period. Interest accrues at 1.0 percent per month on the unpaid balance.

For most parcels the annual service charge is placed on the property tax bill as a separate line item under the heading of “Direct Charges.” It is not part of the 1% general tax levy allowable under Proposition 13 nor is it considered voted indebtedness. However, the tax collector considers the property tax bill as a single total quantity; the taxpayer cannot choose to withhold a portion of the charges due and designate how the taxpayers’ partial payment is to be applied. Hence, any failure to pay the service charge is treated as a property tax delinquency and is subject to the same penalty provisions described above. A few parcels (generally non-local governmental parcels constituting less than 0.0% of the total number of parcels) do not receive property tax bills, for which the Participating Districts mail a direct bill to the property owner. Pursuant to the Participating Districts’ Master Service Charge Ordinances, delinquencies on direct bills are subject to a late payment penalty of 10% plus interest at the maximum rate allowed by law (currently 1.0% per month).

**Pension Plan**

For a description of the California Public Employees Retirement System (“CalPERS”), in which the Participating Districts participate, see Note 11 to the basic financial statements of the Sanitation Districts for fiscal year 2020-21 set forth in Appendix A attached hereto. The LACSD have contributed 100% of the normal costs, plus the required Unfunded Accrued Liability contribution to the California Public Employees Retirement System every year. Pursuant to the Joint Administration Agreement, the Participating Districts are responsible for retirement benefits in an amount equal to its portion of overhead charges, plus retirement benefits for personnel who work specifically on projects directly for the Participating Districts in proportion to these labor costs relative to total labor costs of the LACSD. The cost of providing retirement benefits has

increased significantly over the last several years and there can be no assurance that the Participating Districts required contributions to CalPERS will not materially exceed its estimates.

In September 2021, the LACSD entered into an agreement which requires the LACSD's Solid Waste System to pay up to \$470 million from its landfill post-closure maintenance funds to CalPERS to reduce or eliminate the LACSD's Unfunded Accrued Liability ("UAL") with CalPERS on June 30, 2022. In exchange for this payment, the LACSD agreed to pay a fee in lieu of the UAL payment to the Solid Waste System in an annual amount equivalent to the annual post-closure maintenance needs for the solid waste landfills. The cumulative amount to be paid by the LACSD to the Solid Waste System is not to exceed the total debt service on market-rate pension bonds. Pension costs, whether paid to CalPERS as UAL amortization payments or paid as a fee-in-lieu joint administration expense, are considered operating costs. Depending on the final amount paid to CalPERS, the exchange is expected to save the LACSD up to a total of \$250 million, with an annual savings of \$25 to \$45 million per year over the next 10 years.

### **Other Post-Employment Benefits (OPEB)**

Pursuant to the Joint Administration Agreement, the Participating Districts pay a proportionate share of overhead charges plus health care benefits and certain dental care benefits for retired employees of the staff of the LACSD. The LACSD have contributed 100% of the OPEB actuarially required contribution every year. See Note 12 to the basic financial statements of the LACSD for fiscal year 2020-21 set forth in Appendix A attached hereto.

### **State Financial Conditions**

The State of California experiences financial stress from time to time, including multi-billion dollar budget shortfalls in recent fiscal years. From time to time legislative proposals have been made which would materially adversely impact the financial condition of the Participating Districts, including reducing property tax revenues received by the Participating Districts. There can be no assurances that actions taken by the State from time to time will not adversely affect the financial condition of the Participating Districts.

### **Insurance**

The risk management objectives of the Participating Districts are to protect against financial consequences of accidental losses which are catastrophic in nature and to preserve the LACSD's assets and public service capabilities from loss, destruction or depletion. The LACSD currently have \$20 million of general liability insurance with a \$5,000,000 self-insured retention over the underlying \$1,000,000 automobile liability coverage. Fire and theft insurance has been purchased on specific buildings and their contents in the amount of \$511,244,759. Each of the aforementioned policies is available to the Participating Districts through the LACSD. See Note 9 to the basic financial statements of the Sanitation Districts for fiscal year 2020-21 set forth in Appendix A attached hereto. The LACSD are self-insured for workers' compensation and medical claims.

All the LACSD's construction contracts require the contractor to adhere strictly to the insurance and letter of credit requirements outlined in the projects' specifications, as set forth in the Special Provisions, as well as to the requirements listed in the most current edition of Standard Specifications for Public Works Construction.

### **Legal Debt and Tax Limitations**

The ability of the Participating District to raise taxes and to impose rates, fees and charges is subject to statutory and constitutional limitations. Certain of these limitations are described below.

### Property Tax Rate Limitation – Article XIII A

Article XIII A of the California Constitution limits the taxing powers of California public agencies. Article XIII A provides that the maximum ad valorem tax on real property cannot exceed 1% of the “full cash value” which is defined as “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment,” subject to exceptions for certain circumstances of transfer or reconstruction and except with respect to certain voter-approved debt. The “full cash value” is subject to annual adjustment to reflect increases, not to exceed 2% per year, or decreases in the consumer price index or comparable local data, or to reflect reduction in property value caused by damage, destruction or other factors.

Article XIII A requires a vote of two-thirds of the qualified electorate to impose special taxes, while generally precluding the imposition of any additional ad valorem, sales or transaction tax on real property. As amended, Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service on certain voter-approved general obligation bonds for the acquisition or improvement of real property. In addition, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any State laws resulting in increased tax revenues.

### Appropriations Limitations

The State and most entities of local government are subject to an annual “appropriations limit” imposed by Article XIII B of the State Constitution. Article XIII B prohibits an entity of the government from spending “appropriations subject to limitation” in excess of the appropriations limit imposed. Article XIII B, originally adopted in 1979, was modified substantially by Propositions 98 and 111 in 1988 and 1990, respectively. “Appropriations subject to limitation” are authorizations to spend “proceeds of taxes,” which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service,” but “proceeds of taxes” excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on appropriations of funds that are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds.

Not included in the Article XIII B limit are appropriations for the debt service costs of bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government and appropriations for qualified capital outlay projects. The appropriations limit may also be exceeded in certain cases of emergency.

The appropriations limit for each Participating District in each year is based on the Participating District’s limit for the prior year, adjusted annually for changes in the cost of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at a District’s option, either (1) the percentage change in California per capita personal income, or (2) the percentage change in the local assessment roll on nonresidential property. Either test is likely to be greater than the change in the cost of living index, which was used prior to Proposition 111. Change in population is to be measured either within the jurisdiction of the Participating District or the County as a whole.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate “proceeds of taxes” received by a District over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedule over the subsequent two years. As originally enacted in 1979, each Participating District’s appropriations limit was based on 1978-79 authorizations to expend proceeds of taxes and was adjusted annually to reflect changes in cost of living and population (using different definitions, which were modified by Proposition 111). Each Participating District’s appropriations limit is recalculated by taking the actual

Fiscal Year 1986-87 limit, and applying the annual adjustments provided for in Proposition 111. No Participating District anticipates that any such appropriations limitations will impair its ability to make its Installment Payments as required by the Joint Acquisition Agreement.

Proposition 62

On November 4, 1986, California voters approved Proposition 62, which added Sections 53720 et seq. to the California Government Code and which: (i) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities, such as the Participating Districts, be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax; (ii) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax; (iii) restricts the use of revenues from a special tax to the purposes or for the services for which the special tax was imposed; (iv) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution; (v) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (vi) requires that any tax imposed by a local governmental entity on or after August 1, 1985 and prior to the effective date of Proposition 62 be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

Each Participating District as to itself does not believe that Proposition 62 will impair its ability to make its Installment Payments as required by the Joint Acquisition Agreement.

Proposition 218

On November 5, 1996, the voters of the California approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIII C and XIII D to the California Constitution and contained a number of provisions affecting the ability of local governments, including the Participating Districts, to levy and collect both existing and future taxes, assessments, fees, and charges. Proposition 218 became effective on November 6, 1996. Senate Bill 919 was enacted to provide certain implementing provisions for Proposition 218 and became effective July 1, 1997. As described below, Proposition 218 provides for broad initiative powers to reduce or repeal any local tax, assessment, fee, or charge. This initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments, fees or charges. However, other than an impact resulting from the exercise of this initiative power or the majority protest provisions of Proposition 218, as described below, each Participating District as to itself does not believe that the potential financial impact of Proposition 218 will adversely affect its ability to make its Installment Payments as and when due.

Article XIII D of Proposition 218 adds several provisions affecting "fees" and "charges," which are defined as "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and, after June 30, 1998, existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. A hearing must then be held upon the proposed imposition or increase of such property based fee, and if written protests against the proposal are presented by a majority of the owners of the

identified parcels, the jurisdiction may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area. The Participating Districts have provided notice in compliance with the notice procedures outlined in Proposition 218.

“Fees” and “charges” are not defined in Article XIII C or SB 919. However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virjil (Kelley)* (the “Bighorn Decision”) that charges for ongoing water delivery are property related fees and charges within the meaning of Article XIII D and are also fees or charges within the meaning of Section 3 of Article XIII C. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIII C.

In the Bighorn Decision, the Supreme Court did state that nothing in Section 3 of Article XIII C authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the Bighorn Decision that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Each Participating District has covenanted in the Master Obligation Agreement, to the extent permitted by applicable law, to fix, prescribe and collect rates and charges for the services of its Sewerage System that will be at least sufficient to yield during each Fiscal Year (i) Revenues of such Participating District for such Fiscal Year sufficient to make all deposits, transfers and payments required pursuant to the Master Obligation Agreement to be made in such Fiscal Year and (ii) a Senior Debt Service Coverage Ratio of such Participating District for such Fiscal Year of not less than 1.25:1. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2022 BONDS– Rate Covenant” herein and Section 5.07 of the Master Obligation Agreement attached as Appendix C to this Official Statement. No assurance can be provided that the Participating Districts will be able to meet the rate covenants described above if proposed increased service charges cannot be imposed as a result of a majority protest under Proposition 218.

### Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by

a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. Each Participating District does not believe that it is currently charging any fees that will have to be reduced or eliminated as a result of Proposition 26.

### **CERTAIN RISK FACTORS**

The following factors, which represent certain major risk factors, should be considered along with all other information in this Official Statement by potential investors in evaluating the 2022 Bonds. There can be no assurance made that other major risk factors do not currently exist or will not become evident at any future time.

#### **COVID-19 Pandemic**

The late 2019 outbreak of the new highly transmissible strain of coronavirus and the disease it causes (known as COVID-19), has spread across the globe. The World Health Organization (the "WHO") declared the outbreak of COVID-19 to be a pandemic, and states of emergency were declared in the United States (the "U.S."), the State of California, and numerous counties throughout the State, including the County. The purposes behind these declarations are to coordinate and formalize emergency actions and across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus.

The COVID-19 pandemic and the governmental actions to respond to and control the outbreak materially altered the behavior of people and disrupted business activity, resulting in a significant contraction of the national, state and local economies. Employment data released since the imposition of governmental restrictions on activities showed a dramatic increase in unemployment rates and, while a recovery of jobs has occurred, unemployment rates remain above pre-pandemic levels. In addition, domestic and international stock markets experienced declines in market value following the onset of the outbreak. Although rebounds in the global financial markets have since occurred, price volatility remains.

With widespread vaccination currently underway worldwide, the domestic governmental-imposed "stay-at-home" orders and restrictions on operations of schools and businesses implemented to respond to and control the outbreak have generally been lifted or eased. The Governor of California lifted most statewide COVID-19 restrictions on June 15, 2021. However, new variants of the disease continue to emerge and restrictions may be re-imposed in various jurisdictions from time to time as local conditions warrant, such as the temporary statewide indoor mask mandates. The Authority cannot predict whether any reinstatement or expansion of stay-at-home orders and travel or other restrictions will occur or when a full resumption of all economic activity will be achieved.

The COVID-19 pandemic and the restrictions described above have resulted in the closure of businesses, worker layoffs and a period of increased unemployment claims. As a result, the COVID-19 pandemic and the impact on the economy may result in a decreased ability of customers of The Participating Districts to pay bills for services provided by the Participating Districts. In addition, Governor Newsom signed Executive Order N-42-20 which enacts a statewide water disconnection moratorium and requires reconnection for households who had their water shutoff since March 4, 2020. (One or more of the Participating Districts utilized water disconnection for nonpayment of utility bills, including nonpayment of bills for services provided by such Participating Districts). Executive Order N-42-20 was scheduled to expire on September 30, 2021, but the moratorium on suspending water service for non-payment was extended to December 31, 2021 with the passage of Senate Bill 155 ("SB 155"). The moratorium on suspending water service for non-payment under SB 155 expired on December 31, 2021 and was not renewed. While the prior moratorium on disconnecting water service was not renewed, there can be no assurance that similar measures will not be taken in the future, which may lead to the increase of uncollected accounts and the decrease of

timely payments from customers of the Participating Districts of bills for services provided by the Participating Districts.

The COVID-19 outbreak is ongoing and developments will continue. The ultimate degree of impact of COVID-19 on the operations and finances of the Participating Districts is difficult to predict due to the evolving nature of the COVID-19 pandemic and there can be no assurance that the COVID-19 pandemic will not affect the Participating Districts' ability to pay the Installment Payments.

The Participating Districts cannot predict (i) the duration or extent of the COVID-19 outbreak; (ii) the effectiveness of and ability to reach wide spread distribution of vaccines and the period of time therefor; (iii) whether and to what extent COVID-19 may have on the operations of the Participating Districts and the revenues of the Participating Districts; (iv) whether and to what extent the economic impacts of the COVID-19 pandemic will result in a significant increase in late payment or non-payment by customers of bills for services provided by the Participating Districts; (v) whether and to what extent COVID-19 may disrupt the local, State, national or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact construction, the cost, sources of funds, schedule or implementation of the Participating Districts' capital improvement program, or other the Participating Districts operations; (vi) the ramifications of future actions that may be taken or required by governmental authorities to respond to the effects of the pandemic, including additional stimulus efforts by the federal government; (vii) the pace at which the economy can fully reopen; (viii) the speed of the ensuing economic recovery; or (iv) whether any of the foregoing may have a material adverse effect on the finances and operations of the Participating Districts.

#### **Rate Covenant Not a Guarantee; Failure to Meet Projections**

The ability of each Participating District to make the Installment Payments and any other payments required to be made by it under the Joint Acquisition Agreement and the Master Obligation Agreement and thereby pay its share of the principal of and interest on the 2022 Bonds, as determined pursuant to the Joint Acquisition Agreement, depends on the ability of each Participating District to generate Net Revenues at the levels required by the Joint Acquisition Agreement and the Master Obligation Agreement. Although, as more particularly described herein, each Participating District expects that sufficient revenues will be generated through the imposition and collection of fees and charges and other Revenues described herein, there is no assurance that the imposition of service charges, surcharges, connection fees or other Revenues will result in the generation of Net Revenues in the amounts required by the Master Obligation Agreement. As a result, one or more Participating Districts may be unable to comply with the covenants under the Master Obligation Agreement regarding generation of revenues and the Participating Districts' covenant does not constitute a guarantee that sufficient Net Revenues will be available to make debt service payments on the 2022 Bonds. Failure by one or more of the Participating Districts to make its Installment Payments under the Joint Acquisition Agreement could materially affect the Authority's ability to timely pay debt service on the 2022 Bonds.

In addition, the Participating Districts' financial projections are based on a number of assumptions. Changes in circumstances could have a material adverse impact on the ability of the Participating Districts to make the Installment Payment and thereby the ability of the Authority to pay the principal of and interest on the 2022 Bonds.

#### **Statutory and Regulatory Impact**

Laws and regulations governing wastewater treatment and discharge are enacted and promulgated by government agencies on the federal, state, and local levels. Compliance with these laws and regulations may be costly, and, as more stringent standards are developed to protect the environment, these costs will likely increase. Claims against the Participating Districts with respect to their wastewater facilities and services could be significant. Such claims are payable from assets of the Participating Districts or from other legally available sources.

Although rates are the major source of funding for costs imposed by increased regulatory requirements and the Participating Districts have covenanted in the Master Obligation Agreement to establish rates that are sufficient to enable the Participating Districts to make all payments required to be made pursuant to the Master Obligation Agreement, no assurance can be given that the cost of remediation of identified environmental conditions or compliance with such laws and regulations will not materially adversely affect the ability of the Participating Districts to generate Net Revenues in the amounts required by the Joint Acquisition Agreement and the Master Obligation Agreement and to pay the Installment Payments and any other payments required to be paid by the Participating Districts under the Joint Acquisition Agreement.

## **Projections**

Projections are subject to uncertainties. There will usually be differences between actual and projected results because not all events and circumstances occur as expected, and those differences may be material.

If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Net Revenues may be materially less than expected and consequently, the ability of the Participating Districts to make timely payment of the Installment Payments may be materially adversely affected.

Neither the Participating Districts' independent auditors, nor any other independent accountants have compiled, examined, or performed any procedures with respect to the Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Net Revenues forecast, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the Net Revenue forecast.

## **Earthquake or Other Natural Disasters**

The Los Angeles basin is traversed by many active faults that have generated large and moderate earthquakes in the past. Over the last 30 years, the most severe of these earthquakes was the January 17, 1994 Northridge earthquake.

The occurrence of an earthquake or other natural disaster that results in the temporary or permanent closure of major components of the Participating Districts or their Sewerage System or result in significantly increased costs that could materially adversely affect the ability of the Participating Districts to operate the Sewerage System or to generate Net Revenues at the levels required by the Master Obligation Agreement.

## **Climate Change**

Climate change, including change caused by human activities, may have adverse effects on the Sewerage Systems of the Participating Districts. Climate change can also result in more variable weather patterns throughout the State, which can lead to longer and more severe droughts as well as increased risk of flooding and a rise in sea levels. The Participating Districts have hired an independent environmental engineering firm to develop Climate Change Vulnerability Assessment and Management Plans for each treatment plant. Draft Plans have been developed and are expected to be finalized in 2022.

Projections of the impacts of global climate change on the Participating Districts are complex and depend on many factors that are outside each Participating District's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, while the Participating Districts have considered climate change in maintaining and expanding its Sewerage System, the Participating Districts are unable to forecast

with certainty when adverse impacts of climate change will occur or the extent of such impacts. While the impacts of climate change may be mitigated by each Participating District's past and future investment in adaptation strategies, no assurance can be given about the net effects of those strategies and whether the Participating Districts will be required to take additional adaptive mitigation measures.

### **Hazardous Waste**

Although Participating Districts have each developed a hazardous waste management plan to prevent inadvertent acceptance of hazardous waste in its service area, no prediction can be made presently as to the adequacy of such plan or as to the cost of implementing such plan. In addition, in the event that hazardous waste is inadvertently deposited in the Sewerage System, which ultimately requires significant remediation costs for which a Participating District may be responsible, no assurance can be given that such cost of remediation will not materially adversely affect the ability of a Participating District to generate Net Revenues in the amounts sufficient to pay the Installment Payments.

### **Certain Limitations on Ability of the Participating Districts to Impose Taxes, Fees and Charges**

Certain statutory limitations on the Participating Districts' ability to impose taxes, fees and charges are discussed in "THE DISTRICTS—Financial Policies—Operation and Maintenance of Existing Facilities" and in "FINANCIAL INFORMATION—Legal Debt and Tax Limitations." There can be no assurances that further legislation or initiatives will not affect the Participating Districts' ability to raise Net Revenues.

### **No Acceleration of the 2022 Bonds**

The Joint Acquisition Agreement does not provide for the acceleration of payment of the Installment Payments upon the declaration of an Event of Default under the Joint Acquisition Agreement. The 2022 Bonds are not subject to acceleration upon an Event of Default under the Indenture. Under the terms of the Master Obligation Agreement, a Participating District is permitted to provide for the acceleration of Obligations following an event of default pursuant to the terms of the Obligation Instrument pursuant to which such Obligations were issued. If a Participating District enters into an Obligation Instrument in the future that provides for the acceleration of the Obligations issued thereunder, and such future Obligations are accelerated, there can be no assurances that such circumstances would not materially adversely affect the ability of such Participating District to pay its Installment Payments under the Joint Acquisition Agreement, and, in turn, on the Authority's ability to pay debt service on the 2022 Bonds.

### **Incurrence of Additional Obligations on Parity with the Installment Payments; Debt Service Coverage**

The Participating Districts, upon the satisfaction of certain conditions set forth in the Master Obligation Agreement, may also issue Senior Obligations (payable from Net Revenues on a parity with the Installment Payments), as provided in the Master Obligation Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2022 BONDS – Additional Obligations." The Participating Districts currently project incurring additional Senior Obligations, including SRF Loans and a WIFIA Loan, to fund the projects in the Participating Districts' capital improvement program. See "THE DISTRICTS – Capital Improvement Program." Certain projected debt service payments to be made in connection with such additional Senior Obligations are expected to occur in years that are outside of the projection period included in this Official Statement, resulting in an increase in total amount of Senior Obligation debt service in such years. As a result, the Participating Districts currently project that debt service coverage on Senior Obligations will decrease from the levels reflected in the projection period included in this Official Statement. The Participating Districts' projections for such years, however, do reflect debt service coverage at levels that are in compliance with the Participating Districts' rate covenant in the Master Obligation Agreement. See, however, the caption "-Rate Covenant Not a Guarantee; Failure to Meet Projections" above.

## **Limitations on Remedies Available; Bankruptcy**

The enforceability of the rights and remedies of the Owners of the 2022 Bonds and the obligations of the Authority and the Participating Districts may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equitable principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners of the 2022 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation or modification of their rights.

The opinions to be delivered by Bond Counsel (as defined herein) concurrently with the issuance of the 2022 Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the 2022 Bonds will be similarly qualified. See Appendix F – “Form of Proposed Opinion of Bond Counsel.” In the event that the Authority fails to comply with its covenants under the Indenture or fails to principal of and interest on the 2022 Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the Owners of the 2022 Bonds.

## **LEGAL MATTERS**

### **Litigation**

#### General

To the best knowledge of the Authority and each Participating District as to itself, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or threatened against the Authority or each of the Participating Districts affecting the existence of the Authority or any of the Participating Districts or the titles of their directors or officers to their respective offices or seeking to restrain or enjoin the issuance of the 2022 Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the 2022 Bonds, the Indenture, the Joint Acquisition Agreement, the Master Obligation Agreement or any action of the Authority or of each of the Participating Districts contemplated by any of those documents, or in any way contesting the completeness or accuracy of this Official Statement, or contesting the powers of the Authority or each of the Participating Districts or the authority of the Authority with respect to the 2022 Bonds or any action of the Authority or each of the Participating Districts contemplated by any of the documents, nor to the knowledge of the Authority and each Participating District as to itself, is there any basis therefor.

To the best knowledge of each Participating Districts as to itself, there is no action, suit, proceeding, inquiry or investigation, at law or in equity before or by any court, regulatory agency, public board or body pending or threatened against such Participating District contesting or affecting the ability of such Participating District to collect Revenues from which its Installment Payments are payable, or which would have a material adverse effect on such Participating District, including its ability to make its Installment Payments except as described herein.

There are a number of lawsuits and claims pending against the Participating Districts arising from the Participating Districts' normal course of business. The aggregate amount of the uninsured liabilities of the Participating Districts and the timing of any anticipated payments which may result from such lawsuits and claims will not, in the opinion of each Participating District as to itself, materially affect or impair such Participating District's ability to make Installment Payments.

## **Westlake Farms Litigation (District No. 2)**

Westlake Farms vs County Sanitation District No. 2 of Los Angeles County (“Westlake”) was heard by a jury in San Luis Obispo Superior Court in September and October of 2021. A breach of contract verdict was rendered and settlement proposals from all parties were heard by the court in December 2021. The plaintiffs in the Westlake matter seek rescission of the sale of farmland to the Districts, which is where the Districts’ compost is recycled to grow crops, along with monetary damages of \$36 million. As of the date of this Official Statement, the Westlake matter is unresolved, and District No. 2 currently cannot estimate the potential monetary damages if the matter is decided against it. District No. 2 has vigorously defended the case and intends to continue. District No. 2 is acting as the administrative district for the Joint Outfall System and the costs of a judgment or settlement would be the responsibility of the Participating Districts. It is the opinion of District No. 2’s legal counsel that the resolution of the Westlake matter, and all other litigation matters, are not likely to materially affect or impair the Participating Districts’ ability to make Installment Payments.

### **Certain Legal Matters**

The validity of the 2022 Bonds and certain other matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A copy of the proposed form of the opinion of Bond Counsel is contained in Appendix F attached hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel, and for the Authority and the Participating Districts by Lewis Brisbois Bisgaard & Smith LLP. Certain legal matters will be passed upon for the Underwriters by its counsel, Katten Muchin Rosenman LLP, New York, New York.

### **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the Authority (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2022 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2022 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the 2022 Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

To the extent the issue price of any maturity of the 2022 Bonds is less than the amount to be paid at maturity of such 2022 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2022 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the 2022 Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2022 Bonds is the first price at which a substantial amount of such maturity of the 2022 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2022 Bonds accrues daily over the term to maturity of such 2022 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2022 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2022 Bonds. Beneficial owners of the 2022 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2022 Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such 2022 Bonds in the

original offering to the public at the first price at which a substantial amount of such 2022 Bonds is sold to the public.

2022 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2022 Bonds. The Participating Districts and the Authority have each made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2022 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2022 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2022 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the 2022 Bonds may adversely affect the value of, or the tax status of interest on, the 2022 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the 2022 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the 2022 Bonds may otherwise affect a beneficial owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2022 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2022 Bonds. Prospective purchasers of the 2022 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the 2022 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Participating Districts or the Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Participating Districts and the Authority have each covenanted, however, to comply with the requirements of the Code.

Bond Counsel’s engagement with respect to the 2022 Bonds ends with the issuance of the 2022 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Participating Districts, the Authority, or the beneficial owners regarding the tax-exempt status of the 2022 Bonds in the event of an audit

examination by the IRS. Under current procedures, the beneficial owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Participating Districts or the Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2022 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2022 Bonds, and may cause the Participating Districts, the Authority or the beneficial owners to incur significant expense.

Payments on the 2022 Bonds generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of 2022 Bonds may be subject to backup withholding with respect to “reportable payments,” which include interest paid on the 2022 Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the 2022 Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

#### **CONTINUING DISCLOSURE**

The Authority has covenanted for the benefit of Owners and beneficial owners of the 2022 Bonds to provide certain financial information and operating data relating to the Authority and the Participating Districts by not later than March 1 of each year (the “Annual Report”), commencing with the Annual Report for the 2021-22 Fiscal Year (due by March 1, 2023), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of such enumerated events will be filed by the Authority with the Municipal Securities Rulemaking Board through its EMMA system. The specific nature of the information to be contained in the Annual Report or the notices of such enumerated events is set forth in APPENDIX E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” hereto. These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5). The Authority has not failed in the last five years to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of enumerated events.

#### **FINANCIAL STATEMENTS**

Audited financial statements of the Participating Districts for the fiscal year ended June 30, 2021, together with the report of Moss, Levy & Hartzheim LLP, dated December 13, 2021, are set forth in APPENDIX A attached hereto. The Participating Districts do not each prepare their own audited financial statements. The Participating Districts prepare audited financial statements on a consolidated basis. The audited financial statements as set forth in APPENDIX A attached hereto, including the footnotes thereto, should be reviewed in their entirety. Moss, Levy & Hartzheim LLP has not reviewed and has not consented to the use of the financial statements.

#### **RATING**

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, has assigned ratings to the 2022 Bonds of “AAA” (stable outlook). The rating reflects only the views of the rating agency and any explanation of the significance of such rating and any ratings on any of the Authority’s outstanding

obligations may be obtained only from such rating agency. There is no assurance that the rating will remain in effect for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse effect on the market price of the 2022 Bonds.

## **UNDERWRITING**

The 2022 Bonds will be purchased by an underwriting syndicate consisting of BofA Securities, Inc., as representative of itself and J.P. Morgan Securities LLC (collectively, the “Underwriters under a Contract of Purchase pursuant to which the Underwriters agree to purchase all, but not less than all, of the 2022 Bonds for an aggregate purchase price of \$105,902,038.86 (which represents the principal amount of the 2022 Bonds plus an original issue premium of \$16,121,262.60 minus an underwriting discount of \$119,223.74 from the public offering prices set forth on the cover of this Official Statement).

The initial public offering prices or yields stated on the cover of this official Statement may be changed from time to time by the Underwriters. The Underwriters may offer and sell the 2022 Bonds to certain dealers (including dealers depositing 2022 Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices and yields.

The following paragraph has been provided by BofA Securities, Inc:

BofA Securities, Inc. has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, the of BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the 2022 Bonds.

The following paragraph has been provided by J.P. Morgan Securities LLC :

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriter of the 2022 Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase 2022 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2022 Bonds that such firm sells.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the Participating Districts or the Authority and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Participating Districts or the Authority (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Participating Districts or the Authority. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## **MUNICIPAL ADVISOR**

Montague DeRose and Associates, LLC, is employed as Municipal Advisor to the Authority in connection with the issuance of the 2022 Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the 2022 Bonds is not contingent upon the issuance and delivery of the 2022 Bonds. Montague DeRose and Associates, LLC, in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the 2022 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Municipal Advisor to the Authority has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, as a part of, its responsibilities to the Authority and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

## **MISCELLANEOUS**

Insofar as any statements in this Official Statement involve matters of opinion or estimates or projections, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2022 Bonds.



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**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS OF THE PARTICIPATING DISTRICTS**

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

# 2021

**Annual Comprehensive Financial Report**

Fiscal Year Ended June 30 ♦ Los Angeles County, California

# MISSION

---

To protect public health and the environment through innovative and cost-effective wastewater and solid waste management and, in doing so, convert waste into resources such as recycled water, energy, and recycled materials.

## CORE VALUES

### INTEGRITY

We are committed to ethical standards and accountability in our work

### LEADERSHIP

We are committed to the advancement of excellence in wastewater and solid waste management

### SERVICE

We are committed to reliable, responsive, and courteous service

Los Angeles County Sanitation Districts, California  
**Annual Comprehensive Financial Report**  
Fiscal Year Ended June 30, 2021

Prepared by the Accounting Section  
Mr. Alan C. Nyberg  
Chief Accountant  
Financial Management Department



## Taking Water Recycling to the Next Level

**M**uch of the western United States is in the grips of a severe drought. In 2020, California recorded the least amount of rainfall since 1895. Key reservoirs that Southern Californians rely on, such as Lake Oroville and Lake Mead, are at their lowest levels ever.

Since 1962, the Sanitation Districts have been producing recycled water that provides a reliable, drought-resilient source of water for the region. Nonetheless, we are striving to do more. This year, we completed a flow equalization project and a study of recycled water discharges needed to sustain river habitat. Both projects help to maximize water reuse.

Most of the cleaned water from 10 of our 11 wastewater treatment plants is reused—mainly for groundwater replenishment. Our last untapped source is the cleaned water produced by our Joint Water Pollution Control Plant (JWPCP). That water is too salty to reuse without advanced treatment.

The Regional Recycled Water Program (RRWP) would purify the treated water from the JWPCP and could provide enough water for 1.5 million people. The RRWP is now in its planning phase and could become one of the largest water recycling projects in the world.

**FRONT COVER:** Lake Oroville (July 2021) in Northern California was at its lowest level ever (photo courtesy California Department of Water Resources).

**BACK COVER:** Hay has been grown in Palmdale using recycled water for decades.

**San Jose Creek Water Reclamation Plant recycles over 50 million gallons of water per day.**

Los Angeles County Sanitation Districts  
 Annual Comprehensive Financial Report  
 June 30, 2021

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## **Groundwater Replenishment**

More than half of the recycled water produced annually by the Sanitation Districts is used for groundwater recharge. In partnership with the Water Replenishment District of Southern California and Los Angeles County Department of Public Works, this water has been used to replenish groundwater aquifers in the southern part of Los Angeles County since 1962. Several million people rely on this groundwater source as part of their domestic water supply.

The San Gabriel Coastal Spreading Grounds use recycled water as well as captured local stormwater for groundwater replenishment.

**INTRODUCTORY SECTION**



Boards of Directors  
Los Angeles County Sanitation Districts

Directors:

In accordance with the California Government Code, we hereby submit the Annual Comprehensive Financial Report (ACFR) of the Los Angeles County Sanitation Districts (Districts) for the fiscal year ended June 30, 2021. The ACFR contains a complete set of financial statements presented in conformity with generally accepted accounting principles and audited in accordance with generally accepted auditing standards.

This report consists of representations by Districts' management concerning the finances of the Districts. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. Management has established a comprehensive internal control framework that is designed to ensure that the assets of the Districts are adequately protected from loss, theft, or misuse, and that sufficient reliable information is compiled for the preparation of the Districts' financial statements in conformance with accounting principles generally accepted in the United States of America. Recognizing that the costs of internal controls should not outweigh their benefits, the Districts' comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The Districts' financial statements have been audited by Moss, Levy & Hartzheim, LLP, a firm of licensed certified public accountants. The independent auditor concluded that the Districts' financial statements for the fiscal year ended June 30, 2021, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the Financial Section of this report.

Management's Discussion and Analysis (MD&A) can be found immediately following the report of the independent auditor and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

## INTRODUCTION

### Profile of the Districts

The Los Angeles County Sanitation Districts are a confederation of 24 independent special districts created under the County Sanitation District Act, California Health & Safety Code Section 4700, et seq., to provide sanitation services. The Districts provide environmentally sound, cost-effective wastewater and solid waste management to approximately 5.5 million people in Los Angeles County. The Districts' service area covers approximately 850 square miles and encompasses 78 cities and unincorporated territory within the County, excluding the majority of the City of Los Angeles.

**SERVING**  
**5.5** million people **850** square miles **78** cities



Two of our 1,700 employees performing sewer maintenance work

Each District is governed by a Board of Directors generally comprised of the mayors of the cities within each District's boundaries and the chair of the County Board of Supervisors for unincorporated territory. The Boards are responsible for, among other things, adopting budgets, establishing user charges, and establishing policies. All of the Districts, under the terms of the Amended Joint Administration Agreement, are served by one administrative staff, led by the Chief Engineer & General Manager and the Assistant Chief Engineer & Assistant General Manager. The Districts employ nearly 1,700 full-time monthly and hourly employees, organized into seven departments. The workforce is diverse, with the largest concentration of employees assigned to the operation and maintenance of the Districts' wastewater and solid waste management facilities.

The wastewater management system consists of approximately 1,400 miles of trunk sewers, 48 pumping plants, 11 wastewater treatment plants, and one biosolids composting facility. Through a Joint Powers Agreement, the Districts also participate in the operation of a second biosolids composting facility. Of these facilities, 1,200 miles of sewers, 47 pumping plants, and 7 wastewater treatment plants serve the Joint Outfall System, which consists of 17 Districts in the Los Angeles basin, 16 of which are active. In total, the Districts' facilities convey

and treat approximately 390 million gallons per day (MGD) of wastewater, of which approximately 93 MGD is beneficially reused, and an additional 44 MGD is available for reuse.

The solid waste management system, with 15 participating Districts, owns and/or operates two active sanitary landfills, one recycling center, three materials recovery/transfer facilities, two gas-to-energy facilities, one refuse-to-energy facility, and four closed sanitary landfill sites. The Districts have also developed a waste-by-rail system consisting of one remote landfill and two intermodal facilities. The waste-by-rail system remains in standby mode while more cost-effective landfill capacity is used in the region. The solid waste management facilities process an average of 5,000 tons per day of refuse and recyclable materials.

The Districts are party to nine Joint Powers Agreements that form the basis of the following authorities or agreements: (1) the Southern California Coastal Water Research Project Authority; (2) the Southeast Resource Recovery Facility Authority; (3) the Puente Hills Native Habitat Preservation Authority; (4) Puente Hills Landfill Joint Powers Agreement; (5) the Inland Empire Regional Composting Authority; (6) the Los Angeles County Sanitation Districts Financing Authority; (7) Joint Powers Agreement – Scholl Canyon; (8) Calabasas Landfill Joint Powers Agreement; and (9) Palos Verdes Landfill Joint Powers Agreement. The governing bodies of these authorities are appointed pursuant to each of the Joint Powers Agreements. Except as discussed below, the budgeting and financing functions are maintained by the individual authorities.

### **Los Angeles County Sanitation Districts Financing Authority**

The Los Angeles County Sanitation Districts Financing Authority (Authority) was created for the sole purpose of facilitating the issuance of long-term debt on behalf of the member Districts. It has no daily operations and does not conduct business on its own behalf. Since the Authority's governing body is comprised of the chairs

of the member Districts' Boards of Directors and because the Authority provides services only to the Districts, the Authority's financial activities have been consolidated with the Districts' financial activities for financial reporting purposes and are included in this ACFR.

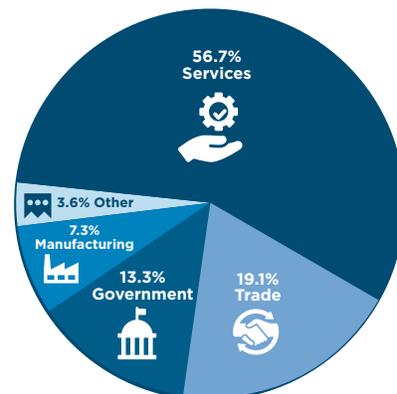
## Budgets

Each District annually adopts a wastewater budget that outlines the major elements of the forthcoming fiscal year's operating and capital programs. From that, management allocates the funds necessary for the next year's specific activities and projects. Additionally, an annual budget is prepared for solid waste management activities. The annual operating budgets serve as a basis for monitoring financial progress and determining future wastewater and solid waste user rates. During each fiscal year, operating and capital programs may be amended as circumstances dictate. The wastewater and solid waste management budgets for fiscal year 2020-21 were \$710 million and \$172 million, respectively. Actual expenses for wastewater and solid waste management were \$722 million and \$172 million, respectively.

## GENERAL FACTORS IMPACTING ECONOMIC CONDITION

### Overview of Los Angeles County

The COVID-19 pandemic and resulting business shutdowns and slowdowns, along with changes in behavior by residents, had significant impacts on the local economy starting in March 2020 and continuing into 2021. With the roll-out of the vaccine starting in late 2020, the number of cases declined and by June 2021 most restrictions on businesses were lifted. Despite a resurgence in COVID-19 cases over the summer of 2021, economic activity continued to increase. Concerns about supply chain constraints and inflation remain, although most forecasters expect these conditions to moderate in 2022. Population levels in Los Angeles County were relatively flat in recent years, with no change between 2016 and 2020 and only a 3.6% increase from 2010 to 2020. The California Department of Finance reports that the County's population declined by 0.9% between January 2020 and 2021; although, forecasts generally expect that population will continue to be relatively stable. A table showing more economic indicators is provided in Schedule 19 of the Statistical Section.



L.A. County Economic Employment Sectors. Source: U.S. Department of Labor, Bureau of Labor Statistics

Overall employment in Los Angeles County decreased by as much as 1.2 million jobs during the COVID-19 pandemic, but over 70% of those jobs have since been added back. Current employment is down almost 7% from pre-pandemic levels; however, the UCLA Anderson School of Management forecasts continued employment recovery over the next two years.

## WASTEWATER SYSTEM

### Operational Undertakings and Capital Projects

Treated water from the Joint Water Pollution Control Plant (JWPCP) in Carson is conveyed to the ocean through two tunnels, one completed in 1937 and the other in 1958. Both tunnels have had continual flow since they were placed into operation and cannot currently be taken out of service under any circumstances. A new tunnel is being constructed pursuant to the Clearwater Project Master Facilities Plan that will ensure the reliability of the effluent disposal system and allow the existing tunnels to be taken out of service and rehabilitated, as necessary. Construction of the tunnel began in April 2019 and it is anticipated to be completed by 2027, at a cost of approximately \$700 million. The Districts are pursuing Clean Water State Revolving Fund (SRF) and

Water Infrastructure Finance and Innovation Act (WIFIA) loans to finance the majority of the project, with the balance paid for using capital improvement and other surplus funds.

The Santa Clarita Valley Sanitation District (SCVSD) owns and operates the Saugus and Valencia WRPs, which discharge their tertiary-level treated effluent to the Santa Clara River. In 2007, the Los Angeles Regional Water Quality Control Board mandated the SCVSD to reduce chloride levels in treated effluent entering the river. As a result, the SCVSD is implementing the Chloride Compliance Project, which will cost approximately \$135 million and will include ultra-violet light (UV) disinfection at both the Saugus and the Valencia WRPs and advanced water treatment facilities



In 2021, the Clearwater Project's tunnel boring machine, *Rachel*, began her four-year, seven-mile journey from Carson to Royal Palms Beach

at the Valencia WRP. The Chloride Compliance Project was challenged on California Environmental Quality Act (CEQA) grounds and delayed by approximately two years until additional CEQA documentation was certified by the District and approved by the Los Angeles County Superior Court. Two additional legal challenges are pending in Los Angeles County Superior Court and Court of Appeal. Construction contracts for the UV disinfection facilities were awarded in August 2018 and startup began in July 2021 at Saugus WRP and August 2021 at Valencia WRP. A construction contract for the advanced water treatment facilities was awarded in January 2019 and startup is expected by the end of 2022. To fund the Chloride Compliance Project, SCVSD approved a series of service charge rate increases in 2014. Additionally, SCVSD has secured \$7.8 million in Proposition 84 grant funding for the UV disinfection facilities and SCVSD qualifies for \$130.6 million in Clean Water SRF loans, with \$5.2 million eligible for principal forgiveness.

The Newhall Ranch Sanitation District (NRSD), serving the Newhall Ranch Specific Plan Area development in unincorporated north Los Angeles County, became active in July 2021 with the first flush in August 2021. Initial collection facilities designed to convey the wastewater flows from the first 6,000 homes to the SCVSD's Valencia Water Reclamation Plant are expected to be completed in early 2022. Eventually, as the community grows, a new water reclamation plant will be built to serve the community.

### **Water Conservation, Wastewater Flows, and Water Reuse**

California's water supply continues to be a concern due to climate change impacts and extended periods of drought. Many residents and businesses have continued water conservation efforts that were put in place during the early- to mid-2010's drought, reducing both landscape irrigation and indoor water usage. The reduction of indoor water usage results in less wastewater entering the sewer system and less recycled water available for beneficial reuse applications at a time when there is increased interest in new recycled water projects. Increases in ammonia concentration have been observed with the decrease in flows, which has required Districts' staff to modify operations at its WRPs in an effort to maintain compliance with effluent discharge requirements. The

long-term trend of decreasing flows has significantly impacted all of the Districts' WRPs, with an overall 32% decrease in recycled water production from a peak of 199 MGD in fiscal year 2000-01 to 137 MGD in 2020-21.

The Districts are continuing to evaluate ways to manage flows that take into consideration this new reality while maintaining their commitment to recycled water programs. In addition to the flow equalization project at the San Jose Creek WRP that was completed in 2020, new projects are being considered that would further displace the use of imported water with recycled water and, at the same time, give consideration to the need to maintain sensitive habitat areas downstream of the Districts' WRP discharge points. In fiscal year 2020-21, roughly 67% of the recycled water produced was beneficially reused, with over half of that going to recharge groundwater basins. In total, approximately 93 MGD of recycled water was used at 833 active sites.

Efforts are underway to expand groundwater recharge. In late 2015, the Districts and the Metropolitan Water District of Southern California (MWD) entered into an agreement to potentially develop a Regional Recycled Water Program with the goal of producing up to 150 MGD of purified water from the Districts' JWPCP for groundwater recharge. MWD proposes to build an advanced water treatment plant adjacent to JWPCP, along with distribution pipelines, that would help replenish groundwater basins in Los Angeles and Orange counties. Construction of a 0.5 MGD demonstration plant was completed in September 2019 and testing at the demonstration plant continued through 2021. The MWD Board approved the start of environmental planning studies in November 2020 and amended the existing agreement with the Districts to include a financial contribution from the Districts for the studies.

The Districts worked with the Water Replenishment District of Southern California (WRD) on the Groundwater Reliability Improvement Program to supply recycled water to the Albert Robles Center for Water Recycling and Environmental Learning, which can produce 10,000 acre feet per year of purified water for replenishment of the Central Groundwater Basin. The Districts are also working with WRD on a project to supply the Leo J. Vander Lans Advanced Water Treatment Facility or potentially a new facility with effluent from the Los Coyotes WRP. The additional purified water would supply the Alamitos Seawater Barrier and replenish the Central Groundwater Basin via injection wells. Additionally, the Districts are working with the Palmdale Water District on a project to recharge groundwater basins in the Antelope Valley with recycled water from the Palmdale WRP.



The Leo J. Vander Lans Advanced Water Treatment Facility purifies effluent from the Long Beach WRP

### User Charge Rates and Funding

All of the Districts that have implemented a service charge program have adopted rates pursuant to Section 5471 of the California Health and Safety Code and Article XIII D of the State Constitution (Proposition 218). Each rate increase follows an extensive public outreach program and a formal public hearing. As it becomes necessary to increase rates in the future, the Districts will go through the same process again before adopting multi-year rate ordinances. A table reflecting each District's 10-year service charge rate history is provided in

Schedule 8 of the Statistical Section. Overall, the Districts’ rates remain very favorable when compared to similar agencies.

In the spring of 2017, nearly all of the Joint Outfall System Districts adopted four-year rate ordinances covering fiscal years 2017-18 through 2020-21. Rate increases enacted by these ordinances were driven by the need to upgrade treatment facilities and infrastructure, comply with increasingly stringent regulatory requirements, and continue a phased approach to replenishing reserves to targeted levels. The average increase was approximately \$3.80 per year per single-family home.

In 2014, the Santa Clarita Valley Sanitation District adopted a 6-year rate ordinance, covering fiscal years 2014-15 through 2019-20 in support of the Chloride Compliance Project. The rates provide sufficient debt coverage for repayment of the SRF loans used to finance the project. The average annual increase over the 6-year period was \$20.50 per single-family home. Beginning with fiscal year 2020-21 and continuing at least through the end of fiscal year 2021-22, no additional rate increase was implemented.

In 2019, District Nos. 14 and 20 adopted 4-year rate ordinances, covering fiscal years 2019-20 through 2022-23. During this period, rates were set to increase by \$11.88 per year per single-family home, or approximately 2% per year. In 2020 and 2021, the Boards updated the rate ordinances to keep rates flat through fiscal year 2021-22 to minimize impacts to rate payers due to the COVID-19 pandemic. The most recently adopted ordinances call for the same rates in 2022-23 that were in the ordinances originally adopted in 2019. However, the refunding of four SRF loans (completed in September 2021) and the rescheduling of several large capital projects may reduce the need for this upcoming rate increase for District No. 14 and the ordinance will be re-evaluated in spring of 2022. The rate increases for District No. 20 are driven by several significant capital improvement projects, including a possible additional effluent storage reservoir for the Palmdale WRP, and increases in ongoing operations costs.



Recycled water is stored in one of the Palmdale WRP’s two reservoirs

In addition to service charges, the Districts collect connection fees from new users of the wastewater collection and treatment system and existing users with increased discharge. Up until June 2020, the rate was based on the unit cost of expanding the wastewater facilities serving the new users, and the funds collected were restricted to paying for projects that increased the capacity of facilities. In spring of 2020, most of the Districts’ Boards adopted new connection fee ordinances that modified the calculation of the fee such that it would be based on the per-unit value of the assets of the Districts. There are several benefits of the new structure: the per-unit fee is based on actual values, rather than projections of future expansion needs and costs; collected fees can be used for any capital project, not only projects that increase capacity;

OUTREACH

- 53** Virtual School Tours
- 2** Speakers Bureau Events
- 34** Virtual Public Tours
- 10** Virtual Bixby Marshland Events
- 51** Household Hazardous Waste Roundups
- 5** Clearwater Project Events

and the rate is lower for new users. The new connection fee rates took effect July 1, 2020. District Nos. 4, 9, and 27, which contract with the city of Los Angeles for wastewater disposal, did not adopt new connection fee ordinances.

The Districts have aggressively pursued SRF loans offered by the State of California, which provide wastewater agencies 100% of eligible capital construction costs at an interest rate equal to one half of the State's current general obligation bond for a period of 30 years, to supplement the financing of capital upgrades. During fiscal year 2020-21, the Districts received approximately \$2.6 million in SRF and \$1.0 million in Proposition 1 loans. In addition, the Districts also received \$2.4 million in Proposition 1 and \$1.0 million in Proposition 84 grant funding.

### Impact of COVID-19 on Districts' Operations

In early March 2020, the Districts began taking action to respond to the COVID-19 pandemic including modifying operations to comply with County, State, Federal, and other health experts' guidance and emergency orders. While there has been no negative impact on the Districts' ability to carry out its mission, the pandemic has had major impacts on Districts' day-to-day operations, as well as on industries, commercial businesses, and residences served by the Districts.

In formulating a response to the new guidance and requirements, the Districts focused on the safety of employees, with an understanding that continued operation of Districts' facilities was a critical, essential public service that could not be interrupted. Measures taken to protect employees and ensure continued operation included:



A laboratory technician takes an effluent sample at San Jose Creek WRP

Measures taken to protect employees and ensure continued operation included:

- Operations and maintenance staff schedules were modified to stagger start times; crews were consolidated to avoid excessive interaction; and, for a limited time, paid administrative leave was used to minimize exposure for some employees.
- Operating hours of solid waste facilities were temporarily reduced to limit the need for overlapping shifts.
- Office employees that could work from home were allowed and encouraged to do so. Technical support for remote work was expanded, including remote access to the agency network, videoconferencing software, and call forwarding.
- Face coverings and social distancing were required at Districts' facilities.
- Self-screening for symptoms or potential exposure was required by all employees and visitors before entering any Districts facility.
- A system for reporting and tracking COVID-19 testing, symptoms, and exposure was developed to reduce risk of exposing employees to other potentially infected employees.

- Tours, Board meetings, meetings between staff, and interactions with others outside the agency were conducted over the phone or by video conference.
- Physical modifications such as improved HVAC filters, plexiglass partitions, and other office modifications were implemented where possible.
- Enhanced cleaning measures were instituted, including complete disinfection of work areas by specialized contractors when called for.
- Stocks of supplies such as disinfection spray, hand sanitizer, face coverings, and gloves were prudently increased to ensure uninterrupted availability for staff.

Starting in early April 2020, the Districts also began investigating coronavirus in wastewater from two perspectives: 1) does the virus survive the treatment processes at the Districts' facilities, and 2) can the virus be measured in incoming untreated wastewater and can this data be used as an indicator of infections in the community. The Districts, along with other agencies and regulators, were able to quickly confirm that the virus is inactivated by our wastewater treatment plant processes, which is consistent with other viruses. The Districts' technical staff was successful in developing a test method to measure the virus in incoming wastewater and began testing on a weekly basis starting in mid-April. Based on this data, it became apparent that higher measured concentrations of the COVID-19 virus in wastewater samples generally preceded peaks in other community infection indicators such as new infections and hospitalizations. Information about the testing was shared with health officials, other wastewater agencies, and regulators.

The COVID-19 emergency orders and guidance also had a significant impact on the users of the Districts' facilities and the Districts took several actions in response, including creation of a rebate program for commercial customers whose businesses were shut down or reduced. Throughout this entire period, Districts' staff continued to assist customers and process all routine applications with minimal delays.

The Districts' wastewater revenue streams have remained relatively stable since the beginning of the pandemic, with the possible exception of a small decrease in industrial waste surcharge revenue and a short-term drop in connection fee revenue. Some of the Districts' solid waste facilities have experienced more significant and sustained reductions in incoming tonnage and associated revenue as a result of COVID-19. Although tonnage has stabilized at the Districts' facilities, it is at a lower level than before the pandemic began.

## SOLID WASTE SYSTEM

### Operational Undertakings and Capital Projects

The Districts are continuing to expand their efforts to recycle materials such as paper, cardboard, metal, plastics, green waste, and food waste. In response to state laws increasing recycling requirements, including AB 341, which increased the statewide recycling goal from 50% to 75%, the Districts have been implementing a number of projects to assist member cities and the County in complying with the new laws. These include a new materials recovery sorting line at the Puente Hills Materials Recovery Facility (PHMRF) that uses the latest recycling equipment technology and is capable of processing 500 tons per day of mixed waste and commingled recyclables. The new sorting line is highly automated with three times the



A new automated sorting line has improved cost-effectiveness and increased purity of recyclables

processing capacity of the previous system and produces higher quality recyclables, which is critical for meeting the more stringent material quality standards imposed on recyclables in recent years.

The state passed several laws recently requiring the diversion of organic waste away from landfills. These laws include SB 1383, which requires a 50% reduction in disposal of organics by 2020 and a 75% reduction by 2025. Food waste makes up approximately half of the organic waste stream, and there are few facilities in Los Angeles County capable of recycling food waste. The Districts are currently implementing new projects to recycle food



A tanker truck unloads food waste slurry at the JWPCP receiving station

waste using a combination of solid waste and wastewater facilities. The Districts own both types of facilities, which provides a unique opportunity to quickly and cost-effectively provide food waste recycling services, since most other companies and public agencies only have either solid waste or wastewater facilities. Food waste slurry stations are being constructed at JWPCP to allow slurry to be pumped directly into digesters, which will increase the production of digester gas. The receiving stations are estimated to cost \$3 million and are anticipated to be completed in early 2022. To manage the additional digester gas from the food waste slurry, a pipeline was constructed to bring digester gas to a new biogas conditioning system (BCS). The BCS purifies the methane in the digester gas so that it can be used to fuel passenger and commercial vehicles. The purified gas is dispensed at the Districts' natural gas fueling station currently in operation at the JWPCP. Both projects were completed in November 2020. The pipeline cost \$1.9 million and the BCS cost \$3.1 million. A \$2.5 million grant from the California Energy Commission was used to offset the costs of the BCS, and a \$4.0 million grant from CalRecycle is being used to offset the costs of the slurry stations and pipeline.

Effective January 1, 2020, AB 1594 required that green waste used as alternative daily cover at landfills would no longer be considered recycling. In response, the Districts entered into agreements with composting and reuse facilities to recycle green waste from the Districts' active landfills and materials recovery facilities. These agreements allow the Districts to continue to successfully divert significant quantities of green waste for use as mulch and other beneficial uses while providing much-needed organic waste diversion options for our member cities.

### Tipping Fee Rates

The Board of Directors of District No. 2 sets solid waste disposal tipping fees by ordinance for all Districts-operated facilities, except for the Calabasas Landfill. Tipping fees for the Calabasas Landfill are set by the Board of Supervisors of Los Angeles County. Rates were raised on April 1, 2021, at the South Gate Transfer Station (SGTS) and on July 1, 2021, at the PHMRF, Downey Area Recycling and Transfer (DART), and Scholl Canyon Landfill. These rate increases accounted for higher operating expenses related to the pandemic and customary cost of living increases.

The ordinance prescribing fee and charge rates for solid waste management activities at PHMRF, DART, and SGTS authorizes the District to enter into waste disposal and processing agreements (WDPAs) for guaranteed quantities of waste at negotiated rates to increase the use of these facilities. The additional tonnage that the facilities receive through use of the WDPAs provides a consistent stream of waste and materials that enables more efficient use of resources at the facilities such as equipment and labor. The agreements also help the Districts

get a lower tipping fee at Orange County landfills, the location for disposal of residuals from PHMRF, DART, and SGTS. New WDPAs with companies were negotiated and executed in June 2020.

### STORMWATER

In 2015, SB 485 expanded the Districts' authority to include the ability to assist local jurisdictions with stormwater and urban runoff projects. The legislation gives the Districts the authority to acquire, construct, operate, and maintain facilities to divert, manage, discharge, and beneficially use stormwater and dry weather runoff from the stormwater drainage system. The Districts will provide these services to cities on a case-by-case, reimbursable basis.



Trucks being weighed at the Puente Hills Materials Recovery Facility scales

The Districts are currently assisting the City of Carson with designing, permitting, and constructing a project at Carriage Crest Park. When completed, the project will divert stormwater from the storm drain to storage facilities underneath the park and subsequently pump the captured stormwater to the sewer when capacity is available. In addition, the Districts entered into a Stormwater Services Agreement with the Los Angeles County Department of Public Works to provide on-call stormwater services and are working on a demonstration project with Public Works to assess the use of real time sewer monitoring to allow diversion of stormwater during wet weather events.

### RELEVANT FINANCIAL POLICIES

Each District has adopted an investment policy with safety of principal as the primary objective, while maintaining liquidity and achieving a market rate of return. The Districts' investment policies are governed by and are in full compliance with the California Government Code. The Districts' Treasurer matches investments with anticipated cash flow requirements and does not invest in securities maturing more than five years from the date of purchase unless approved by the Districts' Boards of Directors. This policy is adopted annually by the respective Boards of Directors. See accompanying Note 3 to the basic financial statements for additional information.

Each District has also adopted Debt Management and Wastewater Financial Reserve Policies, and District No. 2 has adopted a Solid Waste Financial Reserve Policy covering reserves for solid waste facilities owned by the Districts.

The Debt Management Policy establishes guidelines under which the Districts may take on debt. The Policy focuses on the types of debt instruments that are allowable and provides metrics that can be used to assess the Districts' level of debt. Some of those same metrics can be used to help determine appropriate service charge rates and maximize the Districts' credit rating.

The Wastewater and Solid Waste Financial Reserve Policies establish guidelines for accumulating and expending reserve funds and ensure that funds are available as needed so that the Districts can provide vital services to the

public without interruption. Reserves are also used to smooth out rates as expenses vary from year to year. Lastly, the Policies reinforce the concept that prudent reserves guard against adverse financial impacts from unforeseen circumstances such as natural disasters or other emergencies without jeopardizing service or requiring immediate, severe rate increases.

## AWARDS AND ACKNOWLEDGMENTS

### Peer Recognition

The National Association of Clean Water Agencies Peak Performance Awards recognize member agency facilities for outstanding compliance of their National Pollutant Discharge Elimination System (NPDES) permit limits. This recognition program consists of three categories: Platinum, which recognizes facilities that have achieved 100% compliance with NPDES permit limits for five or more consecutive years; Gold, which recognizes facilities that have achieved 100% compliance with NPDES permit limits within the calendar year; and Silver, which recognizes eligible facilities that have received no more than five NPDES permit violations within the calendar year. For calendar year 2020, the Districts received Platinum Awards for the Lancaster WRP, Whittier Narrows WRP, and Los Coyotes WRP; and Gold Awards for the JWPCP, La Cañada WRP, Long Beach WRP, Palmdale WRP, Pomona WRP, and San Jose Creek WRP (West).

In 2020, the Districts also received the following recognition:

- The Tulare Lake Compost facility received both the Superior Achievement and Grand Prize Awards for Environmental Sustainability. These awards were issued by American Academy of Environmental Engineers and Scientists (AAEES).
- 2020 Public Communication & Outreach Program Award by the Water Environment Federation.
- A Districts' engineer was the recipient of the Stanley E. Kappe Award from AAEES for outstanding service in advancement of public awareness to the betterment of the total environment.
- 2020 National Environmental Achievement Award in the Public Information and Education-Education Program category for their efforts on the Clearwater Project.
- The Districts' Waterborne Infectious Disease Outbreak Control effort was selected by the Water Environment Federation as the 2020 recipient of the Water Heroes Award.
- First place in engineering and research from the California Water Environment Association for Pilot-Scale Evaluation of ANITA Mox for Concurrent Mainstream Deammonification and Phosphorus Removal.



**Platinum**  
Lancaster, Los Coyotes, Whittier Narrows

**Gold**  
JWPCP, La Cañada, Long Beach,  
Palmdale, Pomona, San Jose Creek West



**Research Achievement**  
Los Angeles Basin Section



**Community & Outreach Program**



**National Environmental Achievement Award**  
Clearwater Project



**Superior Achievement & Grand Prize**  
Tulare Lake Compost

**Stanley E. Kappe Award**  
Wendy A. Wert, P.E., BCEE



**Water Heroes Award**

### Certificate of Achievement

The Districts' ACFR for the fiscal year ended June 30, 2021, has been completed by Districts' staff and audited by Moss, Levy & Hartzheim, LLP. The ACFR details all of the Districts' financial activities for the entire agency. The independent auditor concluded that the Districts' financial statements present fairly, in all material respects, the financial position of the Districts in accordance with generally accepted accounting principles. The Districts have also received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the past 37 consecutive years and have submitted this year's ACFR for consideration as well.

### Acknowledgments

In submitting this 2020-21 ACFR, appreciation is expressed to all Districts' departments and personnel that participated in preparing this report, and particularly to the Accounting Section staff.

Very truly yours,



Robert C. Ferrante  
Chief Engineer and General Manager



Matthew A. Eaton  
Department Head,  
Financial Management Department

## Boards of Directors

(as of June 30, 2021)

<b>Alhambra</b> DIST. 2, 16	Katherine Lee; <i>Jeffrey K. Maloney</i>	<b>Los Angeles County (unincorporated)</b>	DIST. 1, 2, 8, 9	Hilda Solis; <i>Holly Mitchell</i>
<b>Arcadia</b> DIST. 15, 22	Sho Tay; <i>Roger Chandler</i>	DIST. 3, 5, 18, 19, 21, 27, NR	Hilda Solis; <i>Janice Hahn</i>	
<b>Artesia</b> DIST. 2, 18, 19	Ali Sajjad Taj; <i>Rene J. Trevino</i>	DIST. 14, 20, 22, SCV	Hilda Solis; <i>Kathryn Barger</i>	
<b>Azusa</b> DIST. 22	Robert Gonzales; <i>Edward J. Alvarez</i>	DIST. 15, 16, 17	Hilda Solis; <i>Sheila Kuehl</i>	
<b>Baldwin Park</b> DIST. 15, 22	Emmanuel J. Estrada <i>Monica Garcia</i>	DIST. 9 (2nd DIR)	Janice Hahn; <i>Holly Mitchell</i>	
<b>Bell</b> DIST. 1, 2	Ali Saleh	DIST. 17 (2nd DIR)	Kathryn Barger; <i>Sheila Kuehl</i>	
<b>Bell Gardens</b> DIST. 2	Marco Barcena; <i>Jorgel Chavez</i>	<b>Lynwood</b> DIST. 1	Marisela Santana; <i>Jose Luis Solache</i>	
<b>Bellflower</b> DIST. 2, 18 DIST. 3	Dan Koops; <i>Ray Duntton</i> Dan Koops; <i>Sonny R. Santa Ines</i>	<b>Manhattan Beach</b> DIST. 5, SBC	Suzanne Hadley; <i>Hildy Stern</i>	
<b>Beverly Hills</b> DIST. 4	Robert Wunderlich; <i>John Mirisch</i>	<b>Maywood</b> DIST. 1	Ricardo Lara; <i>Jessica Torres</i>	
<b>Bradbury</b> DIST. 15, 22	D. Montgomery Lewis <i>Richard Barakat</i>	<b>Monrovia</b> DIST. 15, 22	Tom Adams; <i>Becky A. Shevlin</i>	
<b>Carson</b> DIST. 8	Lula Davis-Holmes; <i>Jim Dear</i>	<b>Montebello</b> DIST. 2, 15	Kimberly Ann Cobos-Cawthorne <i>Scarlet Peralta</i>	
<b>Cerritos</b> DIST. 2, 3, 18, 19	Grace Hu; <i>Bruce Barrows</i>	<b>Monterey Park</b> DIST. 2, 15	Yvonne Yiu; <i>Henry Lo</i>	
<b>Claremont</b> DIST. 21	Jennifer Stark; <i>Jed Leano</i>	<b>Norwalk</b> DIST. 2, 18	Jennifer Perez; <i>Tony Ayala</i>	
<b>City of Commerce</b> DIST. 2	Leonard Mendoza <i>Ivan Altamirano</i>	<b>Palmdale</b> DIST. 14, 20 DIST. 20 (2nd DIR)	Steven Hofbauer; <i>Austin Bishop</i> Richard J. Loa; <i>Austin Bishop</i>	
<b>Compton</b> DIST. 1, 2, 8	Aja Brown; <i>Michelle Chambers</i>	<b>Palos Verdes Estates</b> DIST. 5, SBC	Michael Kemps <i>David McGowan</i>	
<b>Covina</b> DIST. 22	Jorge A. Marquez; <i>Patricia Cortez</i>	<b>Paramount</b> DIST. 1, 2	Brenda Olmos; <i>Vilma Cuellar Stallings</i>	
<b>Cudahy</b> DIST. 1	Jose R. Gonzalez; <i>Elizabeth Alcantar</i>	<b>Pasadena</b> DIST. 15, 16, 17	Victor Gordo	
<b>Culver City</b> DIST. 5	Alex Fisch; <i>Yasmine-Imani McMorrin</i>	<b>Pico Rivera</b> DIST. 2, 18	Raul Elias; <i>Gustavo Camacho</i>	
<b>Diamond Bar</b> DIST. 21	Nancy Lyons; <i>Ruth Low</i>	<b>Pomona</b> DIST. 21	Tim Sandoval; <i>Steve Lustro</i>	
<b>Downey</b> DIST. 2, 18	Claudia Frometa; <i>Blanca Pacheco</i>	<b>Rancho Palos Verdes</b> DIST. 5, SBC	Eric Alegria <i>David Bradley</i>	
<b>Duarte</b> DIST. 15, 22	Bryan Urias; <i>Margaret Finlay</i>	<b>Redondo Beach</b> DIST. 5, SBC	Bill Brand; <i>Nils Nehrenheim</i>	
<b>El Monte</b> DIST. 15	Jessica Ancona; <i>Victoria Martinez</i>	<b>Rolling Hills</b> DIST. 5	Jeff Pieper; <i>Patrick Wilson</i>	
<b>El Segundo</b> DIST. 5, SBC	Drew Boyles; <i>Chris Pimentel</i>	<b>Rolling Hills Estates</b> DIST. 5, SBC	Steve Zuckerman <i>Frank Zerunyan</i>	
<b>Gardena</b> DIST. 5	Tasha Cerda; <i>Paulette C. Francis</i>	<b>Rosemead</b> DIST. 15	Polly Low; <i>Sean Dang</i>	
<b>Glendora</b> DIST. 22	Karen Davis; <i>Michael Allawos</i>	<b>San Dimas</b> DIST. 21, 22	Emmett Badar; <i>Denis Bertone</i>	
<b>Hawaiian Gardens</b> DIST. 19	Luis Roa; <i>Maria Teresa Del Rio</i>	<b>San Gabriel</b> DIST. 2, 15	Chin Ho Liao; <i>Denise Menchaca</i>	
<b>Hawthorne</b> DIST. 5	Alex Vargas; <i>Alex Monteiro</i>	<b>San Marino</b> DIST. 15, 16	Ken Ude; <i>Susan Jakubowski</i>	
<b>Hermosa Beach</b> SBC	Justin Massey; <i>Michael Detoy</i>	<b>Santa Clarita</b> SCV SCV (2nd DIR)	Bill Miranda; <i>Marsha McLean</i> Laurene Weste; <i>Marsha McLean</i>	
<b>Huntington Park</b> DIST. 1	Manuel Avila; <i>Karina Macias</i>	<b>Santa Fe Springs</b> DIST. 18	John M. Mora; <i>Joe Angel Zamora</i>	
<b>City of Industry</b> DIST. 15, 18, 21	Cory Moss	<b>Sierra Madre</b> DIST. 15	Rachelle Arizmendi	
<b>Inglewood</b> DIST. 5	James T. Butts	<b>Signal Hill</b> DIST. 3, 29 DIST. 29	Edward H. J. Wilson; <i>Keir Jones</i> Lori Y. Woods; <i>Keir Jones</i> Edward H. J. Wilson; <i>Tina Hansen</i>	
<b>Irwindale</b> DIST. 15, 22	H. Manuel Ortiz; <i>Larry Burrola</i>	<b>South El Monte</b> DIST. 15	Gloria Olmos; <i>Richard Angel</i>	
<b>La Cañada Flintridge</b> DIST. 28, 34	Michael A. Davitt Jonathan C. Curtis; <i>Teresa Walker</i> Keith Eich; <i>Richard B. Gunter III</i>	<b>South Gate</b> DIST. 1, 2	Al Rios; <i>Maria Davila</i>	
<b>La Habra Heights</b> DIST. 18	Dennis Laherty; <i>Brian Bergman</i>	<b>South Pasadena</b> DIST. 16	Diana Mahmud; <i>Jack Donovan</i>	
<b>La Mirada</b> DIST. 18	Ed Eng; <i>Steve De Ruse</i>	<b>Temple City</b> DIST. 15	Vincent Yu; <i>Cynthia Sternquist</i>	
<b>La Puente</b> DIST. 15, 21	Charlie Klinakis; <i>Valerie Munoz</i>	<b>Torrance</b> DIST. 5, SBC	Patrick J. Furey	
<b>La Verne</b> DIST. 21, 22	Tim Hepburn; <i>Muir Davis</i>	<b>Vernon</b> DIST. 1, 2, 23 DIST. 1, 2 DIST. 23	Melissa Ybarra <i>William J Davis</i> Carol Menke; <i>Leticia Lopez</i> ; William J. Davis; <i>Diana Morales Gonzales</i>	
<b>Lakewood</b> DIST. 3, 19	Jeff Wood; <i>Steve Croft</i>	<b>Walnut</b> DIST. 21, 22	Robert Pacheco; <i>Eric Ching</i>	
<b>Lancaster</b> DIST. 14	R. Rex Parris; <i>Marvin Crist</i>	<b>West Covina</b> DIST. 15, 21, 22	Letty Lopez-Viado <i>Dario Castellanos</i>	
<b>Lawndale</b> DIST. 5	Robert Pullen-Miles; <i>Pat Kearney</i>	<b>West Hollywood</b> DIST. 4	Lindsey P. Horvath; <i>John D'Amico</i>	
<b>Lomita</b> DIST. 5	Mark Waronek; <i>James Gazeley</i>	<b>Whittier</b> DIST. 2, 15, 18	Joe Vinatieri; <i>Cathy Warner</i>	
<b>Long Beach</b> DIST. 1, 2, 3, 8, 19	Robert Garcia			
<b>Los Angeles City</b> DIST. 1, 2, 3, 4, 5, 8, 9, 16	Nury Martinez <i>Joe Buscaino</i>			

Alternate Directors in italics

# AGENCY ORGANIZATION CHART

## CHIEF ENGINEER & GENERAL MANAGER

Robert C. Ferrante

## ASSISTANT CHIEF ENGINEER & ASSISTANT GENERAL MANAGER

Charles E. Boehmke

### DEPARTMENTS & SECTIONS

ENGINEERING	FACILITIES PLANNING	FINANCIAL MANAGEMENT	HUMAN RESOURCES	SOLID WASTE MANAGEMENT	TECHNICAL SERVICES	WASTEWATER MANAGEMENT
Construction Management	Information Technology	Accounting	Employee Benefits	Energy Recovery	Air Quality	Industrial Waste
Electrical & Instrumentation Design	Planning & Property Management	Budget & Finance	Employee Relations	Fleet Management	Environmental Health & Safety	Joint Water Pollution Control Plant
Sewer Design	Public Information	Purchasing	Employment Services	Solid Waste Operations & Engineering	Laboratories	Wastewater Collection Systems
Structural, Architectural, & Geotechnical Design	Wastewater Planning		Payroll		Legislative & Regulatory Programs	Water Reclamation Plants
Civil & Mechanical Design			Training & Development		Reuse & Compliance	
					Wastewater Research	
					Water Quality	

### ENGINEERING

Design and construction oversight of Sanitation Districts' facilities

### FACILITIES PLANNING

Long range planning, environmental review, environmental permitting, property management, information technology, public relations, security, facilities management, and document management

### FINANCIAL MANAGEMENT

Budgeting, accounting, purchasing, revenue collection, and insurance

### HUMAN RESOURCES

Hiring employees, payroll, benefits, and compliance with State and Federal employment laws

### SOLID WASTE MANAGEMENT

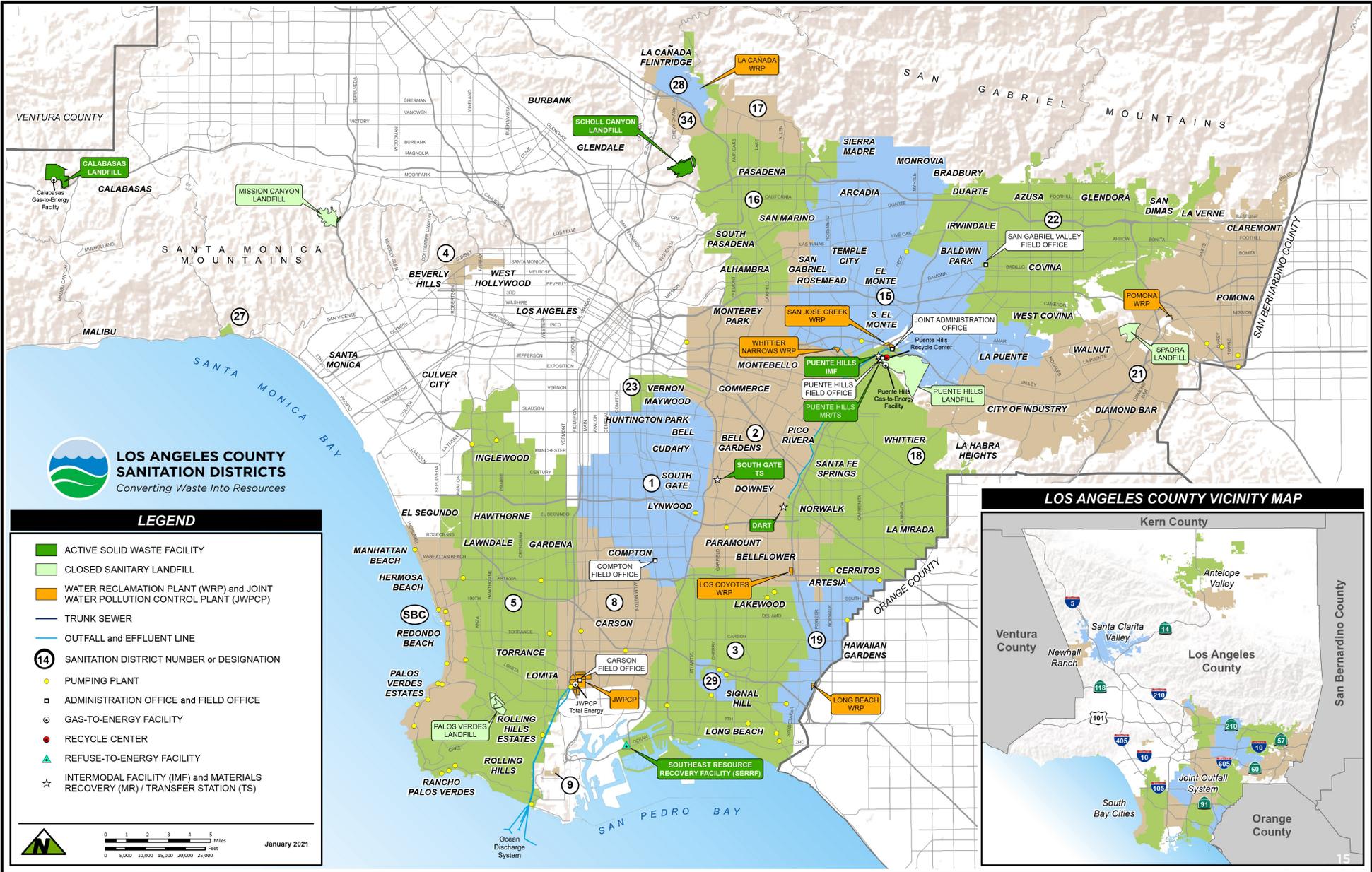
Operation and maintenance of the solid waste management facilities and energy recovery facilities

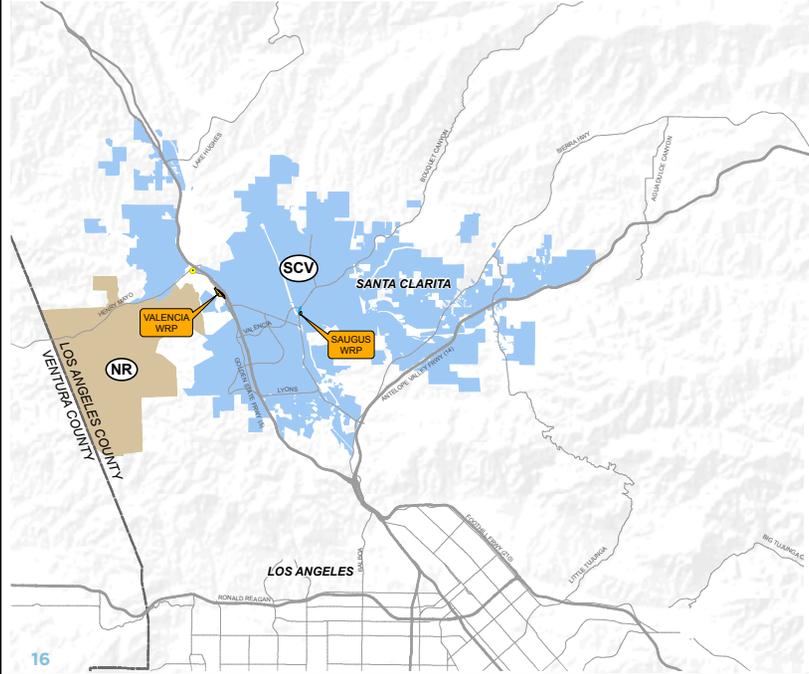
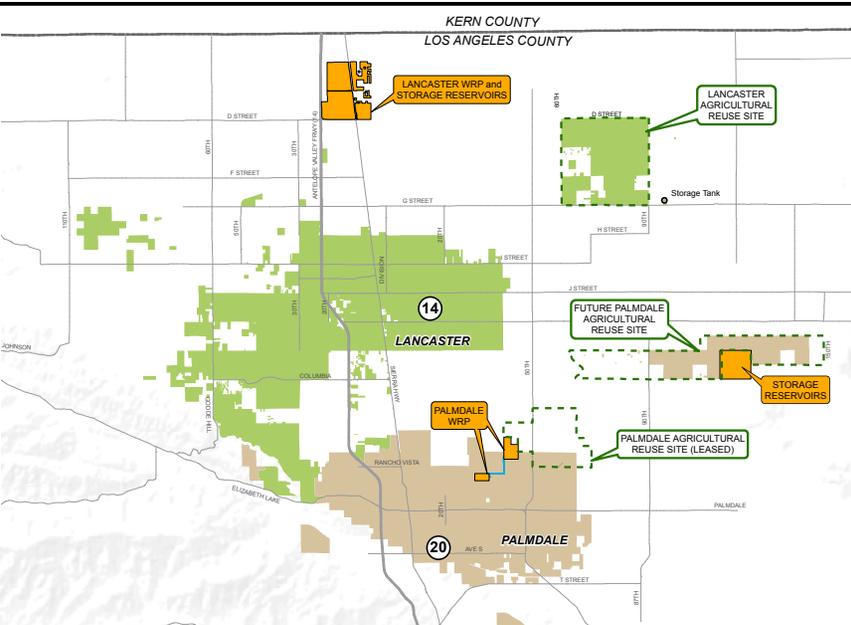
### TECHNICAL SERVICES

Water recycling, biosolids management, water and air permit compliance, research, laboratory processes, regulatory advocacy, and legislative advocacy

### WASTEWATER MANAGEMENT

Operation and maintenance of wastewater management facilities and regulating industrial discharges to the Sanitation Districts' sewer system





### LEGEND

- SOLID WASTE FACILITY
- WATER RECLAMATION FACILITY
- AGRICULTURAL REUSE SITE
- COMPOSTING FACILITY
- 14 SANITATION DISTRICT NUMBER or DESIGNATION
- PUMPING PLANT
- TRUNK SEWER

### SOLID WASTE FACILITIES

Sanitary Landfill	Operational	Area in Acres	Status
Palos Verdes	5/15/1957	288	Closed 12/31/1980
Spadra	7/15/1957	338	Closed 4/8/2000
Puente Hills	5/19/1958	1,368	Closed 10/31/2013
Mission Canyon	6/1/1960	373	Closed 1/9/1982
Schott Canyon	3/22/1961	431	Operational
Calabasas	2/14/1961	500	Operational
Mesquite	Operational 2009	2,290	Operational

Other Solid Waste Facilities	Operational
South Gate TF	1/2/1958
Puente Hills Recycle Center	10/25/1982
DART MR/TF	3/2/1998
Puente Hills MR/TF	7/11/2005
Puente Hills IMF	Under Construction

Energy Facility	Operational	Net Electricity Production
Puente Hills Gas-to-Energy	1/1/1987	46 MW
SERRF Refuse-to-Energy	12/1/1988	30 MW
Calabasas Gas-to-Energy	7/12/2010	5.6 MW

### WASTEWATER FACILITIES

Facility	Operational	Permitted Capacity (MGD)	Area in Acres
JWPCP	2/4/1928	400.0	381
Long Beach	5/22/1973	25.0	17
Los Coyotes	10/14/1970	37.5	36
Whittier Narrows	7/27/1982	15.0	27
San Jose Creek	6/29/1971	100.0	51
Pomona	4/15/1954	15.0	12
La Cañada	11/2/1962	0.2	0
Valencia	3/25/1986	21.6	26
Saugus	7/1/1962	6.5	4
Palmdale	11/28/1982	12.0	278
Lancaster	10/1/1959	18.0	1,392

Energy Facility	Operational	Net Electricity Production
JWPCP Total Energy	12/20/1985	22 MW

### COMPOSTING FACILITIES

Facility	Operational
Inland Empire	4/16/2007
Tulare Lake	Operational 2015

### SANITATION DISTRICTS DATA

District	Date of Formation	Placed in Operation	Area (Sq.Miles)	Population 2020	Cities/ Partial Cities	Miles of District Sewers 2020	Pump Stations	Wastewater Management
1	11/17/1924	2/13/1928	41.3	578,445	11	105.4	1	Joint Outfall System
2	2/25/1924	2/13/1928	76.1	691,806	19	219.1	2	Joint Outfall System
3	5/19/1924	5/20/1948	52.3	510,478	4	77.1	6	Joint Outfall System
4	3/7/1924	12/8/1926	1.9	35,940	2	6.3	0	L.A. City Sewerage System
5	3/21/1924	2/13/1928	87.8	742,800	15	181.0	10	Joint Outfall System
8	9/21/1925	2/13/1928	31.3	142,014	4	88.5	3	Joint Outfall System
9	8/16/1926	5/10/1927	0.2	2,331	1	0.0	0	L.A. City Sewerage System
14	8/31/1938	12/2/1941	59.0	199,321	2	75.4	0	Lancaster Sewerage System
15	1/27/1945	2/27/1948	77.6	587,113	20	145.5	2	Joint Outfall System
16	1/2/1946	2/27/1948	37.4	273,311	5	42.4	0	Joint Outfall System
17	1/27/1946	11/23/1949	7.7	56,214	1	5.2	0	Joint Outfall System
18	11/23/1948	7/1/1950	60.1	340,094	11	83.6	3	Joint Outfall System
19	3/28/1950	5/19/1951	14.2	91,845	5	34.4	2	Joint Outfall System
20	8/7/1951	9/8/1952	41.3	129,733	1	44.9	0	Palmdale Sewerage System
21	11/13/1951	8/22/1954	84.7	415,018	9	86.9	4	Joint Outfall System
22	9/22/1953	12/6/1954	64.1	335,153	12	109.8	0	Joint Outfall System
23	7/20/1956	7/14/1959	2.5	50	1	2.1	0	Joint Outfall System
27	4/28/1961	4/2/1962	0.2	2,259	0	0.4	0	L.A. City Sewerage System
28	9/14/1961	11/2/1962	4.1	11,399	1	4.1	0	Joint Outfall System
29	9/20/1962	11/12/1964	2.2	11,712	1	36.8	3	Joint Outfall System
34	10/31/1967	Inactive	4.0	7,674	1	0.0	0	Inactive
NR	6/14/2006	Inactive	18.7	4	0	0.0	0	Inactive
SBC	12/24/1923	9/12/1926	14.6	115,745	8	25.0	11	Joint Outfall System
SCV	1/27/1961	5/10/1962	63.3	269,170	1	43.1	1	Santa Clarita Valley Sewerage System
<b>TOTAL</b>			<b>846.6</b>	<b>5,550,629</b>	<b>135</b>	<b>1,409.0</b>	<b>48</b>	



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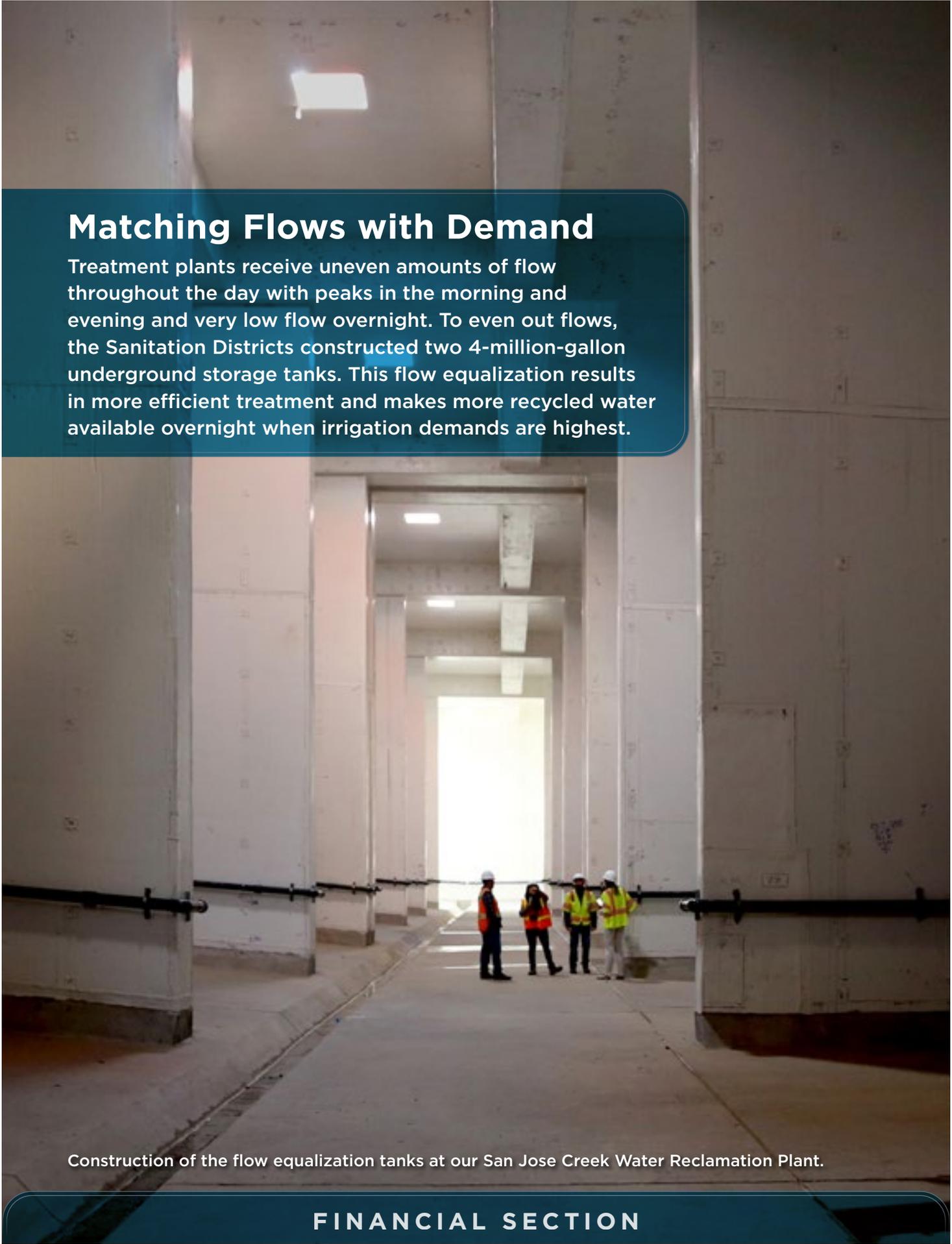
**Sanitation Districts of Los Angeles County  
California**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morill*

Executive Director/CEO

A long, narrow, brightly lit tunnel under construction. The walls are made of large, light-colored panels. In the distance, four workers wearing hard hats and safety vests are standing and talking. The floor is concrete. The lighting is bright at the far end of the tunnel, creating a strong perspective.

## Matching Flows with Demand

Treatment plants receive uneven amounts of flow throughout the day with peaks in the morning and evening and very low flow overnight. To even out flows, the Sanitation Districts constructed two 4-million-gallon underground storage tanks. This flow equalization results in more efficient treatment and makes more recycled water available overnight when irrigation demands are highest.

Construction of the flow equalization tanks at our San Jose Creek Water Reclamation Plant.



**PARTNERS**  
RONALD A LEVY, CPA  
CRAIG A HARTZHEIM, CPA  
HADLEY Y HUI, CPA  
ALEXANDER C HOLM, CPA  
ADAM V GUISE, CPA  
TRAVIS J HOLE, CPA

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FAX: 310.670.1689  
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## Independent Auditor's Report

The Honorable Boards of Directors  
Los Angeles County Sanitation Districts:

### Report on the Financial Statements

We have audited the accompanying financial statements of the Los Angeles County Sanitation Districts (Districts) as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which comprise the Districts' basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Los Angeles County Sanitation Districts as of June 30, 2021, and the changes in financial position and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Pension Contributions, the Schedule of Changes in the Net Other Postemployment Benefits Liability and Related Ratios, and the Schedule of Other Postemployment Benefits Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Districts' basic financial statements. The introductory section, combining and individual supplemental schedules, statistical section, and bond disclosure information are presented for purposes of additional analysis and are not required parts of the financial statements.

The combining and individual supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual supplemental schedules are fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section, statistical section, and bond disclosure information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2021 on our consideration of the Districts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and do not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Moss, Levy & Hartzheim*

Moss, Levy & Hartzheim, LLP  
Culver City, California  
December 13, 2021

# LOS ANGELES COUNTY SANITATION DISTRICTS

## Management's Discussion and Analysis

June 30, 2021

Management's Discussion and Analysis (MD&A) is designed to provide an analysis of the Districts' financial condition and operating results and to inform the reader on the Districts' financial issues and activities. The MD&A Section of the ACFR should be read in conjunction with the Transmittal Letter at the beginning of the Introduction Section and the Districts' basic financial statements in the Financials Section.

### *Financial Highlights*

- The impact of COVID-19 on businesses, restaurants, schools, and consumer habits continued to have a negative effect on solid waste revenues, which experienced a substantial decrease of 19% from last fiscal year and 35% from 2019 (prior to the pandemic). Although wastewater revenues do not appear to have been impacted thus far, it is possible that the full impact of COVID-19 on wastewater revenue will not be known until future years due to the nature of the Districts' revenue streams. Service charge revenue and property tax revenue both increased as compared to last fiscal year.
- On October 1, 2020, the Districts defeased all outstanding balances of the 2011 Series A Ad Valorem Obligation Bonds and 2013 Series A Ad Valorem Obligation Bonds. The aggregate principal amount defeased was \$24,685,000. This action released the 22 participating Districts from pledges, obligations, and unfavorable covenants.
- The Newhall Ranch Sanitation District began receiving revenue as new homes and businesses were connected to the sewer system. The first 6,000 homes will convey wastewater to Santa Clarita Valley Sanitation District's Valencia Water Reclamation Plant.

### *Overview of the Basic Financial Statements*

The basic financial statements included in this annual report are those of a special-purpose government engaged only in business-type activities. The ACFR consists of: a letter of transmittal; management's discussion and analysis; the basic financial statements; and supplemental information, including combining District-level financial statements, various historical statistical tables designed to give the reader a 10-year financial perspective of the Districts' financial operations; and a bond disclosure section. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The basic financial statements include the following:

- **Statement of Net Position** — Reports the Districts' assets, deferred outflow of resources, liabilities, and deferred inflow of resources, and net position. Increases or decreases in net position may serve as a useful indicator of the financial position of the Districts.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Management's Discussion and Analysis, Continued

- **Statement of Revenues, Expenses, and Changes in Net Position** — Reports the Districts' revenues and expenses and resulting change in net position for the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This statement measures the Districts' operating and non-operating results over the past fiscal year and can be useful in determining whether costs have been successfully recovered through user fees and other charges.
- **Statement of Cash Flows** — Reports the Districts' cash flows from operating, investing, capital, and noncapital activities. The primary purpose of this statement is to provide information about the Districts' cash receipts and cash payments over the past fiscal year.

The Districts maintain enterprise funds to account for all their sewerage, stormwater, and solid waste operations. The operations-level financial statements can be found immediately following the Required Supplemental Disclosures, which are found immediately following the Notes to Basic Financial Statements.

### *Financial Analysis of the Districts*

#### **Net Position**

#### Condensed Statement of Net Position (In millions of dollars)

	FY 2021	FY 2020	Dollar Change	Total Percent Change
Current and Other Assets	\$ 2,448	\$ 2,594	\$ (146)	(5.6) %
Capital Assets, net	3,686	3,521	165	4.7
Total Assets	<u>6,134</u>	<u>6,115</u>	<u>19</u>	<u>0.3</u>
Deferred Outflow of Resources	94	105	(11)	(10.5)
Current Liabilities	197	196	1	0.5
Other Liabilities	1,164	1,122	42	3.7
Long-Term Debt	498	562	(64)	(11.4)
Total Liabilities	<u>1,859</u>	<u>1,880</u>	<u>(21)</u>	<u>(1.1)</u>
Deferred Inflow of Resources	41	74	(33)	(44.6)
Net Investment in Capital Assets	3,149	2,897	252	8.7
Restricted	191	342	(151)	(44.2)
Unrestricted	988	1,027	(39)	(3.8)
Total Net Position	<u>\$ 4,328</u>	<u>\$ 4,266</u>	<u>\$ 62</u>	<u>1.5 %</u>

The investment in capital assets consists of net capital assets and deferred loss on refunding of debt, reduced by outstanding capital-related debt. Capital assets are used to provide services to residents and businesses; consequently, these assets are *not* available for future spending.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Management's Discussion and Analysis, Continued

The restricted net position represents resources that are subject to external restrictions on how they may be used by debt covenants, enabling legislation, or other legal restrictions.

### Revenues, Expenses, and Changes in Net Position

A summary of the key elements that contributed to the change in the Districts' net position is presented below:

#### Condensed Statement of Revenues, Expenses, and Changes in Net Position (In millions of dollars)

	FY 2021	FY 2020	Dollar Change	Total Percent Change
<b>Operating Revenues:</b>				
Industrial Waste Surcharge	\$ 70	\$ 73	\$ (3)	(4.1) %
Refuse Tipping Fees	102	126	(24)	(19.0)
Sale of Energy	19	21	(2)	(9.5)
Service Charges	392	390	2	0.5
Other	34	24	10	41.7
<b>Total Operating Revenues</b>	<b>617</b>	<b>634</b>	<b>(17)</b>	<b>(2.7)</b>
<b>Operating Expenses:</b>				
Depreciation	114	103	11	10.7
Operations & Maintenance	216	216	0	0.0
Salaries & Benefits	265	264	1	0.4
Other	25	168	(143)	(85.1)
<b>Total Operating Expenses</b>	<b>620</b>	<b>751</b>	<b>(131)</b>	<b>(17.4)</b>
<b>Nonoperating Revenues/(Expenses):</b>				
Interest Revenue	21	44	(23)	(52.3)
Taxes	95	88	7	8.0
Other	(6)	21	(27)	(128.6)
Interest Expense	(21)	(24)	3	(12.5)
Tax & Assessment Expense	(10)	(11)	1	(9.1)
<b>Total Net Nonoperating Revenue</b>	<b>79</b>	<b>118</b>	<b>(39)</b>	<b>(33.1)</b>
<b>Income Before Capital</b>				
Contribution Revenue	76	1	75	7,500.0
Capital Contribution Revenue	25	44	(19)	(43.2)
Beginning Net Position	4,266	4,259	7	0.2
Prior-Period Adjustment	(39)	(38)	(1)	2.6
<b>Ending Net Position</b>	<b>\$ 4,328</b>	<b>\$ 4,266</b>	<b>\$ 62</b>	<b>1.5 %</b>

# LOS ANGELES COUNTY SANITATION DISTRICTS

## Management's Discussion and Analysis, Continued

Operating Revenues: The Districts' operating revenues were primarily derived from wastewater service charges, industrial waste surcharges, and solid waste disposal tipping fees. These fees and charges were paid by users of the Districts' wastewater and solid waste facilities and collectively account for 91% of the Districts' operating revenue. Service charge fees were increased in fiscal year 2020-2021 for nearly all Districts, averaging \$2 per single family home.

Solid waste refuse tipping fees decreased by more than \$24 million from last year. The dramatic decrease is due to the continuing impacts of COVID-19. Though the majority of closures began to lift during the second half of fiscal year 2020-2021, disposal tonnage not only failed to increase, a steady decline continued. Additionally, in response to increased regulations, solid waste disposal contracts were negotiated at higher rates, which resulted in lower incoming tonnage commitments.

Also impacting solid waste is the sale of commodities. During the last fiscal year, a new sort line was being installed, which restricted the amount of processing of recycled goods in fiscal year 2019-2020. For fiscal year 2020-2021, the new sort line became operational and production increased. At the same time, the price of several commodity types soared, in some instances, quadrupling since the lows in 2019. The overall impact of these factors resulted in commodity revenue doubling over the previous year.

Operating Expenses: Other operating expenses returned to normal levels after a 5-year permit review for the Puente Hills Landfill in fiscal year 2019-2020 resulted in a significant increase in cost estimates for postclosure maintenance.

Nonoperating Revenues/Expenses: Interest revenue decreased as a result of decreasing interest rates (a weighted average of 0.96% in fiscal year 2020-2021 as opposed to 1.82% in fiscal year 2019-2020), and a decrease in the overall specific investment portfolio from \$1.35 billion in the beginning of the last fiscal year to less than half that amount at the end of this fiscal year.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Management's Discussion and Analysis, Continued

#### *Capital Analysis of the Districts*

As of June 30, 2021, the Districts had \$6.1 billion invested in a broad range of assets, as shown below:

Capital Assets (In millions of dollars)			Dollar Change	Total Percent Change	
	FY 2021	FY 2020			
Buildings and Equipment	\$ 89	\$ 88	\$ 1	1.1	%
Capital Improvements	546	546	0	0.0	
Composting Facility	124	124	0	0.0	
Construction in Progress	599	546	53	9.7	
Disposal Rights	97	94	3	3.2	
Equipment Pool	73	75	(2)	(2.7)	
Gas-to-Energy Facilities	222	217	5	2.3	
Land	221	221	0	0.0	
Other	54	53	1	1.9	
Rail Facilities	224	111	113	101.8	
Recycling and Transfer Stations	77	74	3	4.1	
Treatment Plants	2,203	2,126	77	3.6	
Trunk Lines	1,485	1,465	20	1.4	
Use Rights	70	70	0	0.0	
Subtotal	<u>6,084</u>	<u>5,810</u>	<u>274</u>	4.7	
Less Accumulated Depreciation & Amortization	2,398	2,289	109	4.8	
Net Capital Assets	<u>\$ 3,686</u>	<u>\$ 3,521</u>	<u>\$ 165</u>	<u>4.7</u>	%

Major capital asset projects that were completed and placed in operation during fiscal year 2020-2021 included the following:

- \$113 million – Puente Hills Intermodal Facility
- \$50 million – San Jose Creek Water Reclamation Plant Flow Equalization Facilities
- \$14 million – Joint Outfall trunk sewer rehabilitations
- \$4 million – Marina Pumping Plant No. 3 Site Improvements

Expenses to date of ongoing construction in progress of \$599 million as of June 30, 2021, included, in part, the following projects:

- \$257 million – various water reclamation and pumping plant modifications
- \$203 million – Clearwater Project plan, design, and construction
- \$37 million – various Districts' trunk sewer relief/rehabilitation projects
- \$24 million – Puente Hills Material Recovery Facility recycling modifications and additions
- \$22 million – Puente Hills Intermodal Facility railroad improvements
- \$18 million – various solid waste system projects
- \$10 million – Waste-by-Rail Disposal System development

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Management's Discussion and Analysis, Continued

Additional information regarding the Districts' capital assets can be found in Note No. 7 to the Basic Financial Statements.

#### 2021-2022 Capital Spending Plan (In millions of dollars)

Capital Project	Amount Planned
Treatment Plant and Pumping Plant Improvements	\$ 150
Clearwater Tunnel	110
Sewer Relief and Rehabilitation	39
Chloride Compliance	24
Administration and Miscellaneous Improvements	16
Landfill Improvements	8
Gas Control Measures	6
Material Recovery/Transfer Station	4
Intermodal Facility Development	4
Sewage Disposal Contracts	2
Total	\$ 363

### Outstanding Debt

During the fiscal year, the Districts' revenue bond and state loan obligations decreased by 15%.

#### Outstanding Debt (In millions of dollars)

	FY 2021	FY 2020	Dollar Change	Total Percent Change
Revenue Bonds	\$ 312	\$ 379	\$ (67)	(17.7) %
Clean Renewable Energy Bonds	1	3	(2)	(66.7)
State Water Resources Control Board Loans	226	252	(26)	(10.3)
Total Long-Term Debt	\$ 539	\$ 634	\$ (95)	(15.0) %

Revenue bond obligations and Clean Renewable Energy obligations decreased due to scheduled principal payments and the defeasance of the 2011 Series A Bonds and 2013 Series A Bonds. State Water Resources Control Board obligations had a net decrease due to new obligations and net of scheduled principal payments.

# LOS ANGELES COUNTY SANITATION DISTRICTS

## Management's Discussion and Analysis, Continued

### Bond Debt Ratings As of June 30, 2021

	<u>Standard &amp; Poor's</u>	<u>Moody's Investor Service</u>	<u>Fitch Ratings</u>
2015 Series A Subordinate Revenue Bonds	AA-	N/A	AA-
2016 Series A Revenue Bonds	A+	N/A	AA-

The 2008 Clean Renewable Energy Bonds are a private placement with Bank of America and, therefore, are not rated. Additional information on the Districts' long-term debt is presented in Note No. 8 to the Basic Financial Statements.

### ***Currently Known Significant Facts***

In August 2021, Fitch Ratings and Standard & Poor's upgraded the rating of the 2015 Capital Projects Revenue Bonds Series A (District No. 14) from AA- to AA.

On September 15, 2021, the Districts' Financing Authority issued \$41,645,000 (face value) in Capital Projects Revenue Bonds Series A. The proceeds from the bond sale have been used to prepay four District No. 14 California State Water Resources Control Board loans and costs of issuance.

Solid waste disposal rates will increase on December 1, 2021, for the Puente Hills Material Recovery Facility, the Downey Area Recycling and Transfer Facility, and the South Gate Transfer Station. The average increase for municipal solid waste will be \$3.80 per ton. These increases are necessary to cover increases in contract labor and transportation costs.

### ***Financial Contact***

The Districts' basic financial statements are designed to present users with a general overview of the Districts' finances and to demonstrate the Districts' accountability. If you have any questions about the report or need additional information, please contact Mr. Alan C. Nyberg, Chief Accountant, Los Angeles County Sanitation Districts, P.O. Box 4998, Whittier, California, 90607-4998.

**Exhibit A**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Statement of Net Position**  
**June 30, 2021**

**Assets**

Current assets:

Unrestricted cash and cash equivalents (note 3):	
Cash in bank	\$ 32,979,161
Cash on hand	42,653
Cash and cash equivalents	546,722,913
Total unrestricted cash and cash equivalents	579,744,727
Receivables:	
Accounts, net (note 6)	32,278,435
Interest	4,937,588
Service charges	18,196,497
Taxes	6,734,391
Total receivables	62,146,911
Inventory	19,192,388
Restricted/designated cash and investments (note 3):	
Cash and cash equivalents	1,093,898,283
Specific investments	608,129,740
Bond proceeds with Trustee	
Cash and cash equivalents	7,679
Total restricted/designated cash and investments	1,702,035,702
Other specific investments (note 3)	44,190,784
Total current assets	2,407,310,512

Long-term assets:

Investment in joint ventures (note 17)	40,002,680
Other assets	39,444
Capital assets (note 7):	
Buildings & equipment	89,044,580
Improvements	546,336,631
Disposal rights	96,648,437
Equipment pool	73,335,018
Gas-to-energy facilities	221,693,639
Rail facilities	223,843,590
Recycling and transfer facilities	77,345,757
Treatment plants	2,202,660,001
Trunk lines	1,485,392,870
Use rights	69,779,636
Composting facilities	124,064,747
Other capital assets	54,535,475
Construction in progress	598,605,547
Land	221,017,538
Less accumulated depreciation/amortization	(2,398,028,551)
Net capital assets	3,686,274,915
Total long-term assets	3,726,317,039
Total assets	\$ 6,133,627,551

**Deferred Outflow of Resources**

Deferred loss on refunding	\$ 1,607,765
Deferred pension contribution	65,022,768
Other postemployment benefit deferral	27,244,090
Total deferred outflow of resources	\$ 93,874,623

(Continued on following page)

**Exhibit A-2**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Statement of Net Position**  
**June 30, 2021**

**Liabilities**

Current liabilities:	
Accounts payable	\$ 54,309,646
Accrued employee absences (notes 1J and 14)	30,000,000
Amounts held for others	8,840,041
Bonds payable (note 8)	9,049,399
Claims liabilities (note 9)	2,300,593
Contractual obligations to other governments	38,000,000
Estimated liability for closure and postclosure care (note 18)	14,855,761
Estimated liability for pollution remediation (note 19)	2,000,000
Interest payable	5,699,701
Loans payable to State of California (note 8)	31,862,777
Other	<u>528,435</u>
Total current liabilities	<u>197,446,353</u>
Long-term liabilities:	
Accrued employee absences (notes 1J and 14)	16,220,467
Bonds payable, net (note 8)	303,451,057
Claims liabilities (note 9)	6,901,959
Contractual obligations to other governments	43,428,852
Estimated liability for closure and postclosure care (note 18)	450,333,745
Estimated liability for pollution remediation (note 19)	18,000,000
Loans payable to State of California (note 8)	194,328,537
Other postemployment benefits liability (note 12)	190,880,574
Pension liability (note 11)	<u>438,339,215</u>
Total long-term liabilities	<u>1,661,884,406</u>
Total liabilities	<u>\$ 1,859,330,759</u>

**Deferred Inflow of Resources**

Other postemployment benefits deferrals (note 12)	\$ 30,439,313
Pension deferrals (note 11)	<u>10,420,730</u>
Total deferred inflow of resources	<u>\$ 40,860,043</u>

**Net Position**

Net position:	
Net investment in capital assets	\$ 3,149,190,910
Restricted for capital projects	145,204,226
Restricted for closure/postclosure maintenance	45,197,318
Unrestricted	<u>987,718,918</u>
Total net position	<u>\$ 4,327,311,372</u>

See accompanying notes to basic financial statements.

**Exhibit B**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Statement of Revenues, Expenses,**  
**and Changes in Net Position**  
**Fiscal year ended June 30, 2021**

Operating revenues:	
Commodities	\$ 3,022,234
Contract revenue	29,973,873
Industrial waste surcharge	69,528,920
Refuse/food waste tipping fees	102,434,160
Sale of energy	18,975,707
Service charges (note 4)	392,291,323
Other	<u>752,075</u>
Total operating revenues	<u>616,978,292</u>
Operating expenses:	
Chemicals	39,210,860
Collection charges	1,405,361
Depreciation/amortization (note 7)	114,156,932
Insurance and claims	5,896,540
Landfill closure and postclosure costs (note 18)	12,939,401
Materials and supplies	31,348,431
Operations, repairs, and maintenance	23,973,132
Pollution remediation costs (note 19)	91,201
Salaries and benefits (notes 11 and 12)	265,358,218
Services	97,014,557
Tonnage	4,672,145
Utilities	<u>23,641,915</u>
Total operating expenses	<u>619,708,693</u>
Operating loss	<u>(2,730,401)</u>
Nonoperating revenues (expenses):	
Interest revenue	20,575,001
Investment in joint ventures	(3,544)
Property taxes	95,192,895
Amortization of bond premium	4,993,302
Amortization of deferred loss on refunding	(5,506,551)
Interest expense	(21,419,022)
Loss on sale of equipment/assets	(589,347)
Other nonoperating revenue	9,034,331
Tax and assessment expense	(10,274,536)
Unrealized loss on investments	<u>(13,116,972)</u>
Net nonoperating revenues	<u>78,885,557</u>
Income before capital contribution revenue and transfers	76,155,156
Capital contribution revenue:	
Connection fees	20,476,550
Grants	<u>3,940,402</u>
Change in net position	<u>100,572,108</u>
Total net position, July 1, 2020, as previously stated	4,266,323,411
Prior-period adjustments (note 20)	<u>(39,584,147)</u>
Total net position, July 1, 2020 as restated	<u>4,226,739,264</u>
Total net position, June 30, 2021	<u><u>\$ 4,327,311,372</u></u>

See accompanying notes to basic financial statements.

**Exhibit C**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Statement of Cash Flows**  
**Fiscal year ended June 30, 2021**

Cash flows from operating activities:	
Receipts from customers and users	\$ 620,936,755
Payments to suppliers	(224,722,981)
Payments for salaries/benefits	(260,850,650)
Net cash provided by operating activities	135,363,124
Cash flows from noncapital financing activities:	
Receipts from property taxes	94,742,966
Payments for tax and assessment	(10,274,536)
Net cash provided by noncapital financing activities	84,468,430
Cash flows from capital and related financing activities:	
Borrowings on loans	3,571,141
Purchases of capital assets	(286,696,879)
Connection fees proceeds	20,476,550
Grant proceeds	7,701,041
Bond defeasement	(25,849,572)
Interest paid on capital-related debt	(18,972,189)
Payment to joint venture	(250,000)
Principal payments on bonds	(39,334,401)
Principal payments on loans	(31,445,792)
Proceeds from sale of assets/equipment	393,814
Net cash used by capital and related financing activities	(370,406,287)
Cash flows from investing activities:	
Interest received	27,118,393
Purchases of investments	(201,717,900)
Proceeds from maturities of investments	527,392,770
Net cash provided by investing activities	352,793,263
Net increase in cash and cash equivalents	202,218,530
Cash and cash equivalents at beginning of fiscal year	1,471,432,159
Cash and cash equivalents at end of fiscal year	\$ 1,673,650,689
Reconciliation of cash and cash equivalents at end of fiscal year:	
Unrestricted cash and cash equivalents	
Cash in bank	\$ 32,979,161
Cash on hand	42,653
Cash and cash equivalents	546,722,913
Restricted/designated cash and investments:	
Cash and cash equivalents	1,093,898,283
Bond proceeds with Trustee	
Cash and cash equivalents	7,679
	\$ 1,673,650,689

(Continued on following page)

**Exhibit C-2**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Statement of Cash Flows**  
**Fiscal year ended June 30, 2021**

Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ <u>(2,730,401)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	114,156,932
Landfill closure/postclosure costs	12,939,401
Decrease in accounts receivable	4,531,214
Increase in service charge receivable	(1,008,941)
Decrease in inventory	2,905,162
Decrease in deferred outflow of resources	5,191,399
Increase in accounts payable	3,032,749
Increase in accrued employee absences	4,896,464
Decrease in estimated liability for closure and postclosure costs	(10,460,771)
Decrease in claims liabilities	(221,424)
Increase in contractual obligations	303,663
Decrease in estimated pollution remediation	(91,201)
Increase in other postemployment benefits liability	4,047,297
Increase in pension liability	31,931,396
Decrease in amounts held for others	(1,279,335)
Increase in other liabilities	76,193
Decrease in deferred inflow of resources	<u>(32,856,673)</u>
Net cash provided by operating activities	<u>\$ 135,363,124</u>
Schedule of noncash investing activities:	
Unrealized loss on fair value of investments	\$ (13,116,972)
Amortization of investment premium	1,619,149

See accompanying notes to basic financial statements.

# LOS ANGELES COUNTY SANITATION DISTRICTS

## Notes to Basic Financial Statements

June 30, 2021

### (1) Organization and Summary of Significant Accounting Policies

#### (A) Description of the Reporting Entity

The Los Angeles County Sanitation Districts are a confederation of 24 special districts created for the purpose of providing solid waste, wastewater, and stormwater management and disposal services within the County of Los Angeles. The accompanying basic financial statements include the activities of all 24 Districts. Each District is governed by a Board of Directors generally comprised of the presiding officers (typically the mayor) of the cities within each District's boundaries and the chair of the County Board of Supervisors for unincorporated territory. If there are only one or two jurisdictions within a District, additional members of the city council or County Board of Supervisors also sit on the District's Board of Directors. For purposes of control and daily management, the Districts are governed by a Joint Administration Agreement (see Note 2).

The Districts' accompanying basic financial statements also include the financial activities of the Los Angeles County Sanitation Districts Financing Authority (the Authority). The 22 active Districts (Participating Districts) created the Authority, pursuant to a Joint Exercise of Powers Agreement (see Note 2). The Authority is governed by a Commission that consists of the Chairperson from each Participating District and exists solely to facilitate the issuance of long-term debt. The Authority has no daily operations and does not conduct business on its own behalf. Since the Authority's governing body is entirely comprised of members of the Participating Districts' Boards and the Authority provides services entirely for the Participating Districts, the Authority's financial activities have been consolidated with the Districts' financial activities for financial reporting purposes. Complete separate financial statements for the Authority may be obtained by writing to the Accounting Section, P.O. Box 4998, Whittier, California, 90607-4998 or at the Districts' Joint Administration Office.

The Districts are independent of and overlap many political jurisdictions. There are many governmental entities, including the County of Los Angeles, that operate within the Districts' jurisdictions; however, the financial information for these entities is not included in the accompanying basic financial statements.

#### (B) District Operations

The Districts' accounting records are maintained in a manner that facilitates compliance with the requirements and guidelines of the Controller of the State of California with whom an annual report is filed for each District as required by Section 53891 of the California Government Code.

#### (C) Basis of Presentation

The Districts use Enterprise Funds to account for three types of operations: (a) those that are financed and operated in a manner similar to private business enterprises, where the intent of the Boards of Directors is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges; (b) those where the intent of the Boards of Directors is that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control,

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

accountability, or other purposes; or (c) those that account for the financing of services provided by one District to other Districts, or to other governments, on a cost-reimbursement basis.

#### (D) Basis of Accounting

The Districts use the flow of economic resources measurement focus for accounting and financial reporting. Accordingly, all assets and liabilities are included in their respective statement of net position. Reported net position (total reported assets and deferred outflow of resources, less total reported liabilities and deferred inflow of resources) provides an indication of the economic net worth of the respective funds.

The Districts utilize the accrual basis of accounting, whereby revenues are recorded in the period earned and expenses are recorded in the period incurred, regardless of when cash is received or disbursed. As a result, operating income is the difference between the revenues earned and the expenses incurred in earning those revenues.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal operations. The principal operating revenues are charges to customers for services, including service charges, industrial waste surcharges, and tipping fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Districts have elected, for all business-type activities (enterprise funds), to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations; Accounting Principles Board Opinions; the American Institute of Certified Public Accountants' (AICPA) Accounting Research Bulletins; and any FASB or AICPA pronouncements made applicable by a GASB Statement or Interpretation.

The Districts operate various sub-funds:

Classification	Purpose
Sewerage Operations	To account for wastewater operations of the Districts, including debt service and capital improvement activities.
Stormwater Operations	To account for operations of the Districts' stormwater activities.
Solid Waste Facilities Operations	To account for operations of the Districts' solid waste management system.
Trustee Solid Waste Facilities Operations	To account for operations of the Los Angeles County Refuse Disposal Equipment Pool and for solid waste operations of the Trustee Landfills.
Service Operations	To account for essential services and equipment rental provided to various sites and other governments.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

#### (E) Operating Budgets

Each year, the Districts' personnel prepare annual operating budgets for both the wastewater and the solid waste systems. These annual budgets serve as a basis for monitoring financial progress and determining future wastewater service charge rates and solid waste tipping fee rates. During the fiscal year, such plans may be amended as circumstances or levels of operations dictate.

#### (F) Cash and Investments

The Districts' cash and investments are governed by each District's Investment Policy and Wastewater Financial Reserve Policy and are in compliance with the California Government Code. For purposes of the statement of cash flows, the Districts consider all highly liquid investments with original maturities of three months or less to be cash equivalents.

Securities purchased with original maturities greater than three months are reflected as investments in the accompanying basic financial statements. Investments are generally stated at fair value. Fair value of investments is determined based on market prices at the balance sheet date. The fair value of investments in open-end mutual funds is determined based on the fund's current share price.

#### (G) Inventory

Inventory is stated at weighted average cost which approximates first-in, first-out.

#### (H) Capital Assets

Outlays for capital assets, including property, plant, equipment, and construction in progress, are recorded at cost. Capital assets acquired by donation are recorded at acquisition value at the time received. The Districts' capitalization threshold is \$5,000.

#### Depreciation - General

The accrual basis of accounting requires that capital assets be capitalized and periodically charged against the operations of the Districts through depreciation. All assets, other than those described in further detail below, are depreciated using the straight-line method over each asset's estimated useful life.

#### Depreciation – Districts' and Trustee Solid Waste Facilities

Depreciation of capital improvements at active landfill sites is determined annually, using the ratio of the number of tons disposed during the fiscal year to the total estimated capacity of each landfill and applying this ratio to the gross book value of the capital improvements.

#### Disposal Rights - Sewerage Operations

Because of geographic conditions, certain Districts have found it advantageous to enter into reciprocal agreements with other public agencies. In these agreements, the public agencies grant the Districts specific sewerage disposal rights and assess the Districts for the cost of the additional capital investment for treatment facilities necessary to dispose of the Districts' discharge. Disposal rights are amortized over a 30-year period using the straight-line method. Such amortization is included as a charge to operations in determining the respective District's change in net position.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

#### Amortization of Use Rights

Use rights, as they apply to Sewerage Operations, are related to ground water adjudication in the Antelope Valley and are amortized over 20-years using the straight-line method.

Use rights, as they apply to the cost of the Districts' landfills and the Trustee landfills, represent the Districts' right to dispose of waste material. Amortization is determined using the ratio of the number of tons disposed of during the fiscal year to the total estimated capacity of each landfill and applying this ratio to the gross book value.

#### (I) Landfill Site Closure Costs

The Districts have adopted Governmental Accounting Standards Board Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs* (GASB 18). Federal and State laws and regulations require the placement of a final cover on landfill sites when they stop accepting waste and performance of certain maintenance and monitoring functions at the sites for 30 years after closure. GASB 18 requires the recognition of these costs ratably during the useful life of the landfill.

In compliance with GASB 18, the Districts recognize a portion of the closure and postclosure care costs as an operating expense and a liability in each period based on landfill capacity used as of each statement of net position date, although closure and postclosure care costs will be paid only near or after the date the landfills stop accepting waste. Recognition of such costs begins on the date the landfills begin accepting solid waste and continues in each period that the landfill accepts waste. It is intended that the costs of closure and postclosure care will be fully funded by the time the landfills stop accepting waste. The cumulative amounts recognized are reflected in the accompanying basic financial statements (see Note 18).

#### (J) Accrued Employee Absences - Service Operations

Vacation and sick leave pay is recorded as an expense when earned by Districts' employees (see Note 14 for balance details) and is based upon the following criteria:

Monthly employees earn a maximum of 88 hours of vacation leave during each of the first 5 years of service. After 5 years of service, a maximum of 128 hours are earned each year, and after 10 years of service, 8 additional hours of vacation are earned per year up to 168 hours. After 25 years of service, monthly employees (except those in management positions) earn an additional 40 hours of vacation. In addition, earned vacation leave can be accumulated for one or two years, depending on the employee's representation unit. Upon retirement or termination, monthly employees are paid for all unused accumulated vacation leave. The accrued liability is based upon the full amount of accumulated vacation leave. Hourly employees earn vacation leave based on the number of hours worked in one year and may be used on or after January 1 of the next year in accordance with Subsection 6.2A of the Districts' Salary Resolution.

Monthly employees earn eight hours of sick leave per month with a maximum accumulation for use of 1,440 or 720 hours, depending upon the employee's representation unit. Monthly employees are entitled to sick leave payment upon retirement or termination, but the number of hours subject to payment depends on when the accumulated sick leave was earned and the employee's representation unit. The accrued liability is based upon the sick leave that would be paid upon termination.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

#### (K) Amortization of Premium on Bonds

Original issue premium related to the sale of revenue bonds (see Note 8) is amortized by the effective-interest method over the life of the bonds. The unamortized portion of the bond premium is netted against bonds payable on the accompanying basic financial statements.

#### (L) Amortization of Gain/Loss on Refunding

The refunding of revenue bonds can result in a difference between the reacquisition price and the net carrying amount of the old debt. This difference, reported in the accompanying financial statements as deferred gain/loss on refunding (net), is amortized by the straight-line method (which approximates the effective-interest method) over the life of the bonds.

#### (M) Pensions

For purposes of measuring the net pension liability and deferred outflow/inflow of resources related to pensions and pension expense, information about the fiduciary net position of the Districts' California Public Employees' Retirement System (CalPERS) plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information, see Note 11.

#### (N) Other Postemployment Benefits (OPEB)

For purposes of measuring the net liability and deferred outflow/inflow of resources related to other postemployment benefits, information about the fiduciary net position of the Districts' California Employer's Retiree Benefit Trust Program (CERBT) (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. Investments are reported at fair value. For additional information, see Note 12.

#### (O) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### (P) Net Position

GASB No. 63 requires that the difference between assets added to the deferred outflow of resources and liabilities added to the deferred inflow of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

#### (2) Organization - Joint Agreements

The operations of the Districts are facilitated by certain Joint Agreements that permit the consolidation of duties and responsibilities.

##### Joint Administration Agreement

Each District is party to the Joint Administration Agreement wherein an administrative organization has been established to provide or perform the administrative functions for all individual Districts. The Joint Administration Agreement requires that revenues and expenses that can be readily identified by District shall be applied directly to that District. Except for some of the Districts that have a fixed percentage, indirect expenses are apportioned based upon the ratio of each District's sewage units to the sewage units within all Districts. A sewage unit represents the average sewage flow and strength that would be discharged from a single-family home.

##### Joint Outfall Agreement

The following Districts participate in the Joint Outfall Agreement: 1, 2, 3, 5, 8, 15, 16, 17, 18, 19, 21, 22, 23, 28, 29, 34, and South Bay Cities (Joint Outfall Districts). Under the terms of the Joint Outfall Agreement, they share in the joint ownership, use, and operations of certain trunk sewers, pumping plants, treatment plants, and ocean outfalls. The Joint Outfall Agreement specifies that the revenue and expenses from these activities be proportioned to each District based upon the ratio of each District's sewage units to the sewage units within all Joint Outfall Districts.

##### Joint Powers Agreements with Los Angeles County

The Districts maintain closed landfills (Mission Canyon and Palos Verdes) and operate open landfills (Calabasas and Scholl Canyon) on behalf of the County of Los Angeles (County). Each landfill is governed by a separate Joint Powers Agreement (JPA) between District No. 2 and the County whereby operations and maintenance expenses are financed by revenues derived from each facility (i.e., at no cost to the Districts). The County of Los Angeles provides funding for the closed sites.

Additionally, the County and 15 of the Joint Outfall Districts participate in a fifth JPA that establishes the Los Angeles County Refuse Disposal Fund and the Los Angeles County Refuse Disposal Equipment Pool. These funds, together with the four County-owned landfills, are collectively reported as the Trustee Landfills.

Program development, future landfill acquisitions, and major capital expenses are financed from the Los Angeles County Refuse Disposal Fund. The Los Angeles County Refuse Disposal Equipment Pool provides equipment to the Trustee Landfills, and the revenue from rental of this equipment is used for operations and maintenance and to purchase new equipment as required.

The JPAs provide that money in excess of short-term operations and maintenance and capital improvement needs resulting from landfill operations be transferred to the Los Angeles County Refuse Disposal Fund. The Scholl Canyon JPA provides for a sharing of revenues (referred to as tonnage expense) between the City of Glendale and the Los Angeles County Refuse Disposal Fund.

In December 2005, the County of Los Angeles, through its Financing Authority, issued \$38.5 million of lease revenue bonds to be used for improvements at Calabasas Landfill. Although the net revenues

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

from the landfill are pledged for repayment of the bonds, the County of Los Angeles is ultimately responsible for all principal and interest payments.

#### Sanitation Districts Solid Waste Management System Agreement

Districts 1, 2, 3, 5, 8, 15, 16, 17, 18, 19, 21, 22, 23, 29, and South Bay Cities Sanitation District participate in the Solid Waste Management System Agreement. This agreement authorized District No. 2 to have full authority for acquiring, implementing, operating, and maintaining the Palos Verdes, Spadra, Puente Hills, and Mesquite Regional Landfills; the South Gate Transfer Station; the Commerce Refuse-to-Energy Facility; the Southeast Resource Recovery Facility; the Puente Hills, Spadra, Palos Verdes, and Calabasas Gas-to-Energy Facilities; the Downey Area Recycling and Transfer Facility, the Puente Hills Material Recovery Facility; and programs and facilities that may be developed as part of materials recovery and remote disposal system.

#### Joint Exercise of Powers Agreement

Districts 1, 2, 3, 4, 5, 8, 9, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 27, 28, 29, Santa Clarita Valley Sanitation District, and South Bay Cities Sanitation District participate in a Joint Exercise of Powers Agreement related to the Los Angeles County Sanitation Districts Financing Authority (the Authority) (see Note 1A).

### (3) Cash and Investments

The Districts have adopted the provisions of Statement No. 31 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB No. 31), and Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures* (GASB No. 40), which require that certain investments and external investment pools be reported at fair value and disclosures be made of certain deposit and investment risks.

The Districts' investment policies are governed by and in compliance with the California Government Code. The investment policies' objectives are to provide for safety of principal, maintain liquidity, and earn a market rate of return. The Districts are authorized to invest funds in the County of Los Angeles Pooled Surplus Investment Fund (County Pool), the State of California Local Agency Investment Fund, and other qualified investments in accordance with each District's individual investment policy and applicable law.

*Fair Value of Investments.* The Districts measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. All debt securities have been valued using prices quoted in active markets (level 1 fair value hierarchy) for those securities.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

As of June 30, 2021, the Districts had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-3	4-5
U.S. Agency Securities	\$ 278,593,258 (1)	150,709,500	-	127,883,758
AA-Rated Medium-Term Corporate Notes	227,488,465 (1)	-	76,269,081	151,219,384
A-Rated Medium-Term Corporate Notes	146,238,801 (1)	-	48,300,426	97,938,375
Los Angeles County Pooled Surplus Investment Fund	1,622,729,673	1,622,729,673	-	-
U.S. Bank Commercial Paper	17,891,523	17,891,523	-	-
First American Government Obligation Mutual Fund	7,679	7,679	-	-
	<u>\$ 2,292,949,399</u>	<u>1,791,338,375</u>	<u>124,569,507</u>	<u>377,041,517</u>

(1) A portion of these securities are callable beginning:

	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Quarterly	\$ 259,319,824	-	53,704,914	-	-
Semi-annually	104,534,154	-	-	-	-
Annually	-	46,021,206	-	-	-
Continuously	68,194,759	-	-	3,782,772	11,892,960
One Time	25,362,000	4,398,783	-	-	-
	<u>\$ 457,410,737</u>	<u>50,419,989</u>	<u>53,704,914</u>	<u>3,782,772</u>	<u>11,892,960</u>

**Interest Rate Risk.** As a means of limiting the Districts' exposure to fair value losses from rising interest rates, the Districts' investment policies prohibit investments in securities with an original term greater five years.

**Credit Risk.** Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2021, the Districts' investment in the First American Government Obligation Mutual Fund was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The Districts' investment in United States Agency securities was rated AA+ at the time of purchase by Standard & Poor's and Aaa by Moody's Investors Service. The Districts' investments in Corporate Bonds were rated A or better at the time of purchase by Standard & Poor's, Moody's Investors Service, or Fitch Ratings. The Los Angeles County Pooled Surplus Investment Fund is not rated.

**Concentration of Credit Risk.** The investment policies for District Nos. 17, 27, and Newhall Ranch Sanitation District prescribe that all investments are subject to the conditions and limits as set forth in the Los Angeles County Investment Policy. The remaining Districts' investment policies further restrict the concentration of investments in any one United States Agency to no more than 60% of a District's funds. These Districts' policies allow for investments in medium-term AAA-rated, AA-rated, and A-rated corporate and depository institution debt securities with original maturities of five years or less. No individual medium-term AAA-rated or AA-rated security may exceed 10% of a District's funds. No individual medium-term A-rated security may exceed 2% of the District's funds. All medium-term A-rated securities in aggregate may not exceed 10% of a District's funds, and all medium and short-term investments in aggregate may not exceed 30% of a District's funds.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

The Districts' cash, cash equivalents, and specific investments at June 30, 2021, are classified on the accompanying statement of net position as follows:

Unrestricted cash and cash equivalents	\$	546,722,913
Restricted/designated cash equivalents and specific investments		1,702,035,702
Other specific investments		44,190,784
		2,292,949,399
Cash in bank		32,979,161
Cash on hand		42,653
		\$ 2,325,971,213

Restricted cash, cash equivalents, and specific investments are defined as funds that have been established to comply with restrictions that have been imposed externally through law, administrative action, or contractual agreements. Restricted funds can only be used for the purpose for which they were established until the restrictions are removed by the party that imposed them or the contractual agreement that created them has expired or been satisfied.

Designated cash, cash equivalents, and specific investments are defined as funds for which the Districts' Boards have imposed restrictions on the use of the funds for specific purposes such as capital facilities, land acquisition, and repair/replacement of existing assets. The Board may designate these purposes either through specific action or through approval of the annual budget. These funds have no legal constraints and each District's Board has the discretion to amend the actual or intended use of these funds.

Cash, cash equivalents, and specific investments that do not meet the definition of restricted or designated are classified as unrestricted. The total restricted and designated cash, cash equivalents, and specific investments are comprised of the following at June 30, 2021:

	Fund Type	Cash and Cash Equivalents	Specific Investments	Total
Bond Proceeds with Trustee	Restricted	\$ 7,679	-	7,679
Capital Improvement	Restricted	293,557,593	86,670,482	380,228,075
Capital Projects Financial Stability	Designated	158,033,429	52,202,338	210,235,767
Closure/Postclosure Reserves	Restricted	197,005,642	222,012,184	419,017,826
Corrective Action	Restricted	637,538	2,880,889	3,518,427
Emergency	Designated	13,884,296	-	13,884,296
Vacation/Sick Leave	Designated	30,430,897	-	30,430,897
Liability Reserve	Designated	12,643,682	6,026,394	18,670,076
O&M Financial Stability	Designated	189,658,859	137,177,495	326,836,354
Other	Both	10,954,319	957,424	11,911,743
Site Development	Restricted	37,638,124	242,313	37,880,437
Backup Post Closure Reserve	Designated	149,453,904	99,960,221	249,414,125
		\$ 1,093,905,962	608,129,740	1,702,035,702

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

#### Cash in Bank

At June 30, 2021, the Districts' cash in bank deposits was \$32,979,161. All deposits are entirely insured or collateralized. The California Government Code requires California banks and savings and loan associations to secure Districts' deposits by pledging government securities as collateral. The fair value of pledged securities must equal at least 110% of the Districts' deposits. California law also allows financial institutions to secure Districts' deposits by pledging first trust deed mortgage notes having a value of 150% of the Districts' total deposits. The Districts may waive collateral requirements for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

#### Cash on Hand

At June 30, 2021, the Districts had imprest cash funds in the amount of \$42,653.

#### Cash and Cash Equivalents

Cash consists of deposits in the interest-bearing Los Angeles County Pooled Surplus Investment Fund. Investments are stated at fair value. The fair value of the Districts' position in the pool is the same as the value of the pool shares. The Districts maintain separate balances for the individual Districts, and investment income is allocated on a pro rata basis. Because the Districts' deposits are maintained in a recognized pooled investment fund under the care of a third party and the Districts' share of the pool does not consist of specific, identifiable investment securities owned by the Districts, no disclosure of the individual deposits or investments is required under generally accepted accounting principles. The Districts' deposits in the fund are considered liquid.

Cash equivalents consist of investments in First American Government Obligation Mutual Fund. Investments are stated at fair value. The fair value of the Districts' position in the pool is the same as the value of the pool shares. The Districts maintain separate balances for the individual Districts, and investment income is allocated on a pro rata basis. Because the Districts' deposits are maintained in a recognized pooled investment fund or in a mutual fund under the care of third parties and the Districts' share of the funds do not consist of specific, identifiable investment securities owned by the Districts, no disclosure of the individual deposits and investments is required under generally accepted accounting principles. The Districts' deposits in these funds are considered liquid.

#### Specific Investments

These represent investments in U.S. Agency securities, AA-rated medium-term corporate notes, and A-rated medium-term corporate notes.

#### Bond Funds with Trustee

The revenue bond indenture agreements require the independent bond trustee to hold bond funds in restricted-use accounts (see Note 8). The Districts hold monies to be used to: (a) finance the costs of acquisition, construction, and installation of certain additional improvements to the sewerage treatment and disposal facilities; (b) finance the cost of construction of a gas-to-energy facility; and (c) fund reserve accounts for debt service. At June 30, 2021, bond funds of \$7,679 are invested in First American Government Obligation Mutual Fund, as permitted by the bond indentures.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

#### (4) Service Charges

The Districts assess service charges against property owners for use of the Districts' sewerage system as a means of offsetting the cost of providing sanitation facilities. These service charges are collected through the County of Los Angeles property tax billing system pursuant to Section 5473 of the California Health and Safety Code. Service charge rates are adopted annually as part of the budget for individual districts. At the end of each year, the County of Los Angeles provides the outstanding service charge assessments, which are recorded as receivables. For the fiscal year ended June 30, 2021, the Districts assessed \$403,088,934 with a 3% delinquency rate.

#### (5) Property Taxes

The County is permitted by the California Constitution (Proposition 13) to levy taxes on real property up to one percent of full cash value (determined at time of purchase) and subsequent assessed values may increase no more than two percent per year unless there is a change in ownership or completion of new construction. The Districts receive a share of these tax revenues in accordance with provisions of Section 26912 of the Government Code and Section 95-100 of the Revenue and Taxation Code.

##### Taxes Become a Lien

All tax liens attach annually on the first day in January preceding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property as they exist on that date. The lien against real estate or the tax on personal property is not relieved by subsequent removal or change of ownership, and the Tax Collector cannot accept payment for taxes on real property unless the personal property tax indicated on the tax bill has been paid or is tendered. Secured property taxes are a lien against real property. Tax levies cover the fiscal year period July 1 to June 30; for instance, the 2020 tax levy is for the fiscal year 2020-2021.

##### Delinquency and Penalty

Taxes on the secured roll may be paid in two installments due November 1 and February 1. Taxes due on November 1 become delinquent if payment is not made or postmarked by December 10; and taxes due on February 1 become delinquent if payment is not made or postmarked by April 10. If December 10 or April 10 fall on Saturday, Sunday, or a legal holiday, the delinquency date is extended to the next business day. The entire tax on real property may be paid with the first installment.

Unsecured personal property taxes are not a lien against real property and are due on the first of January each year. These taxes become delinquent if not paid or postmarked by August 31. If August 31 falls on Saturday, Sunday, or a legal holiday, the delinquency date is extended to the next business day. If taxes are not paid by October 31, an additional penalty of 1.5% per month will accrue. Delinquent penalties of 10% are added to any unpaid secured and/or unsecured property taxes if received after the grace period.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

#### (6) Accounts Receivable

Accounts receivable is composed of the following:

	2021	2020
Sale of commodities	\$ 716,371	123,499
Sale of energy	4,424,370	4,782,112
Industrial waste surcharge	18,685,766	20,719,168
Tipping fees, net of allowance	4,957,032	8,315,083
Other	3,494,896	2,869,787
<b>Total accounts receivable</b>	<b>\$ 32,278,435</b>	<b>36,809,649</b>

#### (7) Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021 was as follows (in thousands):

	June 30, 2020	Increases	Decreases	June 30, 2021
Capital assets, not being depreciated:				
Construction in progress (see note 16)	\$ 546,342	189,318	(137,054)	598,606
Land	220,790	227	-	221,017
<b>Total capital assets, not being depreciated</b>	<b>767,132</b>	<b>189,545</b>	<b>(137,054)</b>	<b>819,623</b>
Capital assets, being depreciated or amortized:				
Buildings and equipment	88,235	810	-	89,045
Capital improvements	546,295	41	-	546,336
Composting facility	123,416	649	-	124,065
Disposal rights	94,274	2,375	-	96,649
Equipment pool	75,221	4,002	(5,887)	73,336
Gas-to-energy facilities	217,148	4,545	-	221,693
Other	52,889	1,646	-	54,535
Rail facilities	110,372	113,472	-	223,844
Recycling and transfer facilities	74,399	2,946	-	77,345
Treatment plants	2,125,389	77,271	-	2,202,660
Trunk lines	1,465,110	20,283	-	1,485,393
Use rights	69,780	-	-	69,780
<b>Total capital assets, being depreciated or amortized</b>	<b>5,042,528</b>	<b>228,040</b>	<b>(5,887)</b>	<b>5,264,681</b>
Accumulated depreciation and amortization:				
Buildings and equipment	(54,595)	(2,576)	-	(57,171)
Capital improvements	(449,735)	(1,556)	-	(451,291)
Composting facility	(16,009)	(3,104)	-	(19,113)
Disposal rights	(43,192)	(2,248)	-	(45,440)
Equipment pool	(36,025)	(5,107)	4,909	(36,223)
Gas-to-energy facilities	(144,848)	(5,116)	-	(149,964)
Other	(24,378)	(1,929)	-	(26,307)
Rail facilities	(4,810)	(13,936)	-	(18,746)
Recycling and transfer facilities	(26,620)	(1,833)	-	(28,453)
Treatment plants	(851,853)	(54,615)	-	(906,468)
Trunk lines	(609,951)	(22,086)	-	(632,037)
Use rights	(26,765)	(51)	-	(26,816)
<b>Total accumulated depreciation and amortization</b>	<b>(2,288,781)</b>	<b>(114,157)</b>	<b>4,909</b>	<b>(2,398,029)</b>
<b>Total capital assets, being depreciated, net</b>	<b>2,753,747</b>	<b>113,883</b>	<b>(978)</b>	<b>2,866,652</b>
<b>Total capital assets, net</b>	<b>\$ 3,520,879</b>	<b>303,428</b>	<b>(138,032)</b>	<b>3,686,275</b>

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

Depreciation and amortization expense have been charged to the Districts' various operations as follows:

Sewerage Operations	\$	82,402
Solid Waste Facilities Operations		21,031
Trustee Solid Waste Operations		3,140
Service Operations		<u>7,584</u>
Total depreciation and amortization expense	\$	<u>114,157</u>

#### (8) Long-Term Debt

##### Revenue Bonds-Other Debt

In July 2011, the Authority issued \$130,615,000 of 2011 Series A Capital Projects Senior Ad Valorem Obligation Bonds (2011 Series A Bonds). The proceeds of the 2011 Series A Bonds were used to refund and defease a portion of the Authority's outstanding 2003 Series A Bonds and pay costs of issuance. These serial bonds mature in varying amounts on October 1 in years 2014 through 2023 at coupon rates ranging from 2.5% to 5.0%. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$12.5 million and resulted in an economic gain of \$10.6 million. In March 2017, Standard & Poor's upgraded its rating of the 2011 Series A Bonds to AAA from AA+. On October 1, 2020, the Districts defeased all outstanding balances of the 2011 Series A Ad Valorem Obligation Bonds. The principal amount defeased was \$21,890,000. This action released the 22 Participating Districts from pledges, obligations, and unfavorable covenants, as well as, allowed the Districts to take advantage of low interest rates.

In July 2013, the Authority issued \$107,620,000 of 2013 Series A Capital Projects Senior Ad Valorem Obligation Bonds (2013 Series A Bonds). The proceeds of the 2013 Series A Bonds were used to refund and defease the remaining portion of the Authority's outstanding 2003 Series A Bonds at substantially lower interest rates and pay costs of issuance. These serial bonds mature in varying amounts on October 1 in the years 2013 through 2021 at coupon rates ranging from 1.0% to 5.0%. In March 2017, Standard & Poor's upgraded its rating of the 2013 Series A Bonds to AAA from AA+. On October 1, 2020, the Districts defeased all outstanding balances of the 2013 Series A Ad Valorem Obligation Bonds. The principal amount defeased was \$2,795,000. This action released the 22 Participating Districts from pledges, obligations, and unfavorable covenants, as well as, allowed the Districts to take advantage of low interest rates.

In July 2015, the Authority issued \$149,940,000 of 2015 Series A Capital Projects District No. 14 Subordinate Revenue Bonds (2015 Series A Bonds). The proceeds of the 2015 Series A Bonds were used to refund and defease the Authority's outstanding 2005 Series B Subordinate Bonds and to pay costs of issuance. These serial bonds mature in varying amounts on October 1 in the years 2015 through 2035 at coupon rates ranging from 2.0% to 5.0%. In March 2017, Standard & Poor's upgraded its rating of the 2015 Series A Bonds to AA- from A+.

In November 2016, the Authority issued \$170,265,000 of 2016 Series A Capital Projects District No. 20 Revenue Bonds (2016 Series A Bonds). The proceeds of the 2016 Series A Bonds were used to refund all of the Authority's outstanding 2005 Series A Bonds, refund all of the Authority's outstanding 2007 Series A Bonds, refinance certain improvements to the Sewerage System of District No. 20 by prepaying in full District No. 20's outstanding Clean Water State Revolving Fund Loan, and pay costs of issuance. These serial bonds mature in varying amounts on October 1 in the years 2017 through 2036

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

at coupon rates ranging from 3.0% to 5.0%. The 2016A Bonds are rated A+ by Standard & Poor's and AA- by Fitch Ratings.

The bonds are secured by a pledge of revenue and a covenant to set rates sufficient to make all bond obligation payments, including operation and maintenance costs, and that net revenues will at least equal the sum of (a) 120% of debt service on senior obligations for such fiscal year, and (b) 110% of debt service on subordinate obligations for such fiscal year.

Revenue bond debt obligations contain provisions providing: (a) if one or more Districts fail to pay installment obligations, then each non-defaulting District is obligated to pay an additional amount up to 20% of the amount payable by the non-defaulting District; (b) in the event of default by all Districts, any and all amounts related to the defaulted obligation become immediately due and payable; and (c) if an individual District is in default of any senior obligation, including state loans, all amounts due and payable with respect to such senior obligation become immediately due and payable.

#### Bonds-Direct Placement

In November 2008, the Authority executed a direct placement of \$19,661,583 in 2008 Series A Clean Renewable Energy Bonds (CREB's). The proceeds of the bonds were used to pay a portion of the cost of acquiring, constructing, and installing the Calabasas Gas-to-Energy Facility. The CREB's were issued at a rate of 1.25% per annum and mature on December 15, 2021.

The indenture and related agreements (Agreements) executed in conjunction with the issuance of the CREB's contain provisions to accelerate payment of outstanding principal and interest if an event of default occurs and is not cured within 30 days. Events of default include the failure to timely pay principal and interest payments, violation of any of the Agreements' covenants, or the filing of a petition or answer by the Authority seeking arrangement or reorganization under the federal bankruptcy laws. There is also a provision in the Agreements for the Authority to make an additional payment to the bond holders if the Authority's action or inaction results in the CREB's losing their Clean Renewable Energy Bond status as defined by Section 54 of the Internal Revenue code. This additional payment would equal to the amount required to result in an effective yield of 7.7229% to the affected bond owners. To date, there has not been an event of default, and the CREB's have not lost their CREB status with the IRS.

The CREB's are secured by a pledge of funds designated for CREB repayment.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

#### Total Bond Indebtedness

The Districts' bond indebtedness is summarized as follows:

		Balance at June 30, 2020	Additions	Redemptions	Balance at June 30, 2021	Due Within One Year
2008 Series A	Direct Placement	\$ 2,808,799	-	(1,404,400)	1,404,399	1,404,399
2011 Series A	Revenue Bonds	48,760,000	-	(48,760,000)	-	-
2013 Series A	Revenue Bonds	6,830,000	-	(6,830,000)	-	-
2015 Series A	Revenue Bonds	133,185,000	-	(3,425,000)	129,760,000	3,600,000
2016 Series A	Revenue Bonds	160,465,000	-	(3,600,000)	156,865,000	4,045,000
		<u>\$ 352,048,799</u>	<u>-</u>	<u>(64,019,400)</u>	<u>288,029,399</u>	<u>9,049,399</u>
Plus unamortized premium		29,464,359	-	(4,993,302)	24,471,057	-
Bonds payable, net		<u>\$ 381,513,158</u>	<u>-</u>	<u>(69,012,702)</u>	<u>312,500,456</u>	<u>9,049,399</u>

#### Total Bond Debt Outstanding

The annual requirements to satisfy all bond debt outstanding as of June 30, 2021, are as follows:

Fiscal year ending June 30:	Revenue Bonds		Direct Placements		Total	
	Interest	Principal	Interest	Principal	Interest	Principal
2022	\$ 13,233,119	7,645,000	8,778	1,404,399	13,241,897	9,049,399
2023	12,840,119	8,075,000	-	-	12,840,119	8,075,000
2024	12,425,994	8,490,000	-	-	12,425,994	8,490,000
2025	11,976,619	9,485,000	-	-	11,976,619	9,485,000
2026	11,490,244	9,970,000	-	-	11,490,244	9,970,000
2027-2031	48,406,470	66,640,000	-	-	48,406,470	66,640,000
2032-2036	27,538,570	109,130,000	-	-	27,538,570	109,130,000
2037-2041	8,992,497	46,035,000	-	-	8,992,497	46,035,000
2042-2043	854,700	21,155,000	-	-	854,700	21,155,000
	<u>\$ 147,758,332</u>	<u>286,625,000</u>	<u>8,778</u>	<u>1,404,399</u>	<u>147,767,110</u>	<u>288,029,399</u>
Unamortized premium	-	24,471,057	-	-	-	24,471,057
Bonds payable, net	<u>\$ 147,758,332</u>	<u>311,096,057</u>	<u>8,778</u>	<u>1,404,399</u>	<u>147,767,110</u>	<u>312,500,456</u>

#### State Water Resources Control Board-Direct Borrowing

The Districts also have state revolving fund loans payable to the State Water Resources Control Board, issued at rates ranging from 1.7% to 2.8%. These loan funds are received on an installment basis as the Districts incur the related expenses and are repaid over a period not exceeding 30 years. The funds are utilized in the construction and expansion of wastewater conveyance and reclamation facilities.

Loans are secured by a pledge of net revenue and operating funds. The loans contain provisions that if any participating District fails to make scheduled payments, the State may assess penalties and proceed with legal action to enforce remedies. Further, a default in any senior loan payment may result in accelerated revenue bond payments. As of June 30, 2021, undrawn credit of \$6,092,507 was available for the San Jose Creek East Flow Equalization loan.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

The Districts' indebtedness to the State is summarized as follows:

Description	Balance at July 1, 2020	Drawdowns/ Capitalized Interest	Redemptions	Balance at June 30, 2021	Due Within One Year
Alamitos Pumping Plant Force Main No. 2	\$ 662,326	-	45,956	616,370	46,737
Biological Reactors/Secondary Clarifiers	18,603,262	-	6,054,614	12,548,648	6,199,925
Central Odor Control System	2,870,497	-	574,099	2,296,398	574,099
Cryogenic Oxygen Generation	3,603,867	-	1,201,289	2,402,578	1,201,289
Digestion Tanks 17-23	10,634,465	-	2,658,616	7,975,849	2,658,616
Environmental Laboratory Building	1,927,469	-	481,867	1,445,602	481,867
Fuel Gas Compressor Upgrade	110,441	-	36,813	73,628	36,813
Heat Recovery Steam Generation Equipment	1,518,700	-	216,957	1,301,743	216,957
High-Speed Scroll Centrifuges Purch & Install	1,161,477	-	232,295	929,182	232,295
Install of Secondary Infl Pumping Equip Stg II	405,639	-	81,128	324,511	81,128
Installation of Secondary Influent Pumping Equip	713,805	-	237,935	475,870	237,935
JO "A" Unit 1A - Dist 5 Interceptor Trunk Sewer	10,264,552	-	546,432	9,718,120	557,907
JO "A" Unit 6 Rehabilitation	11,566,166	-	311,880	11,254,286	317,182
JO "B" Unit 1A Rehabilitation	9,761,003	-	275,096	9,485,907	279,773
JO "D" Units 7&8 Rehabilitation	8,365,061	-	235,754	8,129,307	239,762
Lancaster - Rosamond Outfall & TS, Phase 1	2,861,413	-	381,423	2,479,990	390,195
Lancaster - Rosamond Outfall & TS, Phase 2	4,971,576	-	662,705	4,308,871	677,947
Lancaster - Rosamond Outfall & TS, Phase 3	4,560,514	-	607,911	3,952,603	621,893
Lancaster WRP Stage V Expansion	50,147,863	-	3,614,575	46,533,288	3,708,554
Long Beach Main PP Facility Upgrades	39,426,124	-	1,857,644	37,568,480	1,892,939
Long Beach WRP Aeration System	69,096	-	23,032	46,064	23,032
Long Beach WRP Ammonia Addition Station	208,550	-	52,137	156,413	52,137
Long Beach WRP NDN Facilities	1,900,669	-	237,584	1,663,085	33,632
Long Beach WRP NDN Facilities Equip. Purch.	100,894	-	33,632	67,262	237,584
Los Coyotes WRP Ammonia Addition Station	302,150	-	75,537	226,613	75,537
Los Coyotes WRP Interceptor Sewer Rehab Phase	7,660,084	-	607,363	7,052,721	623,762
Los Coyotes WRP NDN Facilities	7,015,528	-	876,941	6,138,587	876,941
Modification of Biological Reactors	8,670,491	-	2,091,130	6,579,361	2,141,318
Modifications of Electrical Power	611,072	-	203,690	407,382	203,690
Pomona WRP NDN Facilities	1,232,885	-	308,222	924,663	308,222
Pomona WRP NDN Facilities Equip. Purch.	45,655	-	11,414	34,241	11,414
Power Generation Equipment Purchase	1,956,734	-	652,244	1,304,490	652,244
Power Generation Steam Turbine Generator	1,131,638	-	161,662	969,976	161,662
Primary Screenings and Grit Dewatering Fac.	1,758,517	-	586,172	1,172,345	586,172
Primary Tank Covers	452,610	-	223,621	228,989	228,988
Purch of Secondary Infl Pump Station Equip	2,738,696	-	547,739	2,190,957	547,739
Relocating and Installing High-Speed Centrifuge	316,358	-	105,453	210,905	105,453
San Jose Creek East Flow Equalization	19,601,773	3,571,141	-	23,172,914	-
San Jose Creek WRP NDN Fac. Equip Purch	384,090	-	76,818	307,272	76,818
San Jose Creek WRP NDN Facilities	2,611,480	-	522,296	2,089,184	522,296
Saugus WRP Equipment Purchases	445,649	-	89,130	356,519	89,130
Secondary Effluent Pumps	224,857	-	73,037	151,820	74,936
Silo Odor Control Facilities, Phase I	1,389,511	-	347,378	1,042,133	347,378
Silo Odor Control Facilities, Phase II	982,613	-	163,769	818,844	163,769

(continued on following page)

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

Description	Balance at July 1, 2020	Drawdowns/ Capitalized Interest	Redemptions	Balance at June 30, 2021	Due Within One Year
Valencia WRP Stage V Expansion	\$ 211,540	-	70,514	141,026	70,514
Valencia WRP Stage V	9,310,944	-	2,327,736	6,983,208	2,327,736
Valencia WRP Steam Boiler Upgrade	3,222,870	-	205,838	3,017,032	209,338
Waste Activated Sludge Thickening Expansion	628,657	-	209,552	419,105	209,552
Whittier Narrows WRP NDN Facilities	2,160,251	-	216,025	1,944,226	216,025
Wright Road Trunk Sewer Repair	390,682	-	31,137	359,545	31,945
	<u>261,872,764</u>	<u>3,571,141</u>	<u>31,445,792</u>	<u>233,998,113</u>	<u>31,862,777</u>
Less unamortized discount	<u>(10,076,791)</u>	<u>-</u>	<u>(2,269,991)</u>	<u>(7,806,800)</u>	<u>-</u>
Loans payable to State, net	<u>\$ 251,795,973</u>	<u>3,571,141</u>	<u>29,175,801</u>	<u>226,191,313</u>	<u>31,862,777</u>

(continued on following page)

The annual debt service requirements as of June 30, 2021, for the Districts' indebtedness to the State are as follows:

Fiscal year ending June 30:	Interest	Principal	Total
2022	\$ 5,865,629	31,862,777	37,728,406
2023	6,307,314	32,194,211	38,501,525
2024	4,861,973	23,140,291	28,002,264
2025	3,525,067	14,871,229	18,396,296
2026	3,101,208	12,994,659	16,095,867
2027-2031	9,992,120	54,951,339	64,943,459
2032-2036	4,652,202	32,293,953	36,946,155
2037-2041	2,274,624	12,013,163	14,287,787
2042-2046	1,372,826	10,308,221	11,681,047
2047-2051	494,054	7,713,003	8,207,057
2052-2056	42,003	1,655,267	1,697,270
	<u>\$ 42,489,020</u>	<u>233,998,113</u>	<u>276,487,133</u>
Unamortized discount	<u>-</u>	<u>(7,806,800)</u>	<u>(7,806,800)</u>
Loans payable to State, net	<u>\$ 42,489,020</u>	<u>226,191,313</u>	<u>268,680,333</u>

### (9) Insurance

The Districts are exposed to various risks of loss that are managed through a combination of insurance with deductibles, self-insurance, and employee education and prevention programs. Expenses and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are also considered.

The Districts are self-insured for workers' compensation benefits. As of June 30, 2021, the liability for workers' compensation claims was estimated at \$9,202,552. Accordingly, this amount has been accrued in the accompanying basic financial statements. At June 30, 2021, there were no reportable claims other than workers' compensation benefits as follows:

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

	2021	2020
Unpaid claims, beginning of fiscal year	\$ 9,423,976	11,081,926
Incurred claims	1,779,229 *	130,789
Claim payments	<u>(2,000,653)</u>	<u>(1,788,739)</u>
Unpaid claims, end of fiscal year	<u>\$ 9,202,552</u>	<u>9,423,976</u>
Due within one year	\$ 2,300,593	2,376,278

\*Includes both new claims and change in estimated liability for existing claims.

The Districts are insured for a variety of potential exposures. The following is a summary of the insurance policies carried by the Districts as of June 30, 2021:

Type of Insurance	Limits
Property Policy - (Fire and Theft)	
Building and Business Personal - Blanket	\$511,244,759
Deluxe Business Income & Extra Expense	10,000,000
Property Policy - (Fire and Theft) CALF/Saugus	
Building and Business Personal - Blanket	\$4,799,348
Property Policy - (Fire and Theft) Valencia	
Building and Business Personal - Blanket	\$19,373,165
Pollution Legal Liability	\$5,000,000
Drone Liability	\$1,000,000
General Liability - <b>IERCF</b>	\$1,000,000
Gap Coverage	\$4,000,000 excess of \$1,000,000
Automobile Liability	\$1,000,000
All Risk - (Boiler and Machinery)	
PERG, Total Energy	\$100,000,000
Property Damage & Business Interruption	\$100,000,000
Deductible - All Turbine Generators at PERG	
Sub Limits:	\$176,454,270
Business Interruption	14,173,270
Extra Expense	22,300,000
Extra Expense	5,000,000
Hull and Machinery - (Vessel Liability)	
66' Westport	\$500,000
25' Farallon	\$45,000
Boston Whaler	\$2,500
Protection and Indemnity	\$1,000,000
Excess Protection and Indemnity	\$9,000,000 excess of \$1,000,000

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

Type of Insurance	Limits
Fiduciary Liability - (Deferred Comp. Program)	\$1,000,000
Crime Policy - (Employee Theft)	\$5,000,000
Excess Liability - (General Liability)	\$10,000,000 \$5,000,000 excess of \$15,000,000
Property Insurance - <b>IERCF</b>	\$50,000,000 \$50,000,000 \$25,000,000 excess of \$50,000,000
Values	\$112,856,191

#### (10) Litigation

The Districts are defendants in various litigation matters arising from the normal conduct of business. Among these matters, Westlake Farms vs County Sanitation District No. 2 of Los Angeles County (Westlake) was heard by a jury in San Luis Obispo Superior Court in September and October of 2021. A preliminary verdict was rendered and settlement proposals from all parties were heard by the court in December 2021. The plaintiffs in this case seek monetary damages up to \$88 million, but at this time the matter is unresolved, and a good estimate of potential damages cannot be made. The District has vigorously defended the Westlake matter and intends to continue. It is the opinion of the Districts' legal counsel that the resolution of the Westlake matter, and all other litigation matters, are not likely to have a material adverse effect on the Districts' overall financial condition.

#### (11) Defined Benefit Pension Plan

##### Plan Description

The Districts' defined benefit pension plan, Public Employees' Retirement System (PERS), is available to all qualified permanent and probationary employees. PERS is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public entities within the State of California (State). Benefit provisions and all other requirements are established by State statute. CalPERS issues an annual report that includes financial statements and required supplementary information. That report may be obtained from the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov) or by calling 888-CalPERS (or 888-225-7377).

##### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (or age 52 if hired on or after January 1, 2013) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

The Plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5-years service	5-years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.00% <sup>(1)</sup>	6.50%

The required employer blended contribution rate is 9.107%

<sup>(1)</sup> Employees hired prior to January 1, 2013, are required to contribute 1/2% of their total CalPERS reportable compensation toward the unfunded accrued liability (UAL) if the District's employer CalPERS cost, as a percentage of payroll, is 25% or greater. If the cost is 30% or greater, the contribution rate will be 1%.

#### Employees Covered

The following employees were covered by the benefit terms for each Plan as of June 30, 2020, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	1,738
Inactive employees or beneficiaries entitled to but not yet receiving benefits	505
Active employees not receiving benefits	1,663
	3,906

#### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that employer contribution rates for all public employers be determined annually based on an actuarial study and shall be effective on July 1 following notice of a change in rate. Funding contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Districts are required to contribute the difference between the actuarially determined rate and the contribution rate of the employees.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

#### Net Pension Liability

The Districts' net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net position liability is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using standard actuarial methods. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry-age Normal Cost Method
Actuarial assumptions	
Discount rate	7.15%
Inflation	2.50% per annum
Payroll growth	3.00%
Projected salary increases	Varies by entry age and service
Mortality	Derived by using CalPERS membership data for all funds

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019, valuation were based on 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more information, please refer to the December 2017 experience study report that can be found on the CalPERS website.

#### Discount Rate and Rate of Return

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

The table below reflects the expected real rates of return by asset class.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	50%	4.80%	5.98%
Global Fixed Income	28%	1.00%	2.62%
Private Equity	8%	6.30%	7.23%
Real Estate	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
	100%		

(a) Expected inflation of 2.0% used for this period

(b) Expected inflation of 2.92% used for this period

#### Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Plan are as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2020 <sup>(1)</sup>	\$ 1,825,293,599	1,418,885,771	406,407,828
Changes in the year:			
Service cost	25,258,197	-	25,258,197
Administrative expenses	-	(2,000,281)	2,000,281
Interest on the total pension liability	128,130,878	-	128,130,878
Difference between expected and actual experience	(115,510)	-	(115,510)
Changes in assumptions	-	-	-
Contributions-employer	-	41,493,975	(41,493,975)
Contributions-employee (paid by employer)	-	11,564,538	(11,564,538)
Net investment income	-	70,283,946	(70,283,946)
Other miscellaneous income/(expense)	-	-	-
Benefit payments, including refunds	(91,533,867)	(91,533,867)	-
Net Changes	61,739,698	29,808,311	31,931,387
Balance at June 30, 2021 <sup>(2)</sup>	\$ 1,887,033,297	1,448,694,082	438,339,215

<sup>(1)</sup> Measurement date June 30, 2019

<sup>(2)</sup> Measurement date June 30, 2020

## LOS ANGELES COUNTY SANITATION DISTRICTS

Notes to Basic Financial Statements, Continued

### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Districts Plan calculated using the current discount rate and using a discount rate 1% lower and 1% higher than the current rate.

	1% Decrease	Current Rate	1% Increase
Discount Rate	6.15%	7.15%	8.15%
Net pension liability	\$ 679,686,462	438,339,215	237,477,416

### Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

### Pension Expenses and Deferred Outflow/Inflow of Resources

For the fiscal year ended June 30, 2021, the Districts recognized pension expense of \$63,796,689. At June 30, 2021, the Districts reported deferred outflow of resources and deferred inflow of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Pension contributions subsequent to measurement date	\$ 45,869,913	-
Changes in assumptions	6,805,339	(3,119,224)
Difference between expected and actual experiences	1,529,982	(7,301,506)
Net difference between projected and actual pension plan investments	10,817,534	-
Total	\$ 65,022,768	(10,420,730)

Deferred outflow of resources of \$45,869,913 are related to contributions made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Pension Expense
2022	\$ (7,236,738)
2023	2,552,301
2024	7,502,814
2025	5,913,748
Total	\$ 8,732,125

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

#### Payable to the Pension Plan

The Districts did not have an outstanding amount due for required contributions to the pension plan for the fiscal year ended June 30, 2021.

#### (12) Other Postemployment Benefits (OPEB) Plan

##### Plan Description

The Districts provide health care and dental benefits for qualifying retired employees and their dependents or survivors. The Districts have entered into a prefunding plan for their OPEB plan with the CalPERS California Employer's Retiree Benefit Trust Program (CERBT). The prefunding plan is a trust fund that is intended to perform an essential governmental function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 45 consisting of an aggregation of single-employer plans, with pooled administrative and investment functions. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for CERBT. The report may be obtained by accessing the Forms & Publication Center of the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov) or by calling 888-CalPERS (or 888-225-7377).

##### Benefits Provided

Employees hired prior to July 1, 2011 (September 1, 2015, for Technical Support unit), who retire (service or disability) directly from the Districts with a minimum of 5 years of Districts service are eligible for other postemployment benefits. The Districts pay retiree and dependent medical premiums up to the Kaiser Permanente premium cap (greater of Los Angeles or Other Southern California premium) depending on employee classification:

		Hourly <u>Employees</u>	Monthly <u>Employees</u>
2020	\$	664.39	1,634.81
2021	\$	669.84	1,649.00

The Districts contribute the greater of the cap above and the State 100/90 premium for employees hired on or after July 1, 2011 (September 1, 2015, for Technical Support unit employees). Benefits are 50% vested after 10 years of CalPERS service with a minimum of 5 years of Districts service and reach full vesting at 20 years of CalPERS service. Disability retirement qualifies for 100% vested benefit.

		<u>Single</u>	<u>2-Party</u>	<u>Family</u>
2020	\$	767.00	1,461.00	1,868.00
2021	\$	798.00	1,519.00	1,937.00

The Districts pay dental premiums up to \$31.25 monthly.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

#### Employees Covered

The following employees were covered by the benefit terms for each Plan as of June 30, 2020, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	1,409
Inactive employees or beneficiaries entitled to but not yet receiving benefits	93
Active employees not receiving benefits	1,644
	<u>3,146</u>

#### Contributions

The obligation of the Districts to contribute to plan benefits is established and can be amended by Districts Boards action. Employees are not required to contribute to the plan. For the fiscal year ended June 30, 2021, the Districts total employer contribution to the plan was \$23,384,874.

#### Net OPEB Liability

The Districts' net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. A summary of principal assumptions and methods used to determine the net OPEB liability is shown below.

#### Actuarial assumptions

Discount rate	6.75%
Inflation	2.75% per annum
Aggregate payroll increases	3.00%
Expected long-term investment rate of return	6.75%, net of investment expenses
Mortality, termination, and disability	CalPERS 1997-2015 Experience Study
Mortality improvement scale	Mortality projected fully generational with Scale MP-2019
Healthcare trend rate	Non-Medicare-7.25% for 2021, decreasing to 4% for 2076 and later Medicare-6.3% for 2021, decreasing to 4% for 2076 and later

#### Discount Rate and Rate of Return

The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total liability.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimate of real rates of return for reach major asset class are summarized in the following table.

Asset Class	Target Allocation	Expected Real Rate of Return
Equities	59%	4.82%
Fixed income	25%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
Assumed long-term rate of inflation		2.75%
Expected long-term net rate of return, rounded		6.75%

#### Changes in the Net OPEB Liability

The changes in the Net OPEB Liability for the Plan are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2020 <sup>(1)</sup>	\$ 388,896,309	202,063,027	186,833,282
Changes in the year:			
Service cost	10,208,395	-	10,208,395
Administrative expenses	-	(135,852)	135,852
Interest on the total OPEB liability	26,375,707	-	26,375,707
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions-employer	-	25,308,182	(25,308,182)
Net investment income	-	7,364,480	(7,364,480)
Benefit payments, including refunds	(16,706,986)	(16,706,986)	-
Net Changes	19,877,116	15,829,824	4,047,292
Balance at June 30, 2021 <sup>(2)</sup>	\$ 408,773,425	217,892,851	190,880,574

<sup>(1)</sup> Measurement date June 30, 2019

<sup>(2)</sup> Measurement date June 30, 2020

#### Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Districts calculated using the current discount rate, as well as what the Districts' net OPEB liability would be if it were calculated using a discount rate 1% lower or 1% higher than the current rate.

	1% Decrease	Current Rate	1% Increase
Discount Rate	5.75%	6.75%	7.75%
Net OPEB liability	\$ 247,655,129	190,880,574	144,319,602

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

#### Sensitivity of the OPEB Liability to Changes in the Healthcare Trend Rate

The healthcare trend rates used to calculate the total OPEB liability were 7.25% for Medicare and 6.3% for non-Medicare for 2021, with both decreasing to an ultimate rate of 4% in 2076. The following presents the net OPEB liability of the Districts calculated using the current healthcare trend rates, as well as what the Districts' net OPEB liability would be if it were calculated using a rate 1% lower or 1% higher than the current rate.

	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 136,854,788	190,880,574	258,121,708

#### OPEB Plan Fiduciary Net Position

Detailed information about each OPEB plan's fiduciary net position is available in the separately issued CalPERS financial reports.

#### OPEB Expenses and Deferred Outflow/Inflow of Resources

For the fiscal year ended June 30, 2021, the Districts recognized OPEB expense of \$14,800,402. At June 30, 2021, the Districts reported deferred outflow of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
OPEB contributions subsequent to measurement date	\$ 23,384,874	-
Changes in assumptions	-	6,049,259
Difference between expected and actual experiences	-	24,390,054
Net difference between projected and actual OPEB plan investments	3,859,216	-
Total	\$ 27,244,090	30,439,313

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

Deferred outflow of resources of \$23,384,874 are related to contributions made subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred inflow of resources related to OPEB will be an offset of OPEB expense as follows:

Year Ended June 30	OPEB Expense
2022	\$ (8,012,940)
2023	(6,918,942)
2024	(6,548,568)
2025	(5,099,647)
Total	\$ <u>(26,580,097)</u>

#### (13) Employee Deferred Compensation Plan

All monthly and hourly employees are eligible to participate in the Sanitation Districts of Los Angeles County Deferred Compensation Plan (Plan). The Plan was created in accordance with Internal Revenue Code Section 457(b). Pursuant to the Plan guidelines, a portion of an employee's compensation can be deferred to provide funds upon retirement, termination, reaching age 70½, unforeseeable emergencies, or designated beneficiaries at the time of death. The annual plan contribution limit is determined annually by the IRS and is \$19,500 for calendar year 2021.

At June 30, 2021, assets with a fair value of \$418,260,914 were held for the exclusive benefit of participants and their beneficiaries in the Plan's custodial accounts. Accordingly, such assets have been excluded from the accompanying basic financial statements.

#### (14) Compensated Absences

The changes to compensated absences balances at June 30, 2021, were as follows:

Balance at July 1, 2020	Earned	Taken	Balance at June 30, 2021	Due Within One Year
\$ 42,035,073	30,806,699	26,621,305	46,220,467	30,000,000

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

#### (15) Interdistrict Receivables, Payables, and Transfers

##### (A) Interdistrict Receivables and Payables

The interdistrict receivables and payables have been eliminated in the accompanying basic financial statements. The following summarizes interdistrict receivables and payables, which have been included in the Districts' combining financial statements, at June 30, 2021:

Receivable/(Payable) - Due To (From):	Payable/(Receivable) - Due From/(To) Service Operations for:						
	Advance Subsequent Month's Operations	Additional Liquidity	Unsettled Salaries and Benefits	Advance for Equipment Purchases	Obsolete Inventory	Unsettled Payment Corrections	Total Due From
Sewerage Operations	\$ 15,150,618	19,744,480	(1,003,157)	4,277,480	-	891,153	39,060,574
Stormwater Operations	-	10,440	5,465	-	-	-	15,905
Solid Waste Facilities Operations	773,307	3,384,845	(37,395)	47,110	(3,101,428)	2,424	1,068,863
Trustee Solid Waste Facilities Operations:	454,075	1,709,035	(120,366)	25,410	(204,180)	-	1,863,974
Total Payable/(Receivable) from Service Operations	\$ 16,378,000	24,848,800	(1,155,453)	4,350,000	(3,305,608)	893,577	42,009,316

##### (B) Fund Transfers

The interdistrict fund transfers have been eliminated in the accompanying basic financial statements. Fund transfers are made to facilitate operations and fund capital improvements for shared operations. The following summarized interdistrict fund transfers, which have been included in the Districts' combining financial statements, at June 30, 2021:

Transfers Out:	Transfers In:		
	Sewerage Operations	Service Operations	Net Transfers Out
Sewerage Operations	\$ -	2,854,104	2,854,104
Solid Waste Facilities Operations	-	299,817	299,817
Trustee Solid Waste Facilities Operations	-	193,330	193,330
Net Transfer In	\$ -	3,347,251	3,347,251

#### (16) Commitments and Contingencies

##### (A) Palos Verdes Landfill

The Palos Verdes Landfill discontinued accepting refuse material in December 1980 and is being maintained by the Districts under the terms of the long-term agreement with the County of Los Angeles.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

#### (B) Mission Canyon Landfill

The Joint Powers Agreement between the Districts and County of Los Angeles was amended to provide for the maintenance of the Mission Canyon Landfill. The amended agreement terminated the Districts' usufructuary rights to the landfill and the County has requested the Districts continue to perform ongoing operation and maintenance of the site at no cost to the Districts.

#### (C) Spadra Landfill

The Spadra Landfill discontinued accepting refuse material from the public in April 2000 and is being maintained by the Districts and the California State Polytechnic University, Pomona (Cal Poly), under the terms of the Spadra Landfill and Resource Conservation Agreement and Supplemental Agreement with Cal Poly. Pursuant to implementation of GASB 18, accrued liabilities for the cost of ultimate disposition have been established (see Note 18).

#### (D) Calabasas Landfill

In December 2005, the JPA was amended to provide financing for the ongoing operation of the Calabasas Landfill. The County of Los Angeles, through its Financing Authority, issued \$38.5 million of lease revenue bonds at coupon rates ranging from 3.5% to 4.25%. The proceeds from the bonds, maturing in 2022, are drawn down periodically by the Districts to fund future capital expenses at the landfill. Although landfill revenue in excess of operation and maintenance expenses has been pledged toward the debt repayment, the County has the sole responsibility for the bonded indebtedness, even if a shortfall in landfill revenue occurs. Because of this, the County assumed responsibility under the amended agreement for setting the tipping fees at the landfill. The Districts act solely as an advisor on the rates that would be necessary to generate sufficient revenue to pay for operation, maintenance, capital, and debt service.

#### (E) Construction in Progress

The Districts have been involved in various construction projects throughout the fiscal year. Accordingly, the Districts have several contractual commitments, since many of the projects are still in the construction phase. Construction projects are being funded by loans from the State Water Resources Control Board, revenue bonds, and Districts' operating funds.

### (17) Joint Ventures

The Districts have entered into three agreements that formed the basis of the following authorities: (1) the Southern California Coastal Water Research Project Authority (SCCWRPA); (2) the Southeast Resource Recovery Facility Authority (SERRF); and (3) the Inland Empire Regional Composting Authority (IERCA). The governing bodies of these authorities are appointed pursuant to each of the Joint Powers agreements. The budgeting and financing functions of SCCWRPA, SERRF, and IERCA are maintained by the individual authorities.

#### (A) SCCWRPA

The SCCWRPA's stated purpose is to increase the scientific knowledge of how treated wastewater discharges, stormwater discharges, and other human activities interact to affect Southern California's coastal aquatic ecological systems, and thereby to ensure protection of these resources. The boundaries of this SCCWRPA study area include the coastal waters from

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

the Ventura-Santa Barbara County line to the Mexican border, extending to, but not limited to, the outer edge of the coastal shelf.

The current sponsoring participants in this agreement are the Los Angeles County Sanitation Districts, the City of Los Angeles, the Orange County Sanitation District, and the City of San Diego and additional funding is provided by the County of Los Angeles, the County of Orange, the County of San Diego, and the County of Ventura. The Districts account for their contributions as operating expenses. Complete separate financial statements for SCCWRPA may be obtained at 3535 Harbor Blvd., Costa Mesa, California, 92626-1437.

#### (B) SERRF

The SERRF Authority was formed as a joint powers agency by an agreement between the Districts and the City of Long Beach (City). Subsequent to formation, lease revenue bonds were issued by the City to construct a waste-to-energy facility and to contract for the design, construction, and demonstration of such plant.

The City has contracted to lease the facility from the SERRF Authority for purposes of operating the facility. The City's lease payments to the SERRF Authority are sufficient to meet the SERRF Authority's debt service obligations on the bonds, plus pay the SERRF Authority's administrative and other costs. Lease overpayments, if any, are refunded to the City. The lease is to end when all bonds of the SERRF Authority have been retired or when the energy contract is terminated. The SERRF facility's operational revenues (i.e., tipping fees, sale of power) and expenses (i.e., labor) are accounted for in the City's Solid Waste Management Enterprise Fund.

The Districts account for this investment in SERRF using the cost method. The SERRF financial activity is included in the non-major proprietary fund titled *Solid Waste Management* in the financial statements of the City of Long Beach.

#### (C) IERCA

The Districts and the Inland Empire Utilities Agency (IEUA) entered into a Joint Powers Agreement to acquire a site or sites to be used for the composting of biosolids and to construct, operate, and maintain composting and ancillary facilities. The Districts and the IEUA jointly purchased a site located in the County of San Bernardino, prior to the formation of IERCA. The Districts and the IEUA maintain an equal ownership in IERCA. Because the Districts account for their investment in IERCA using the equity method, 50% of the gain/loss in the joint venture is reflected in the accompanying basic financial statements.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

A summary of most recently available financial information of the above joint ventures are as follows (in thousands):

		IERCA 6/30/2020 Audited	SCCWRPA 6/30/2020 Audited	City of Long Beach Solid Waste Management (including SERRF) 9/30/2020 Audited
Total assets	\$	84,581	6,059	44,326
Total deferred outflows of resources		-	-	1,491
Other liabilities		2,115	1,186	28,876
Bonds payable		-	-	-
Total liabilities	\$	2,115	1,186	28,876
Total deferred inflows of resources		-	-	766
Districts' investment		39,752	-	-
Other		42,714	4,873	16,175
Total net position	\$	82,466	4,873	16,175
Operating revenues	\$	8,944	9,909	86,033
Operating expenses		(11,767)	(9,339)	(90,397)
Nonoperating revenues (expenses)		93	73	941
Transfers in/(out)		-	-	(683)
Change in net position	\$	(2,730)	643	(4,106)

#### (18) Landfill Closure and Postclosure Care

The Districts are required by federal and state laws, regulations, and agreements with the County of Los Angeles to make annual contributions to finance future closure and postclosure care. The Districts have complied with these requirements, and at June 30, 2021, contributions of approximately \$419 million are held in restricted funds for these purposes. The Districts expect that future costs will be paid from interest earnings on these restricted funds. However, if interest earnings are inadequate or additional postclosure care requirements are determined, these costs may need to be covered by charges to future landfill users or by contributions from Districts that are participants in the Sanitation Districts Solid Waste Management System Agreement or the Los Angeles County Refuse Disposal Trust Agreement. Scholl Canyon Landfill and Calabasas Landfill are scheduled to close in 2025 and 2038, respectively.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

At June 30, 2021, the Districts reported a closure and postclosure care liability of \$465,189,506, which represents the cumulative amount reported to date based on the use of estimated capacity of the landfill sites as follows:

	Estimated Remaining Closure/ Postclosure Costs	Total Estimated Capacity (Tons in Millions)	Percentage of Capacity Used to Date	Closure/ Postclosure Liability Balance at July 1, 2020	Change in Estimated Closure/ Postclosure Cost	Closure/ Postclosure Costs Applied to Liability	Closure/ Postclosure Liability Balance at June 30, 2021
<b>Landfills</b>							
<b>Trustee Landfills</b>							
Calabasas	\$ 89,854,542	32.20	85.71%	78,679,806	(1,661,627)	-	77,018,179
Scholl Canyon	12,634,563	34.00	94.41%	11,709,068	219,446	-	11,928,514
<b>Total Trustee Landfills</b>	<b>102,489,105</b>			<b>90,388,874</b>	<b>(1,442,181)</b>	<b>-</b>	<b>88,946,693</b>
<b>Districts' Landfills</b>							
Puente Hills	321,698,886	142.05	100.00%	318,326,236	11,384,765	(8,012,115)	321,698,886
Spadra	54,543,927	17.19	100.00%	54,003,940	2,996,817	(2,456,830)	54,543,927
<b>Total Districts' Landfills</b>	<b>376,242,813</b>			<b>372,330,176</b>	<b>14,381,582</b>	<b>(10,468,945)</b>	<b>376,242,813</b>
<b>Total all sites</b>	<b>\$ 478,731,918</b>			<b>462,719,050</b>	<b>12,939,401</b>	<b>(10,468,945)</b>	<b>465,189,506</b>

The remaining estimated cost of closure and postclosure costs for Calabasas and Scholl Canyon Landfills will be recognized as the remaining estimated capacity is filled. These amounts represent what it would cost to perform all closure and postclosure care as of June 30, 2021. Actual costs may be higher due to inflation, changes in technology, or changes in regulation. The current liability due within one year is \$3,369,017 for Spadra, and \$11,486,744 for Puente Hills. The Palos Verdes Landfill has been closed since 1980. The County of Los Angeles is responsible for the site postclosure care and has contracted with the Districts to perform these services at no cost to the Districts.

#### (19) Environmental Liabilities

The Districts purchased the Fletcher Oil and Refining Company (FORCO) property, located adjacent to the Joint Water Pollution Control Plant, in June 2000. Under the purchase agreement, Street Environmental, LLC (Street), was required to complete demolition of the refinery structures and storage tanks on the site, remediate the environmental conditions on the property, and obtain regulatory closure as an industrial site. However, due to Street's failure to complete the required work, the Districts assumed control of all site work beginning in January 2010. The changes in liabilities for pollution remediation during the fiscal year are as follows:

	Balance at June 30, 2020	Additions or Adjustments	Payments Current Year	Balance at June 30, 2021	Due Within One Year
\$	20,000,000	91,201	(91,201)	20,000,000	2,000,000

During fiscal year 2020-2021, the Districts completed remediation efforts for the surface soils (the first 30 feet) and obtained regulatory closure from the Los Angeles Regional Water Quality Control Board (RWQCB) allowing for future development of the property. Additional work is required to remediate the deeper soils and groundwater and to monitor the site for an additional three-year period and return the land to productive use. The pollution remediation obligation is an estimate and subject to change over time due to changes in costs of goods and services, potential difficulties in obtaining regulatory

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Notes to Basic Financial Statements, Continued

closure, performance of the remediation technology, or changes in laws or regulations governing the remediation efforts.

#### (20) Prior-Period Adjustment

Adjustments and corrections to previously reported financial activities are recorded as prior-period adjustments. Several Districts have restated their net positions for the fiscal year ended June 30, 2020, from amounts previously reported as detailed below:

<u>Increase/ (Decrease) in Net Position</u>	<u>Prior-Period Adjustment</u>
\$ (42,134,876)	Contractual obligations with the County of Los Angeles require the Districts to set aside funds for the future development of recreational areas subsequent to the closure of the Puente Hills Landfill. The net position has been restated to reflect the updated Districts' liability.
(310,303)	Correction to previously recognized O&M expenses as capital additions.
<u>2,861,032</u>	Correction to previously recognized salary and related benefits liabilities.
<u>\$ (39,584,147)</u>	

#### (21) Subsequent Event

On September 15, 2021, the Districts' Financing Authority issued \$41,645,000 (face value) in Capital Projects Revenue Bonds Series A (2021 Series A Bonds). The purpose of the bonds is to provide funds to prepay District No. 14 California State Water Resources Control Board loans and pay costs of issuance. The change in annual debt service requirements for District No. 14 is reflected below:

	Revenue Bonds Principal & Interest Increase in Debt Service	State Water Resources Control Board Loans Principal & Interest Decrease in Debt Service
Fiscal year ending June 30:		
2022	\$ -	\$ -
2023	3,774,794	(6,855,508)
2024	6,392,250	(6,855,508)
2025	6,392,750	(6,855,508)
2026	6,392,250	(6,855,508)
2027-2031	26,141,250	(28,466,273)
2032-2036	4,452,000	(4,918,419)
	<u>\$ 53,545,294</u>	<u>\$ (60,806,724)</u>

# LOS ANGELES COUNTY SANITATION DISTRICTS

## Required Supplemental Disclosure

June 30, 2021

### Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period-Last 10 Years <sup>(1)</sup>

Measurement Period	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
<b>Total Pension Liability</b>							
Service Cost	\$ 25,258,197	24,608,396	24,400,248	24,204,172	21,537,967	22,319,935	23,304,566
Interest	128,130,878	123,796,546	119,153,767	116,478,910	114,458,616	110,522,731	105,962,106
Changes in Benefit Terms	-	-	-	-	-	-	-
Difference Between Expected and Actual Experience	(115,510)	2,860,402	(16,743,416)	(30,829,545)	(15,215,092)	(10,061,243)	-
Changes in Assumptions	-	-	(10,317,430)	97,543,167	-	(27,590,677)	-
Benefits Payments, Including Refunds of Employee Contributions	(91,533,867)	(84,454,739)	(78,714,273)	(73,905,142)	(68,412,261)	(63,161,978)	(55,255,873)
<b>Net Changes in Total Pension Liability</b>	<b>61,739,698</b>	<b>66,810,605</b>	<b>37,778,896</b>	<b>133,491,562</b>	<b>52,369,230</b>	<b>32,028,768</b>	<b>74,010,799</b>
<b>Total Pension Liability, Beginning</b>	<b>1,825,293,599</b>	<b>1,758,482,994</b>	<b>1,720,704,098</b>	<b>1,587,212,536</b>	<b>1,534,843,306</b>	<b>1,502,814,538</b>	<b>1,428,803,739</b>
<b>Total Pension Liability, Ending (a)</b>	<b>\$ 1,887,033,297</b>	<b>1,825,293,599</b>	<b>1,758,482,994</b>	<b>1,720,704,098</b>	<b>1,587,212,536</b>	<b>1,534,843,306</b>	<b>1,502,814,538</b>
<b>Plan Fiduciary Net Position</b>							
Contribution-Employer	\$ 41,493,975	34,883,099	29,347,050	26,848,459	24,285,923	21,082,283	20,091,038
Contribution-Employee	11,564,538	11,327,002	11,175,795	11,300,541	11,387,270	11,456,578	12,344,493
Net Investment Income	70,283,946	89,308,730	109,161,181	134,988,348	6,422,215	28,129,212	187,477,208
Administrative Expenses	(2,000,281)	(976,802)	(2,031,552)	(1,780,853)	(751,740)	(1,381,953)	-
Benefits Payments, Including Refunds of Employee Contributions	(91,533,867)	(84,454,739)	(78,714,273)	(73,905,142)	(68,412,261)	(63,161,978)	(55,255,873)
Other Changes in Fiduciary Net Position	-	3,185	(3,861,137)	-	-	-	-
<b>Net Changes in Fiduciary Net Position</b>	<b>29,808,311</b>	<b>50,090,475</b>	<b>65,077,064</b>	<b>97,451,353</b>	<b>(27,068,593)</b>	<b>(3,875,858)</b>	<b>164,656,866</b>
<b>Plan Fiduciary Net Position, Beginning</b>	<b>1,418,885,771</b>	<b>1,368,795,296</b>	<b>1,303,718,232</b>	<b>1,206,266,879</b>	<b>1,233,335,472</b>	<b>1,237,211,330</b>	<b>1,072,554,464</b>
<b>Plan Fiduciary Net Position, Ending (b)</b>	<b>\$ 1,448,694,082</b>	<b>1,418,885,771</b>	<b>1,368,795,296</b>	<b>1,303,718,232</b>	<b>1,206,266,879</b>	<b>1,233,335,472</b>	<b>1,237,211,330</b>
<b>Plan Net Pension Liability/(Asset)-Ending (a)-(b)</b>	<b>\$ 438,339,215</b>	<b>406,407,828</b>	<b>389,687,698</b>	<b>416,985,866</b>	<b>380,945,657</b>	<b>301,507,834</b>	<b>265,603,208</b>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.77%	77.73%	77.84%	75.77%	76.00%	80.36%	82.33%
Covered Payroll	165,845,023	160,624,258	160,665,356	160,696,932	161,103,800	166,392,842	167,309,687
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	264.31%	253.02%	242.55%	259.49%	236.46%	181.20%	158.75%

<sup>(1)</sup> The intent is to display information for the previous ten years. Additional years' information will be displayed as it becomes available.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Required Supplemental Disclosure, Continued

#### Notes to Schedule

**Benefit Changes:** The amounts do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2019, valuation date.

**Assumption Changes:** None in 2020 or 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65% to 7.15%. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on a 7.5% discount rate.

#### Schedule of Plan Contributions <sup>(1)</sup>

	<u>2020-2021</u>	<u>2019-2020</u>	<u>2018-2019</u>	<u>2017-2018</u>	<u>2016-2017</u>	<u>2015-2016</u>	<u>2014-2015</u>	<u>2013-2014</u>
Actuarially Determined Contribution	\$ 45,869,913	41,493,975	34,883,099	29,347,050	26,848,459	24,285,923	21,082,283	20,091,038
Contributions in Relation to the Actuarially Determined Contribution	<u>(45,869,913)</u>	<u>(41,493,975)</u>	<u>(34,883,099)</u>	<u>(29,387,862)</u>	<u>(26,848,459)</u>	<u>(24,285,923)</u>	<u>(21,082,283)</u>	<u>(20,091,038)</u>
Contributions Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(40,812)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Payroll	\$ 170,881,958	165,845,023	160,524,436	160,665,356	160,696,932	161,103,800	166,392,842	167,309,687
Contributions as a Percentage of Covered Payroll	26.84%	25.02%	21.73%	18.27%	16.71%	15.07%	12.67%	12.01%

<sup>(1)</sup> The intent is to display information for the previous ten years. Additional years' information will be displayed as it becomes available.

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Required Supplemental Disclosure, Continued

#### Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contribution for fiscal year 2020-2021 were from the June 30, 2019, funding valuation report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2017, Funding Valuation Report
Asset Valuation Method	Fair value of assets. For details, see June 30, 2017, Funding Valuation Report.
Inflation	2.625%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.875%
Investment Rate of Return	7.25% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997-2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997-2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

**LOS ANGELES COUNTY SANITATION DISTRICTS**

Required Supplemental Disclosure, Continued

Measurement Period	2019-2020	2018-2019	2017-2018	2016-2017
<b>Total OPEB Liability</b>				
Service Cost	\$ 10,208,395	9,666,245	9,384,704	9,112,000
Interest	26,375,707	28,036,717	26,652,278	25,347,000
Difference Between Expected and Actual Experience	-	(37,226,926)	-	-
Changes in Assumptions	-	(9,233,081)	-	-
Benefits Payments, Including Refunds of Employee Contributions	<u>(16,706,986)</u>	<u>(16,078,323)</u>	<u>(15,538,305)</u>	<u>(15,240,000)</u>
<b>Net Changes in Total OPEB Liability</b>	<b>19,877,116</b>	<b>(24,835,368)</b>	<b>20,498,677</b>	<b>19,219,000</b>
<b>Total OPEB Liability, Beginning</b>	<b>388,896,309</b>	<b>413,731,677</b>	<b>393,233,000</b>	<b>374,014,000</b>
<b>Total OPEB Liability, Ending (a)</b>	<b>\$ <u>408,773,425</u></b>	<b><u>388,896,309</u></b>	<b><u>413,731,677</u></b>	<b><u>393,233,000</u></b>
<b>Plan Fiduciary Net Position</b>				
Contribution-Employer	\$ 25,308,182	25,681,125	21,766,305	22,344,000
Contribution-Employee	-	-	-	-
Net Investment Income	7,364,480	11,739,879	12,939,641	15,137,000
Administrative Expenses	(135,852)	(68,514)	(301,781)	(77,000)
Benefits Payments, Including Refunds of Employee Contributions	<u>(16,706,986)</u>	<u>(16,078,323)</u>	<u>(15,538,305)</u>	<u>(15,240,000)</u>
Other Changes in Fiduciary Net Position	-	-	-	-
<b>Net Changes in Fiduciary Net Position</b>	<b>15,829,824</b>	<b>21,274,167</b>	<b>18,865,860</b>	<b>22,164,000</b>
<b>Plan Fiduciary Net Position, Beginning</b>	<b>202,063,027</b>	<b>180,788,860</b>	<b>161,923,000</b>	<b>139,759,000</b>
<b>Plan Fiduciary Net Position, Ending (b)</b>	<b>\$ <u>217,892,851</u></b>	<b><u>202,063,027</u></b>	<b><u>180,788,860</u></b>	<b><u>161,923,000</u></b>
<b>Plan Net OPEB Liability/(Asset)-Ending (a)-(b)</b>	<b>\$ <u>190,880,574</u></b>	<b><u>186,833,282</u></b>	<b><u>232,942,817</u></b>	<b><u>231,310,000</u></b>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	53.30%	51.96%	43.70%	41.18%
Covered Payroll	\$ 165,845,023	160,624,258	160,665,356	160,696,932
Plan Net OPEB Liability/(Asset) as a Percentage of Covered Payroll	115.10%	116.32%	144.99%	143.94%

<sup>(1)</sup> The intent is to display information for the previous ten years. Additional years' information will be displayed as it becomes available.

**LOS ANGELES COUNTY SANITATION DISTRICTS**

Required Supplemental Disclosure, Continued

**Schedule of Other Postemployment Benefits Contributions**

	<u>2020-2021</u>	<u>2019-2020</u>	<u>2018-2019</u>	<u>2017-2018</u>
Actuarially Determined Contribution	\$ 24,665,000	27,380,000	25,681,125	21,766,000
Contributions in Relation to the Actuarially Determined Contribution	<u>(23,384,874)</u>	<u>(25,308,182)</u>	<u>(25,681,125)</u>	<u>(21,766,000)</u>
Contributions Deficiency (Excess)	<u>\$ 1,280,126</u>	<u>2,071,818</u>	<u>-</u>	<u>-</u>
Covered Payroll	174,504,774	170,881,958	160,624,258	160,665,356
Contributions as a Percentage of Covered Payroll	13.40%	14.81%	15.99%	13.55%

<sup>(1)</sup> The intent is to display information for the previous ten years. Additional years' information will be displayed as it becomes available.

**Notes to Schedule**

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percentage of payroll over 19-year fixed period for 2020-2021.
Asset Valuation Method	Investment gains and losses spread over a 5-year rolling period.
Inflation	2.75%
Salary Increases	3.00%
Investment Rate of Return	6.75% at 6/30/2018, net of investment expenses
Retirement Age	The probabilities of retirement are based on the CalPERS Experience Study for the period from 1997-2015.
Mortality	The probabilities of retirement are based on the CalPERS Experience Study for the period from 1997-2015, with mortality improvements based on MP-2019 scale.

**Exhibit D-1**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Combining Schedule of Net Position**  
**June 30, 2021**

<b>Assets</b>	Sewerage Operations	Stormwater Operations	Solid Waste Facilities Operations	Trustee Solid Waste Facilities Operations	Service Operations	Total
<b>Current assets:</b>						
Unrestricted cash and cash equivalents:						
Cash in bank	\$ -	-	1,541,924	1,041,606	30,395,631	32,979,161
Cash on hand	-	-	19,360	10,976	12,317	42,653
Cash and cash equivalents	418,240,446	1,507,842	30,178,322	69,569,394	27,226,909	546,722,913
<b>Total unrestricted cash and cash equivalents</b>	<b>418,240,446</b>	<b>1,507,842</b>	<b>31,739,606</b>	<b>70,621,976</b>	<b>57,634,857</b>	<b>579,744,727</b>
Receivables:						
Accounts, net	20,754,339	871	8,651,847	2,629,937	241,441	32,278,435
Due from other funds (1)	58,081,564	15,905	1,554,470	1,863,974	235,993	61,751,906
Interest	3,025,339	32,198	1,503,141	180,063	196,847	4,937,588
Service charges	18,196,497	-	-	-	-	18,196,497
Taxes	6,734,391	-	-	-	-	6,734,391
<b>Total receivables</b>	<b>106,792,130</b>	<b>48,974</b>	<b>11,709,458</b>	<b>4,673,974</b>	<b>674,281</b>	<b>123,898,817</b>
Inventory						
	-	-	-	-	19,192,388	19,192,388
Restricted/designated cash and investments:						
Cash and cash equivalents	656,875,243	-	369,775,504	16,743,592	50,503,944	1,093,898,283
Specific investments	277,007,734	-	263,640,180	61,455,432	6,026,394	608,129,740
Bond proceeds with Trustee:						
Cash and cash equivalents	7,674	-	5	-	-	7,679
<b>Total restricted/designated cash and investments</b>	<b>933,890,651</b>	<b>-</b>	<b>633,415,689</b>	<b>78,199,024</b>	<b>56,530,338</b>	<b>1,702,035,702</b>
Other specific investments						
	35,435,866	-	-	2,795,512	5,959,406	44,190,784
<b>Total current assets</b>	<b>1,494,359,093</b>	<b>1,556,816</b>	<b>676,864,753</b>	<b>156,290,486</b>	<b>139,991,270</b>	<b>2,469,062,418</b>
Investment in joint ventures						
	40,002,680	-	-	-	-	40,002,680
Other assets						
	(1,393)	-	12	4	40,821	39,444
<b>Capital assets:</b>						
Buildings & equipment	-	-	18,543,720	-	70,500,860	89,044,580
Improvements	-	-	369,176,074	177,160,557	-	546,336,631
Disposal rights	96,648,437	-	-	-	-	96,648,437
Equipment pool	-	-	-	19,283,020	54,051,998	73,335,018
Gas-to-energy facilities	-	-	205,136,406	16,557,233	-	221,693,639
Rail facilities	-	-	223,843,590	-	-	223,843,590
Recycling and transfer facilities	-	-	77,345,757	-	-	77,345,757
Treatment plants	2,202,660,001	-	-	-	-	2,202,660,001
Trunk lines	1,485,392,870	-	-	-	-	1,485,392,870
Use rights	770,580	-	64,003,525	5,005,531	-	69,779,636
Composting facilities	124,064,747	-	-	-	-	124,064,747
Other capital assets	16,928,796	-	729,821	61,907	36,814,951	54,535,475
Construction in progress	513,960,780	-	74,293,590	4,923,723	5,427,454	598,605,547
Land	160,057,455	-	54,884,982	5,482,200	592,901	221,017,538
Accumulated depreciation & amortization	(1,618,231,364)	-	(505,205,450)	(188,221,965)	(86,369,772)	(2,398,028,551)
<b>Net capital assets</b>	<b>2,982,252,302</b>	<b>-</b>	<b>582,752,015</b>	<b>40,252,206</b>	<b>81,018,392</b>	<b>3,686,274,915</b>
<b>Total assets</b>	<b>\$ 4,516,612,682</b>	<b>1,556,816</b>	<b>1,259,616,780</b>	<b>196,542,696</b>	<b>221,050,483</b>	<b>6,195,379,457</b>
<b>Deferred Outflow of Resources</b>						
Deferred loss on refunding	\$ 1,607,765	-	-	-	-	1,607,765
Deferred pension contribution	37,233,770	(2,517)	5,788,124	2,710,954	19,292,437	65,022,768
Other postemployment benefit deferral	14,609,514	684	2,897,835	1,496,327	8,239,730	27,244,090
<b>Total deferred outflow of resources</b>	<b>\$ 53,451,049</b>	<b>(1,833)</b>	<b>8,685,959</b>	<b>4,207,281</b>	<b>27,532,167</b>	<b>93,874,623</b>

(1) The interdistrict receivables and payables have been eliminated in the accompanying basic financial statements.

(Continued on following page)

**Exhibit D-1-2**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Combining Schedule of Net Position**  
**June 30, 2021**

<b>Liabilities</b>	Sewerage Operations	Stormwater Operations	Solid Waste Facilities Operations	Trustee Solid Waste Facilities Operations	Service Operations	Total
<b>Current liabilities:</b>						
Accounts payable	\$ 30,196,812	-	6,206,121	5,847,161	12,059,552	54,309,646
Accrued employee absences	-	-	-	-	30,000,000	30,000,000
Amounts held for others	2,000,818	224,232	-	-	6,614,991	8,840,041
Bonds payable	7,645,000	-	1,404,399	-	-	9,049,399
Claims liabilities	-	-	-	-	2,300,593	2,300,593
Contractual obligations to other governments	-	-	38,000,000	-	-	38,000,000
Due to other funds (1)	19,020,990	-	485,607	-	42,245,309	61,751,906
Estimated liability for closure/postclosure care	-	-	14,855,761	-	-	14,855,761
Estimated liability for pollution remediation	2,000,000	-	-	-	-	2,000,000
Interest payable	5,698,872	-	829	-	-	5,699,701
Loans payable to State of California	31,862,777	-	-	-	-	31,862,777
Other	83,637	-	32,570	(7,012)	419,240	528,435
<b>Total current liabilities</b>	<b>98,508,906</b>	<b>224,232</b>	<b>60,985,287</b>	<b>5,840,149</b>	<b>93,639,685</b>	<b>259,198,259</b>
<b>Long-term liabilities:</b>						
Accrued employee absences	-	-	-	-	16,220,467	16,220,467
Bonds payable, net	303,451,057	-	-	-	-	303,451,057
Claims liabilities	-	-	-	-	6,901,959	6,901,959
Contractual obligations to other governments	-	-	42,000,000	1,428,852	-	43,428,852
Estimated liability for closure and postclosure care	-	-	361,387,052	88,946,693	-	450,333,745
Estimated liability for pollution remediation	18,000,000	-	-	-	-	18,000,000
Loans payable to State of California	194,328,537	-	-	-	-	194,328,537
Other postemployment benefits liability	106,159,449	1,430	18,526,908	9,375,416	56,817,371	190,880,574
Pension liability	241,454,351	11,278	39,002,967	22,156,990	135,713,629	438,339,215
<b>Total long-term liabilities</b>	<b>863,393,394</b>	<b>12,708</b>	<b>460,916,927</b>	<b>121,907,951</b>	<b>215,653,426</b>	<b>1,661,884,406</b>
<b>Total liabilities</b>	<b>\$ 961,902,300</b>	<b>236,940</b>	<b>521,902,214</b>	<b>127,748,100</b>	<b>309,293,111</b>	<b>1,921,082,665</b>
<b>Deferred Inflow of Resources</b>						
Other postemployment benefits deferrals	\$ 15,426,706	(3,778)	2,325,739	1,833,459	10,857,187	30,439,313
Pension deferrals	6,965,094	(7,827)	780,957	137,187	2,545,319	10,420,730
<b>Total deferred inflow of resources</b>	<b>\$ 22,391,800</b>	<b>(11,605)</b>	<b>3,106,696</b>	<b>1,970,646</b>	<b>13,402,506</b>	<b>40,860,043</b>
<b>Net Position</b>						
<b>Net position:</b>						
Net investment in capital assets	\$ 2,446,572,696	-	581,347,616	40,252,206	81,018,392	3,149,190,910
Restricted for capital projects	134,400,831	-	8,080,000	2,723,395	-	145,204,226
Restricted for closure/postclosure maintenance	-	-	17,997,661	27,199,657	-	45,197,318
Unrestricted	1,004,796,104	1,329,648	135,868,552	855,973	(155,131,359)	987,718,918
<b>Total net position</b>	<b>\$ 3,585,769,631</b>	<b>1,329,648</b>	<b>743,293,829</b>	<b>71,031,231</b>	<b>(74,112,967)</b>	<b>4,327,311,372</b>

(1) The interdistrict receivables and payables have been eliminated in the accompanying basic financial statements.

**Exhibit D-2**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Combining Schedule of Revenues, Expenses,**  
**and Changes in Net Position**  
**Fiscal year ended June 30, 2021**

	Sewerage Operations	Stormwater Operations	Solid Waste Facilities Operations	Trustee Solid Waste Facilities Operations	Service Operations	Total
<b>Operating revenues:</b>						
Commodities	\$ 19,912	-	2,994,379	7,639	304	3,022,234
Contract revenue	19,183,454	627,638	3,038,178	7,124,603	-	29,973,873
Equipment pool (1)	-	-	-	6,091,574	11,256,491	17,348,065
Industrial waste surcharge	69,528,920	-	-	-	-	69,528,920
Internal services revenue (1)	176,941,363	-	-	-	108,364,470	285,305,833
Refuse/food waste tipping fees	386,206	-	54,010,408	48,037,546	-	102,434,160
Sale of energy	820,389	-	18,149,073	-	6,245	18,975,707
Service charges	392,291,323	-	-	-	-	392,291,323
Other	290,107	-	212,042	1,403	248,523	752,075
<b>Total operating revenues</b>	<b>659,461,674</b>	<b>627,638</b>	<b>78,404,080</b>	<b>61,262,765</b>	<b>119,876,033</b>	<b>919,632,190</b>
<b>Operating expenses:</b>						
Chemicals	39,035,967	-	140,049	25,947	8,897	39,210,860
Collection charges	1,405,361	-	-	-	-	1,405,361
Depreciation/amortization	82,401,706	-	21,030,167	3,140,733	7,584,326	114,156,932
Equipment and vehicle rentals (1)	6,917,576	400	2,902,999	6,603,627	923,463	17,348,065
Insurance and claims	1,455,512	-	1,092,341	394,344	2,954,343	5,896,540
Internal administrative costs (1)	273,371,785	-	7,424,467	4,509,581	-	285,305,833
Landfill closure and postclosure costs	-	-	14,381,582	(1,442,181)	-	12,939,401
Materials and supplies	17,786,729	-	1,936,502	1,816,284	9,808,916	31,348,431
Operations, repairs, and maintenance	4,715,218	-	4,746,485	9,293,278	5,218,151	23,973,132
Pollution remediation costs	91,201	-	-	-	-	91,201
Salaries and benefits	132,249,694	106,449	21,768,098	16,881,184	94,352,793	265,358,218
Services	46,195,747	516,400	33,462,875	8,243,294	8,596,241	97,014,557
Tonnage	-	-	-	4,672,145	-	4,672,145
Utilities	18,618,634	-	2,555,458	1,218,605	1,249,218	23,641,915
<b>Total operating expenses</b>	<b>624,245,130</b>	<b>623,249</b>	<b>111,441,023</b>	<b>55,356,841</b>	<b>130,696,348</b>	<b>922,362,591</b>
<b>Operating income (loss)</b>	<b>35,216,544</b>	<b>4,389</b>	<b>(33,036,943)</b>	<b>5,905,924</b>	<b>(10,820,315)</b>	<b>(2,730,401)</b>
<b>Nonoperating revenues (expenses):</b>						
Interest revenue	11,351,987	6,824	7,403,038	1,029,385	783,767	20,575,001
Investment in joint ventures	-	-	-	-	(3,544)	(3,544)
Property taxes	95,192,895	-	-	-	-	95,192,895
Amortization of bond premium	4,993,302	-	-	-	-	4,993,302
Amortization of deferred loss on refunding	(5,506,551)	-	-	-	-	(5,506,551)
Interest expense	(21,393,519)	-	(25,503)	-	-	(21,419,022)
Loss on sale of equipment/assets	-	-	-	(512,157)	(77,190)	(589,347)
Other nonoperating revenue	1,251,583	-	3,588,756	3,997,320	196,672	9,034,331
Tax and assessment expense	(3,218,582)	-	(2,302,807)	(4,607,421)	(145,726)	(10,274,536)
Unrealized loss on investments	(6,020,501)	-	(5,672,344)	(1,071,542)	(352,585)	(13,116,972)
<b>Net nonoperating revenues (expenses)</b>	<b>76,650,614</b>	<b>6,824</b>	<b>2,991,140</b>	<b>(1,164,415)</b>	<b>401,394</b>	<b>78,885,557</b>
<b>Income (loss) before capital contribution revenue and transfers</b>	<b>111,867,158</b>	<b>11,213</b>	<b>(30,045,803)</b>	<b>4,741,509</b>	<b>(10,418,921)</b>	<b>76,155,156</b>
<b>Capital contribution revenue:</b>						
Connection fees	20,476,550	-	-	-	-	20,476,550
Grants	3,443,851	-	496,551	-	-	3,940,402
<b>Transfers in</b>	<b>865,231</b>	<b>-</b>	<b>16,396,456</b>	<b>13,696,324</b>	<b>3,454,624</b>	<b>34,412,635</b>
<b>Transfers out</b>	<b>(3,719,335)</b>	<b>-</b>	<b>(16,696,273)</b>	<b>(13,889,654)</b>	<b>(107,373)</b>	<b>(34,412,635)</b>
<b>Change in net position</b>	<b>132,933,455</b>	<b>11,213</b>	<b>(29,849,069)</b>	<b>4,548,179</b>	<b>(7,071,670)</b>	<b>100,572,108</b>
<b>Total net position, July 1, 2020, as previously stated</b>	<b>3,453,146,479</b>	<b>1,318,435</b>	<b>815,277,774</b>	<b>66,483,052</b>	<b>(69,902,329)</b>	<b>4,266,323,411</b>
<b>Prior-period adjustments</b>	<b>(310,303)</b>	<b>-</b>	<b>(42,134,876)</b>	<b>-</b>	<b>2,861,032</b>	<b>(39,584,147)</b>
<b>Total net position, July 1, 2020, as restated</b>	<b>3,452,836,176</b>	<b>1,318,435</b>	<b>773,142,898</b>	<b>66,483,052</b>	<b>(67,041,297)</b>	<b>4,226,739,264</b>
<b>Total net position, June 30, 2021</b>	<b>\$ 3,585,769,631</b>	<b>1,329,648</b>	<b>743,293,829</b>	<b>71,031,231</b>	<b>(74,112,967)</b>	<b>4,327,311,372</b>

(1) The interdistrict revenues and expenses have been eliminated in the accompanying basic financial statements.

**Exhibit D-3**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Combining Schedule of Cash Flows**  
**Fiscal year ended June 30, 2021**

	Sewerage Operations	Stormwater Operations	Solid Waste Facilities Operations	Trustee Solid Waste Facilities Operations	Service Operations	Total
<b>Cash flows from operating activities:</b>						
Receipts from customers and users	\$ 482,457,836	1,007,597	81,123,483	56,005,129	342,710	620,936,755
Receipts for internal services (1)	176,841,368	-	-	-	108,464,467	285,305,835
Receipts for equipment rental (1)	-	-	-	6,091,574	11,256,490	17,348,064
Payments to suppliers	(130,443,228)	(561,519)	(43,063,097)	(27,016,595)	(23,638,542)	(224,722,981)
Payments for salaries/benefits	(127,008,366)	(106,963)	(27,454,297)	(16,468,520)	(89,812,504)	(260,850,650)
Payment for equipment rental (1)	(6,917,575)	(400)	(2,902,999)	(6,603,627)	(923,463)	(17,348,064)
Payment for internal administrative costs (1)	(273,371,787)	-	(7,424,467)	(4,509,581)	-	(285,305,835)
Net cash provided by operating activities	<u>121,558,248</u>	<u>338,715</u>	<u>278,623</u>	<u>7,498,380</u>	<u>5,689,158</u>	<u>135,363,124</u>
<b>Cash flows from noncapital financing activities:</b>						
Receipts from property taxes	94,742,966	-	-	-	-	94,742,966
Payments for tax and assessment	(3,218,582)	-	(2,302,807)	(4,607,421)	(145,726)	(10,274,536)
Transfers from other funds	78,737,476	-	1,430,498	-	7,697,251	87,865,225
Transfers to other funds	(85,869,060)	-	(1,777,425)	(218,740)	-	(87,865,225)
Net cash provided (used) by noncapital financing activities	<u>84,392,800</u>	<u>-</u>	<u>(2,649,734)</u>	<u>(4,826,161)</u>	<u>7,551,525</u>	<u>84,468,430</u>
<b>Cash flows from capital and related financing activities:</b>						
Borrowings on loans	3,571,141	-	-	-	-	3,571,141
Purchases of capital assets	(260,854,298)	-	(19,331,617)	441,103	(6,952,067)	(286,696,879)
Connection fees proceeds	20,476,550	-	-	-	-	20,476,550
Grant proceeds	3,443,851	-	4,067,172	190,018	-	7,701,041
Bond defeasement	(25,849,572)	-	-	-	-	(25,849,572)
Interest paid on capital-related debt	(18,970,531)	-	(1,658)	-	-	(18,972,189)
Payment to joint venture	(250,000)	-	-	-	-	(250,000)
Principal payments on bonds	(37,930,002)	-	(1,404,399)	-	-	(39,334,401)
Principal payments on loans	(31,445,792)	-	-	-	-	(31,445,792)
Proceeds from sale of assets/equipment	-	-	-	74,365	319,449	393,814
Net cash provided (used) by capital and related financing activities	<u>(347,808,653)</u>	<u>-</u>	<u>(16,670,502)</u>	<u>705,486</u>	<u>(6,632,618)</u>	<u>(370,406,287)</u>
<b>Cash flows from investing activities:</b>						
Interest received	16,010,775	9,217	9,200,876	936,296	961,229	27,118,393
Purchases of investments	(51,998,792)	-	(85,940,413)	(60,083,595)	(3,695,100)	(201,717,900)
Proceeds from maturities of investments	206,358,990	-	234,387,943	71,871,145	14,774,692	527,392,770
Net cash provided by investing activities	<u>170,370,973</u>	<u>9,217</u>	<u>157,648,406</u>	<u>12,723,846</u>	<u>12,040,821</u>	<u>352,793,263</u>
Net increase in cash and cash equivalents	28,513,368	347,932	138,606,793	16,101,551	18,648,886	202,218,530
Cash and cash equivalents at beginning of fiscal year	1,046,609,995	1,159,910	262,908,322	71,264,017	89,489,915	1,471,432,159
Cash and cash equivalents at end of fiscal year	<u>\$ 1,075,123,363</u>	<u>1,507,842</u>	<u>401,515,115</u>	<u>87,365,568</u>	<u>108,138,801</u>	<u>1,673,650,689</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>						
Operating income (loss)	\$ 35,216,544	4,389	(33,036,943)	5,905,924	(10,820,315)	(2,730,401)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	82,401,706	-	21,030,167	3,140,733	7,584,326	114,156,932
Landfill closure and postclosure costs	-	-	14,381,582	(1,442,181)	-	12,939,401
Decrease (increase) in accounts receivable	1,017,778	229,959	2,517,893	834,427	(68,843)	4,531,214
Increase in service charge receivable	(1,008,941)	-	-	-	-	(1,008,941)
Decrease in inventory	-	-	-	-	2,905,162	2,905,162
Decrease in deferred outflow of resources	2,704,511	1,834	557,132	322,477	1,605,445	5,191,399
Increase (decrease) in accounts payable	(1,000,320)	(45,119)	1,528,686	(1,854,144)	4,403,646	3,032,749
Increase in accrued employee absences	-	-	-	-	4,896,464	4,896,464
Decrease in estimated liability for closure and postclosure costs	-	-	(10,460,771)	-	-	(10,460,771)
Decrease in claims liabilities	-	-	-	-	(221,424)	(221,424)
Increase in contractual obligations	-	-	-	303,663	-	303,663
Decrease in estimated pollution remediation	(91,201)	-	-	-	-	(91,201)
Increase in other postemployment benefits liability	2,108,481	1,430	434,349	251,408	1,251,629	4,047,297
Increase in pension liability	16,634,990	11,278	3,426,822	1,983,498	9,874,808	31,931,396
Increase (decrease) in amounts held for others	-	150,000	-	-	(1,429,335)	(1,279,335)
Increase (decrease) in other liabilities	(64,342)	-	81,386	-	59,149	76,193
Increase (decrease) in due to/from other funds	756,065	(3,451)	3,344,441	93,549	(4,190,604)	-
Decrease in deferred inflow of resources	(17,117,023)	(11,605)	(3,526,121)	(2,040,974)	(10,160,950)	(32,856,673)
Net cash provided by operating activities	<u>\$ 121,558,248</u>	<u>338,715</u>	<u>278,623</u>	<u>7,498,380</u>	<u>5,689,158</u>	<u>135,363,124</u>
<b>Schedule of noncash investing activities:</b>						
Unrealized loss on fair value of investments	\$ (6,020,501)	-	(5,672,344)	(1,071,542)	(352,585)	(13,116,972)
Amortization of investment premium (discount)	1,885,055	-	233,929	(507,210)	7,375	1,619,149

(1) The interdistrict receipts and payments have been eliminated in the accompanying basic financial statements.

**Exhibit E-1**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Sewerage Operations**  
**Combining Schedule of Net Position**  
**June 30, 2021**

Assets	Districts								
	No. 1	No. 2	No. 3	No. 4	No. 5	No. 8	No. 9	No. 14	No. 15
<b>Current assets:</b>									
Unrestricted cash and cash equivalents:									
Cash and cash equivalents	\$ 27,374,579	45,680,518	25,914,789	2,879,111	42,342,883	13,713,315	165,339	25,679,146	34,118,351
Total unrestricted cash and cash equivalents	27,374,579	45,680,518	25,914,789	2,879,111	42,342,883	13,713,315	165,339	25,679,146	34,118,351
Receivables:									
Accounts	3,268,445	1,990,603	922,758	18,320	1,835,643	1,724,254	-	333,026	2,029,096
Due from other funds	4,854,879	7,118,193	5,427,241	9,748	8,064,206	3,504,805	-	1,400,960	5,817,237
Interest	142,801	183,968	111,578	88,465	146,359	48,007	9,355	159,321	165,039
Service charges	2,326,861	1,914,173	1,496,974	199,221	2,100,927	528,833	8,506	1,740,057	1,187,567
Taxes	269,453	635,201	451,127	57,925	1,028,853	183,855	8,853	117,475	713,916
Total receivables	10,862,439	11,842,138	8,409,678	373,679	13,175,988	5,989,754	26,714	3,750,839	9,912,855
Restricted/designated cash and investments:									
Cash and cash equivalents	27,342,902	28,084,677	22,777,938	25,968,587	27,701,806	10,209,751	2,647,497	40,173,973	41,310,765
Specific investments	14,556,099	22,593,518	14,095,800	17,616,577	9,979,749	1,184,638	2,128,110	5,704,287	20,678,232
Bond proceeds with Trustee									
Cash and cash equivalents	-	-	-	-	-	-	-	5,559	-
Total restricted/designated cash and investments	41,899,001	50,678,195	36,873,738	43,585,164	37,681,555	11,394,389	4,775,607	45,883,819	61,988,997
Other specific investments	3,061,532	4,605,098	6,021,619	-	7,447,695	449,888	-	4,473,857	2,475,225
Total current assets	83,197,551	112,805,949	77,219,824	46,837,954	100,648,121	31,547,346	4,967,660	79,787,661	108,495,428
Investment in joint ventures	-	-	-	-	-	-	-	-	-
Other assets	99	46	2	-	-	-	-	-	-
<b>Capital assets:</b>									
Disposal rights	-	60,119	-	74,946,987	8,747,194	-	2,274,125	-	-
Treatment plants	62,978	6,668,306	11,789,125	-	14,591,429	5,942,370	-	337,160,322	1,882,099
Trunk lines	26,663,228	43,158,047	25,345,997	1,284,217	62,797,916	18,036,159	-	58,744,871	12,167,715
Use rights	-	-	-	-	-	-	-	411,790	-
Composting facilities	-	-	-	-	-	-	-	-	-
Other capital assets	7,085	10,279	2,972	3,348	6,872	7,691	281	209,922	5,571
Construction in progress	5,451,934	6,338,001	446,242	-	5,118,853	10,553,333	-	909,919	281,746
Land	-	235,159	2,520	-	28,125	2,508	-	65,751,695	-
Accumulated depreciation & amortization	(10,058,652)	(14,152,944)	(12,464,582)	(36,719,953)	(31,919,636)	(9,331,193)	(1,097,536)	(106,578,195)	(4,610,844)
Net capital assets	22,126,573	42,316,967	25,122,274	39,514,599	59,370,753	25,210,868	1,176,870	356,610,324	9,726,287
Total assets	\$ 105,324,223	155,122,962	102,342,100	86,352,553	160,018,874	56,758,214	6,144,530	436,397,985	118,221,715
<b>Deferred Outflow of Resources</b>									
Deferred loss/(gain) on refunding	\$ -	-	-	-	-	-	-	(2,581,276)	-
Deferred pension contribution	271,005	923,350	536,946	11,873	914,578	184,211	495	1,829,818	282,775
Other postemployment benefit deferral	93,702	234,181	124,733	7,445	276,705	127,723	479	669,442	85,997
Total deferred outflow of resources	\$ 364,707	1,157,531	661,679	19,318	1,191,283	311,934	974	(82,016)	368,772

(Continued on the following page)

**Exhibit E-1-2**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Sewerage Operations**  
**Combining Schedule of Net Position**  
**June 30, 2021**

	Districts								
	No. 16	No. 17	No. 18	No. 19	No. 20	No. 21	No. 22	No. 23	No. 27
<b>Assets</b>									
<b>Current assets:</b>									
Unrestricted cash and cash equivalents:									
Cash and cash equivalents	\$ 21,717,579	2,293,382	29,366,162	6,928,419	23,803,893	29,124,520	22,830,136	3,491,662	175,579
Total unrestricted cash and cash equivalents	<u>21,717,579</u>	<u>2,293,382</u>	<u>29,366,162</u>	<u>6,928,419</u>	<u>23,803,893</u>	<u>29,124,520</u>	<u>22,830,136</u>	<u>3,491,662</u>	<u>175,579</u>
Receivables:									
Accounts	176,170	-	821,031	129,254	64,899	1,036,603	407,895	2,124,137	-
Due from other funds	2,965,252	385,326	3,810,553	1,043,959	776,820	4,669,587	3,746,483	646,320	-
Interest	115,043	13,718	112,099	40,954	118,676	164,293	141,248	22,946	2,007
Service charges	693,006	129,572	947,214	227,562	1,323,496	1,050,131	770,219	33,891	-
Taxes	521,522	55,100	395,353	135,847	79,927	380,817	414,683	16,322	33,219
Total receivables	<u>4,470,993</u>	<u>583,716</u>	<u>6,086,250</u>	<u>1,577,576</u>	<u>2,363,818</u>	<u>7,301,431</u>	<u>5,480,528</u>	<u>2,843,616</u>	<u>35,226</u>
Restricted/designated cash and investments:									
Cash and cash equivalents	26,419,552	7,165,643	14,691,520	8,582,421	13,920,941	32,841,680	32,726,884	9,847,050	1,627,353
Specific investments	16,123,352	-	10,920,749	4,808,580	6,812,484	19,934,820	19,234,665	3,067,073	-
Bond proceeds with Trustee	-	-	-	-	2,112	-	-	-	-
Cash and cash equivalents	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total restricted/designated cash and investments	<u>42,542,904</u>	<u>7,165,643</u>	<u>25,612,269</u>	<u>13,391,001</u>	<u>20,735,537</u>	<u>52,776,500</u>	<u>51,961,549</u>	<u>12,914,123</u>	<u>1,627,353</u>
Other specific investments	<u>-</u>	<u>-</u>	<u>544,001</u>	<u>-</u>	<u>329,585</u>	<u>1,011,028</u>	<u>-</u>	<u>491,215</u>	<u>-</u>
Total current assets	<u>68,731,476</u>	<u>10,042,741</u>	<u>61,608,682</u>	<u>21,896,996</u>	<u>47,232,833</u>	<u>90,213,479</u>	<u>80,272,213</u>	<u>19,740,616</u>	<u>1,838,158</u>
Investment in joint ventures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Capital assets:</b>									
Disposal rights	8,227,128	-	16,824	180,603	-	-	-	-	2,195,457
Treatment plants	-	-	-	379,443	247,829,157	12,802,949	-	-	2,569,204
Trunk lines	13,604,022	597,520	17,799,433	2,521,906	16,620,287	13,181,711	16,029,728	-	16,900
Use rights	-	-	-	-	358,790	-	-	-	-
Composting facilities	-	-	-	-	-	-	-	-	-
Other capital assets	537	1,418	128,012	1,750	105,639	9,667	978	-	41
Construction in progress	506,246	-	5,691,964	-	1,552,852	7,492,239	22,804	-	-
Land	-	-	-	5,600	16,608,378	79,240	-	-	-
Accumulated depreciation & amortization	<u>(7,959,845)</u>	<u>(349,828)</u>	<u>(6,339,594)</u>	<u>(2,348,695)</u>	<u>(78,609,689)</u>	<u>(13,734,496)</u>	<u>(6,890,509)</u>	<u>-</u>	<u>(2,369,024)</u>
Net capital assets	<u>14,378,088</u>	<u>249,110</u>	<u>17,296,639</u>	<u>740,607</u>	<u>204,465,414</u>	<u>19,831,310</u>	<u>9,163,001</u>	<u>-</u>	<u>2,412,578</u>
Total assets	<u>\$ 83,109,564</u>	<u>10,291,851</u>	<u>78,905,321</u>	<u>22,637,603</u>	<u>251,698,247</u>	<u>110,044,789</u>	<u>89,435,214</u>	<u>19,740,616</u>	<u>4,250,736</u>
<b>Deferred Outflow of Resources</b>									
Deferred loss/(gain) on refunding	-	-	-	-	4,189,041	-	-	-	-
Deferred pension contribution	93,539	15,666	236,735	120,231	1,384,312	367,139	155,658	11,823	442
Other postemployment benefit deferral	30,951	5,545	84,744	29,423	554,361	153,766	46,430	2,090	757
Total deferred outflow of resources	<u>\$ 124,490</u>	<u>21,211</u>	<u>321,479</u>	<u>149,654</u>	<u>6,127,714</u>	<u>520,905</u>	<u>202,088</u>	<u>13,913</u>	<u>1,199</u>

(Continued on the following page)

**Exhibit E-1-3**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Sewerage Operations**  
**Combining Schedule of Net Position**  
**June 30, 2021**

Assets	Districts							Total
	No. 28	No. 29	No. 34	Joint Outfall	Newhall Ranch	Santa Clarita Valley	South Bay Cities	
<b>Current assets:</b>								
Unrestricted cash and cash equivalents:								
Cash and cash equivalents	\$ 821,243	1,597,231	(196)	31,614,781	1,417,910	17,107,903	8,082,211	418,240,446
Total unrestricted cash and cash equivalents	821,243	1,597,231	(196)	31,614,781	1,417,910	17,107,903	8,082,211	418,240,446
Receivables:								
Accounts	-	31,869	-	3,403,661	-	429,929	6,746	20,754,339
Due from other funds	118,446	206,409	35	-	50,989	2,008,779	1,455,337	58,081,564
Interest	19,563	18,852	(2)	868,694	4,429	253,388	74,538	3,025,339
Service charges	20,125	95,939	-	-	-	1,103,295	298,928	18,196,497
Taxes	62,125	12,384	-	-	-	647,151	513,283	6,734,391
Total receivables	220,259	365,453	33	4,272,355	55,418	4,442,542	2,348,832	106,792,130
Restricted/designated cash and investments:								
Cash and cash equivalents	6,177,581	5,438,193	-	199,392,835	2,108,566	48,084,879	21,632,249	656,875,243
Specific investments	2,183,637	1,683,443	-	60,723,218	957,418	10,183,541	11,837,744	277,007,734
Bond proceeds with Trustee								
Cash and cash equivalents	-	-	-	-	-	3	-	7,674
Total restricted/designated cash and investments	8,361,218	7,121,636	-	260,116,053	3,065,984	58,268,423	33,469,993	933,890,651
Other specific investments	-	-	-	-	-	2,775,988	1,749,135	35,435,866
Total current assets	9,402,720	9,084,320	(163)	296,003,189	4,539,312	82,594,856	45,650,171	1,494,359,093
Investment in joint ventures	-	-	-	40,002,680	-	-	-	40,002,680
Other assets	-	(26)	-	(1,514)	-	-	-	(1,393)
<b>Capital assets:</b>								
Disposal rights	-	-	-	-	-	-	-	96,648,437
Treatment plants	377,363	2,417,404	525	1,331,873,244	1,150,768	212,245,592	12,917,723	2,202,660,001
Trunk lines	6,886,922	9,008,311	-	1,107,573,733	38,833	29,152,226	4,163,188	1,485,392,870
Use rights	-	-	-	-	-	-	-	770,580
Composting facilities	-	-	-	124,064,747	-	-	-	124,064,747
Other capital assets	-	65	-	16,085,280	-	340,144	1,244	16,928,796
Construction in progress	-	342,264	-	335,440,995	4,821	133,805,802	765	513,960,780
Land	20,000	25,000	-	76,700,427	-	598,803	-	160,057,455
Accumulated depreciation & amortization	(2,635,277)	(2,766,925)	(394)	(1,140,844,802)	(175,722)	(117,001,515)	(9,271,514)	(1,618,231,364)
Net capital assets	4,649,008	9,026,119	131	1,850,893,624	1,018,700	259,141,052	7,811,406	2,982,252,302
Total assets	\$ 14,051,728	18,110,413	(32)	2,186,897,979	5,558,012	341,735,908	53,461,577	4,516,612,682
<b>Deferred Outflow of Resources</b>								
Deferred loss/(gain) on refunding	\$ -	-	-	-	-	-	-	1,607,765
Deferred pension contribution	11,837	107,648	(275)	26,965,333	(37,356)	2,571,384	274,603	37,233,770
Other postemployment benefit deferral	5,903	36,364	1	10,549,941	19,645	1,355,694	113,492	14,609,514
Total deferred outflow of resources	\$ 17,740	144,012	(274)	37,515,274	(17,711)	3,927,078	388,095	53,451,049

(Continued on the following page)

**Exhibit E-1-4**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Sewerage Operations**  
**Combining Schedule of Net Position**  
**June 30, 2021**

	Districts									
	No. 1	No. 2	No. 3	No. 4	No. 5	No. 8	No. 9	No. 14	No. 15	
<b>Liabilities</b>										
Current liabilities:										
Accounts payable	\$ 176,332	46,075	53,405	29	281,981	735,842	36	293,107	68,777	
Amounts held for others	-	-	-	-	-	-	-	-	-	-
Bonds payable	-	-	-	-	-	-	-	3,600,000	-	-
Due to other funds	-	-	-	-	-	-	1,641	-	-	-
Estimated liability for pollution remediation	-	-	-	-	-	-	-	-	-	-
Interest payable	3,241	-	-	-	-	-	-	2,930,339	-	-
Loans payable to State of California	31,945	-	-	-	-	-	-	5,398,589	-	-
Other	-	-	86,010	-	-	-	-	(66,429)	36	-
<b>Total current liabilities</b>	<b>211,518</b>	<b>46,075</b>	<b>139,415</b>	<b>29</b>	<b>281,981</b>	<b>735,842</b>	<b>1,677</b>	<b>12,155,606</b>	<b>68,813</b>	
Long-term liabilities:										
Bonds payable	-	-	-	-	-	-	-	137,578,217	-	-
Estimated liability for pollution remediation	-	-	-	-	-	-	-	-	-	-
Loans payable to State of California	327,599	-	-	-	-	-	-	51,876,163	-	-
Other postemployment benefits liability	702,113	2,122,223	1,235,965	39,671	2,202,902	652,239	3,380	4,773,024	657,866	-
Pension liability	1,603,606	4,583,446	2,990,796	89,211	5,144,127	1,730,470	7,325	11,071,974	1,531,760	-
<b>Total long-term liabilities</b>	<b>2,633,318</b>	<b>6,705,669</b>	<b>4,226,761</b>	<b>128,882</b>	<b>7,347,029</b>	<b>2,382,709</b>	<b>10,705</b>	<b>205,299,378</b>	<b>2,189,626</b>	
<b>Total liabilities</b>	<b>\$ 2,844,836</b>	<b>6,751,744</b>	<b>4,366,176</b>	<b>128,911</b>	<b>7,629,010</b>	<b>3,118,551</b>	<b>12,382</b>	<b>217,454,984</b>	<b>2,258,439</b>	
<b>Deferred Inflow of Resources</b>										
Other postemployment benefits deferrals	\$ 94,460	171,913	159,068	12,926	281,396	168,554	762	662,024	89,621	
Pension deferrals	62,455	270,688	152,450	2,036	205,864	9,636	(716)	394,172	56,928	
<b>Total deferred inflow of resources</b>	<b>\$ 156,915</b>	<b>442,601</b>	<b>311,518</b>	<b>14,962</b>	<b>487,260</b>	<b>178,190</b>	<b>46</b>	<b>1,056,196</b>	<b>146,549</b>	
<b>Net Position</b>										
Net position:										
Net investment in capital assets	\$ 21,767,029	42,316,967	25,122,274	39,514,599	59,370,753	25,210,868	1,176,870	155,576,079	9,726,287	
Restricted for capital projects	1,298,000	6,230,000	1,890,000	1,805,000	4,046,000	9,215,000	59,000	4,910,000	4,272,000	
Unrestricted	79,622,150	100,539,181	71,313,811	44,908,399	89,677,134	19,347,539	4,897,206	57,318,710	102,187,212	
<b>Total net position</b>	<b>\$ 102,687,179</b>	<b>149,086,148</b>	<b>98,326,085</b>	<b>86,227,998</b>	<b>153,093,887</b>	<b>53,773,407</b>	<b>6,133,076</b>	<b>217,804,789</b>	<b>116,185,499</b>	

**Exhibit E-1-5**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Sewerage Operations**  
**Combining Schedule of Net Position**  
**June 30, 2021**

	Districts								
	No. 16	No. 17	No. 18	No. 19	No. 20	No. 21	No. 22	No. 23	No. 27
<b>Liabilities</b>									
<b>Current liabilities:</b>									
Accounts payable	\$ 15,501	2,062	160,096	6,153	411,431	603,571	30,754	2,579	28
Amounts held for others	-	-	-	-	-	-	-	-	-
Bonds payable	-	-	-	-	4,045,000	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	423
Estimated liability for pollution remediation	-	-	-	-	-	-	-	-	-
Interest payable	-	-	-	-	1,753,328	-	-	-	-
Loans payable to State of California	-	-	-	-	-	-	-	-	-
Other	-	-	11	-	64,655	-	-	-	-
Total current liabilities	<u>15,501</u>	<u>2,062</u>	<u>160,107</u>	<u>6,153</u>	<u>6,274,414</u>	<u>603,571</u>	<u>30,754</u>	<u>2,579</u>	<u>451</u>
<b>Long-term liabilities:</b>									
Bonds payable	-	-	-	-	165,872,840	-	-	-	-
Estimated liability for pollution remediation	-	-	-	-	-	-	-	-	-
Loans payable to State of California	-	-	-	-	-	-	-	-	-
Other postemployment benefits liability	285,680	49,923	608,181	256,367	3,891,652	908,800	380,388	25,957	3,261
Pension liability	607,518	96,885	1,714,891	680,843	8,944,229	2,446,814	834,904	52,598	7,213
Total long-term liabilities	<u>893,198</u>	<u>146,808</u>	<u>2,323,072</u>	<u>937,210</u>	<u>178,708,721</u>	<u>3,355,614</u>	<u>1,215,292</u>	<u>78,555</u>	<u>10,474</u>
Total liabilities	<u>\$ 908,699</u>	<u>148,870</u>	<u>2,483,179</u>	<u>943,363</u>	<u>184,983,135</u>	<u>3,959,185</u>	<u>1,246,046</u>	<u>81,134</u>	<u>10,925</u>
<b>Deferred Inflow of Resources</b>									
Other postemployment benefits deferrals	\$ 25,874	7,799	109,430	27,561	549,082	186,489	35,874	1,526	1,095
Pension deferrals	5,288	1,913	20,299	27,912	257,575	68,162	41,698	3,341	41
Total deferred inflow of resources	<u>\$ 31,162</u>	<u>9,712</u>	<u>129,729</u>	<u>55,473</u>	<u>806,657</u>	<u>254,651</u>	<u>77,572</u>	<u>4,867</u>	<u>1,136</u>
<b>Net Position</b>									
<b>Net position:</b>									
Net investment in capital assets	\$ 14,378,088	249,110	17,296,639	740,607	38,736,615	19,831,310	9,163,001	-	2,412,578
Restricted for capital projects	1,801,000	61,000	3,486,000	261,000	2,306,000	1,326,000	2,835,000	79,000	40,000
Unrestricted	66,115,105	9,844,370	55,831,253	20,786,814	30,993,554	85,194,548	76,315,683	19,589,528	1,787,296
Total net position	<u>\$ 82,294,193</u>	<u>10,154,480</u>	<u>76,613,892</u>	<u>21,788,421</u>	<u>72,036,169</u>	<u>106,351,858</u>	<u>88,313,684</u>	<u>19,668,528</u>	<u>4,239,874</u>

**Exhibit E-1-6**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Sewerage Operations**  
**Combining Schedule of Net Position**  
**June 30, 2021**

	Districts							Total
	No. 28	No. 29	No. 34	Joint Outfall	Newhall Ranch	Santa Clarita Valley	South Bay Cities	
<b>Liabilities</b>								
<b>Current liabilities:</b>								
Accounts payable	\$ 633	7,214	-	22,981,766	4,441	4,301,592	13,407	30,196,812
Amounts held for others	-	-	-	-	2,000,818	-	-	2,000,818
Bonds payable	-	-	-	-	-	-	-	7,645,000
Due to other funds	-	-	-	19,018,926	-	-	-	19,020,990
Estimated liability for pollution remediation	-	-	-	2,000,000	-	-	-	2,000,000
Interest payable	-	2,620	-	993,653	-	15,691	-	5,698,872
Loans payable to State of California	-	46,737	-	23,688,789	-	2,696,717	-	31,862,777
Other	-	-	-	(646)	-	-	-	83,637
<b>Total current liabilities</b>	<b>633</b>	<b>56,571</b>	<b>-</b>	<b>68,682,488</b>	<b>2,005,259</b>	<b>7,014,000</b>	<b>13,407</b>	<b>98,508,906</b>
<b>Long-term liabilities:</b>								
Bonds payable	-	-	-	-	-	-	-	303,451,057
Estimated liability for pollution remediation	-	-	-	18,000,000	-	-	-	18,000,000
Loans payable to State of California	-	569,634	-	135,000,890	-	6,554,251	-	194,328,537
Other postemployment benefits liability	33,121	277,462	(624)	76,875,416	42,545	9,353,652	778,285	106,159,449
Pension liability	47,477	765,110	330	175,159,142	122,929	19,528,883	1,691,870	241,454,351
<b>Total long-term liabilities</b>	<b>80,598</b>	<b>1,612,206</b>	<b>(294)</b>	<b>405,035,448</b>	<b>165,474</b>	<b>35,436,786</b>	<b>2,470,155</b>	<b>863,393,394</b>
<b>Total liabilities</b>	<b>\$ 81,231</b>	<b>1,668,777</b>	<b>(294)</b>	<b>473,717,936</b>	<b>2,170,733</b>	<b>42,450,786</b>	<b>2,483,562</b>	<b>961,902,300</b>
<b>Deferred Inflow of Resources</b>								
Other postemployment benefits deferrals	\$ 3,625	59,869	469	11,178,591	45,068	1,426,215	127,415	15,426,706
Pension deferrals	3,747	24,317	(254)	5,213,950	(20,434)	117,541	46,485	6,965,094
<b>Total deferred inflow of resources</b>	<b>\$ 7,372</b>	<b>84,186</b>	<b>215</b>	<b>16,392,541</b>	<b>24,634</b>	<b>1,543,756</b>	<b>173,900</b>	<b>22,391,800</b>
<b>Net Position</b>								
<b>Net position:</b>								
Net investment in capital assets	\$ 4,649,008	8,409,748	131	1,692,203,945	1,018,700	249,890,084	7,811,406	2,446,572,696
Restricted for capital projects	19,000	264,000	-	42,098,831	379,000	45,174,000	546,000	134,400,831
Unrestricted	9,312,857	7,827,714	(358)	-	1,947,234	6,604,360	42,834,804	1,004,796,104
<b>Total net position</b>	<b>\$ 13,980,865</b>	<b>16,501,462</b>	<b>(227)</b>	<b>1,734,302,776</b>	<b>3,344,934</b>	<b>301,668,444</b>	<b>51,192,210</b>	<b>3,585,769,631</b>

**Exhibit E-2**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Sewerage Operations**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Position**  
**June 30, 2021**

	Districts								
	No. 1	No. 2	No. 3	No. 4	No. 5	No. 8	No. 9	No. 14	No. 15
<b>Operating revenues:</b>									
Commodities	-	-	-	-	-	-	-	2,333	-
Contract revenue	-	-	-	-	2,630	3,916	-	1,560,689	-
Industrial waste surcharge	7,899,700	8,168,549	2,431,098	49,951	5,343,340	7,551,266	-	2,288,769	5,840,080
Internal services revenue	-	-	-	-	-	-	-	-	-
Refuse/food waste tipping fees	-	-	-	-	-	-	-	-	-
Sale of energy	-	-	-	-	-	-	-	-	-
Service charges	28,245,647	39,352,079	31,155,062	3,919,764	43,535,832	11,825,318	112,719	33,320,524	30,900,615
Other	9	3,511	12	-	5	1	-	12,348	2
<b>Total operating revenues</b>	<b>36,145,356</b>	<b>47,524,139</b>	<b>33,586,172</b>	<b>3,969,715</b>	<b>48,881,807</b>	<b>19,380,501</b>	<b>112,719</b>	<b>37,184,663</b>	<b>36,740,697</b>
<b>Operating expenses:</b>									
Chemicals	40,384	86,784	39,189	-	19,589	15,989	-	1,374,279	10,644
Collection charges	72,527	130,795	96,986	12,809	221,939	37,775	1,655	27,199	148,495
Depreciation/amortization	426,477	820,172	731,890	1,742,829	1,371,052	492,592	53,613	9,576,219	208,329
Equipment and vehicle rentals	724	3,842	3,605	-	8,385	1,442	-	338,922	1,442
Insurance and claims	45,200	66,806	51,433	56	77,108	25,842	56	42,233	55,271
Internal administrative costs	23,900,413	35,394,838	26,293,031	9,798	39,161,235	14,373,291	5,329	2,879,112	29,662,937
Materials and supplies	12,245	34,042	58,876	762	130,989	27,118	-	773,261	10,587
Operations, repairs, and maintenance	6,132	21,935	18,487	24,939	54,952	13,321	4,622	329,697	44,011
Pollution remediation costs	-	-	-	-	-	-	-	-	-
Salaries and benefits	615,249	1,314,745	861,665	44,241	1,933,563	681,430	12,892	5,861,095	749,747
Services	121,824	219,634	40,399	1,969,230	729,890	155,006	140,881	1,235,008	99,383
Utilities	9,573	18,821	72,310	475	152,496	94,939	-	1,379,999	16,087
<b>Total operating expenses</b>	<b>25,250,748</b>	<b>38,112,414</b>	<b>28,267,871</b>	<b>3,805,139</b>	<b>43,861,198</b>	<b>15,918,745</b>	<b>219,048</b>	<b>23,817,024</b>	<b>31,006,933</b>
<b>Operating income (loss)</b>	<b>10,894,608</b>	<b>9,411,725</b>	<b>5,318,301</b>	<b>164,576</b>	<b>5,020,609</b>	<b>3,461,756</b>	<b>(106,329)</b>	<b>13,367,639</b>	<b>5,733,764</b>
<b>Nonoperating revenues (expenses):</b>									
Interest revenue	529,845	602,663	449,155	338,189	466,151	150,578	47,978	603,251	552,092
Property taxes	4,547,109	8,887,322	6,957,105	866,514	14,786,188	2,447,159	114,187	2,282,036	9,562,281
Amortization of bond premium	103,306	159,495	121,151	15,412	260,713	63,001	2,166	1,586,848	163,152
Amortization of deferred loss on refunding	(360,748)	(556,962)	(423,065)	(53,822)	(910,420)	(220,000)	(7,563)	104,794	(569,732)
Interest expense	(130,723)	(186,579)	(141,724)	(18,030)	(304,985)	(73,699)	(2,534)	(8,032,963)	(190,857)
Other nonoperating expense	113,659	210,724	143,097	102,293	193,220	-	-	(22,510)	207,200
Tax and assessment expense	(15,993)	(16,716)	(18,887)	(2,848)	(22,572)	(17,440)	-	(328,701)	(16,716)
Unrealized loss on investments	(372,077)	(383,555)	(278,637)	(284,497)	(326,911)	(37,673)	(32,502)	(142,340)	(356,064)
<b>Net nonoperating revenues (expenses)</b>	<b>4,414,378</b>	<b>8,716,392</b>	<b>6,808,195</b>	<b>963,211</b>	<b>14,141,384</b>	<b>2,311,926</b>	<b>121,732</b>	<b>(3,949,585)</b>	<b>9,351,356</b>
<b>Income (loss) before capital contribution revenue and transfers</b>	<b>15,308,986</b>	<b>18,128,117</b>	<b>12,126,496</b>	<b>1,127,787</b>	<b>19,161,993</b>	<b>5,773,682</b>	<b>15,403</b>	<b>9,418,054</b>	<b>15,085,120</b>
<b>Capital contribution revenue:</b>									
Connection fees	424,466	1,195,838	378,408	64,966	729,747	183,692	-	2,066,581	1,484,967
Grants	-	-	-	-	-	-	-	-	-
Transfers in	10,184,967	8,545,970	5,637,077	1,751,537	20,151,605	(672,677)	115,552	23,222,973	12,169,006
Transfers out	(12,409,034)	(11,840,006)	(8,125,288)	(1,751,861)	(23,851,893)	(593,404)	(115,753)	(23,324,452)	(14,946,702)
<b>Change in net position</b>	<b>13,509,385</b>	<b>16,029,919</b>	<b>10,016,693</b>	<b>1,192,429</b>	<b>16,191,452</b>	<b>4,691,293</b>	<b>15,202</b>	<b>11,383,156</b>	<b>13,792,391</b>
<b>Total net position, July 1, 2020, as previously stated</b>	<b>89,177,794</b>	<b>133,056,229</b>	<b>88,309,392</b>	<b>85,035,569</b>	<b>136,902,435</b>	<b>49,082,114</b>	<b>6,117,874</b>	<b>206,421,633</b>	<b>102,393,108</b>
<b>Prior-period adjustments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total net position, July 1, 2020, as restated</b>	<b>89,177,794</b>	<b>133,056,229</b>	<b>88,309,392</b>	<b>85,035,569</b>	<b>136,902,435</b>	<b>49,082,114</b>	<b>6,117,874</b>	<b>206,421,633</b>	<b>102,393,108</b>
<b>Total net position, June 30, 2021</b>	<b>102,687,179</b>	<b>149,086,148</b>	<b>98,326,085</b>	<b>86,227,998</b>	<b>153,093,887</b>	<b>53,773,407</b>	<b>6,133,076</b>	<b>217,804,789</b>	<b>116,185,499</b>

**Exhibit E-2-2**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Sewerage Operations**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Position**  
**June 30, 2021**

	Districts								
	No. 16	No. 17	No. 18	No. 19	No. 20	No. 21	No. 22	No. 23	No. 27
<b>Operating revenues:</b>									
Commodities	-	-	-	-	-	-	-	-	-
Contract revenue	-	-	445,024	-	492,412	-	18,908	-	-
Industrial waste surcharge	355,087	-	3,018,048	194,947	383,697	3,393,953	1,118,253	5,835,194	-
Internal services revenue	-	-	-	-	-	-	-	-	-
Refuse/food waste tipping fees	-	-	-	-	-	-	-	-	-
Sale of energy	-	-	-	-	-	-	-	-	-
Service charges	18,496,731	2,369,701	22,289,888	6,687,750	25,109,150	26,865,325	21,946,992	451,602	-
Other	-	-	-	1	324	4,855	3,400	-	-
<b>Total operating revenues</b>	<b>18,851,818</b>	<b>2,369,701</b>	<b>25,752,960</b>	<b>6,882,698</b>	<b>25,985,583</b>	<b>30,264,133</b>	<b>23,087,553</b>	<b>6,286,796</b>	<b>-</b>
<b>Operating expenses:</b>									
Chemicals	3,388	1,852	31,274	19,319	888,591	-	-	-	-
Collection charges	98,626	12,508	77,689	27,031	20,903	87,425	80,348	5,460	5,594
Depreciation/amortization	386,465	4,530	247,242	27,416	6,955,428	421,282	215,145	-	83,246
Equipment and vehicle rentals	-	-	-	721	557,588	2,884	-	-	-
Insurance and claims	30,487	(11,281)	35,178	10,394	41,232	44,128	36,152	4,972	56
Internal administrative costs	15,391,998	2,055,909	17,876,994	5,388,950	1,844,070	22,935,284	18,816,542	3,874,925	5,329
Materials and supplies	434	-	4,415	15,153	913,597	55,688	57	-	353
Operations, repairs, and maintenance	20,214	6,683	5,947	23,620	579,403	12,645	11,847	18,950	-
Pollution remediation costs	-	-	-	-	-	-	-	-	-
Salaries and benefits	206,407	62,140	569,503	358,503	5,486,604	828,933	323,916	16,143	5,792
Services	287,685	11,377	349,296	12,171	1,539,096	296,872	186,960	1,035	86,303
Utilities	108	-	1,754	18,270	1,573,149	72,625	-	-	-
<b>Total operating expenses</b>	<b>16,425,812</b>	<b>2,143,718</b>	<b>19,199,292</b>	<b>5,901,548</b>	<b>20,399,661</b>	<b>24,757,766</b>	<b>19,670,967</b>	<b>3,921,485</b>	<b>186,673</b>
<b>Operating income (loss)</b>	<b>2,426,006</b>	<b>225,983</b>	<b>6,553,668</b>	<b>981,150</b>	<b>5,585,922</b>	<b>5,506,367</b>	<b>3,416,586</b>	<b>2,365,311</b>	<b>(186,673)</b>
<b>Nonoperating revenues (expenses):</b>									
Interest revenue	372,375	38,245	373,701	120,702	605,734	490,425	477,161	121,161	7,971
Property taxes	6,810,094	714,499	5,479,246	1,763,461	1,705,804	5,708,183	5,485,088	624,942	426,948
Amortization of bond premium	101,674	13,011	89,180	28,753	1,877,020	96,181	83,231	17,579	3,029
Amortization of deferred loss on refunding	(355,048)	(45,436)	(311,421)	(100,409)	(270,499)	(335,865)	(290,648)	(61,385)	(10,578)
Interest expense	(118,939)	(15,221)	(104,325)	(33,636)	(7,002,060)	(112,513)	(97,366)	(20,564)	(3,544)
Other nonoperating expense	136,050	-	49,442	43,190	(225,922)	177,649	159,577	-	-
Tax and assessment expense	(15,269)	(2,848)	(15,269)	(15,993)	(185,755)	(18,163)	(15,269)	-	-
Unrealized loss on investments	(246,679)	-	(170,385)	(76,572)	(63,896)	(355,794)	(279,618)	(63,693)	-
<b>Net nonoperating revenues (expenses)</b>	<b>6,684,258</b>	<b>702,250</b>	<b>5,390,169</b>	<b>1,729,496</b>	<b>(3,559,574)</b>	<b>5,650,103</b>	<b>5,522,156</b>	<b>618,040</b>	<b>423,826</b>
<b>Income (loss) before capital contribution revenue and transfers</b>	<b>9,110,264</b>	<b>928,233</b>	<b>11,943,837</b>	<b>2,710,646</b>	<b>2,026,348</b>	<b>11,156,470</b>	<b>8,938,742</b>	<b>2,983,351</b>	<b>237,153</b>
<b>Capital contribution revenue:</b>									
Connection fees	234,193	2,834	531,775	10,825	310,777	327,838	276,413	69,307	-
Grants	-	-	-	-	-	-	-	-	-
Transfers in	5,451,819	615,095	1,174,227	1,190,617	13,409,961	6,288,850	11,996,522	2,240,394	1,212,808
Transfers out	(6,926,433)	(812,654)	(2,856,631)	(1,707,827)	(13,480,860)	(8,444,546)	(13,763,915)	(2,552,537)	(1,213,009)
<b>Change in net position</b>	<b>7,869,843</b>	<b>733,508</b>	<b>10,793,208</b>	<b>2,204,261</b>	<b>2,266,226</b>	<b>9,328,612</b>	<b>7,447,762</b>	<b>2,740,515</b>	<b>236,952</b>
<b>Total net position, July 1, 2020, as previously stated</b>	<b>74,424,350</b>	<b>9,420,972</b>	<b>66,130,987</b>	<b>19,584,160</b>	<b>69,769,943</b>	<b>97,023,246</b>	<b>80,865,922</b>	<b>16,928,013</b>	<b>4,002,922</b>
<b>Prior-period adjustments</b>	<b>-</b>	<b>-</b>	<b>(310,303)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total net position, July 1, 2020, as restated</b>	<b>74,424,350</b>	<b>9,420,972</b>	<b>65,820,684</b>	<b>19,584,160</b>	<b>69,769,943</b>	<b>97,023,246</b>	<b>80,865,922</b>	<b>16,928,013</b>	<b>4,002,922</b>
<b>Total net position, June 30, 2021</b>	<b>\$ 82,294,193</b>	<b>10,154,480</b>	<b>76,613,892</b>	<b>21,788,421</b>	<b>72,036,169</b>	<b>106,351,858</b>	<b>88,313,684</b>	<b>19,668,528</b>	<b>4,239,874</b>

**Exhibit E-2-3**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Sewerage Operations**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Position**  
**June 30, 2021**

	Districts							Total
	No. 28	No. 29	No. 34	Joint Outfall	Newhall Ranch	Santa Clarita Valley	South Bay Cities	
Operating revenues:								
Commodities	-	-	-	16,740	-	839	-	19,912
Contract revenue	-	-	-	14,822,886	1,188,111	648,878	-	19,183,454
Industrial waste surcharge	-	86,055	-	13,452,353	-	2,101,565	17,015	69,528,920
Internal services revenue	-	-	-	176,941,363	-	-	-	176,941,363
Refuse/food waste tipping fees	-	-	-	386,206	-	-	-	386,206
Sale of energy	-	-	-	820,389	-	-	-	820,389
Service charges	689,409	1,960,986	-	87	246,871	35,798,653	7,010,618	392,291,323
Other	-	1	6,209	246,670	-	12,754	5	290,107
<b>Total operating revenues</b>	<b>689,409</b>	<b>2,047,042</b>	<b>6,209</b>	<b>206,686,694</b>	<b>1,434,982</b>	<b>38,562,689</b>	<b>7,027,638</b>	<b>659,461,674</b>
Operating expenses:								
Chemicals	-	4,750	-	33,644,369	-	2,834,354	21,212	39,035,967
Collection charges	11,500	2,585	-	-	-	128,022	97,490	1,405,361
Depreciation/amortization	94,342	180,850	13	52,439,204	45,214	5,568,728	309,428	82,401,706
Equipment and vehicle rentals	-	1,442	-	5,582,804	1,945	406,062	5,768	6,917,576
Insurance and claims	1,229	1,592	-	797,656	56	86,169	13,487	1,455,512
Internal administrative costs	609,290	800,461	5,329	-	33,490	5,173,433	6,879,797	273,371,785
Materials and supplies	-	11,126	-	14,099,007	96	1,603,957	34,966	17,786,729
Operations, repairs, and maintenance	2,235	36,605	-	3,194,193	57	270,028	14,695	4,715,218
Pollution remediation costs	-	-	-	91,201	-	-	-	91,201
Salaries and benefits	18,553	314,583	942	99,178,029	182,792	11,591,132	1,031,095	132,249,694
Services	356	42,808	-	36,091,264	187,547	2,305,235	86,487	46,195,747
Utilities	-	13,394	-	12,776,344	1,006	2,259,178	158,106	18,618,634
<b>Total operating expenses</b>	<b>737,505</b>	<b>1,410,196</b>	<b>6,284</b>	<b>257,894,071</b>	<b>452,203</b>	<b>32,226,298</b>	<b>8,652,531</b>	<b>624,245,130</b>
<b>Operating income (loss)</b>	<b>(48,096)</b>	<b>636,846</b>	<b>(75)</b>	<b>(51,207,377)</b>	<b>982,779</b>	<b>6,336,391</b>	<b>(1,624,893)</b>	<b>35,216,544</b>
Nonoperating revenues (expenses):								
Interest revenue	61,696	65,564	13	3,507,492	17,267	987,937	364,641	11,351,987
Property taxes	799,969	191,859	-	-	-	8,361,144	6,671,757	95,192,895
Amortization of bond premium	4,599	1,443	-	-	-	157,894	44,464	4,993,302
Amortization of deferred loss on refunding	(16,059)	(5,042)	-	-	-	(551,371)	(155,272)	(5,506,551)
Interest expense	(5,379)	(12,754)	-	(4,080,105)	-	(653,004)	(52,015)	(21,393,519)
Other nonoperating expense	18,185	9,547	-	(30,000)	-	(51,321)	17,503	1,251,583
Tax and assessment expense	(2,848)	(4,657)	-	(2,219,004)	(15,378)	(245,388)	(22,868)	(3,218,582)
Unrealized loss on investments	(38,987)	(37,875)	-	(2,066,555)	(2,582)	(207,014)	(196,595)	(6,020,501)
<b>Net nonoperating revenues (expenses)</b>	<b>821,176</b>	<b>208,085</b>	<b>13</b>	<b>(4,888,172)</b>	<b>(693)</b>	<b>7,798,877</b>	<b>6,671,615</b>	<b>76,650,614</b>
<b>Income (loss) before capital contribution revenue and transfers</b>	<b>773,080</b>	<b>844,931</b>	<b>(62)</b>	<b>(56,095,549)</b>	<b>982,086</b>	<b>14,135,268</b>	<b>5,046,722</b>	<b>111,867,158</b>
Capital contribution revenue:								
Connection fees	2,931	89,409	-	9,197,626	-	2,804,974	88,983	20,476,550
Grants	-	-	-	2,660,255	-	783,596	-	3,443,851
Transfers in	256,115	1,218,811	-	(106,362,370)	1,051,013	(22,182,282)	2,197,641	865,231
Transfers out	(314,587)	(1,294,776)	(200)	128,547,616	(1,051,816)	21,969,784	(2,858,551)	(3,719,335)
<b>Change in net position</b>	<b>717,539</b>	<b>858,375</b>	<b>(262)</b>	<b>(22,052,422)</b>	<b>981,283</b>	<b>17,511,340</b>	<b>4,474,795</b>	<b>132,933,455</b>
<b>Total net position, July 1, 2020, as previously stated</b>	<b>13,263,326</b>	<b>15,643,087</b>	<b>35</b>	<b>1,756,355,198</b>	<b>2,363,651</b>	<b>284,157,104</b>	<b>46,717,415</b>	<b>3,453,146,479</b>
<b>Prior-period adjustments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(310,303)</b>
<b>Total net position, July 1, 2020, as restated</b>	<b>13,263,326</b>	<b>15,643,087</b>	<b>35</b>	<b>1,756,355,198</b>	<b>2,363,651</b>	<b>284,157,104</b>	<b>46,717,415</b>	<b>3,452,836,176</b>
<b>Total net position, June 30, 2021</b>	<b>\$ 13,980,865</b>	<b>16,501,462</b>	<b>(227)</b>	<b>1,734,302,776</b>	<b>3,344,934</b>	<b>301,668,444</b>	<b>51,192,210</b>	<b>3,585,769,631</b>

**Exhibit E-3**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Sewerage Operations**  
**Combining Schedule of Cash Flows**  
**Fiscal year ended June 30, 2021**

	Districts								
	No. 1	No. 2	No. 3	No. 4	No. 5	No. 8	No. 9	No. 14	No. 15
<b>Cash flows from operating activities:</b>									
Receipts from customers and users	\$ 34,842,378	48,934,421	33,940,973	3,960,852	48,665,540	19,949,439	106,181	37,794,673	36,526,529
Receipts for internal services	-	-	-	-	-	-	-	-	-
Payments to suppliers	(285,227)	(550,839)	(366,059)	(2,128,425)	(1,361,671)	(389,597)	(147,184)	(5,425,849)	(334,704)
Payments for salaries/benefits	(626,353)	(1,280,501)	(842,033)	(47,840)	(1,878,568)	(655,004)	(10,737)	(5,646,238)	(778,396)
Payment for equipment rental	(721)	(3,842)	(3,605)	-	(8,385)	(1,442)	-	(338,922)	(1,442)
Payment for internal administrative costs	(23,900,414)	(35,394,839)	(26,293,031)	(9,798)	(39,161,235)	(14,373,291)	(5,329)	(2,879,112)	(29,662,937)
<b>Net cash provided (used) by operating activities</b>	<b>10,029,663</b>	<b>11,704,400</b>	<b>6,436,245</b>	<b>1,774,789</b>	<b>6,255,681</b>	<b>4,530,105</b>	<b>(57,069)</b>	<b>23,504,552</b>	<b>5,749,050</b>
<b>Cash flows from noncapital financing activities:</b>									
Receipts from property taxes	4,478,103	8,811,580	6,884,458	861,301	14,792,866	2,444,296	113,690	2,301,634	9,552,799
Transfers from other funds	3,824,971	5,905,403	4,485,712	570,666	9,653,085	2,332,640	80,195	10,808,134	6,040,806
Transfers to other funds	(6,071,404)	(9,232,763)	(6,999,437)	(571,025)	(13,390,963)	(3,611,251)	(80,430)	(10,918,748)	(8,846,188)
Payments for tax and assessment	(15,993)	(16,716)	(18,887)	(2,848)	(22,572)	(17,440)	-	(328,701)	(16,716)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>2,215,677</b>	<b>5,467,504</b>	<b>4,351,846</b>	<b>858,094</b>	<b>11,032,416</b>	<b>1,148,245</b>	<b>113,455</b>	<b>1,862,319</b>	<b>6,730,701</b>
<b>Cash flows from capital and related financing activities:</b>									
Borrowings on loans	-	-	-	-	-	-	-	-	-
Purchases of capital assets	(5,076,490)	(2,797,961)	(323,091)	(1,749,605)	(4,764,831)	(3,612,017)	(45,080)	(1,590,834)	(120,146)
Connection fees proceeds	424,466	1,195,838	378,408	64,966	729,747	183,692	-	2,066,581	1,484,967
Bond defeasement	(1,701,419)	(2,626,833)	(1,995,328)	(253,843)	(4,293,872)	(1,037,602)	(35,672)	(360,085)	(2,687,063)
Grant proceeds	-	-	-	-	-	-	-	-	-
Interest paid on capital-related debt	(99,544)	(138,004)	(104,827)	(13,336)	(225,584)	(54,512)	(1,874)	(8,181,437)	(141,168)
Payment to joint venture	-	-	-	-	-	-	-	-	-
Principal payments on bonds	(2,034,167)	(3,140,566)	(2,385,557)	(303,487)	(5,133,630)	(1,240,527)	(42,649)	(3,855,507)	(3,212,575)
Principal payments on loans	(31,136)	-	-	-	-	-	-	(5,266,613)	-
<b>Net cash used by capital and related financing activities</b>	<b>(8,518,290)</b>	<b>(7,507,526)</b>	<b>(4,430,395)</b>	<b>(2,255,305)</b>	<b>(13,688,170)</b>	<b>(5,760,966)</b>	<b>(125,275)</b>	<b>(17,187,895)</b>	<b>(4,675,985)</b>
<b>Cash flows from investing activities:</b>									
Interest received	848,439	1,115,990	788,290	567,424	965,626	178,308	49,992	727,059	1,061,410
Purchases of investments	(2,560,967)	(5,867,784)	(1,230,554)	(2,771,458)	(1,352,392)	-	(184,700)	(6,319,454)	(4,235,912)
Proceeds from maturities of investments	8,301,230	13,336,084	5,039,550	8,326,010	15,065,331	600,000	698,100	7,594,454	12,772,873
<b>Net cash provided (used) by investing activities</b>	<b>6,588,702</b>	<b>8,584,290</b>	<b>4,597,286</b>	<b>6,121,976</b>	<b>14,678,565</b>	<b>778,308</b>	<b>563,392</b>	<b>2,002,059</b>	<b>9,598,371</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>10,315,752</b>	<b>18,248,668</b>	<b>10,954,982</b>	<b>6,499,554</b>	<b>18,278,492</b>	<b>695,692</b>	<b>494,503</b>	<b>10,181,035</b>	<b>17,402,137</b>
Cash and cash equivalents at beginning of fiscal year	44,401,729	55,516,527	37,737,745	22,348,144	51,766,197	23,227,374	2,318,333	55,677,643	58,026,979
Cash and cash equivalents at end of fiscal year	\$ 54,717,481	73,765,195	48,692,727	28,847,698	70,044,689	23,923,066	2,812,836	65,858,678	75,429,116

**Exhibit E-3 (continued)**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Sewerage Operations**  
**Combining Schedule of Cash Flows**  
**Fiscal year ended June 30, 2021**

	Districts								
	No. 1	No. 2	No. 3	No. 4	No. 5	No. 8	No. 9	No. 14	No. 15
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:									
Operating income (loss)	\$ 10,894,608	9,411,725	5,318,301	164,576	5,020,609	3,461,756	(106,329)	13,367,639	5,733,764
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Depreciation and amortization	426,477	820,172	731,890	1,742,829	1,371,052	492,592	53,613	9,576,219	208,329
Decrease (increase) in accounts receivable	(1,048,030)	1,482,490	442,304	(15,345)	98,932	600,131	-	539,172	(205,047)
Decrease (increase) in service charge receivable	(254,947)	(72,208)	(87,504)	6,483	(315,199)	(31,193)	(6,538)	130,073	(9,120)
Decrease in deferred outflow of resources	15,304	30,942	18,970	767	46,982	24,865	222	113,549	14,454
Increase (decrease) in accounts payable	22,694	28,045	12,088	(120,154)	26,023	(19,045)	29	(262,304)	49,841
Decrease in estimated pollution remediation	-	-	-	-	-	-	-	-	-
Increase in other postemployment benefits liability	11,931	24,123	14,790	598	36,628	19,385	173	88,524	11,268
Increase in pension liability	94,131	190,321	116,684	4,719	288,976	152,939	1,367	698,419	88,903
Increase (decrease) in other liabilities	-	-	-	-	-	-	-	-	-
Increase (decrease) in due to/from other funds	(35,647)	(15,374)	(11,213)	(4,828)	(20,972)	(13,955)	1,800	(28,082)	(51,862)
Decrease in deferred inflow of resources	(96,858)	(195,836)	(120,065)	(4,856)	(297,350)	(157,370)	(1,406)	(718,657)	(91,480)
Net cash provided (used) by operating activities	\$ 10,029,663	11,704,400	6,436,245	1,774,789	6,255,681	4,530,105	(57,069)	23,504,552	5,749,050
Schedule of noncash investing activities:									
Unrealized loss on fair value of investments	\$ (372,077)	(383,555)	(278,637)	(284,497)	(326,911)	(37,673)	(32,502)	(142,340)	(356,064)
Amortization of investment premium (discount)	132,159	225,313	150,687	107,017	204,858	-	5	113,097	219,986

**Exhibit E-3-2**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Sewerage Operations**  
**Combining Schedule of Cash Flows**  
**Fiscal year ended June 30, 2021**

	Districts								
	No. 16	No. 17	No. 18	No. 19	No. 20	No. 21	No. 22	No. 23	No. 27
<b>Cash flows from operating activities:</b>									
Receipts from customers and users	\$ 18,775,418	2,360,863	25,818,441	6,768,915	26,228,168	31,202,283	23,258,036	5,509,304	-
Receipts from internal services	-	-	-	-	-	-	-	-	-
Payments to suppliers	(471,203)	(28,271)	(443,119)	(120,829)	(5,542,995)	(429,681)	(323,896)	(29,805)	(128,164)
Payments for salaries/benefits	(207,552)	(65,190)	(533,645)	(349,497)	(5,270,081)	(806,635)	(291,940)	(20,072)	(5,630)
Payment for equipment rental	-	-	-	(721)	(557,588)	(2,884)	-	-	-
Payment for internal administrative costs	(15,391,998)	(2,055,909)	(17,876,994)	(5,388,950)	(1,844,070)	(22,935,284)	(18,816,542)	(3,874,925)	(5,329)
Net cash provided (used) by operating activities	<u>2,704,665</u>	<u>211,493</u>	<u>6,964,683</u>	<u>908,918</u>	<u>13,013,434</u>	<u>7,027,799</u>	<u>3,825,658</u>	<u>1,584,502</u>	<u>(139,123)</u>
<b>Cash flows from noncapital financing activities:</b>									
Receipts from property taxes	6,759,581	710,317	5,439,748	1,753,353	1,711,508	5,722,961	5,422,422	630,757	424,605
Transfers from other funds	3,764,535	481,754	3,301,958	1,064,623	11,300,931	3,561,141	3,081,712	650,861	112,157
Transfers to other funds	(5,254,164)	(681,309)	(5,001,757)	(1,587,118)	(11,377,255)	(5,738,992)	(4,866,919)	(965,524)	(112,392)
Payments for tax and assessment	(15,269)	(2,848)	(15,269)	(15,993)	(185,755)	(18,163)	(15,269)	-	-
Net cash provided (used) by noncapital financing activities	<u>5,254,683</u>	<u>507,914</u>	<u>3,724,680</u>	<u>1,214,865</u>	<u>1,449,429</u>	<u>3,526,947</u>	<u>3,621,946</u>	<u>316,094</u>	<u>424,370</u>
<b>Cash flows from capital and related financing activities:</b>									
Borrowings on loans	-	-	-	-	-	-	-	-	-
Purchases of capital assets	(631,527)	-	(2,392,296)	5	(1,254,012)	(2,895,671)	(170,555)	-	(80,061)
Connection fees proceeds	234,193	2,834	531,775	10,825	310,777	327,838	276,413	69,307	-
Bond defeasement	(1,674,535)	(214,293)	(1,468,773)	(473,564)	(300,114)	(1,584,062)	(1,370,803)	(289,515)	(49,890)
Grant proceeds	-	-	-	-	-	-	-	-	-
Interest paid on capital-related debt	(87,974)	(11,258)	(77,164)	(24,879)	(7,042,011)	(83,221)	(72,017)	(15,210)	(2,621)
Payment to joint venture	-	-	-	-	-	-	-	-	-
Principal payments on bonds	(2,002,026)	(256,202)	(1,756,022)	(566,180)	(3,958,807)	(1,893,858)	(1,638,892)	(346,136)	(59,647)
Principal payments on loans	-	-	-	-	-	-	-	-	-
Net cash used by capital and related financing activities	<u>(4,161,869)</u>	<u>(478,919)</u>	<u>(5,162,480)</u>	<u>(1,053,793)</u>	<u>(12,244,167)</u>	<u>(6,128,974)</u>	<u>(2,975,854)</u>	<u>(581,554)</u>	<u>(192,219)</u>
<b>Cash flows from investing activities:</b>									
Interest received	707,257	40,445	512,994	226,403	388,732	910,305	874,194	138,190	10,069
Purchases of investments	(2,385,427)	-	(679,319)	(784,625)	(128,073)	(3,488,999)	(3,022,273)	(470,998)	-
Proceeds from maturities of investments	6,726,662	-	3,527,029	2,119,985	553,298	6,497,497	8,261,828	4,248,522	-
Net cash provided (used) by investing activities	<u>5,048,492</u>	<u>40,445</u>	<u>3,360,704</u>	<u>1,561,763</u>	<u>813,957</u>	<u>3,918,803</u>	<u>6,113,749</u>	<u>3,915,714</u>	<u>10,069</u>
Net increase (decrease) in cash and cash equivalents	8,845,971	280,933	8,887,587	2,631,753	3,032,653	8,344,575	10,585,499	5,234,756	103,097
Cash and cash equivalents at beginning of fiscal year	39,291,160	9,178,092	35,170,095	12,879,087	34,694,293	53,621,625	44,971,521	8,103,956	1,699,835
Cash and cash equivalents at end of fiscal year	<u>\$ 48,137,131</u>	<u>9,459,025</u>	<u>44,057,682</u>	<u>15,510,840</u>	<u>37,726,946</u>	<u>61,966,200</u>	<u>55,557,020</u>	<u>13,338,712</u>	<u>1,802,932</u>

**Exhibit E-3-2 (continued)**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Sewerage Operations**  
**Combining Schedule of Cash Flows**  
**Fiscal year ended June 30, 2021**

	Districts								
	No. 16	No. 17	No. 18	No. 19	No. 20	No. 21	No. 22	No. 23	No. 27
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:									
Operating income (loss)	\$ 2,426,006	225,983	6,553,668	981,150	5,585,922	5,506,367	3,416,586	2,365,311	(186,673)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Depreciation and amortization	386,465	4,530	247,242	27,416	6,955,428	421,282	215,145	-	83,246
Decrease (increase) in accounts receivable	(1,441)	-	269,528	(84,514)	321,667	959,112	215,761	(769,643)	-
Decrease (increase) in service charge receivable	(74,959)	(8,838)	(204,046)	(29,269)	(79,082)	(20,961)	(45,279)	(7,849)	-
Decrease in deferred outflow of resources	9,205	1,070	22,570	6,175	103,040	26,241	7,047	278	100
Increase (decrease) in accounts payable	(30,262)	(7,133)	62,432	163	15,921	140,333	(8,532)	613	(35,858)
Decrease in estimated pollution remediation	-	-	-	-	-	-	-	-	-
Increase in other postemployment benefits liability	7,176	835	17,596	4,814	80,332	20,458	5,494	217	78
Increase in pension liability	56,618	6,584	138,822	37,982	633,781	161,407	43,347	1,712	613
Increase (decrease) in other liabilities	-	-	-	5,000	-	-	-	-	-
Increase (decrease) in due to/from other funds	(15,885)	(4,763)	(285)	(916)	48,571	(20,356)	20,692	(4,376)	2
Decrease in deferred inflow of resources	(58,258)	(6,775)	(142,844)	(39,083)	(652,146)	(166,084)	(44,603)	(1,761)	(631)
Net cash provided (used) by operating activities	\$ 2,704,665	211,493	6,964,683	908,918	13,013,434	7,027,799	3,825,658	1,584,502	(139,123)
Schedule of noncash investing activities:									
Unrealized loss on fair value of investments	\$ (246,679)	-	(170,385)	(76,572)	(63,896)	(355,794)	(279,618)	(63,693)	-
Amortization of investment premium (discount)	142,243	166	58,215	45,125	-	188,004	170,471	91	1

**Exhibit E-3-3**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Sewerage Operations**  
**Combining Schedule of Cash Flows**  
**Fiscal year ended June 30, 2021**

	Districts							Total
	No. 28	No. 29	No. 34	Joint Outfall	Newhall Ranch	Santa Clarita Valley	South Bay Cities	
<b>Cash flows from operating activities:</b>								
Receipts from customers and users	\$ 692,818	2,012,289	6,209	28,065,647	1,531,726	38,488,424	7,018,309	482,457,836
Receipts for internal services	-	-	-	176,841,368	-	-	-	176,841,368
Payments to suppliers	(74,142)	(120,123)	-	(101,486,031)	(187,616)	(9,629,266)	(438,532)	(130,443,228)
Payments for salaries/benefits	(16,053)	(311,615)	(916)	(95,047,148)	(189,516)	(11,098,411)	(1,028,795)	(127,008,366)
Payment for equipment rental	-	(1,442)	-	(5,582,806)	(1,945)	(406,062)	(5,768)	(6,917,575)
Payment for internal administrative costs	(609,290)	(800,461)	(5,329)	-	(33,490)	(5,173,433)	(6,879,797)	(273,371,787)
<b>Net cash provided (used) by operating activities</b>	<b>(6,667)</b>	<b>778,648</b>	<b>(36)</b>	<b>2,791,030</b>	<b>1,119,159</b>	<b>12,181,252</b>	<b>(1,334,583)</b>	<b>121,558,248</b>
<b>Cash flows from noncapital financing activities:</b>								
Receipts from property taxes	795,070	187,133	-	-	-	8,314,449	6,630,335	94,742,966
Transfers from other funds	170,270	53,464	-	-	-	5,846,128	1,646,330	78,737,476
Transfers to other funds	(229,337)	(130,199)	(235)	18,185,249	(838)	(6,072,101)	(2,313,960)	(85,869,060)
Payments for tax and assessment	(2,848)	(4,657)	-	(2,219,004)	(15,378)	(245,388)	(22,868)	(3,218,582)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>733,155</b>	<b>105,741</b>	<b>(235)</b>	<b>15,966,245</b>	<b>(16,216)</b>	<b>7,843,088</b>	<b>5,939,837</b>	<b>84,392,800</b>
<b>Cash flows from capital and related financing activities:</b>								
Borrowings on loans	-	-	-	3,571,141	-	-	-	3,571,141
Purchases of capital assets	-	(110,917)	-	(166,100,794)	(124,477)	(66,846,893)	(167,045)	(260,854,298)
Connection fees proceeds	2,931	89,409	-	9,197,626	-	2,804,974	88,983	20,476,550
Bond defeasement	(75,739)	(23,782)	-	-	-	(2,600,467)	(732,318)	(25,849,572)
Grant proceeds	-	-	-	2,660,255	-	783,596	-	3,443,851
Interest paid on capital-related debt	(3,979)	(12,509)	-	(2,347,521)	-	(191,408)	(38,473)	(18,970,531)
Payment to joint venture	-	-	-	(250,000)	-	-	-	(250,000)
Principal payments on bonds	(90,552)	(28,433)	-	-	-	(3,109,043)	(875,539)	(37,930,002)
Principal payments on loans	-	(45,956)	-	(23,408,869)	-	(2,693,218)	-	(31,445,792)
<b>Net cash used by capital and related financing activities</b>	<b>(167,339)</b>	<b>(132,188)</b>	<b>-</b>	<b>(176,678,162)</b>	<b>(124,477)</b>	<b>(71,852,459)</b>	<b>(1,724,392)</b>	<b>(347,808,653)</b>
<b>Cash flows from investing activities:</b>								
Interest received	104,061	92,245	22	4,069,253	18,741	1,197,787	417,539	16,010,775
Purchases of investments	(187,999)	(202,525)	-	(13,609,210)	(960,000)	(631,275)	(924,848)	(51,998,792)
Proceeds from maturities of investments	1,200,699	1,030,633	-	91,460,923	-	5,970,434	3,027,848	206,358,990
<b>Net cash provided (used) by investing activities</b>	<b>1,116,761</b>	<b>920,353</b>	<b>22</b>	<b>81,920,966</b>	<b>(941,259)</b>	<b>6,536,946</b>	<b>2,520,539</b>	<b>170,370,973</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,675,910</b>	<b>1,672,554</b>	<b>(249)</b>	<b>(75,999,921)</b>	<b>37,207</b>	<b>(45,291,173)</b>	<b>5,401,401</b>	<b>28,513,368</b>
Cash and cash equivalents at beginning of fiscal year	5,322,914	5,362,870	53	307,007,537	3,489,269	110,483,958	24,313,059	1,046,609,995
Cash and cash equivalents at end of fiscal year	\$ 6,998,824	7,035,424	(196)	231,007,616	3,526,476	65,192,785	29,714,460	1,075,123,363

**Exhibit E-3-3 (continued)**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Sewerage Operations**  
**Combining Schedule of Cash Flows**  
**Fiscal year ended June 30, 2021**

	Districts						Total	
	No. 28	No. 29	No. 34	Joint Outfall	Newhall Ranch	Santa Clarita Valley		South Bay Cities
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ (48,096)	636,846	(75)	(51,207,377)	982,779	6,336,391	(1,624,893)	35,216,544
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation and amortization	94,342	180,850	13	52,439,204	45,214	5,568,728	309,428	82,401,706
Decrease (increase) in accounts receivable	-	(10,195)	-	(1,657,939)	96,744	(230,628)	14,719	1,017,778
Decrease (increase) in service charge receivable	3,410	(24,558)	-	-	-	146,692	(24,049)	(1,008,941)
Decrease in deferred outflow of resources	320	6,629	16	1,932,998	4,403	299,630	18,734	2,704,511
Increase (decrease) in accounts payable	(58,823)	(7,194)	-	(664,247)	1,145	(134,276)	(11,819)	(1,000,320)
Decrease in estimated pollution remediation	-	-	-	(91,201)	-	-	-	(91,201)
Increase in other postemployment benefits liability	249	5,168	13	1,506,996	3,433	233,597	14,605	2,108,481
Increase in pension liability	1,967	40,776	99	11,889,537	27,081	1,842,974	115,231	16,634,990
Increase (decrease) in other liabilities	-	-	-	(69,342)	-	-	-	(64,342)
Increase (decrease) in due to/from other funds	1,988	(7,716)	-	946,463	(13,774)	14,522	(27,969)	756,065
Decrease in deferred inflow of resources	(2,024)	(41,958)	(102)	(12,234,062)	(27,866)	(1,896,378)	(118,570)	(17,117,023)
Net cash provided (used) by operating activities	\$ (6,667)	778,648	(36)	2,791,030	1,119,159	12,181,252	(1,334,583)	121,558,248
Schedule of noncash investing activities:								
Unrealized loss on fair value of investments	\$ (38,987)	(37,875)	-	(2,066,555)	(2,582)	(207,014)	(196,595)	(6,020,501)
Amortization of investment premium (discount)	19,034	10,651	-	27,303	-	52,232	18,397	1,885,055

**Exhibit F-1**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Stormwater Operations**  
**Combining Schedule of Net Position**  
**June 30, 2021**

**Assets**

Current assets:

Unrestricted cash and cash equivalents: \$ 1,507,842

Cash and cash equivalents 1,507,842

Total unrestricted cash and cash equivalents 1,507,842

Receivables:

Accounts 871  
 Due from other funds 15,905  
 Interest 32,198

Total receivables 48,974

Total current assets 1,556,816

Total assets \$ 1,556,816

**Deferred Outflow of Resources**

Deferred pension contribution \$ (2,517)  
 Other postemployment benefit deferral 684

Total deferred outflow of resources \$ (1,833)

**Liabilities**

Current liabilities:

Amounts held for others \$ 224,232

Total current liabilities 224,232

Long-term liabilities:

Other postemployment benefits liability 1,430  
 Pension liability 11,278

Total long-term liabilities 12,708

Total liabilities \$ 236,940

**Deferred Inflow of Resources**

Other postemployment benefits deferrals \$ (3,778)  
 Pension deferrals (7,827)

Total deferred inflow of resources \$ (11,605)

**Net Position**

Net position:

Unrestricted \$ 1,329,648

Total net position \$ 1,329,648

**Exhibit F-2**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Stormwater Operations**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Position**  
**Fiscal year ended June 30, 2021**

Operating revenues:	
Contract revenue	\$ <u>627,638</u>
Total operating revenues	<u>627,638</u>
Operating expenses:	
Equipment and vehicle rentals	400
Salaries and benefits	106,449
Services	<u>516,400</u>
Total operating expenses	<u>623,249</u>
Operating income	<u>4,389</u>
Nonoperating revenues:	
Interest revenue	<u>6,824</u>
Net nonoperating revenues	<u>6,824</u>
Change in net position	11,213
Total net position, July 1, 2020	<u>1,318,435</u>
Total net position, June 30, 2021	<u><u>\$ 1,329,648</u></u>

**Exhibit F-3**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Stormwater Operations**  
**Combining Schedule of Cash Flows**  
**Fiscal year ended June 30, 2021**

Cash flows from operating activities:	
Receipts from customers and users	\$ 1,007,597
Payments to suppliers	(561,519)
Payments for salaries/benefits	(106,963)
Payment for equipment rental	(400)
	<u>338,715</u>
Net cash provided by operating activities	
	<u>338,715</u>
Cash flows from investing activities:	
Interest received	9,217
	<u>9,217</u>
Net cash provided by investing activities	
	<u>9,217</u>
Net increase in cash and cash equivalents	
	347,932
Cash and cash equivalents at beginning of fiscal year	<u>1,159,910</u>
Cash and cash equivalents at end of fiscal year	<u>\$ 1,507,842</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ <u>4,389</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	229,959
Decrease in deferred outflow of resources	1,834
Decrease in accounts payable	(45,119)
Increase in amounts held for others	150,000
Increase in other postemployment benefits liability	1,430
Increase in pension liability	11,278
Decrease in due to/from other funds	(3,451)
Decrease in deferred inflow of resources	<u>(11,605)</u>
Net cash provided by operating activities	<u>\$ 338,715</u>

**Exhibit G-1**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Solid Waste Facilities Operations**  
**Combining Schedule of Net Position**  
**June 30, 2021**

<b>Assets</b>	Spadra Landfill	Puente Hills Landfill	Joint Refuse Disposal System	Total
<b>Current assets:</b>				
Unrestricted cash and cash equivalents:				
Cash in bank	\$ -	256,090	1,285,834	1,541,924
Cash on hand	-	2,000	17,360	19,360
Cash and cash equivalents	463,403	1,940,340	27,774,579	30,178,322
Total unrestricted cash and cash equivalents	463,403	2,198,430	29,077,773	31,739,606
Receivables:				
Accounts	-	17,666	8,634,181	8,651,847
Due from other funds	-	623,230	931,240	1,554,470
Interest	170,137	708,311	624,693	1,503,141
Total receivables	170,137	1,349,207	10,190,114	11,709,458
Restricted/designated cash and investments:				
Cash and cash equivalents	49,443,995	170,787,758	149,543,751	369,775,504
Specific investments	24,017,337	139,413,145	100,209,698	263,640,180
Bond proceeds with Trustee Cash and cash equivalents	-	-	5	5
Total restricted/designated cash and investments	73,461,332	310,200,903	249,753,454	633,415,689
Total current assets	74,094,872	313,748,540	289,021,341	676,864,753
Other assets	-	-	12	12
<b>Capital assets:</b>				
Buildings & equipment	-	-	18,543,720	18,543,720
Improvements	41,219,115	246,787,369	81,169,590	369,176,074
Gas-to-energy facilities	26,041,170	-	179,095,236	205,136,406
Rail facilities	-	-	223,843,590	223,843,590
Recycling and transfer facilities	-	-	77,345,757	77,345,757
Use rights	635,000	9,001,642	54,366,883	64,003,525
Other capital assets	21,396	323,987	384,438	729,821
Construction in progress	96,439	891,943	73,305,208	74,293,590
Land	-	-	54,884,982	54,884,982
Accumulated depreciation & amortization	(61,391,358)	(255,909,096)	(187,904,996)	(505,205,450)
Net capital assets	6,621,762	1,095,845	575,034,408	582,752,015
Total assets	\$ 80,716,634	314,844,385	864,055,761	1,259,616,780
<b>Deferred Outflow of Resources</b>				
Deferred pension contribution	\$ 182,004	2,847,097	2,759,023	5,788,124
Other postemployment benefit deferral	128,931	809,539	1,959,365	2,897,835
Total deferred outflow of resources	\$ 310,935	3,656,636	4,718,388	8,685,959

(Continued on the following page)

**Exhibit G-1-2**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Solid Waste Facilities Operations**  
**Combining Schedule of Net Position**  
**June 30, 2021**

<b>Liabilities</b>	Spadra Landfill	Puente Hills Landfill	Joint Refuse Disposal System	Total
<b>Current liabilities:</b>				
Accounts payable	\$ 51,113	1,062,578	5,092,430	6,206,121
Bonds payable	-	-	1,404,399	1,404,399
Contractual obligations to other governments	-	38,000,000	-	38,000,000
Estimated liability for closure/postclosure care	3,369,017	11,486,744	-	14,855,761
Interest payable	-	-	829	829
Other	-	8	32,562	32,570
Total current liabilities	<u>3,905,737</u>	<u>50,549,330</u>	<u>6,530,220</u>	<u>60,985,287</u>
<b>Long-term liabilities:</b>				
Contractual obligations to other governments	-	42,000,000	-	42,000,000
Estimated liability for closure/postclosure care	51,174,910	310,212,142	-	361,387,052
Other postemployment benefits liability	698,816	6,702,348	11,125,744	18,526,908
Pension liability	702,752	11,476,178	26,824,037	39,002,967
Total long-term liabilities	<u>52,576,478</u>	<u>370,390,668</u>	<u>37,949,781</u>	<u>460,916,927</u>
Total liabilities	<u>\$ 56,482,215</u>	<u>420,939,998</u>	<u>44,480,001</u>	<u>521,902,214</u>
<b>Deferred Inflow of Resources</b>				
Other postemployment benefits deferrals	\$ (37,957)	(37,290)	2,400,986	2,325,739
Pension deferrals	(36,112)	887,838	(70,769)	780,957
Total deferred inflow of resources	<u>\$ (74,069)</u>	<u>850,548</u>	<u>2,330,217</u>	<u>3,106,696</u>
<b>Net Position</b>				
<b>Net position:</b>				
Net investment in capital assets	\$ 6,621,762	1,095,845	573,630,009	581,347,616
Restricted for capital projects	-	-	8,080,000	8,080,000
Restricted for closure/postclosure maintenance	17,997,661	-	-	17,997,661
Unrestricted	-	(104,385,370)	240,253,922	135,868,552
Total net position	<u>\$ 24,619,423</u>	<u>(103,289,525)</u>	<u>821,963,931</u>	<u>743,293,829</u>

**Exhibit G-2**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Solid Waste Facilities Operations**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Position**  
**Fiscal year ended June 30, 2021**

	Spadra Landfill	Puente Hills Landfill	Joint Refuse Disposal System	Total
Operating revenues:				
Commodities	\$ -	-	2,994,379	2,994,379
Contract revenue	-	102,501	2,935,677	3,038,178
Refuse/food waste tipping fees	-	-	54,010,408	54,010,408
Sale of energy	-	116	18,148,957	18,149,073
Other	29	6,903	205,110	212,042
<b>Total operating revenues</b>	<b>29</b>	<b>109,520</b>	<b>78,294,531</b>	<b>78,404,080</b>
Operating expenses:				
Chemicals	-	8,599	131,450	140,049
Depreciation/amortization	661,836	39,899	20,328,432	21,030,167
Equipment and vehicle rentals	143,760	419,800	2,339,439	2,902,999
Insurance and claims	12,087	36,109	1,044,145	1,092,341
Internal administrative costs	563,359	1,572,888	5,288,220	7,424,467
Landfill closure and postclosure costs	2,996,817	11,384,765	-	14,381,582
Materials and supplies	2,831	8	1,933,663	1,936,502
Operations, repairs, and maintenance	664,495	6,901	4,075,089	4,746,485
Salaries and benefits	50,437	148,441	21,569,220	21,768,098
Services	11,741	80,626	33,370,508	33,462,875
Utilities	74,298	817,150	1,664,010	2,555,458
<b>Total operating expenses</b>	<b>5,181,661</b>	<b>14,515,186</b>	<b>91,744,176</b>	<b>111,441,023</b>
<b>Operating loss</b>	<b>(5,181,632)</b>	<b>(14,405,666)</b>	<b>(13,449,645)</b>	<b>(33,036,943)</b>
Nonoperating revenues (expenses):				
Interest revenue	796,618	3,410,016	3,196,404	7,403,038
Interest expense	-	-	(25,503)	(25,503)
Other nonoperating revenue	981	-	3,587,775	3,588,756
Tax and assessment expense	-	-	(2,302,807)	(2,302,807)
Unrealized loss on investments	(656,277)	(2,882,884)	(2,133,183)	(5,672,344)
<b>Net nonoperating revenues</b>	<b>141,322</b>	<b>527,132</b>	<b>2,322,686</b>	<b>2,991,140</b>
<b>Loss before capital contribution revenue and transfers</b>	<b>(5,040,310)</b>	<b>(13,878,534)</b>	<b>(11,126,959)</b>	<b>(30,045,803)</b>
Capital contribution revenue:				
Grants	-	-	496,551	496,551
Transfers in	-	-	16,396,456	16,396,456
Transfers out	(25,532)	(278,114)	(16,392,627)	(16,696,273)
<b>Change in net position</b>	<b>(5,065,842)</b>	<b>(14,156,648)</b>	<b>(10,626,579)</b>	<b>(29,849,069)</b>
<b>Total net position, July 1, 2020, as previously stated</b>	<b>29,685,265</b>	<b>(46,998,001)</b>	<b>832,590,510</b>	<b>815,277,774</b>
<b>Prior-period adjustments</b>	<b>-</b>	<b>(42,134,876)</b>	<b>-</b>	<b>(42,134,876)</b>
<b>Total net position, July 1, 2020, as restated</b>	<b>29,685,265</b>	<b>(89,132,877)</b>	<b>832,590,510</b>	<b>773,142,898</b>
<b>Total net position, June 30, 2021</b>	<b>\$ 24,619,423</b>	<b>(103,289,525)</b>	<b>821,963,931</b>	<b>743,293,829</b>

**Exhibit G-3**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Solid Waste Facilities Operations**  
**Combining Schedule of Cash Flows**  
**Fiscal year ended June 30, 2021**

	Spadra Landfill	Puente Hills Landfill	Joint Refuse Disposal	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 29	94,321	81,029,133	81,123,483
Payments to suppliers	(859,214)	(2,875,871)	(39,328,012)	(43,063,097)
Payments for salaries/benefits	(1,686,689)	(4,791,322)	(20,976,286)	(27,454,297)
Payment for equipment rental	(143,760)	(419,800)	(2,339,439)	(2,902,999)
Payment for internal administrative costs	(563,359)	(1,572,888)	(5,288,220)	(7,424,467)
Net cash provided (used) by operating activities	<u>(3,252,993)</u>	<u>(9,565,560)</u>	<u>13,097,176</u>	<u>278,623</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	-	-	1,430,498	1,430,498
Transfers to other funds	(28,122)	(85,623)	(1,663,680)	(1,777,425)
Payments for tax and assessment	-	-	(2,302,807)	(2,302,807)
Net cash used by noncapital financing activities	<u>(28,122)</u>	<u>(85,623)</u>	<u>(2,535,989)</u>	<u>(2,649,734)</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	(32)	(8,413)	(19,323,172)	(19,331,617)
Grant proceeds	-	-	4,067,172	4,067,172
Interest paid on capital-related debt	-	-	(1,658)	(1,658)
Principal payments on bonds	-	-	(1,404,399)	(1,404,399)
Net cash used by capital and related financing activities	<u>(32)</u>	<u>(8,413)</u>	<u>(16,662,057)</u>	<u>(16,670,502)</u>
Cash flows from investing activities:				
Interest received	1,019,876	4,315,049	3,865,951	9,200,876
Purchases of investments	(8,465,565)	(67,212,834)	(10,262,014)	(85,940,413)
Proceeds from maturities of investments	30,948,677	117,869,172	85,570,094	234,387,943
Net cash provided by investing activities	<u>23,502,988</u>	<u>54,971,387</u>	<u>79,174,031</u>	<u>157,648,406</u>
Net increase in cash and cash equivalents	20,221,841	45,311,791	73,073,161	138,606,793
Cash and cash equivalents at beginning of fiscal year	<u>29,685,557</u>	<u>127,674,397</u>	<u>105,548,368</u>	<u>262,908,322</u>
Cash and cash equivalents at end of fiscal year	<u>\$ 49,907,398</u>	<u>172,986,188</u>	<u>178,621,529</u>	<u>401,515,115</u>

**Exhibit G-3 (continued)**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Solid Waste Facilities Operations**  
**Combining Schedule of Cash Flows**  
**Fiscal year ended June 30, 2021**

	Spadra Landfill	Puente Hills Landfill	Joint Refuse Disposal	Total
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ (5,181,632)	(14,405,666)	(13,449,645)	(33,036,943)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation and amortization	661,836	39,899	20,328,432	21,030,167
Landfill closure and postclosure costs	2,996,817	11,384,765	-	14,381,582
Decrease (increase) in accounts receivable	-	(15,199)	2,533,092	2,517,893
Decrease in deferred outflow of resources	29,996	91,089	436,047	557,132
Increase in accounts payable	9,451	932,967	586,268	1,528,686
Decrease in estimated closure/postclosure liability	(2,456,830)	(8,003,941)	-	(10,460,771)
Increase in other postemployment benefits liability	23,386	71,014	339,949	434,349
Increase in pension liability	184,503	560,271	2,682,048	3,426,822
Increase in other liabilities	-	-	81,386	81,386
Increase in due to/from other funds	669,329	355,747	2,319,365	3,344,441
Decrease in deferred inflow of resources	(189,849)	(576,506)	(2,759,766)	(3,526,121)
Net cash provided (used) by operating activities	\$ (3,252,993)	(9,565,560)	13,097,176	278,623
Schedule of noncash investing activities:				
Unrealized loss on fair value of investments	\$ (656,277)	(2,882,884)	(2,133,183)	(5,672,344)
Amortizing of investment premium	23,258	84,050	126,621	233,929

**Exhibit H-1**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Trustee Solid Waste Facilities Operations**  
**Combining Schedule of Net Position**  
**June 30, 2021**

<b>Assets</b>	Palos Verdes Landfill	Scholl Canyon Landfill	Calabasas Landfill	Los Angeles County Equipment Pool	Los Angeles County Refuse Disposal Fund	Total
<b>Current assets:</b>						
Unrestricted cash and cash equivalents:						
Cash in bank	\$ -	700,169	341,437	-	-	1,041,606
Cash on hand	-	5,870	5,106	-	-	10,976
Cash and cash equivalents	<u>3,377,348</u>	<u>34,405,129</u>	<u>23,436,387</u>	<u>7,087,652</u>	<u>1,262,878</u>	<u>69,569,394</u>
Total unrestricted cash and cash equivalents	<u>3,377,348</u>	<u>35,111,168</u>	<u>23,782,930</u>	<u>7,087,652</u>	<u>1,262,878</u>	<u>70,621,976</u>
Receivables:						
Accounts	-	1,645,617	775,235	-	209,085	2,629,937
Due from other funds	248,394	533,124	997,955	21,593	62,908	1,863,974
Interest	6,438	74,481	86,892	-	12,252	180,063
Total receivables	<u>254,832</u>	<u>2,253,222</u>	<u>1,860,082</u>	<u>21,593</u>	<u>284,245</u>	<u>4,673,974</u>
Restricted/designated cash and investments:						
Cash and cash equivalents	766,055	3,947,103	12,030,434	-	-	16,743,592
Specific investments	-	11,583,555	49,871,877	-	-	61,455,432
Total restricted/designated cash and investments	<u>766,055</u>	<u>15,530,658</u>	<u>61,902,311</u>	<u>-</u>	<u>-</u>	<u>78,199,024</u>
Other specific investments	-	2,795,512	-	-	-	2,795,512
Total current assets	<u>4,398,235</u>	<u>55,690,560</u>	<u>87,545,323</u>	<u>7,109,245</u>	<u>1,547,123</u>	<u>156,290,486</u>
Other assets	-	-	4	-	-	4
<b>Capital assets:</b>						
Improvements	23,711,809	28,346,500	125,101,294	-	954	177,160,557
Equipment pool	-	-	-	19,283,020	-	19,283,020
Gas-to-energy facilities	16,557,233	-	-	-	-	16,557,233
Use rights	3,758,185	300,131	947,215	-	-	5,005,531
Other capital assets	5,860	32,792	10,070	10,255	2,930	61,907
Construction in progress	341,630	2,716,455	155,478	1,354,562	355,598	4,923,723
Land	-	-	-	-	5,482,200	5,482,200
Accumulated depreciation & amortization	(44,026,881)	(27,180,471)	(109,137,947)	(7,876,282)	(384)	(188,221,965)
Net capital assets	<u>347,836</u>	<u>4,215,407</u>	<u>17,076,110</u>	<u>12,771,555</u>	<u>5,841,298</u>	<u>40,252,206</u>
Total assets	<u>\$ 4,746,071</u>	<u>59,905,967</u>	<u>104,621,437</u>	<u>19,880,800</u>	<u>7,388,421</u>	<u>196,542,696</u>
<b>Deferred Outflow of Resources</b>						
Deferred pension contribution	\$ 696,008	953,734	695,928	172,063	193,221	2,710,954
Other postemployment benefit deferral	<u>256,467</u>	<u>522,562</u>	<u>562,719</u>	<u>85,672</u>	<u>68,907</u>	<u>1,496,327</u>
Total deferred outflow of resources	<u>\$ 952,475</u>	<u>1,476,296</u>	<u>1,258,647</u>	<u>257,735</u>	<u>262,128</u>	<u>4,207,281</u>

(Continued on the following page)

**Exhibit H-1-2**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Trustee Solid Waste Facilities Operations**  
**Combining Schedule of Net Position**  
**June 30, 2021**

<b>Liabilities</b>	Palos Verdes Landfill	Scholl Canyon Landfill	Calabasas Landfill	Los Angeles County Equipment Pool	Los Angeles County Refuse Disposal Fund	Total
Current liabilities:						
Accounts payable	\$ 61,629	3,674,223	1,534,377	572,849	4,083	5,847,161
Other	2	7	-	(7,013)	(8)	(7,012)
Total current liabilities	<u>61,631</u>	<u>3,674,230</u>	<u>1,534,377</u>	<u>565,836</u>	<u>4,075</u>	<u>5,840,149</u>
Long-term liabilities:						
Contractual obligations to other governments	-	-	1,428,852	-	-	1,428,852
Estimated liability for closure/postclosure care	-	11,928,514	77,018,179	-	-	88,946,693
Other postemployment benefits liability	1,882,475	3,259,778	3,164,170	555,896	513,097	9,375,416
Pension liability	4,304,106	7,868,781	7,583,227	1,234,150	1,166,726	22,156,990
Total long-term liabilities	<u>6,186,581</u>	<u>23,057,073</u>	<u>89,194,428</u>	<u>1,790,046</u>	<u>1,679,823</u>	<u>121,907,951</u>
Total liabilities	<u>\$ 6,248,212</u>	<u>26,731,303</u>	<u>90,728,805</u>	<u>2,355,882</u>	<u>1,683,898</u>	<u>127,748,100</u>
<b>Deferred Inflow of Resources</b>						
Other postemployment benefits deferrals	\$ 313,732	599,419	762,787	88,870	68,651	1,833,459
Pension deferrals	131,830	(68,208)	20,459	15,114	37,992	137,187
Total deferred inflow of resources	<u>\$ 445,562</u>	<u>531,211</u>	<u>783,246</u>	<u>103,984</u>	<u>106,643</u>	<u>1,970,646</u>
<b>Net Position</b>						
Net position:						
Net investment in capital assets	\$ 347,836	4,215,407	17,076,110	12,771,555	5,841,298	40,252,206
Restricted for capital projects	-	2,704,685	-	-	18,710	2,723,395
Restricted for closure/postclosure maintenance	-	27,199,657	-	-	-	27,199,657
Unrestricted	(1,343,064)	-	(2,708,077)	4,907,114	-	855,973
Total net position	<u>\$ (995,228)</u>	<u>34,119,749</u>	<u>14,368,033</u>	<u>17,678,669</u>	<u>5,860,008</u>	<u>71,031,231</u>

**Exhibit H-2**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Trustee Solid Waste Facilities Operations**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Position**  
**Fiscal year ended June 30, 2021**

	Palos Verdes Landfill	Scholl Canyon Landfill	Calabasas Landfill	Los Angeles County Equipment Pool	Los Angeles County Refuse Disposal Fund	Total
<b>Operating revenues:</b>						
Commodities	\$ -	5,941	1,698	-	-	7,639
Contract revenue	5,919,352	37,107	-	-	1,168,144	7,124,603
Equipment pool	-	-	-	6,091,574	-	6,091,574
Refuse/food waste tipping fees	-	29,970,914	18,066,632	-	-	48,037,546
Other	714	103	15	500	71	1,403
<b>Total operating revenues</b>	<b>5,920,066</b>	<b>30,014,065</b>	<b>18,068,345</b>	<b>6,092,074</b>	<b>1,168,215</b>	<b>61,262,765</b>
<b>Operating expenses:</b>						
Chemicals	-	2,426	23,521	-	-	25,947
Depreciation/amortization	638	418,411	1,137,963	1,583,380	341	3,140,733
Equipment and vehicle rentals	142,518	3,809,114	2,594,633	7,891	49,471	6,603,627
Insurance and claims	36,942	181,431	137,857	32,637	5,477	394,344
Internal administrative costs	956,057	1,702,872	1,735,140	-	115,512	4,509,581
Landfill closure and postclosure costs	-	219,446	(1,661,627)	-	-	(1,442,181)
Materials and supplies	181,112	632,091	650,746	297,073	55,262	1,816,284
Operations, repairs, and maintenance	1,122,225	6,872,333	141,762	1,016,060	140,898	9,293,278
Salaries and benefits	2,517,798	6,349,585	6,263,998	1,024,981	724,822	16,881,184
Services	(184,876)	3,374,623	4,899,091	41,494	112,962	8,243,294
Tonnage	-	4,368,482	303,663	-	-	4,672,145
Utilities	291,065	515,476	356,678	1,442	53,944	1,218,605
<b>Total operating expenses</b>	<b>5,063,479</b>	<b>28,446,290</b>	<b>16,583,425</b>	<b>4,004,958</b>	<b>1,258,689</b>	<b>55,356,841</b>
<b>Operating income (loss)</b>	<b>856,587</b>	<b>1,567,775</b>	<b>1,484,920</b>	<b>2,087,116</b>	<b>(90,474)</b>	<b>5,905,924</b>
<b>Nonoperating revenues (expenses):</b>						
Interest revenue	24,993	349,607	618,727	-	36,058	1,029,385
Loss on sale of equipment/assets	-	-	-	(512,157)	-	(512,157)
Other nonoperating revenue	-	56,584	3,940,736	-	-	3,997,320
Tax and assessment expense	(36,766)	(1,714,664)	(2,761,889)	(131)	(93,971)	(4,607,421)
Unrealized loss on investments	(31,330)	(325,461)	(714,751)	-	-	(1,071,542)
<b>Net nonoperating revenues (expenses)</b>	<b>(43,103)</b>	<b>(1,633,934)</b>	<b>1,082,823</b>	<b>(512,288)</b>	<b>(57,913)</b>	<b>(1,164,415)</b>
<b>Income (loss) before transfers</b>	<b>813,484</b>	<b>(66,159)</b>	<b>2,567,743</b>	<b>1,574,828</b>	<b>(148,387)</b>	<b>4,741,509</b>
Transfers in	-	8,241,934	5,454,390	-	-	13,696,324
Transfers out	(47,863)	(8,311,221)	(5,525,903)	-	(4,667)	(13,889,654)
<b>Change in net position</b>	<b>765,621</b>	<b>(135,446)</b>	<b>2,496,230</b>	<b>1,574,828</b>	<b>(153,054)</b>	<b>4,548,179</b>
<b>Total net position, July 1, 2020</b>	<b>(1,760,849)</b>	<b>34,255,195</b>	<b>11,871,803</b>	<b>16,103,841</b>	<b>6,013,062</b>	<b>66,483,052</b>
<b>Total net position, June 30, 2021</b>	<b>\$ (995,228)</b>	<b>34,119,749</b>	<b>14,368,033</b>	<b>17,678,669</b>	<b>5,860,008</b>	<b>71,031,231</b>

**Exhibit H-3**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Trustee Solid Waste Facilities Operations**  
**Combining Schedule of Cash Flows**  
**Fiscal year ended June 30, 2021**

	Palos Verdes Landfill	Scholl Canyon Landfill	Calabasas Landfill	Los Angeles County Equipment Pool	Los Angeles County Refuse Disposal Fund	Total
Cash flows from operating activities:						
Receipts from customers and users	\$ 5,920,066	30,897,429	18,167,061	5	1,020,568	56,005,129
Receipts for equipment rental	-	-	-	6,091,574	-	6,091,574
Payments to suppliers	(2,932,097)	(16,319,168)	(5,949,585)	(1,386,813)	(428,932)	(27,016,595)
Payments for salaries/benefits	(2,569,545)	(6,136,490)	(6,077,676)	(980,810)	(703,999)	(16,468,520)
Payment for equipment rental	(142,518)	(3,809,114)	(2,594,633)	(7,891)	(49,471)	(6,603,627)
Payment for internal administrative costs	(956,057)	(1,702,872)	(1,735,140)	-	(115,512)	(4,509,581)
	<u>(680,151)</u>	<u>2,929,785</u>	<u>1,810,027</u>	<u>3,716,065</u>	<u>(277,346)</u>	<u>7,498,380</u>
Cash flows from noncapital financing activities:						
Transfers to other funds	(51,643)	(77,722)	(84,113)	-	(5,262)	(218,740)
Payments for tax and assessment	(36,766)	(1,714,664)	(2,761,889)	(131)	(93,971)	(4,607,421)
	<u>(88,409)</u>	<u>(1,792,386)</u>	<u>(2,846,002)</u>	<u>(131)</u>	<u>(99,233)</u>	<u>(4,826,161)</u>
Cash flows from capital and related financing activities:						
Purchases of capital assets	(1,914)	(2,261,487)	4,056,220	(1,350,986)	(730)	441,103
Grant proceeds	-	-	190,018	-	-	190,018
Proceeds from sale of assets	-	-	-	74,365	-	74,365
	<u>(1,914)</u>	<u>(2,261,487)</u>	<u>4,246,238</u>	<u>(1,276,621)</u>	<u>(730)</u>	<u>705,486</u>
Cash flows from investing activities:						
Interest received	36,512	420,924	439,380	-	39,480	936,296
Purchases of investments	-	(13,618,595)	(46,465,000)	-	-	(60,083,595)
Proceeds from maturities of investments	1,708,770	23,470,375	46,692,000	-	-	71,871,145
	<u>1,745,282</u>	<u>10,272,704</u>	<u>666,380</u>	<u>-</u>	<u>39,480</u>	<u>12,723,846</u>
Net increase (decrease) in cash and cash equivalents	974,808	9,148,616	3,876,643	2,439,313	(337,829)	16,101,551
Cash and cash equivalents at beginning of fiscal year	3,168,595	29,909,655	31,936,721	4,648,339	1,600,707	71,264,017
Cash and cash equivalents at end of fiscal year	<u>\$ 4,143,403</u>	<u>39,058,271</u>	<u>35,813,364</u>	<u>7,087,652</u>	<u>1,262,878</u>	<u>87,365,568</u>

**Exhibit H-3 (continued)**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Trustee Solid Waste Facilities Operations**  
**Combining Schedule of Cash Flows**  
**Fiscal year ended June 30, 2021**

	Palos Verdes Landfill	Scholl Canyon Landfill	Calabasas Landfill	Los Angeles County Equipment Pool	Los Angeles County Refuse Disposal Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 856,587	1,567,775	1,484,920	2,087,116	(90,474)	5,905,924
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	638	418,411	1,137,963	1,583,380	341	3,140,733
Landfill closure and postclosure costs	-	219,446	(1,661,627)	-	-	(1,442,181)
Decrease (increase) in accounts receivable	-	883,364	98,710	-	(147,647)	834,427
Decrease in deferred outflow of resources	43,312	136,542	112,503	17,655	12,465	322,477
Increase (decrease) in accounts payable	(1,688,834)	(7,270)	(99,468)	1,531	(60,103)	(1,854,144)
Increase in contractual obligations to other governments	-	-	303,663	-	-	303,663
Increase in other postemployment benefits liability	33,767	106,450	87,709	13,764	9,718	251,408
Increase in pension liability	266,404	839,847	691,988	108,592	76,667	1,983,498
Increase (decrease) in due to/from other funds	82,098	(370,597)	365,706	15,766	576	93,549
Decrease in deferred inflow of resources	(274,123)	(864,183)	(712,040)	(111,739)	(78,889)	(2,040,974)
Net cash provided (used) by operating activities	\$ (680,151)	2,929,785	1,810,027	3,716,065	(277,346)	7,498,380
Schedule of noncash investing activities:						
Unrealized loss on fair value of investments	\$ (31,330)	(325,461)	(714,751)	-	-	(1,071,542)
Amortization of investment premium (discount)	2,738	(95,910)	(414,038)	-	-	(507,210)

**Exhibit I-1**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Service Operations**  
**Combining Schedule of Net Position**  
**June 30, 2021**

<b>Assets</b>	Joint Administration	Technical Support	Joint Refuse Equipment Pool	Joint Administration Equipment Pool	Joint Outfall Equipment Pool	Total
<b>Current assets:</b>						
Unrestricted cash and cash equivalents:						
Cash in bank	\$ 30,395,631	-	-	-	-	30,395,631
Cash on hand	12,317	-	-	-	-	12,317
Cash and cash equivalents	<u>2,622,617</u>	<u>4,454,427</u>	<u>13,761,204</u>	<u>179,379</u>	<u>6,209,282</u>	<u>27,226,909</u>
Total unrestricted cash and cash equivalents	<u>33,030,565</u>	<u>4,454,427</u>	<u>13,761,204</u>	<u>179,379</u>	<u>6,209,282</u>	<u>57,634,857</u>
Receivables:						
Accounts	241,441	-	-	-	-	241,441
Due from other funds	-	-	235,993	-	-	235,993
Interest	127,484	10,345	50,920	515	7,583	196,847
Total receivables	<u>368,925</u>	<u>10,345</u>	<u>286,913</u>	<u>515</u>	<u>7,583</u>	<u>674,281</u>
Inventory	<u>19,192,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,192,388</u>
Restricted/designated cash and investments:						
Cash and cash equivalents	50,503,944	-	-	-	-	50,503,944
Specific investments	<u>6,026,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,026,394</u>
Total restricted/designated cash and investments	<u>56,530,338</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,530,338</u>
Other specific investments	<u>-</u>	<u>-</u>	<u>5,959,406</u>	<u>-</u>	<u>-</u>	<u>5,959,406</u>
Total current assets	<u>109,122,216</u>	<u>4,464,772</u>	<u>20,007,523</u>	<u>179,894</u>	<u>6,216,865</u>	<u>139,991,270</u>
Other assets	23,881	16,940	-	-	-	40,821
Capital assets:						
Buildings & equipment	70,500,860	-	-	-	-	70,500,860
Equipment pool	-	-	16,850,781	2,238,126	34,963,091	54,051,998
Other capital assets	18,171,523	18,621,453	21,975	-	-	36,814,951
Construction in progress	4,068,709	1,145,343	20,960	34,506	157,936	5,427,454
Land	592,901	-	-	-	-	592,901
Accumulated depreciation & amortization	<u>(51,979,601)</u>	<u>(6,039,779)</u>	<u>(8,862,148)</u>	<u>(849,544)</u>	<u>(18,638,700)</u>	<u>(86,369,772)</u>
Net capital assets	<u>41,354,392</u>	<u>13,727,017</u>	<u>8,031,568</u>	<u>1,423,088</u>	<u>16,482,327</u>	<u>81,018,392</u>
Total assets	<u>\$ 150,500,489</u>	<u>18,208,729</u>	<u>28,039,091</u>	<u>1,602,982</u>	<u>22,699,192</u>	<u>221,050,483</u>
<b>Deferred Outflow of Resources</b>						
Deferred pension contribution	\$ 6,670,821	11,896,256	410,513	(9,333)	324,180	19,292,437
Other postemployment benefit deferral	<u>3,333,069</u>	<u>4,508,338</u>	<u>204,809</u>	<u>5,327</u>	<u>188,187</u>	<u>8,239,730</u>
Total deferred outflow of resources	<u>\$ 10,003,890</u>	<u>16,404,594</u>	<u>615,322</u>	<u>(4,006)</u>	<u>512,367</u>	<u>27,532,167</u>

(Continued on the following page)

**Exhibit I-1-2**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Service Operations**  
**Combining Schedule of Net Position**  
**June 30, 2021**

<b>Liabilities</b>	Joint Administration	Technical Support	Joint Refuse Equipment Pool	Joint Administration Equipment Pool	Joint Outfall Equipment Pool	Total
<b>Current liabilities:</b>						
Accounts payable	\$ 11,122,635	720,932	4,854	38,342	172,789	12,059,552
Accrued employee absences	30,000,000	-	-	-	-	30,000,000
Amounts held for others	6,614,991	-	-	-	-	6,614,991
Claims liabilities	2,300,593	-	-	-	-	2,300,593
Due to other funds	30,841,446	4,344,852	-	428,406	6,630,605	42,245,309
Other	170,443	241,784	7,013	-	-	419,240
Total current liabilities	<u>81,050,108</u>	<u>5,307,568</u>	<u>11,867</u>	<u>466,748</u>	<u>6,803,394</u>	<u>93,639,685</u>
<b>Long-term liabilities:</b>						
Accrued employee absences	16,220,467	-	-	-	-	16,220,467
Claims liabilities	6,901,959	-	-	-	-	6,901,959
Other postemployment benefits liability	21,056,489	33,300,130	1,329,442	(12,404)	1,143,714	56,817,371
Pension liability	54,165,105	76,026,492	2,873,026	75,861	2,573,145	135,713,629
Total long-term liabilities	<u>98,344,020</u>	<u>109,326,622</u>	<u>4,202,468</u>	<u>63,457</u>	<u>3,716,859</u>	<u>215,653,426</u>
Total liabilities	<u>\$ 179,394,128</u>	<u>114,634,190</u>	<u>4,214,335</u>	<u>530,205</u>	<u>10,520,253</u>	<u>309,293,111</u>
<b>Deferred Inflow of Resources</b>						
Other postemployment benefits deferrals	\$ 5,471,890	4,892,611	238,907	35,923	217,856	10,857,187
Pension deferrals	74,688	2,358,308	95,920	(14,255)	30,658	2,545,319
Total deferred inflow of resources	<u>\$ 5,546,578</u>	<u>7,250,919</u>	<u>334,827</u>	<u>21,668</u>	<u>248,514</u>	<u>13,402,506</u>
<b>Net Position</b>						
Net position:						
Net investment in capital assets	\$ 41,354,392	13,727,017	8,031,568	1,423,088	16,482,327	81,018,392
Unrestricted	(65,790,719)	(100,998,803)	16,073,683	(375,985)	(4,039,535)	(155,131,359)
Total net position	<u>\$ (24,436,327)</u>	<u>(87,271,786)</u>	<u>24,105,251</u>	<u>1,047,103</u>	<u>12,442,792</u>	<u>(74,112,967)</u>

**Exhibit I-2**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Service Operations**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Position**  
**Fiscal year ended June 30, 2021**

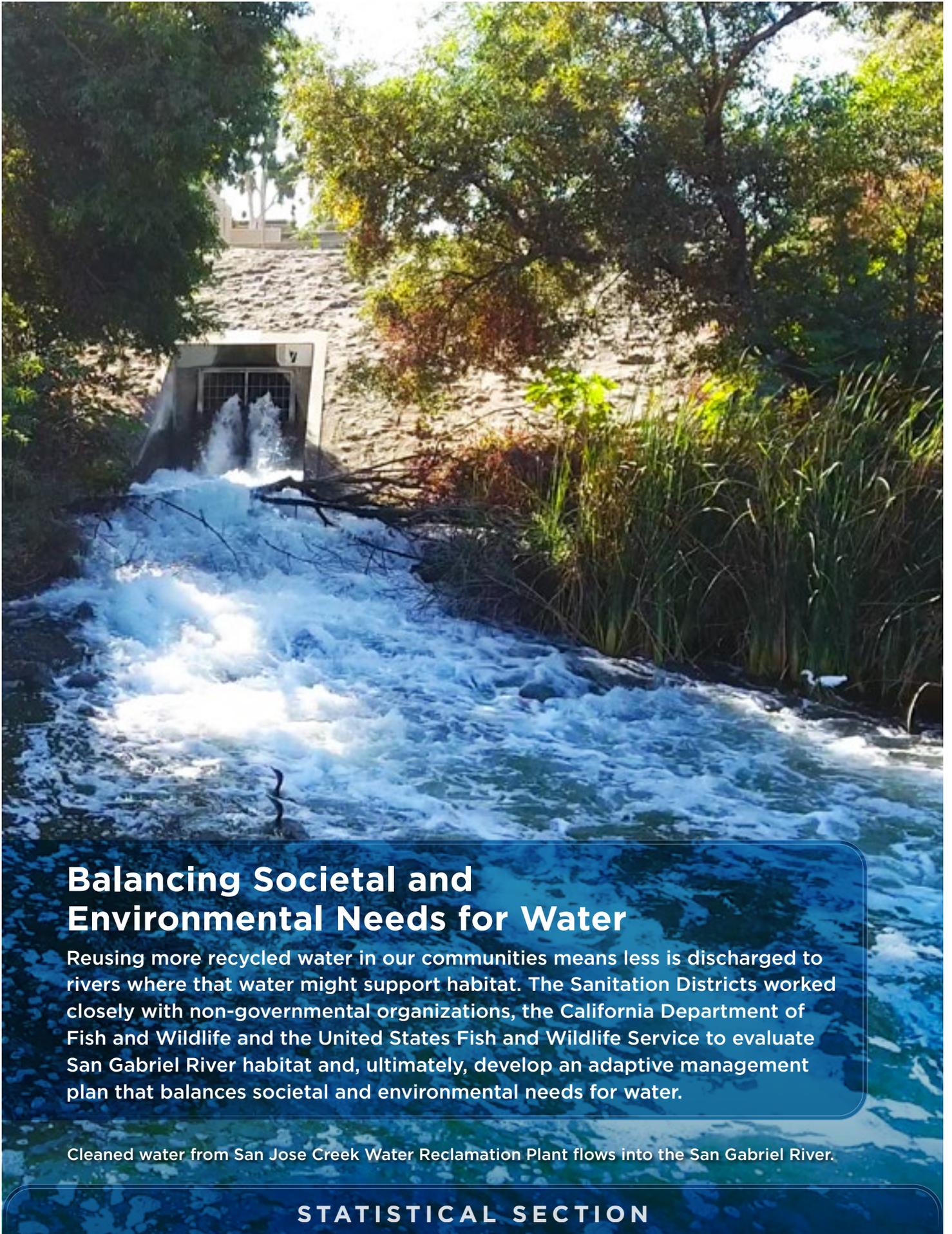
	Joint Administration	Technical Support	Joint Refuse Equipment Pool	Joint Administration Equipment Pool	Joint Outfall Equipment Pool	Total
<b>Operating revenues:</b>						
Commodities	\$ 304	-	-	-	-	304
Equipment pool	-	-	3,460,103	321,367	7,475,021	11,256,491
Internal services revenue	53,291,648	55,072,822	-	-	-	108,364,470
Sale of energy	-	-	-	6,245	-	6,245
Other	128,254	36,974	15,367	1,480	66,448	248,523
<b>Total operating revenues</b>	<b>53,420,206</b>	<b>55,109,796</b>	<b>3,475,470</b>	<b>329,092</b>	<b>7,541,469</b>	<b>119,876,033</b>
<b>Operating expenses:</b>						
Chemicals	-	8,897	-	-	-	8,897
Depreciation/amortization	3,433,572	623,967	1,135,224	199,899	2,191,664	7,584,326
Equipment and vehicle rentals	215,122	653,070	42,664	-	12,607	923,463
Insurance and claims	2,137,113	-	168,344	80,485	568,401	2,954,343
Materials and supplies	5,118,969	3,898,983	275,761	21,512	493,691	9,808,916
Operations, repairs, and maintenance	1,385,426	1,820,716	680,224	92,861	1,238,924	5,218,151
Salaries and benefits	43,130,141	47,348,991	1,715,958	73,733	2,083,970	94,352,793
Services	5,512,906	2,724,110	140,425	31,529	187,271	8,596,241
Utilities	1,008,008	217,473	6,062	17,589	86	1,249,218
<b>Total operating expenses</b>	<b>61,941,257</b>	<b>57,296,207</b>	<b>4,164,662</b>	<b>517,608</b>	<b>6,776,614</b>	<b>130,696,348</b>
<b>Operating income (loss)</b>	<b>(8,521,051)</b>	<b>(2,186,411)</b>	<b>(689,192)</b>	<b>(188,516)</b>	<b>764,855</b>	<b>(10,820,315)</b>
<b>Nonoperating revenues (expenses):</b>						
Interest revenue	520,051	34,330	210,563	1,879	16,944	783,767
Investment in joint ventures	(3,544)	-	-	-	-	(3,544)
Gain (loss) on sale of equipment/assets	126	9,662	(26,801)	(1,548)	(58,629)	(77,190)
Other nonoperating revenue/(expense)	204,075	(11,000)	2,320	448	829	196,672
Tax and assessment expense	(3,793)	(121,102)	(3,599)	(282)	(16,950)	(145,726)
Unrealized loss on investments	(176,878)	-	(175,707)	-	-	(352,585)
<b>Net nonoperating revenues (expenses)</b>	<b>540,037</b>	<b>(88,110)</b>	<b>6,776</b>	<b>497</b>	<b>(57,806)</b>	<b>401,394</b>
<b>Income (loss) before transfers</b>	<b>(7,981,014)</b>	<b>(2,274,521)</b>	<b>(682,416)</b>	<b>(188,019)</b>	<b>707,049</b>	<b>(10,418,921)</b>
Transfers in	2,108,861	1,345,763	-	-	-	3,454,624
Transfers out	(107,373)	-	-	-	-	(107,373)
<b>Change in net position</b>	<b>(5,979,526)</b>	<b>(928,758)</b>	<b>(682,416)</b>	<b>(188,019)</b>	<b>707,049</b>	<b>(7,071,670)</b>
Total net position, July 1, 2020, as previously stated	(21,317,833)	(86,343,028)	24,787,667	1,235,122	11,735,743	(69,902,329)
Prior-period adjustments	2,861,032	-	-	-	-	2,861,032
Total net position, July 1, 2020	(18,456,801)	(86,343,028)	24,787,667	1,235,122	11,735,743	(67,041,297)
Total net position, June 30, 2021	\$ (24,436,327)	(87,271,786)	24,105,251	1,047,103	12,442,792	(74,112,967)

**Exhibit I-3**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Service Operations**  
**Combining Schedule of Cash Flows**  
**Fiscal year ended June 30, 2021**

	Joint Administration	Technical Support	Joint Refuse Equipment Pool	Joint Administration Equipment Pool	Wastewater Equipment Pool	Total
Cash flows from operating activities:						
Receipts from customers and users	\$ 299,382	36,974	17	6,245	92	342,710
Receipts for equipment rental	-	-	3,460,102	321,367	7,475,021	11,256,490
Receipts for internal services	53,291,645	55,172,822	-	-	-	108,464,467
Payments to suppliers	(11,194,550)	(8,490,868)	(1,278,489)	(237,157)	(2,437,478)	(23,638,542)
Payments for salaries/benefits	(39,960,649)	(46,028,422)	(1,690,537)	(86,494)	(2,046,402)	(89,812,504)
Payment for equipment rental	(215,122)	(653,070)	(42,664)	-	(12,607)	(923,463)
Net cash provided by operating activities	<u>2,220,706</u>	<u>37,436</u>	<u>448,429</u>	<u>3,961</u>	<u>2,978,626</u>	<u>5,689,158</u>
Cash flows from noncapital financing activities:						
Transfers from other funds	2,001,488	1,345,763	-	350,000	4,000,000	7,697,251
Payments for tax and assessment	(3,793)	(121,102)	(3,599)	(282)	(16,950)	(145,726)
Net cash provided (used) by noncapital financing activities	<u>1,997,695</u>	<u>1,224,661</u>	<u>(3,599)</u>	<u>349,718</u>	<u>3,983,050</u>	<u>7,551,525</u>
Cash flows from capital and related financing activities:						
Purchases of capital assets	(2,018,957)	(1,349,209)	(1,220,048)	(265,663)	(2,098,190)	(6,952,067)
Proceeds from sale of assets	-	9,662	227,485	26,952	55,350	319,449
Net cash used by capital and related financing activities	<u>(2,018,957)</u>	<u>(1,339,547)</u>	<u>(992,563)</u>	<u>(238,711)</u>	<u>(2,042,840)</u>	<u>(6,632,618)</u>
Cash flows from investing activities:						
Interest received	635,078	43,083	269,432	1,983	11,653	961,229
Purchases of investments	(7)	-	(3,695,093)	-	-	(3,695,100)
Proceeds from maturities of investments	6,743,000	-	8,031,692	-	-	14,774,692
Net cash provided by investing activities	<u>7,378,071</u>	<u>43,083</u>	<u>4,606,031</u>	<u>1,983</u>	<u>11,653</u>	<u>12,040,821</u>
Net increase (decrease) in cash and cash equivalents	9,577,515	(34,367)	4,058,298	116,951	4,930,489	18,648,886
Cash and cash equivalents at beginning of fiscal year	73,956,994	4,488,794	9,702,906	62,428	1,278,793	89,489,915
Cash and cash equivalents at end of fiscal year	<u>\$ 83,534,509</u>	<u>4,454,427</u>	<u>13,761,204</u>	<u>179,379</u>	<u>6,209,282</u>	<u>108,138,801</u>

**Exhibit I-3 (continued)**  
**LOS ANGELES COUNTY SANITATION DISTRICTS**  
**Service Operations**  
**Combining Schedule of Cash Flows**  
**Fiscal year ended June 30, 2021**

	Joint Administration	Technical Support	Joint Refuse Equipment Pool	Joint Administration Equipment Pool	Wastewater Equipment Pool	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ (8,521,051)	(2,186,411)	(689,192)	(188,516)	764,855	(10,820,315)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	3,433,572	623,967	1,135,224	199,899	2,191,664	7,584,326
Increase in accounts receivable	(68,843)	-	-	-	-	(68,843)
Decrease in inventory	2,905,162	-	-	-	-	2,905,162
Decrease in deferred outflow of resources	727,192	811,496	29,282	1,575	35,900	1,605,445
Increase (decrease) in accounts payable	4,075,956	359,216	(12,875)	(3,180)	(15,471)	4,403,646
Increase in accrued employee absences	4,896,464	-	-	-	-	4,896,464
Decrease in amounts held for others	(1,429,335)	-	-	-	-	(1,429,335)
Decrease in claims liabilities	(221,424)	-	-	-	-	(221,424)
Increase in other postemployment benefits liability	566,930	632,655	22,828	1,228	27,988	1,251,629
Increase in pension liability	4,472,831	4,991,371	180,106	9,685	220,815	9,874,808
Increase (decrease) in other liabilities	59,149	-	(10,000)	10,000	-	59,149
Decrease in due to/from other funds	(4,073,457)	(58,852)	(21,619)	(16,765)	(19,911)	(4,190,604)
Decrease in deferred inflow of resources	(4,602,440)	(5,136,006)	(185,325)	(9,965)	(227,214)	(10,160,950)
Net cash provided by operating activities	\$ 2,220,706	37,436	448,429	3,961	2,978,626	5,689,158
Schedule of noncash investing activities:						
Unrealized loss on fair value of investments	\$ (176,878)	-	(175,707)	-	-	(352,585)
Amortization of investment premium	3	-	7,372	-	-	7,375



## **Balancing Societal and Environmental Needs for Water**

Reusing more recycled water in our communities means less is discharged to rivers where that water might support habitat. The Sanitation Districts worked closely with non-governmental organizations, the California Department of Fish and Wildlife and the United States Fish and Wildlife Service to evaluate San Gabriel River habitat and, ultimately, develop an adaptive management plan that balances societal and environmental needs for water.

Cleaned water from San Jose Creek Water Reclamation Plant flows into the San Gabriel River.

## STATISTICAL SECTION

This part of the Los Angeles County Sanitation Districts' annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the Districts' overall financial health.

### Contents

	<u>Pages</u>
<u>Financial Trends</u> – These schedules contain trend information to help the reader understand how the Districts' financial performance and well-being have changed over time.	109-115
<u>Revenue Capacity</u> – These schedules contain information to help the reader assess the Districts' most significant revenue sources: service charges, solid waste tipping fees, and industrial waste surcharge fees.	116-122
<u>Debt Capacity</u> – These schedules present information to help the reader assess the affordability of the Districts' current levels of outstanding debt and the Districts' ability to issue additional debt in the future.	123-124
<u>Demographic and Economic Information</u> – These schedules offer demographic and economic indicators to help the reader understand the environment within which the Districts' financial activities take place.	125-128
<u>Operating Information</u> – These schedules contain information about the Districts' operations and resources to help the reader understand how the Districts' financial information relates to the services it provides and the activities it performs.	129-130

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

Schedule 1

LOS ANGELES COUNTY SANITATION DISTRICTS

Net Position by Component  
Last Ten Fiscal Years  
(\$ thousands)

	Fiscal Year									
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Net Investment in Capital Assets	\$ 2,176,888	\$ 2,163,967	\$ 2,324,683	\$ 2,425,697	\$ 2,510,653	\$ 2,569,596	\$ 2,625,877	\$ 2,713,887	\$ 2,894,684	\$ 3,149,191
Restricted	1,406,583	1,489,800	882,206	830,382	614,964	632,009	511,794	465,904	341,485	190,401
Unrestricted	334,042	371,308	883,243	590,578	849,383	926,728	913,338	1,079,579	1,030,155	987,719
Total Net Position	<u>\$ 3,917,513</u>	<u>\$ 4,025,075</u>	<u>\$ 4,090,132</u>	<u>\$ 3,846,657</u>	<u>\$ 3,975,000</u>	<u>\$ 4,128,333</u>	<u>\$ 4,051,009</u>	<u>\$ 4,259,370</u>	<u>\$ 4,266,324</u>	<u>\$ 4,327,311</u>

Schedule 2

LOS ANGELES COUNTY SANITATION DISTRICTS

Changes in Net Position  
Last Ten Fiscal Years  
(\$ thousands)

	Fiscal Year									
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Operating Revenues	\$ 534,890	\$ 554,282	\$ 530,264	\$ 541,086	\$ 545,758	\$ 574,894	\$ 590,185	\$ 627,010	\$ 633,772	\$ 616,978
Operating Expenses	489,657	477,068	538,751	539,460	496,260	498,319	552,610	585,401	750,938	619,709
Operating Income/(Loss)	45,233	77,214	(8,487)	1,626	49,498	76,575	37,575	41,609	(117,166)	(2,731)
Total Net Nonoperating Revenues	10,098	4,236	39,501	58,091	58,789	58,613	50,455	123,299	118,076	78,886
Income Before Capital Contributions	55,331	81,450	31,014	59,717	108,287	135,188	88,030	164,908	910	76,155
Capital Contributions	19,453	26,113	38,842	32,966	35,800	36,286	41,524	47,008	43,893	24,417
Prior-Period Adjustments	-	-	(4,799,699)	(336,158)	(15,745)	(18,141)	5,033	(3,555)	(37,850)	(39,584)
Change in Accounting Methods	-	-	-	-	-	-	(211,911)	-	-	-
Change in Net Position	<u>\$ 74,784</u>	<u>\$ 107,563</u>	<u>\$ (4,729,843)</u>	<u>\$ (243,475)</u>	<u>\$ 128,342</u>	<u>\$ 153,333</u>	<u>\$ (77,324)</u>	<u>\$ 208,361</u>	<u>\$ 6,953</u>	<u>\$ 60,988</u>

Schedule 3

LOS ANGELES COUNTY SANITATION DISTRICTS

Operating Revenues  
Last Ten Fiscal Years  
(\$ thousands)

	Fiscal Year									
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Commodities	\$ 5,343	\$ 7,276	\$ 7,894	\$ 8,779	\$ 8,459	\$ 5,864	\$ 3,150	\$ 1,506	\$ 1,119	\$ 3,022
Contract Revenue	24,056	25,542	23,808	22,172	17,394	18,363	19,565	20,919	22,761	29,974
Industrial Waste Surcharge	57,861	56,999	58,092	63,505	64,477	64,356	67,060	71,312	72,938	69,529
Refuse Tipping Fees	102,539	112,160	87,798	80,316	95,119	106,169	107,034	137,886	125,589	102,434
Sale of Energy	45,511	30,429	35,285	30,356	23,173	23,354	24,881	19,151	20,715	18,976
Service Charges	295,831	318,035	312,890	331,261	335,526	353,963	365,437	375,531	389,833	392,291
Other	3,749	3,841	4,497	4,697	1,610	2,825	3,058	705	817	752
Total Operating Revenue	<u>\$ 534,890</u>	<u>\$ 554,282</u>	<u>\$ 530,264</u>	<u>\$ 541,086</u>	<u>\$ 545,758</u>	<u>\$ 574,894</u>	<u>\$ 590,185</u>	<u>\$ 627,010</u>	<u>\$ 633,772</u>	<u>\$ 616,978</u>

Schedule 4

LOS ANGELES COUNTY SANITATION DISTRICTS

Operating Expenses  
Last Ten Fiscal Years  
(\$ thousands)

	Fiscal Year									
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Chemicals	\$ 33,394	\$ 34,778	\$ 33,912	\$ 33,675	\$ 32,300	\$ 30,072	\$ 31,166	\$ 34,986	\$ 38,756	\$ 39,211
Insurance and Claims	3,403	4,154	1,657	5,105	4,284	4,309	3,424	4,041	1,721	5,896
Landfill Closure and Postclosure Costs	23,894	8,842	22,764	34,395	10,419	1,554	1,662	4,436	159,828	12,939
Materials and Supplies	21,537	22,164	24,264	27,171	27,677	27,403	28,689	32,099	29,067	31,348
Operations, Repairs, and Maintenance	37,516	31,271	34,951	30,960	21,719	19,500	22,503	24,888	23,103	23,973
Salaries and Benefits	197,449	195,752	198,288	192,500	185,252	208,361	231,563	234,717	263,744	265,358
Services	58,499	62,468	81,166	91,973	96,658	90,029	102,061	105,450	104,058	97,015
Utilities	23,805	24,237	26,525	25,053	22,247	19,834	22,550	24,231	21,360	23,642
Miscellaneous <sup>(1)</sup>	6,494	8,668	4,429	5,039	5,345	5,034	13,075	16,996	6,612	6,170
Subtotal, Expenses before Depreciation	405,991	392,334	427,956	445,871	405,901	406,096	456,693	481,844	648,249	505,552
Depreciation & Amortization of Use Rights	83,666	84,734	110,795	93,589	90,359	92,223	95,917	103,557	102,689	114,157
Total Operating Expenses	\$ 489,657	\$ 477,068	\$ 538,751	\$ 539,460	\$ 496,260	\$ 498,319	\$ 552,610	\$ 585,401	\$ 750,938	\$ 619,709

1. Miscellaneous expenses includes pollution remediation costs, tonnage, and charges for collections.

Schedule 5

LOS ANGELES COUNTY SANITATION DISTRICTS

Nonoperating Revenues and Expenses

Last Ten Fiscal Years

(\$ thousands)

	Fiscal Year									
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Interest Revenue	\$ 23,940	\$ 16,139	\$ 15,727	\$ 17,646	\$ 22,561	\$ 25,995	\$ 32,459	\$ 43,796	\$ 43,568	\$ 20,575
Tax Revenue	54,770	68,435	55,211	67,962	70,121	73,029	77,371	82,676	88,365	95,193
Other Nonoperating Revenue	4,599	6,907	11,235	9,136	6,788	12,793	12,164	8,798	9,019	14,027
Interest Expense	(40,054)	(42,543)	(32,194)	(32,817)	(33,203)	(28,021)	(26,765)	(27,210)	(23,688)	(21,419)
Unrealized Gain/(Loss) on Investments	(6,546)	(19,491)	8,647	5,188	2,942	(10,176)	(26,002)	32,474	20,618	(13,117)
Tax and Assessment Expense	(21,274)	(20,899)	(14,014)	(7,050)	(7,702)	(10,956)	(10,289)	(12,310)	(10,753)	(10,274)
Other Nonoperating Expense	(5,337)	(4,312)	(5,111)	(1,974)	(2,718)	(4,051)	(8,483)	(4,925)	(9,053)	(6,099)
Total Nonoperating Revenue	<u>\$ 10,098</u>	<u>\$ 4,236</u>	<u>\$ 39,501</u>	<u>\$ 58,091</u>	<u>\$ 58,789</u>	<u>\$ 58,613</u>	<u>\$ 50,455</u>	<u>\$ 123,299</u>	<u>\$ 118,076</u>	<u>\$ 78,886</u>

Schedule 6  
LOS ANGELES COUNTY SANITATION DISTRICTS  
Changes in Cash and Cash Equivalents  
Last Ten Fiscal Years  
(\$ thousands)

	Fiscal Year									
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Cash Flows from Operating Activities</b>										
Receipts from customers and users	\$ 529,296	\$ 565,158	\$ 534,475	\$ 544,623	\$ 547,724	\$ 569,134	\$ 587,160	\$ 623,375	\$ 642,281	\$ 620,937
Receipts for equipment rental	16,094	16,792	15,359	14,645	13,955	14,934	14,610	15,361	16,674	17,348
Payments to suppliers	(194,190)	(196,786)	(212,100)	(228,863)	(219,444)	(230,446)	(217,498)	(244,484)	(232,775)	(224,723)
Payments for salaries and benefits	(196,690)	(195,775)	(198,736)	(200,429)	(182,087)	(203,597)	(221,399)	(223,703)	(250,607)	(260,851)
Payment for equipment rental within the Districts	(16,912)	(16,412)	(15,075)	(14,991)	(13,955)	(14,934)	(14,610)	(15,361)	(16,674)	(17,348)
Other payments	(19)	(19)	(19)	(19)	-	-	-	-	-	-
Net cash provided by operating activities	137,579	172,958	123,904	114,966	146,193	135,091	148,263	155,188	158,899	135,363
<b>Cash Flows from Noncapital Financing Activities</b>										
Receipts from property taxes	53,784	71,082	57,527	67,042	69,817	72,378	76,790	83,610	86,945	94,743
Other nonoperating receipts	-	-	-	-	-	-	5,016	1,594	-	-
Payments for tax and assessment	(21,649)	(20,898)	(14,827)	(7,050)	(8,442)	(10,956)	(10,289)	(10,042)	(11,873)	(10,275)
Net cash provided by noncapital financing activities	32,135	50,184	42,700	59,992	61,375	61,422	71,517	75,162	75,072	84,468
<b>Cash Flows from Capital and Related Financing Activities</b>										
Borrowings on loans	10,664	2,351	9,664	18,879	8,967	14,746	34,945	15,139	4,972	3,571
Proceeds on bond sales	151,280	-	117,460	-	172,408	192,968	-	-	-	-
Contract proceeds from County of Los Angeles	-	-	2,700	1,500	-	-	-	-	-	-
Bond issuance costs	(717)	-	(457)	-	(654)	(713)	-	-	-	-
Purchases of capital assets	(168,072)	(134,346)	(129,324)	(135,584)	(141,401)	(104,258)	(125,035)	(126,568)	(211,060)	(286,697)
Principal payments on contracts/notes	(713)	(316)	(39)	(41)	(44)	(1,328)	-	-	-	-
Connection fees proceeds	19,453	25,918	33,291	32,713	34,354	33,803	38,382	39,823	33,466	20,477
Grant proceeds	-	195	-	-	1,458	1,492	3,671	6,376	10,427	7,701
Interest paid on capital-related debt	(34,710)	(35,059)	(30,904)	(30,942)	(26,346)	(22,534)	(24,482)	(23,708)	(21,810)	(18,972)
Principal payments on bonds	(174,229)	(24,744)	(184,152)	(29,264)	(203,934)	(188,553)	(34,449)	(35,909)	(37,564)	(57,296)
Principal payments on loans	(28,270)	(31,689)	(30,580)	(31,173)	(30,100)	(79,459)	(28,255)	(30,941)	(31,598)	(39,334)
Payment per joint powers agreement	-	-	-	-	-	(1,100)	-	-	-	(250)
Proceeds from sale of assets/equipment	4,080	3,823	2,630	2,385	1,001	7,174	2,143	2,785	1,223	394
Receipts from joint venture	165	2,306	2,930	131	150	150	150	-	11,680	-
Net cash used by capital and related financing activities	(221,069)	(191,561)	(206,781)	(171,396)	(184,141)	(147,612)	(132,930)	(153,003)	(240,264)	(370,406)
<b>Cash Flows from Investing Activities</b>										
Interest received	31,520	16,468	14,567	15,940	24,734	24,415	34,538	36,787	44,182	27,118
Purchases of investments	(1,363,978)	(1,490,217)	(466,367)	(610,933)	(1,273,001)	(782,636)	(316,412)	(575,624)	(867,761)	(201,718)
Proceeds from maturities of investments	1,160,068	1,298,975	397,566	863,262	1,353,519	555,543	325,076	575,174	1,246,719	527,393
Net cash provided (used) by investing activities	(172,390)	(174,774)	(54,234)	268,269	105,252	(202,678)	43,202	36,337	423,140	352,793
Net increase (decrease) in cash and cash equivalents	(223,745)	(143,193)	(94,411)	271,831	128,679	(153,777)	130,052	113,684	416,847	202,218
Cash and cash equivalents at beginning of fiscal year	1,025,466	801,721	658,528	564,117	835,948	964,627	810,850	940,902	1,054,586	1,471,433
Cash and cash equivalents at end of fiscal year	\$ 801,721	\$ 658,528	\$ 564,117	\$ 835,948	\$ 964,627	\$ 810,850	\$ 940,902	\$ 1,054,586	\$ 1,471,433	\$ 1,673,651

Schedule 7

LOS ANGELES COUNTY SANITATION DISTRICTS

Annual Capital Contributions by Source

Last Ten Fiscal Years

(\$ thousands)

<u>Fiscal Year</u>	<u>Connection Fees</u>	<u>Grants</u>	<u>Donated Property</u>	<u>Total</u>
2011-12	\$ 19,453	\$ -	\$ -	\$ 19,453
2012-13	25,918	195	-	26,113
2013-14	33,290	-	5,552	38,842
2014-15	30,942	-	-	30,942
2015-16	34,354	1,446	-	35,800
2016-17	34,804	1,481	-	36,285
2017-18	37,852	3,672	-	41,524
2018-19	40,632	6,376	-	47,008
2019-20	33,466	10,427	-	43,893
2020-21	20,477	3,940	-	24,417

Schedule 8

LOS ANGELES COUNTY SANITATION DISTRICTS  
 Service Charge Rates (\$ per Single-Family Home per Year)  
 Last Ten Fiscal Years

District <sup>1</sup>	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
1	\$ 154.00	\$ 156.00	\$ 158.00	\$ 163.00	\$ 168.00	\$ 173.00	\$ 178.00	\$ 183.00	\$ 188.00	\$ 193.00
2	148.00	149.00	150.00	155.00	160.00	165.00	169.00	173.00	177.00	181.00
3	150.00	152.00	154.00	157.00	160.00	163.00	166.00	169.00	172.00	175.00
4	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00
5	132.00	134.00	136.00	141.00	146.00	151.00	155.00	159.00	163.00	167.00
8	139.00	143.00	147.00	154.00	163.00	174.00	180.00	186.00	192.00	198.00
9	78.00	78.00	78.00	78.00	78.00	78.00	78.00	78.00	78.00	78.00
14	360.00	448.00	472.00	496.00	476.00	476.00	476.00	476.00	487.88	487.88
15	132.00	134.00	136.00	141.00	146.00	151.00	154.00	157.00	160.00	163.00
16	135.00	137.00	139.00	142.00	145.00	148.00	151.00	154.00	157.00	160.00
17	136.00	138.00	140.00	143.00	146.00	149.00	152.00	155.00	158.00	161.00
18	149.00	150.00	151.00	156.00	161.00	166.00	170.00	174.00	178.00	182.00
19	148.00	150.00	152.00	155.00	158.00	161.00	164.00	167.00	170.00	173.00
20	429.00	477.00	525.00	535.00	550.00	565.00	565.00	575.00	586.88	586.88
21	146.00	147.00	148.00	153.00	158.00	163.00	167.00	171.00	175.00	179.00
22	145.00	147.00	149.00	152.00	155.00	158.00	162.00	166.00	170.00	174.00
23	114.00	116.00	118.00	120.00	122.00	124.00	126.00	128.00	130.00	132.00
28 <sup>2</sup>	336.00	337.00	338.00	340.00	342.00	242.00	-	-	-	-
28 <sup>2</sup>	128.00	129.00	130.00	132.00	134.00	136.00	138.00	140.00	142.00	144.00
29	333.75	339.75	339.75	339.75	339.75	339.75	339.75	339.75	339.75	339.75
SBC	120.00	121.00	122.00	124.00	126.00	128.00	130.00	132.00	134.00	136.00
SCV	215.00	231.00	247.00	267.00	287.00	307.00	328.00	349.00	370.00	370.00
NR	-	-	-	-	-	-	-	-	-	656.60
Average	160.28	166.70	170.90	176.93	181.55	186.49	190.67	195.86	201.13	204.53

1. District No. 27 has not levied a service charge as its other revenues have been sufficient to meet its expenses.
2. District No. 28 has historically had two service charge rates, one for those directly connected to the La Cañada WRP Outfall Trunk sewer or the Foothill Main Trunk Sewer or directly tributary to the La Cañada WRP, and the other for those within a La Cañada Flintridge Assessment District. Because the two SRF Loans associated with the Trunk Sewers have been retired, two rates are no longer necessary (beginning in fiscal year 2017-2018).

Schedule 9

LOS ANGELES COUNTY SANITATION DISTRICTS

Residential/Commercial (Service Charge) Sewage Units  
Last Ten Fiscal Years

District	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
1	142,853	143,258	143,429	144,702	144,833	144,635	145,348	148,562	149,590	149,393
2	214,923	215,551	215,730	217,082	217,943	219,329	218,035	223,900	225,374	226,849
3	180,446	179,597	176,037	177,585	180,568	181,192	180,611	185,315	186,828	187,943
4	22,767	23,778	23,830	24,556	24,844	25,619	26,097	26,806	27,790	27,425
5	267,878	268,676	262,048	266,716	267,707	272,623	271,544	276,194	279,988	281,159
8	60,029	59,831	58,296	59,108	59,017	60,103	59,629	61,010	62,354	64,117
9	1,254	1,273	1,216	1,015	1,017	1,101	1,071	1,288	1,436	1,442
14	67,880	66,680	65,615	67,130	67,793	67,176	67,491	70,488	71,452	71,716
15	187,229	186,714	183,592	187,253	187,112	190,227	189,227	193,123	195,361	195,805
16	114,751	113,741	109,897	112,893	112,929	115,410	116,067	117,452	119,078	120,538
17	14,926	15,064	14,511	14,629	14,656	15,012	15,104	15,309	15,225	15,124
18	123,789	121,399	121,021	121,371	121,923	122,694	122,251	124,409	126,036	127,362
19	37,335	37,761	37,247	37,269	38,159	37,976	40,643	41,673	41,715	41,957
20	42,658	42,854	42,094	43,010	43,297	42,997	42,336	44,518	45,385	45,583
21	151,244	149,715	148,776	149,972	150,812	154,451	151,998	154,106	155,848	156,670
22	125,206	125,193	123,768	124,183	125,283	126,972	124,223	127,505	129,396	129,927
23	3,308	3,270	3,271	3,198	3,285	3,264	3,100	3,286	3,480	3,451
27	558	558	558	558	558	558	551	497	555	555
28	4,414	4,492	4,462	4,703	4,670	4,779	4,750	4,794	4,786	4,777
29	5,430	5,515	5,144	5,380	5,408	5,797	5,756	5,889	5,950	5,826
SBC	50,631	50,864	50,504	50,920	51,616	50,441	51,483	52,644	52,896	54,761
SCV	93,234	93,494	92,432	91,749	92,849	95,256	94,964	98,945	101,943	103,616
NR	N/A	417								
	1,912,743	1,909,278	1,883,478	1,904,982	1,916,279	1,937,612	1,932,279	1,977,713	2,002,466	2,016,413

Schedule 10

LOS ANGELES COUNTY SANITATION DISTRICTS

Industrial Wastewater Treatment Surcharge Rates  
Last Ten Fiscal Years

District	Unit Rate	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
JO	(a) \$/MGD	\$ 755.00	\$ 764.00	\$ 773.00	\$ 796.00	\$ 819.00	\$ 843.00	\$ 863.00	\$ 883.00	\$ 903.00	\$ 923.00
	(b) \$/1,000 lbs. COD	133.50	135.10	136.70	140.80	144.90	149.00	152.50	156.00	159.50	163.00
	(c) \$/1,000 lbs. SS	377.40	382.10	386.70	398.30	409.90	421.50	431.40	441.30	451.20	461.10
	(d) \$/GPM (Peak)	100.10	101.30	102.50	105.60	108.70	111.70	114.30	116.90	119.50	122.10
	Flat Rate (\$/MG)	3,203.00	3,243.00	3,282.00	3,380.00	3,479.00	3,577.00	3,661.00	3,745.00	3,829.00	3,913.00
4	(a) \$/MGD	528.00	528.00	528.00	528.00	528.00	528.00	528.00	528.00	528.00	528.00
	(b) \$/1,000 lbs. COD	111.20	111.20	111.20	111.20	111.20	111.20	111.20	111.20	111.20	111.20
	(c) \$/1,000 lbs. SS	335.30	335.30	335.30	335.30	335.30	335.30	335.30	335.30	335.30	335.30
	(d) \$/GPM (Peak)	45.60	45.60	45.60	45.60	45.60	45.60	45.60	45.60	45.60	45.60
	Flat Rate (\$/MG)	2,129.00	2,129.00	2,129.00	2,129.00	2,129.00	2,129.00	2,129.00	2,129.00	2,129.00	2,129.00
14	(a) \$/MGD	2,384.00	2,967.00	3,126.00	3,285.00	3,153.00	3,153.00	3,153.00	3,153.00	3,232.00	3,232.00
	(b) \$/1,000 lbs. COD	268.40	334.00	351.90	369.80	354.90	354.90	354.90	354.90	363.80	363.80
	(c) \$/1,000 lbs. SS	648.00	806.40	849.60	892.80	856.60	856.60	856.80	856.80	878.20	878.20
	(d) \$/GPM (Peak)	458.60	570.70	601.30	631.80	606.50	606.50	606.50	606.50	621.60	621.60
	Flat Rate (\$/MG)	5,305.00	6,602.00	6,955.00	7,309.00	7,015.00	7,015.00	7,015.00	7,015.00	7,190.00	7,190.00
20	(a) \$/MGD	1,958.00	2,177.00	2,396.00	2,442.00	2,511.00	2,579.00	2,579.00	2,625.00	2,679.00	2,679.00
	(b) \$/1,000 lbs. COD	436.80	485.60	534.50	544.70	559.90	575.20	575.20	585.40	597.50	597.50
	(c) \$/1,000 lbs. SS	877.50	975.70	1,073.80	1,094.30	1,125.00	1,155.00	1,155.60	1,176.10	1,200.40	1,200.40
	(d) \$/GPM (Peak)	417.40	464.10	510.80	520.50	535.00	549.70	549.70	559.40	571.00	571.00
	Flat Rate (\$/MG)	6,231.00	6,928.00	7,626.00	7,771.00	7,989.00	8,206.00	8,206.00	8,351.00	8,524.00	8,524.00
SCV	(a) \$/MGD	861.00	903.00	946.00	1,023.00	1,099.00	1,176.00	1,256.00	1,337.00	1,417.00	1,417.00
	(b) \$/1,000 lbs. COD	196.10	205.70	215.30	233.10	250.50	268.00	286.30	304.60	323.00	323.00
	(c) \$/1,000 lbs. SS	482.40	506.10	529.80	572.70	615.60	658.50	703.50	748.60	793.60	793.60
	(d) \$/GPM (Peak)	121.80	127.80	133.80	144.60	155.50	166.30	177.70	189.10	200.40	200.40
	Flat Rate (\$/MG)	2,917.00	3,060.00	3,203.00	3,462.00	3,722.00	3,981.00	4,253.00	4,526.00	4,798.00	4,798.00

Notes: JO = Joint Outfall Districts, consisting of District Nos. 1, 2, 3, 5, 8, 15, 16, 17, 18, 19, 21, 22, 23, 28, 29, 34, and South Bay Cities.

SCV = Santa Clarita Valley District.

The flat rate charge is only applicable to industrial discharges whose yearly flow does not exceed 6 million gallons

Abbreviations: MGD (million gallons per day), COD (chemical oxygen demand), SS (suspended solids), GPM (gallons per minute of peak flow), MG (million gallons)

Schedule 11

LOS ANGELES COUNTY SANITATION DISTRICTS

Industrial Wastewater Sewage Units  
Last Ten Fiscal Years

District <sup>1</sup>	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
1	20,462	22,183	25,787	23,900	25,022	23,441	23,067	24,623	24,964	32,132
2	34,556	33,744	32,381	32,927	34,572	35,338	35,359	36,077	36,617	33,663
3	16,102	17,189	17,752	17,894	15,267	13,360	14,553	13,771	11,590	10,144
4	167	129	138	169	133	98	183	135	170	65
5	32,654	27,601	26,983	23,739	19,660	21,055	20,905	21,542	20,056	20,606
8	41,933	43,378	47,720	45,181	41,467	39,842	37,337	38,574	34,592	33,421
14	2,358	2,507	2,605	2,485	2,066	2,357	2,308	2,268	2,200	2,404
15	21,522	22,381	24,572	22,428	19,395	22,193	20,902	23,444	23,149	23,781
16	1,336	1,476	1,576	1,594	1,706	1,612	1,663	1,441	1,005	1,279
18	14,904	16,452	15,029	13,950	13,173	14,428	14,260	13,256	12,967	11,030
19	918	975	745	334	468	565	214	133	296	709
20	281	289	292	232	267	253	255	343	280	330
21	15,585	14,703	15,664	17,152	14,901	15,933	18,144	17,214	17,842	14,416
22	15,649	13,871	10,928	12,466	15,361	15,120	12,643	13,276	10,595	5,410
23	16,515	15,743	14,260	14,846	15,462	15,090	15,696	18,123	17,460	25,976
29	281	247	224	250	257	248	306	328	288	271
SBC	589	528	452	384	165	150	96	89	103	75
SCV	1,253	1,121	1,074	1,169	1,071	1,018	1,110	979	760	921
Contract <sup>2</sup>	17,303	18,533	20,798	23,471	19,612	20,988	24,951	39,463	20,858	19,116
Total	254,368	253,050	258,980	254,571	240,025	243,089	243,952	265,079	235,792	235,749

1. District Nos. 9, 17, 27, and 28 do not have any industrial dischargers.

2. Industrial dischargers located outside of the Districts' jurisdictional boundaries but for which the Districts provide service.

Schedule 12

LOS ANGELES COUNTY SANITATION DISTRICTS

Municipal Solid Waste Rates<sup>1</sup>  
Last Ten Fiscal Years

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Puente Hills Landfill	\$38.41 <sup>3</sup>	\$38.41	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Puente Hills MRF	42.44 <sup>3</sup>	42.44	45.75 <sup>5</sup>	49.25 <sup>6</sup>	55.55 <sup>7</sup>	58.40 <sup>8</sup>	61.40 <sup>9</sup>	61.45 <sup>10</sup>	70.60 <sup>11</sup>	70.60
South Gate Transfer Station	50.68 <sup>3</sup>	51.91 <sup>4</sup>	51.91	53.91 <sup>6</sup>	58.66 <sup>7</sup>	63.16 <sup>8</sup>	66.16 <sup>9</sup>	66.27 <sup>10</sup>	75.90 <sup>11</sup>	79.70 <sup>12</sup>
DART Facility	54.45 <sup>3</sup>	54.45	47.14 <sup>5</sup>	53.64 <sup>6</sup>	58.39 <sup>7</sup>	62.49 <sup>8</sup>	65.49 <sup>9</sup>	65.60 <sup>10</sup>	75.16 <sup>11</sup>	75.16
Scholl Canyon Landfill	49.18 <sup>3</sup>	49.18	49.18	49.18	49.18	53.83 <sup>8</sup>	53.83	53.88 <sup>10</sup>	53.88	53.88
Calabasas Landfill	40.82 <sup>2</sup>	40.82	40.82	43.32 <sup>6</sup>	47.32 <sup>7</sup>	52.32 <sup>8</sup>	52.32	52.32	52.32	52.32

1. \$ per Ton
2. Effective January 1, 2010.
3. Effective January 1, 2012.
4. Effective February 1, 2013.
5. Effective November 1, 2013.
6. Effective January 1, 2015.
7. Effective January 1, 2016.
8. Effective August 1, 2017.
9. Effective July 1, 2018.
10. Effective December 1, 2018.
11. Effective January 1, 2020.
12. Effective April 1, 2021.

Schedule 13

LOS ANGELES COUNTY SANITATION DISTRICTS

Solid Waste Disposal Tonnages<sup>1</sup>  
Last Ten Fiscal Years

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Puente Hills Landfill	1.80	2.19	0.74	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Puente Hills MRF	0.02	0.04	0.55	0.73	0.73	0.63	0.70	0.64	0.48	0.32
South Gate Transfer Station	0.10	0.11	0.11	0.11	0.14	0.15	0.14	0.15	0.13	0.11
DART Facility	0.13	0.08	0.13	0.14	0.16	0.20	0.27	0.27	0.28	0.19
Scholl Canyon Landfill	0.23	0.21	0.23	0.24	0.33	0.38	0.40	0.43	0.47	0.44
Calabasas Landfill	<u>0.21</u>	<u>0.19</u>	<u>0.24</u>	<u>0.23</u>	<u>0.31</u>	<u>0.35</u>	<u>0.29</u>	<u>0.59</u>	<u>0.32</u>	<u>0.28</u>
Total	2.49	2.82	2.00	1.45	1.67	1.71	1.80	2.08	1.68	1.34

1. Million Tons per Year

Schedule 14

LOS ANGELES COUNTY SANITATION DISTRICTS

Ten Largest Customers  
Fiscal Years 2011-12 and 2020-21

Fiscal Year 2011-12			Fiscal Year 2011-12		
Solid Waste Management Facilities Revenue			Wastewater Treatment Facilities Revenue		
Customer	Amount	%	Customer	Amount	%
Los Angeles County Sanitation Districts	\$ 12,907,118	12.59%	Exxon Mobil Oil Corp.	\$ 5,256,991	1.49%
Athens Disposal	12,541,923	12.23%	BP West Coast Products	3,000,560	0.85%
Metro Waste/Calmet Services	3,829,605	3.73%	Miller Coors LLC	2,242,291	0.63%
Valley Vista Services	3,335,226	3.25%	Tesoro Refining	1,963,431	0.56%
City of Glendale	3,107,903	3.03%	Conoco Phillips Co.	1,690,498	0.48%
L.A. County Dept. of Public Works - SMD	2,540,488	2.48%	Clougherty Packing	1,526,341	0.43%
City of Pasadena	2,493,543	2.43%	Demeno Kerdoon	1,125,149	0.32%
Universal Waste Systems	2,480,446	2.42%	Alta Dena Certified Dairy	1,030,679	0.29%
Burrtec Waste Services	2,431,879	2.37%	Cacique, Inc.	1,030,019	0.29%
United Pacific Waste	2,263,011	2.21%	California State Prison	1,015,659	0.29%
Subtotal (10 largest)	47,931,142	46.74%	Subtotal (10 largest)	19,881,618	5.62%
Balance from Other Customers	54,607,616	53.26%	Balance from Other Customers	333,810,286	94.38%
Grand Total	\$ 102,538,758	100.00%	Grand Total	\$ 353,691,904	100.00%

Fiscal Year 2020-21			Fiscal Year 2020-21		
Solid Waste Management Facilities Revenue			Wastewater Treatment Facilities Revenue		
Customer	Amount	%	Customer	Amount	%
City of Glendale	\$ 5,441,721	5.31%	Inland Empire Utilities Agency	\$ 5,453,121	1.18%
CR&R, Inc.	5,317,437	5.19%	Smithfield Packaged Meats Corp.	4,397,793	0.95%
Los Angeles County DWP/Public Works	4,259,272	4.16%	Torrance Refining Co., LLC	3,950,556	0.86%
City of Pasadena	4,056,975	3.96%	Tesoro Refining - Carson	3,054,625	0.66%
NASA Disposal	2,933,163	2.86%	Demenko/Kerdoon, dba World Oil	2,405,515	0.52%
GI Rubbish Company	2,499,472	2.44%	Tesoro Refining - Wilmington	2,376,756	0.51%
Ware Disposal	1,930,371	1.88%	Coast Packing Company	1,992,931	0.43%
Calmet/Calsan	1,814,128	1.77%	Phillips 66 Company	1,796,793	0.39%
Grand Central/Valley Vista	1,087,613	1.06%	Heritage Distributing Co.	1,396,528	0.30%
Waste & Recycling Services	895,161	0.87%	DFA Dairy Brands Fluid, LLC	1,348,627	0.29%
Subtotal (10 largest)	30,235,313	29.52%	Subtotal (10 largest)	28,173,245	6.10%
Balance from Other Customers	72,198,847	70.48%	Balance from Other Customers	433,646,998	93.90%
Grand Total	\$ 102,434,160	100.00%	Grand Total	\$ 461,820,243	100.00%

Schedule 15

LOS ANGELES COUNTY SANITATION DISTRICTS

Ratios of Outstanding Debt by Type  
 Last Ten Fiscal Years  
 (\$ thousands, except Per Capita)

Fiscal Year	Revenue Bonds	Notes/ Contracts	State Revolving Fund Loans	Total		
				Debt	Debt Per Capita <sup>1</sup>	As a Share of Per Capita Income
2011-12	654,476	1,978	411,971	1,068,425	195.97	0.45%
2012-13	627,099	1,663	388,237	1,016,999	185.25	0.41%
2013-14	556,668	1,414	369,712	927,794	167.71	0.35%
2014-15	539,029	1,373	359,810	900,212	161.59	0.32%
2015-16	501,426	1,328	341,068	843,822	150.52	0.28%
2016-17	506,655	-	278,746	785,401	140.33	0.25%
2017-18	465,551	-	289,500	755,051	134.52	0.23%
2018-19	423,908	-	276,062	699,970	124.79	0.19%
2019-20	381,513	-	251,796	633,309	114.09	0.16%
2020-21	312,500	-	226,192	538,692	97.73	0.13%

1. Using populations provided by the California Department of Finance.

Schedule 16

LOS ANGELES COUNTY SANITATION DISTRICTS

Wastewater Pledged-Revenue Coverage

Last Ten Fiscal Years

(\$ thousands)

	Fiscal Year									
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Revenue Sources<sup>(1)</sup></b>										
Ad Valorem Tax	\$ 54,770	\$ 68,435	\$ 55,210	\$ 67,963	\$ 70,121	\$ 73,029	\$ 77,370	\$ 82,675	\$ 88,363	\$ 95,191
CIF <sup>(2)</sup>	15,667	14,996	12,664	12,627	10,489	9,987	7,318	5,162	5,162	-
User Fees	353,692	375,032	370,980	394,765	400,001	418,318	432,497	434,022	449,355	448,374
Other Revenues	27,372	28,101	27,712	26,375	15,138	15,742	19,089	30,939	31,387	32,958
Interest	11,512	7,679	7,513	9,343	13,078	14,265	18,478	26,516	26,900	11,336
Rate Stabilization Fund <sup>(3)</sup>	-	1,488	14,161	-	7,923	3,946	-	18,220	18	-
<b>Total</b>	<b>463,013</b>	<b>495,731</b>	<b>488,240</b>	<b>511,073</b>	<b>516,750</b>	<b>535,287</b>	<b>554,752</b>	<b>597,534</b>	<b>601,185</b>	<b>587,859</b>
<b>Expenses<sup>(4)</sup></b>										
Total O&M	284,926	287,411	303,506	298,081	307,980	304,998	314,989	335,687	354,590	369,224
Rate Stabilization Fund <sup>(5)</sup>	31,839	56,593	12,921	41,328	14,701	27,057	75,407	69,711	62,609	78,148
<b>Total</b>	<b>316,765</b>	<b>344,004</b>	<b>316,427</b>	<b>339,409</b>	<b>322,681</b>	<b>332,055</b>	<b>390,396</b>	<b>405,398</b>	<b>417,199</b>	<b>447,372</b>
<b>Net Revenues</b>	<b>146,248</b>	<b>151,727</b>	<b>171,813</b>	<b>171,664</b>	<b>194,069</b>	<b>203,232</b>	<b>164,356</b>	<b>192,136</b>	<b>183,986</b>	<b>140,487</b>
<b>Debt Service</b>										
State Loans	31,660	36,633	36,535	36,747	35,416	32,162	32,060	36,109	35,998	35,459
Installment Payments	53,075	52,826	52,793	52,530	51,390	49,757	53,643	53,568	53,529	53,698
<b>Total Debt Service</b>	<b>84,735</b>	<b>89,459</b>	<b>89,328</b>	<b>89,277</b>	<b>86,806</b>	<b>81,919</b>	<b>85,703</b>	<b>89,677</b>	<b>89,527</b>	<b>89,157</b>
<b>Coverage</b>	<b>1.7</b>	<b>1.7</b>	<b>1.9</b>	<b>1.9</b>	<b>2.2</b>	<b>2.5</b>	<b>1.9</b>	<b>2.1</b>	<b>2.1</b>	<b>1.6</b>

1. Each District is obligated to make its Installment Payments from its allocable portion of Ad Valorem Property Tax and, to the extent that its Ad Valorem taxes are insufficient, from the Net Revenues of its Sewerage System.
2. Connection fees for some Districts have been included because they are pledged for repayment of State Loans that were used to fund expansion-related projects.
3. Rate Stabilization Funds are monies previously set aside (revenue) or monies being set aside (expenses) to mitigate the impact on Districts' ratepayers. It may appear contradictory that, in some years, monies are both being set aside and used; this is because some Districts are utilizing their Rate Stabilization Fund while other Districts are putting monies into their Rate Stabilization Fund.
4. Does not include depreciation.

Schedule 17

LOS ANGELES COUNTY SANITATION DISTRICTS

Demographic and Economic Statistics  
Last Ten Fiscal Years Available

	Districts <sup>1</sup> Population <sup>1</sup> (millions)	L.A. County Population <sup>2</sup> (millions)	Personal Income <sup>2</sup> (\$ millions)	Per Capita Personal Income (\$ thousands)	Unemployment Rate <sup>3</sup>	
					County	State
2011-12	5.452	9.912	435,300	43.92	11.3%	10.9%
2012-13	5.490	10.019	451,100	45.02	10.2%	9.4%
2013-14	5.532	10.069	487,900	48.46	8.3%	7.6%
2014-15	5.571	10.192	521,900	51.21	6.9%	6.4%
2015-16	5.606	10.240	557,382	54.43	5.4%	5.7%
2016-17	5.597	10.278	585,515	56.97	4.9%	4.9%
2017-18	5.613	10.328	602,632	58.35	4.9%	4.4%
2018-19	5.609	10.184	658,900	64.70	4.6%	4.2%
2019-20	5.551	10.136	708,700	69.92	17.9%	14.1%
2020-21	5.512	10.044	769,100	76.57	10.3%	8.0%

1. State of California, Department of Finance, E-1 Population Estimates for Cities, Counties, and the State, with Annual Percentage Change-January 1, 2019, and 2020. See Schedule 18 of this ACFR for details.
2. Los Angeles Economic Development Corporation Economic Forecast; Los Angeles Almanac; UCLA Anderson Los Angeles County Long Term Forecast. All numbers are as of the year they were initially reported and do not necessarily reflect subsequent revisions.
3. U.S. Bureau of Labor Statistics

Schedule 18

LOS ANGELES COUNTY SANITATION DISTRICTS

Estimated Populations of Cities and Unincorporated Areas  
Within the Sanitation Districts' Boundaries  
January 1, 2021

CITY	POPULATION	CITY	POPULATION
Alhambra	86,258	Lomita	20,431
Arcadia	57,599	Long Beach	467,313
Artesia	16,477	Los Angeles	141,284
Azusa	49,531	Lynwood	69,880
Baldwin Park	75,935	Manhattan Beach	35,058
Bell	36,319	Maywood	27,670
Bell Gardens	42,233	Monrovia	38,472
Bellflower	77,458	Montebello	62,914
Beverly Hills	728	Monterey Park	60,380
Bradbury	470	Norwalk	105,191
Carson	91,668	Palmdale	153,850
Cerritos	50,048	Palos Verdes Estates	13,286
Claremont	35,442	Paramount	55,200
Commerce	12,792	Pasadena	145,290
Compton	97,775	Pico Rivera	63,157
Covina	48,601	Pomona	149,729
Cudahy	23,750	Rancho Palos Verdes	41,541
Diamond Bar	56,285	Redondo Beach	66,484
Downey	111,425	Rolling Hills	1,866
Duarte	21,128	Rolling Hills Estates	8,098
El Monte	116,465	Rosemead	54,229
Gardena	60,344	San Dimas	33,798
Glendora	50,799	San Gabriel	39,945
Hawaiian Gardens	14,467	San Marino	12,961
Hawthorne	86,999	Santa Clarita	217,126
Hermosa Beach	19,451	Santa Fe Springs	18,129
Huntington Park	58,937	Sierra Madre	10,649
Industry	427	Signal Hill	11,617
Inglewood	110,159	South El Monte	21,296
Irwindale	1,441	South Gate	96,553
La Canada-Flintridge	18,634	South Pasadena	25,668
La Habra Heights	368	Temple City	36,225
La Mirada	48,631	Torrance	144,832
La Puente	39,651	Vernon	295
La Verne	33,023	Walnut	29,832
Lakewood	80,215	West Covina	105,376
Lancaster	158,656	West Hollywood	36,125
Lawndale	32,710	Whittier	86,196
			<hr/>
		77 Cities Subtotal	4,631,245
		Unincorporated	880,520
			<hr/>
		TOTAL	5,511,765
			<hr/> <hr/>

Source: State of California, Department of Finance, E-1 Population Estimates for Cities, Counties, and the State, with Annual Percent Change -- January 1, 2020, and 2021. Sacramento, California, May 2021, and GIS analysis using L.A. County Assessor GIS parcel data (2020), L.A. County Department of Public Works City

Schedule 19

LOS ANGELES COUNTY SANITATION DISTRICTS

Economic Indicators  
Last Ten Calendar Years

Calendar Year	Total Nonfarm Employment (avg. 000's)	Total Taxable Sales (billions)	Value of Two-Way Trade* (billions)	Total Day & Overnight Visitors (millions)	Housing Unit Permits Issued	Median Home Price
2011	3,947.1	\$ 126.4	\$ 386.7	40.4	14,247	\$ 306,950
2012	4,037.5	135.3	403.5	41.4	17,447	367,400
2013	4,115.8	140.1	414.5	42.2	25,198	439,830
2014	4,192.6	147.1	416.6	44.2	26,950	464,650
2015	4,285.8	151.4	393.4	45.5	34,034	502,750
2016	4,394.6	159.8	393.7	46.6	32,114	522,520
2017	4,448.3	159.3	431.4	48.3	31,084	577,690
2018	4,510.1	166.0	456.3	50.0	29,524	588,140
2019	4,553.6	172.3	428.2	50.9	30,554	641,340
2020	4,000.2	157.7	404.9	27.0	26,930	709,500

Sources: State of California, Employment Development Department, Labor Market Information Division; California Department of Tax & Fee Administration; Los Angeles World Airports; Port of Los Angeles Trade Connect; Los Angeles Tourism & Convention Board; United States Census Bureau; California Association of Realtors

\*Value of imports and exports combined.

Schedule 20

LOS ANGELES COUNTY SANITATION DISTRICTS

Los Angeles County Employment Sectors  
Current Year and Nine Years Ago

Industry	June 2012			June 2021		
	Number of Employees	Percentage of Total	Rank	Number of Employees	Percentage of Total	Rank
Educational and Health Services	696,000	17.15%	2	839,300	19.91%	1
Trade, Transportation & Utilities	769,200	18.96%	1	804,600	19.09%	2
Professional and Business Services	562,100	13.85%	4	598,800	14.21%	3
Government	571,800	14.09%	3	558,700	13.26%	4
Leisure and Hospitality	420,400	10.36%	5	438,300	10.40%	5
Manufacturing	377,800	9.31%	6	306,900	7.28%	6
Financial Activities	212,900	5.25%	7	209,300	4.97%	7
Information Services	187,600	4.62%	8	177,000	4.20%	8
Construction	108,600	2.68%	10	148,100	3.51%	9
Other Services	143,000	3.52%	9	127,100	3.02%	10
Agriculture	5,500	0.14%	11	4,800	0.11%	11
Mining & Logging	3,100	0.08%	12	1,600	0.04%	12
Total	<u>4,058,000</u>	<u>100.00%</u>		<u>4,214,500</u>	<u>100.00%</u>	

Source: State of California, Employment Development Department, Labor Market Information Division

Schedule 21

LOS ANGELES COUNTY SANITATION DISTRICTS

Number of Employees by Identifiable Activity

Full-Time-Equivalent Employees as of June 30,

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Solid Waste Management:</b>										
Solid Waste Management	2	3	2	2	2	2	3	3	3	3
Solid Waste Operations	222	211	209	183	190	199	207	204	204	198
Energy Recovery Operations	137	114	116	112	102	101	94	66	67	66
<b>Wastewater Management:</b>										
Wastewater Management	7	3	3	3	3	2	2	2	3	3
Industrial Waste	70	67	66	66	63	64	62	62	62	61
Joint Water Pollution Control Plant	310	302	297	296	293	285	293	297	286	295
Wastewater Collection System	125	124	130	129	129	126	126	129	137	133
Water Reclamation Plants	219	219	224	223	234	240	246	245	236	234
E/I Engineering Support	-	4	6	8	8	8	8	9	9	9
<b>Engineering:</b>										
Engineering	6	6	6	7	7	7	5	7	9	8
Field Engineering	73	66	61	56	53	53	51	56	51	56
Wastewater & Solid Waste Design	61	34	29	27	22	21	36	29	31	32
Structural & Architectural Design	17	17	16	17	16	17	17	16	16	18
Electrical & Instrumentation Design	22	20	20	21	23	23	22	23	21	22
Mechanical & Civil Design	15	14	12	12	14	13	-	-	-	-
Sewer Design	-	23	24	23	22	25	25	26	25	25
<b>Technical Services:</b>										
Technical Services	5	5	14	14	15	13	23	15	14	15
Air Quality Engineering	12	9	9	11	9	9	9	8	8	9
Laboratories	175	167	163	157	170	159	160	157	169	162
Monitoring	28	25	26	29	33	39	44	45	44	29
Wastewater Research	24	11	11	11	11	18	12	18	18	20
Water Quality	31	26	27	29	15	16	13	12	14	13
Research	-	11	11	10	9	-	-	-	-	-
<b>Administration:</b>										
Administration	9	9	9	9	9	9	9	9	9	9
Financial Mgmt. & Facilities Plan.	215	200	193	187	183	185	184	199	206	204
Human Resources	31	31	22	21	21	22	23	23	23	23
<b>Total Employees:</b>	<b>1,816</b>	<b>1,721</b>	<b>1,706</b>	<b>1,663</b>	<b>1,656</b>	<b>1,656</b>	<b>1,674</b>	<b>1,660</b>	<b>1,665</b>	<b>1,647</b>

Schedule 22

LOS ANGELES COUNTY SANITATION DISTRICTS

Operating and Capital Indicators  
Last Ten Fiscal Years

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Sewerage Operations</b>										
Miles of Trunk Lines	1,408	1,410	1,410	1,411	1,412	1,410	1,409	1,412	1,430	1,430
Number of Active Pump Stations	52	49	49	48	48	48	48	48	48	48
Number of Treatment Facilities	11	11	11	11	11	11	11	11	11	11
Reclaimed Water Used (MGD <sup>1</sup> )	85	93	91	79	90	96	93	78	87	93
Number of Reuse Sites <sup>2</sup>	703	720	757	790	855	863	892	916	952	978
WW Discharge Inspections	9,836	10,633	11,070	10,769	11,516	11,162	11,661	11,673	10,115	9,218
<b>Solid Waste Operations</b>										
Number of Active Landfills	3	3	2	2	2	2	2	2	2	2
<b>Solid Waste Disposal Tonnages<sup>3</sup></b>										
Puente Hills Landfill	1.80	2.19	0.74	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Puente Hills MRF	0.02	0.04	0.55	0.73	0.73	0.63	0.70	0.64	0.48	0.32
South Gate Transfer Station	0.10	0.11	0.11	0.11	0.14	0.15	0.14	0.15	0.13	0.11
DART Facility	0.13	0.08	0.13	0.14	0.16	0.20	0.27	0.27	0.28	0.19
Scholl Canyon Landfill	0.23	0.21	0.23	0.24	0.33	0.38	0.40	0.43	0.47	0.44
Calabasas Landfill	0.21	0.19	0.24	0.23	0.31	0.35	0.29	0.59	0.32	0.28
<b>Total</b>	<b>2.49</b>	<b>2.82</b>	<b>2.00</b>	<b>1.45</b>	<b>1.67</b>	<b>1.71</b>	<b>1.80</b>	<b>2.08</b>	<b>1.68</b>	<b>1.34</b>
<b>Cumulative Tonnages<sup>3</sup></b>										
Puente Hills Landfill	121.11	123.30	124.04	124.04	124.04	124.04	124.04	124.04	124.04	124.04
Puente Hills MRF	0.58	0.62	1.17	1.90	2.63	3.26	3.96	4.60	5.08	5.40
South Gate Transfer Station	5.75	5.86	5.97	6.08	6.22	6.37	6.51	6.66	6.79	6.90
DART Facility	3.28	3.36	3.49	3.63	3.79	3.99	4.26	4.53	4.81	5.00
Scholl Canyon Landfill	28.45	28.66	28.89	29.13	29.46	29.84	30.24	30.67	31.14	31.58
Calabasas Landfill	23.87	24.06	24.30	24.53	24.84	25.19	25.48	26.07	26.39	26.67
Percentage of County Total	33%	37%	24%	7%	11%	12%	11%	20%	13%	11%
<b>Household Hazardous Waste/Electronic Waste (HHW/EW)</b>										
Households	57,891	52,850	50,056	51,054	43,705	49,516	56,809	56,895	36,336	61,630
Cost (\$ millions)	\$3.9	\$3.6	\$3.7	\$3.5	\$3.2	\$3.5	\$4.0	\$4.1	\$2.9	\$4.6

1. Million Gallons per Day

2. Value indicates total number of sites approved to use recycled water produced by Los Angeles County Sanitation Districts.

3. Million Tons per Year

## Our Last Untapped Source

The Sanitation Districts and the Metropolitan Water District of Southern California have partnered on a program that could recycle water from our last untapped source, our Joint Water Pollution Control Plant. The Regional Recycled Water Program, which is in the planning phase, could produce up to 150 million gallons of purified water, enough to serve more than 1.5 million people. This program could become one of the largest water recycling projects in the world.



The Regional Recycled Water Program's 500,000 gallon-per-day demonstration facility purifies water from JWPCP.

# LOS ANGELES COUNTY SANITATION DISTRICTS

Bond Disclosure  
June 30, 2021

This Bond Disclosure Section serves as the annual report required by the Continuing Disclosure Agreements (Disclosure Agreements) for the following Los Angeles County Sanitation Districts Financing Authority (the Authority) Capital Projects Revenue Bonds: the 2015 Series A District 14 Subordinate Revenue Bonds (2015A Revenue Bonds), the 2016 Series A District 20 Subordinate Revenue Bonds (2016A Revenue Bonds), and the 2021 Series A District 14 Revenue Bonds (2021A Bonds). The material provided under the Disclosure Agreement is intended to comply with the requirements of the Securities and Exchange Commission Rule 15c2-12(b)(5) (the Rule). Because the Districts' Annual Comprehensive Financial Report (ACFR) includes all the information required by the Disclosure Agreements, the ACFR will be filed with each National Repository specified in the Rule and with any other repository identified in the future in lieu of filing a separate report.

## REPORTING OF SIGNIFICANT EVENTS

On September 15, 2021, the Districts' Financing Authority issued \$41,645,000 (face value) in Capital Projects Revenue Bonds Series A. The proceeds from the bond sale have been used to prepay four District No. 14 California State Water Resources Control Board loans and costs of issuance.

## ANNUAL REPORT

The annual report contains the following sections as required by the Disclosure Agreements:

- 1) The audited financial statements for the Authority, prepared in accordance with accounting principles generally accepted in the United States of America as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board.
- 2) The audited consolidated financial statements for the Districts, prepared in accordance with accounting principles generally accepted in the United States of America as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board.
- 3) The principal amount of bonds outstanding as of December 31, 2021 (projected), and as of December 31, 2020.
- 4) The amount of each senior obligation and subordinate obligation for District Nos. 14 and 20 outstanding as of December 31, 2021 (projected).
- 5) An update, for the most recently ended fiscal year, of the following information contained in the Official Statements for District Nos. 14 and 20 outstanding bond issues:
  - a. Estimated sewage units by customer type;
  - b. User fees and ad valorem taxes;
  - c. Districts' service charge rates;
  - d. Fund balances on June 30, 2021;
  - e. Average yearly sewage flow;
  - f. Ten largest wastewater customers;
  - g. Districts' historical operating data (for all Districts).

# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### *SECTION 1 - The Authority's Audited Financial Statements*

#### Statement of Net Position June 30, 2021

Assets	
Cash and cash equivalents with Trustee, restricted as to use	\$ 7,676
Payments receivable from Participating Districts	310,885,015
Total assets	310,892,691
Deferred Outflow of Resources	
Deferred loss on refunding, net of accumulated amortization of \$21,519,525	1,607,765
Liabilities	
Current liabilities, payable from restricted assets:	
Interest payable	3,394,179
Current portion of bonds payable	9,049,399
Total current liabilities, payable from restricted assets	12,443,578
Long-term liabilities:	
Premium on issue, net of accumulated amortization of \$51,204,510	24,471,057
Revenue bonds payable	278,980,000
Total long-term liabilities	303,451,057
Total liabilities	315,894,635
Net Position	
Unrestricted	(3,394,179)
Total net position	\$ (3,394,179)

#### Statement of Revenues, Expenses, and Changes in Net Position Fiscal year ended June 30, 2021

Operating revenues-payments from Participating Districts	\$ 16,148,574
Nonoperating revenues (expenses):	
Interest revenue	306
Interest expense	(15,372,631)
Drawdown expense	510,965
Amortization of deferred loss on refunding	(5,506,551)
Amortization of bond premium	4,993,302
Net nonoperating expenses	(15,374,609)
Change in net position	773,965
Total net position, beginning of fiscal year	(4,168,144)
Net position, end of year	\$ (3,394,179)

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Bond Disclosure, Continued

#### Statement of Cash Flows Fiscal year ended June 30, 2021

Cash flows from operating activities:	
Receipts from Participating Districts	\$ <u>16,148,574</u>
Cash flows from capital and related financing activities:	
Receipts from Participating Districts	65,183,970
Principal payments/defeasement on bonds	(65,183,970)
Interest paid on bonds	<u>(16,148,807)</u>
Net cash used by capital and related financing activities	<u>(16,148,807)</u>
Cash flows from investing activities:	
Interest received on investments	<u>306</u>
Net cash provided by investing activities	<u>306</u>
Net increase in cash and cash equivalents, restricted as to use	73
Cash and cash equivalents, beginning of fiscal year, restricted as to use	<u>7,603</u>
Cash and cash equivalents, end of fiscal year, restricted as to use	<u>\$ <u>7,676</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ <u>16,148,574</u>
Net cash provided by operating activities	<u>\$ <u>16,148,574</u></u>
Supplemental disclosure of noncash items:	
Amortization of premium on revenue bonds payable and deferred loss on refunding of \$4,993,302 and (\$5,506,551), respectively.	

#### ***SECTION 2 - Districts' Audited Consolidated Financial Statements***

The audited consolidated financial statements for the Districts are provided in the Financial Section of this ACFR.

#### ***SECTION 3 - Principal Amount of Bonds Outstanding***

At December 31, 2021, the total principal amount of bonds outstanding will be \$320,625,000 (projected), an overall increase of \$32,595,602 from December 31, 2020, when the total principal amount of bonds outstanding was \$288,029,398.

#### ***SECTION 4 - Outstanding Senior and Subordinate Obligations as of December 31, 2021 (projected)***

	District No. 14	District No. 20
<b>Subordinate Revenue Obligations</b>		
2015 Series A Revenue Bonds	\$ 126,160,000	-
2016 Series A Revenue Bonds	-	152,820,000
2021 Series A Revenue Bonds	41,645,000	-
<b>Total Obligations</b>	<u>\$ <u>167,805,000</u></u>	<u>152,820,000</u>

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Bond Disclosure, Continued

#### *SECTION 5 - Updated Tables Contained in the Official Statements.*

#### Sewage Units by Customer Type Fiscal Year 2020-21 <sup>(1)</sup>

District	Sewage Units <sup>(2)</sup>					Total Parcels
	Residential <sup>(3)</sup>	Commercial <sup>(3)</sup>	Industrial	Contract	Total	
14	58,537	13,178	2,532	135	74,382	55,993
20	36,500	9,083	330	25	45,938	35,866

- (1) Sewage units are not static during the course of a fiscal year as new connections are made, parcels undergo changes in use, and low-water rebates become effective. These numbers represent sewage units that were present at the end of the fiscal year.
- (2) A sewage unit is the average daily quantity of sewage flow and strength from a single-family home.
- (3) Residential and commercial sewage units are adjusted each year to reflect reductions in sewage units for parcels that applied for and received a low-water rebate in the preceding year.

#### User Fees and Ad Valorem Taxes Fiscal Year 2020-21

District	Service Charge Collected	Service Charge Rebates <sup>(1)</sup>	Net Service Charge Revenue	IW Surcharge Revenue	Total User Fees	A.V. Taxes <sup>(2)</sup>
14	\$ 34,812,122	(1,491,598)	33,320,524	2,288,769	35,609,293	2,282,036
20	26,160,197	(1,051,047)	25,109,150	383,697	25,492,847	1,705,804

- (1) Rebates issued pursuant to the low-water rebate program. Rebates are recorded in the year in which claims are processed, not in the years for which they are being made.
- (2) Actual amounts collected.

#### Districts' Service Charge Rates (Dollars Per Single Family Home Per Year)

District	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
14	\$ 476	\$ 476	\$ 476	\$ 488	\$ 488
20	565	565	575	587	587

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Bond Disclosure, Continued

#### Fund Balances on June 30, 2021

District	Capital Improvement Fund	Rate Stabilization Fund	All Other Funds
14	\$ 2,576,930	42,851,499	30,602,833
20	891,631	19,574,389	24,400,883

#### Average Yearly Flow <sup>(1)</sup> (In Millions Of Gallons Per Day)

District	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
14	12.70	13.01	13.46	13.56	13.80
20	8.12	7.98	8.07	8.15	8.32

(1) All flow values are effluent plant flows.

#### Ten Largest Disposal Customers Fiscal Year 2020-2021

District 14 Customer	Fiscal Year 2020-21 Billing	Percentage of Total User Charges
California State Prison - Los Angeles County	\$ 1,183,433	3.32 %
Northrop Grumman Systems Corporation (Site 4)	652,315	1.83
Northrop Grumman Systems Corporation (Site 3)	210,406	0.59
Walmart Real Estate - 10th Street West (Shopping Center)	185,807	0.52
Antelope Valley Hospital	184,799	0.52
Walmart Real Estate - Valley Central Way (Shopping Center)	183,963	0.52
Mission Linen Supply	146,883	0.41
MGP IX Properties LLC (Shopping Center)	143,073	0.40
Caritas Affordable Housing Inc. (Mobile Home Park)	135,826	0.38
Front Gate Plaza LLC (Shopping Center, Bank, Restaurant)	123,775	0.35
	3,150,280	8.85
Balance from Other Dischargers	32,459,013	91.15
Total User Chargers	\$ 35,609,293	100.00 %

## LOS ANGELES COUNTY SANITATION DISTRICTS

### Bond Disclosure, Continued

District 20 Customer	Fiscal Year 2020-21 Billing	Percentage of Total User Charges
Lockheed Martin (Aerospace Manufacturing)	\$ 361,432	1.42 %
Antelope Valley Mall LLC (Shopping Center)	316,351	1.24
Walmart Real Estate - 47th Street East (Shopping Center)	244,363	0.96
Golden Spectrum Property (Shopping Center)	119,562	0.47
Universal Healthcare (Acute Care Hospital)	116,450	0.46
MGP X Properties LLC (Shopping Center)	113,408	0.44
2200 Town Square East LLC (Shopping Center)	105,945	0.42
Palm Chaparral Apartments LLC (Apartments)	104,230	0.41
Design Create Explore LLC (Trade Vocational School)	102,219	0.40
Canyon Creek Apartments	<u>84,511</u>	<u>0.33</u>
	\$ 1,668,471	6.54
Balance from Other Dischargers	<u>23,824,376</u>	<u>93.46</u>
Total User Chargers	<u>\$ 25,492,847</u>	<u>100.00 %</u>

# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<b>District No. 1</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18</b>
<b>REVENUE SOURCES</b>				
User Fees	\$ 36,157	\$ 34,272	\$ 32,344	\$ 31,238
Other Revenues	2,677	2,498	2,416	2,547
A.V. Tax	4,547	4,193	3,855	3,514
Interest	846	1,865	1,770	1,259
Rate Stabilization Fund <sup>(1)</sup>	-	-	-	-
Subtotal	<u>44,227</u>	<u>42,828</u>	<u>40,385</u>	<u>38,558</u>
CIF Pledged for Debt <sup>(2)</sup>	-	-	-	-
Total Revenue for Senior Calculation	<u>44,227</u>	<u>42,828</u>	<u>40,385</u>	<u>38,558</u>
CIF Connection Fee Revenue <sup>(2)</sup>	1,252	2,764	2,860	2,554
Total Revenue for Subordinate Calculation	<u>45,479</u>	<u>45,592</u>	<u>43,245</u>	<u>41,112</u>
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	27,817	26,668	24,984	23,692
Rate Stabilization Fund <sup>(4)</sup>	11,120	5,236	1,818	5,474
Total	<u>38,937</u>	<u>31,904</u>	<u>26,802</u>	<u>29,166</u>
<b>DEBT SERVICE PAYMENTS</b>				
<b>Senior</b>				
State Loans	1,503	1,498	1,523	1,508
Revenue Bonds	2,200	2,167	2,169	2,174
Total Senior Debt Payments	<u>3,703</u>	<u>3,665</u>	<u>3,692</u>	<u>3,682</u>
<b>Subordinate</b>				
State Loans	856	853	750	504
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>856</u>	<u>853</u>	<u>750</u>	<u>504</u>
Total Debt Service	4,559	4,518	4,442	4,186
<b>DEBT SERVICE COVERAGE<sup>(5)</sup>:</b>				
SENIOR	1.20	2.75	3.48	2.41
<u>SUBORDINATE</u>	<u>1.43</u>	<u>3.03</u>	<u>3.70</u>	<u>2.85</u>

- (1) Previously expensed funds used to pay unexpected operating costs to minimize the impact on rates.
- (2) All connection fees pledged for repayment of debt is considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.
- (3) Does not include depreciation.
- (4) Funds being set aside to minimize the impact on rates in the event of future unexpected operating costs.
- (5) Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<b>District No. 2</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18</b>
<b>REVENUE SOURCES</b>				
User Fees	\$ 47,542	\$ 48,243	\$ 46,573	\$ 44,717
Other Revenues	3,969	3,723	3,664	3,712
A.V. Tax	8,887	8,044	7,654	7,286
Interest	1,070	2,661	2,615	1,876
Rate Stabilization Fund <sup>(1)</sup>	-	-	4,254	-
Subtotal	<u>61,468</u>	<u>62,671</u>	<u>64,760</u>	<u>57,591</u>
CIF Pledged for Debt <sup>(2)</sup>	-	-	-	-
Total Revenue for Senior Calculation	61,468	62,671	64,760	57,591
CIF Connection Fee Revenue <sup>(2)</sup>	2,422	3,431	4,477	4,348
Total Revenue for Subordinate Calculation	<u>63,890</u>	<u>66,102</u>	<u>69,237</u>	<u>61,939</u>
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	41,727	40,118	37,893	34,703
Rate Stabilization Fund <sup>(4)</sup>	6,575	1,504	-	5,036
Total	<u>48,302</u>	<u>41,622</u>	<u>37,893</u>	<u>39,739</u>
<b>DEBT SERVICE PAYMENTS</b>				
<b>Senior</b>				
State Loans	2,226	2,233	2,294	2,197
Revenue Bonds	3,396	3,344	3,349	3,356
Total Senior Debt Payments	<u>5,622</u>	<u>5,577</u>	<u>5,643</u>	<u>5,553</u>
<b>Subordinate</b>				
State Loans	1,207	1,211	1,129	674
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>1,207</u>	<u>1,211</u>	<u>1,129</u>	<u>674</u>
Total Debt Service	6,829	6,788	6,772	6,227
<b>DEBT SERVICE COVERAGE<sup>(5)</sup>:</b>				
SENIOR	2.13	3.56	4.56	3.09
<u>SUBORDINATE</u>	<u>2.28</u>	<u>3.61</u>	<u>4.63</u>	<u>3.57</u>

- (1) Previously expensed funds used to pay unexpected operating costs to minimize the impact on rates.
- (2) All connection fees pledged for repayment of debt is considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.
- (3) Does not include depreciation.
- (4) Funds being set aside to minimize the impact on rates in the event of future unexpected operating costs.
- (5) Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<b>District No. 3</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18</b>
<b>REVENUE SOURCES</b>				
User Fees	\$ 33,606	\$ 34,807	\$ 33,823	\$ 32,599
Other Revenues	3,016	2,878	2,800	2,886
A.V. Tax	6,957	6,391	6,316	5,603
Interest	805	1,806	1,804	1,289
Rate Stabilization Fund <sup>(1)</sup>	-	-	3,757	-
Subtotal	<u>44,384</u>	<u>45,882</u>	<u>48,500</u>	<u>42,377</u>
CIF Pledged for Debt <sup>(2)</sup>	-	-	-	-
Total Revenue for Senior Calculation	<u>44,384</u>	<u>45,882</u>	<u>48,500</u>	<u>42,377</u>
CIF Connection Fee Revenue <sup>(2)</sup>	1,311	2,692	3,257	2,778
Total Revenue for Subordinate Calculation	<u>45,695</u>	<u>48,574</u>	<u>51,757</u>	<u>45,155</u>
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	30,907	29,647	29,801	26,490
Rate Stabilization Fund <sup>(4)</sup>	5,508	3,555	-	2,981
Total	<u>36,415</u>	<u>33,202</u>	<u>29,801</u>	<u>29,471</u>
<b>DEBT SERVICE PAYMENTS</b>				
<b>Senior</b>				
State Loans	1,693	1,710	1,764	1,708
Revenue Bonds	2,580	2,540	2,543	2,549
Total Senior Debt Payments	<u>4,273</u>	<u>4,250</u>	<u>4,307</u>	<u>4,257</u>
<b>Subordinate</b>				
State Loans	918	927	869	524
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>918</u>	<u>927</u>	<u>869</u>	<u>524</u>
Total Debt Service	5,191	5,177	5,176	4,781
<b>DEBT SERVICE COVERAGE<sup>(5)</sup>:</b>				
SENIOR	1.65	2.77	4.14	2.91
SUBORDINATE	1.79	2.97	4.24	3.28

- (1) Previously expensed funds used to pay unexpected operating costs to minimize the impact on rates.
- (2) All connection fees pledged for repayment of debt is considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.
- (3) Does not include depreciation.
- (4) Funds being set aside to minimize the impact on rates in the event of future unexpected operating costs.
- (5) Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<b>District No. 5</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18</b>
<b>REVENUE SOURCES</b>				
User Fees	\$ 48,927	\$ 49,191	\$ 47,615	\$ 46,378
Other Revenues	4,485	4,202	4,196	4,338
A.V. Tax	14,786	13,573	12,792	12,002
Interest	995	2,614	2,620	1,896
Rate Stabilization Fund <sup>(1)</sup>	-	-	8,085	-
Subtotal	<u>69,193</u>	<u>69,580</u>	<u>75,308</u>	<u>64,614</u>
CIF Pledged for Debt <sup>(2)</sup>	-	-	-	-
Total Revenue for Senior Calculation	69,193	69,580	75,308	64,614
CIF Connection Fee Revenue <sup>(2)</sup>	2,116	4,429	4,997	5,474
Total Revenue for Subordinate Calculation	<u>71,309</u>	<u>74,009</u>	<u>80,305</u>	<u>70,088</u>
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	47,501	45,212	43,178	40,803
Rate Stabilization Fund <sup>(4)</sup>	7,546	3,374	-	6,113
Total	<u>55,047</u>	<u>48,586</u>	<u>43,178</u>	<u>46,916</u>
<b>DEBT SERVICE PAYMENTS</b>				
Senior				
State Loans	2,517	2,518	2,643	2,558
Revenue Bonds	5,552	5,467	5,474	5,486
Total Senior Debt Payments	<u>8,069</u>	<u>7,985</u>	<u>8,117</u>	<u>8,044</u>
Subordinate				
State Loans	1,365	1,366	1,301	785
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>1,365</u>	<u>1,366</u>	<u>1,301</u>	<u>785</u>
Total Debt Service	9,434	9,351	9,418	8,829
<b>DEBT SERVICE COVERAGE<sup>(5)</sup>:</b>				
SENIOR	1.58	2.46	3.80	2.10
<u>SUBORDINATE</u>	<u>1.72</u>	<u>2.72</u>	<u>3.94</u>	<u>2.62</u>

- (1) Previously expensed funds used to pay unexpected operating costs to minimize the impact on rates.
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- (3) Does not include depreciation.
- (4) Funds being set aside to minimize the impact on rates in the event of future unexpected operating costs.
- (5) Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<b>District No. 8</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18</b>
<b>REVENUE SOURCES</b>				
User Fees	\$ 19,389	\$ 20,215	\$ 21,126	\$ 20,029
Other Revenues	1,491	1,401	1,441	1,486
A.V. Tax	2,447	2,304	2,220	2,032
Interest	326	892	1,010	713
Rate Stabilization Fund <sup>(1)</sup>	-	-	1,006	-
Subtotal	<u>23,653</u>	<u>24,812</u>	<u>26,803</u>	<u>24,260</u>
CIF Pledged for Debt <sup>(2)</sup>	-	-	-	-
Total Revenue for Senior Calculation	<u>23,653</u>	<u>24,812</u>	<u>26,803</u>	<u>24,260</u>
CIF Connection Fee Revenue <sup>(2)</sup>	644	1,272	1,766	1,481
Total Revenue for Subordinate Calculation	<u>24,297</u>	<u>26,084</u>	<u>28,569</u>	<u>25,741</u>
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	17,088	16,861	16,856	16,216
Rate Stabilization Fund <sup>(4)</sup>	3	71	-	2,057
Total	<u>17,091</u>	<u>16,932</u>	<u>16,856</u>	<u>18,273</u>
<b>DEBT SERVICE PAYMENTS</b>				
<b>Senior</b>				
State Loans	835	840	908	880
Revenue Bonds	1,342	1,321	1,323	1,326
Total Senior Debt Payments	<u>2,177</u>	<u>2,161</u>	<u>2,231</u>	<u>2,206</u>
<b>Subordinate</b>				
State Loans	453	456	447	270
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>453</u>	<u>456</u>	<u>447</u>	<u>270</u>
Total Debt Service	<u>2,630</u>	<u>2,617</u>	<u>2,678</u>	<u>2,476</u>
<b>DEBT SERVICE COVERAGE<sup>(5)</sup>:</b>				
SENIOR	2.81	3.44	4.26	2.59
<u>SUBORDINATE</u>	<u>2.74</u>	<u>3.50</u>	<u>4.37</u>	<u>3.02</u>

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- (3) Does not include depreciation.
- (4) Funds being set aside to minimize the impact on rates in the event of future unexpected operating costs.
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# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<b>District No. 15</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18</b>
<b>REVENUE SOURCES</b>				
User Fees	\$ 36,755	\$ 36,671	\$ 35,207	\$ 34,546
Other Revenues	3,352	3,095	3,030	3,072
A.V. Tax	9,562	8,924	8,469	7,881
Interest	947	2,448	2,406	1,681
Rate Stabilization Fund <sup>(1)</sup>	-	-	-	-
Subtotal	<u>50,616</u>	<u>51,138</u>	<u>49,112</u>	<u>47,180</u>
CIF Pledged for Debt <sup>(2)</sup>	-	-	-	-
Total Revenue for Senior Calculation	50,616	51,138	49,112	47,180
CIF Connection Fee Revenue <sup>(2)</sup>	2,522	2,884	3,438	3,372
Total Revenue for Subordinate Calculation	53,138	54,022	52,550	50,552
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	34,546	32,261	30,458	27,533
Rate Stabilization Fund <sup>(4)</sup>	6,259	4,833	11,320	7,979
Total	<u>40,805</u>	<u>37,094</u>	<u>41,778</u>	<u>35,512</u>
<b>DEBT SERVICE PAYMENTS</b>				
<b>Senior</b>				
State Loans	1,882	1,855	1,906	1,819
Revenue Bonds	3,474	3,422	3,425	3,433
Total Senior Debt Payments	<u>5,356</u>	<u>5,277</u>	<u>5,331</u>	<u>5,252</u>
<b>Subordinate</b>				
State Loans	1,021	1,006	939	558
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>1,021</u>	<u>1,006</u>	<u>939</u>	<u>558</u>
Total Debt Service	6,377	6,283	6,270	5,810
<b>DEBT SERVICE COVERAGE<sup>(5)</sup>:</b>				
SENIOR	1.64	2.47	1.20	2.12
SUBORDINATE	1.93	2.69	1.72	2.59

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(4) Funds being set aside to minimize the impact on rates in the event of future unexpected operating costs.

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# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<b>District No. 16</b>	<b>Fiscal Year</b>	<b>Fiscal Year</b>	<b>Fiscal Year</b>	<b>Fiscal Year</b>
	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>
<b>REVENUE SOURCES</b>				
User Fees	\$ 18,868	\$ 18,445	\$ 18,049	\$ 17,771
Other Revenues	1,797	1,679	1,674	1,723
A.V. Tax	6,810	6,419	6,062	5,648
Interest	584	1,494	1,471	1,051
Rate Stabilization Fund <sup>(1)</sup>	-	-	-	-
Subtotal	<u>28,059</u>	<u>28,037</u>	<u>27,256</u>	<u>26,193</u>
CIF Pledged for Debt <sup>(2)</sup>	-	-	-	-
Total Revenue for Senior Calculation	<u>28,059</u>	<u>28,037</u>	<u>27,256</u>	<u>26,193</u>
CIF Connection Fee Revenue <sup>(2)</sup>	790	1,515	2,057	1,679
Total Revenue for Subordinate Calculation	<u>28,849</u>	<u>29,552</u>	<u>29,313</u>	<u>27,872</u>
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	18,046	17,079	16,375	14,957
Rate Stabilization Fund <sup>(4)</sup>	2,799	3,502	6,550	3,860
Total	<u>20,845</u>	<u>20,581</u>	<u>22,925</u>	<u>18,817</u>
<b>DEBT SERVICE PAYMENTS</b>				
<b>Senior</b>				
State Loans	1,009	1,007	1,054	1,020
Revenue Bonds	2,166	2,131	2,135	2,139
Total Senior Debt Payments	<u>3,175</u>	<u>3,138</u>	<u>3,189</u>	<u>3,159</u>
<b>Subordinate</b>				
State Loans	547	546	519	313
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>547</u>	<u>546</u>	<u>519</u>	<u>313</u>
Total Debt Service	3,722	3,684	3,708	3,472
<b>DEBT SERVICE COVERAGE<sup>(5)</sup>:</b>				
SENIOR	2.10	2.20	1.20	2.24
SUBORDINATE	2.15	2.44	1.72	2.61

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# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<b>District No. 17</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18</b>
<b>REVENUE SOURCES</b>				
User Fees	\$ 2,374	\$ 2,404	\$ 2,339	\$ 2,271
Other Revenues	241	220	215	223
A.V. Tax	714	674	636	602
Interest	67	198	210	163
Rate Stabilization Fund <sup>(1)</sup>	-	-	-	-
Subtotal	<u>3,396</u>	<u>3,496</u>	<u>3,400</u>	<u>3,259</u>
CIF Pledged for Debt <sup>(2)</sup>	-	-	-	-
Total Revenue for Senior Calculation	3,396	3,496	3,400	3,259
CIF Connection Fee Revenue <sup>(2)</sup>	77	191	213	212
Total Revenue for Subordinate Calculation	<u>3,473</u>	<u>3,687</u>	<u>3,613</u>	<u>3,471</u>
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	2,409	2,255	2,084	1,905
Rate Stabilization Fund <sup>(4)</sup>	391	317	760	389
Total	<u>2,800</u>	<u>2,572</u>	<u>2,844</u>	<u>2,294</u>
<b>DEBT SERVICE PAYMENTS</b>				
<b>Senior</b>				
State Loans	135	132	135	132
Revenue Bonds	277	273	273	274
Total Senior Debt Payments	<u>412</u>	<u>405</u>	<u>408</u>	<u>406</u>
<b>Subordinate</b>				
State Loans	73	72	67	40
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>73</u>	<u>72</u>	<u>67</u>	<u>40</u>
Total Debt Service	485	477	475	446
<b>DEBT SERVICE COVERAGE<sup>(5)</sup>:</b>				
SENIOR	1.27	2.10	1.20	2.28
<u>SUBORDINATE</u>	<u>1.39</u>	<u>2.34</u>	<u>1.62</u>	<u>2.64</u>

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# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<b>District No. 18</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18</b>
<b>REVENUE SOURCES</b>				
User Fees	\$ 25,319	\$ 24,511	\$ 24,780	\$ 24,006
Other Revenues	2,480	1,944	1,970	1,986
A.V. Tax	5,479	5,046	4,464	4,286
Interest	614	1,385	1,394	949
Rate Stabilization Fund <sup>(1)</sup>	-	-	1,118	-
Subtotal	<u>33,892</u>	<u>32,886</u>	<u>33,726</u>	<u>31,227</u>
CIF Pledged for Debt <sup>(2)</sup>	-	-	-	-
Total Revenue for Senior Calculation	<u>33,892</u>	<u>32,886</u>	<u>33,726</u>	<u>31,227</u>
CIF Connection Fee Revenue <sup>(2)</sup>	1,161	2,103	2,072	1,963
Total Revenue for Subordinate Calculation	<u>35,053</u>	<u>34,989</u>	<u>35,798</u>	<u>33,190</u>
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	21,226	21,081	20,304	18,656
Rate Stabilization Fund <sup>(4)</sup>	166	3,175	-	5,801
Total	<u>21,392</u>	<u>24,256</u>	<u>20,304</u>	<u>24,457</u>
<b>DEBT SERVICE PAYMENTS</b>				
<b>Senior</b>				
State Loans	1,142	1,166	1,241	1,176
Revenue Bonds	1,899	1,870	1,872	1,876
Total Senior Debt Payments	<u>3,041</u>	<u>3,036</u>	<u>3,113</u>	<u>3,052</u>
<b>Subordinate</b>				
State Loans	619	632	611	361
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>619</u>	<u>632</u>	<u>611</u>	<u>361</u>
Total Debt Service	<u>3,660</u>	<u>3,668</u>	<u>3,724</u>	<u>3,413</u>
<b>DEBT SERVICE COVERAGE<sup>(5)</sup>:</b>				
SENIOR	3.91	2.63	4.12	2.10
SUBORDINATE	3.73	2.93	4.16	2.56

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# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<b>District No. 19</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18</b>
<b>REVENUE SOURCES</b>				
User Fees	\$ 6,889	\$ 7,103	\$ 6,777	\$ 6,634
Other Revenues	631	590	548	565
A.V. Tax	1,763	1,695	1,582	1,513
Interest	195	504	482	345
Rate Stabilization Fund <sup>(1)</sup>	-	-	-	-
Subtotal	<u>9,478</u>	<u>9,892</u>	<u>9,389</u>	<u>9,057</u>
CIF Pledged for Debt <sup>(2)</sup>	-	-	-	-
Total Revenue for Senior Calculation	<u>9,478</u>	<u>9,892</u>	<u>9,389</u>	<u>9,057</u>
CIF Connection Fee Revenue <sup>(2)</sup>	206	557	571	537
Total Revenue for Subordinate Calculation	<u>9,684</u>	<u>10,449</u>	<u>9,960</u>	<u>9,594</u>
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	6,579	6,618	5,565	5,710
Rate Stabilization Fund <sup>(4)</sup>	809	879	2,510	2,019
Total	<u>7,388</u>	<u>7,497</u>	<u>8,075</u>	<u>7,729</u>
<b>DEBT SERVICE PAYMENTS</b>				
<b>Senior</b>				
State Loans	354	354	346	334
Revenue Bonds	613	603	604	605
Total Senior Debt Payments	<u>967</u>	<u>957</u>	<u>950</u>	<u>939</u>
<b>Subordinate</b>				
State Loans	192	192	170	102
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>192</u>	<u>192</u>	<u>170</u>	<u>102</u>
Total Debt Service	1,159	1,149	1,120	1,041
<b>DEBT SERVICE COVERAGE<sup>(5)</sup>:</b>				
SENIOR	1.96	2.30	1.20	1.31
<u>SUBORDINATE</u>	<u>1.98</u>	<u>2.57</u>	<u>1.68</u>	<u>1.79</u>

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# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<b>District No. 21</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18</b>
<b>REVENUE SOURCES</b>				
User Fees	\$ 30,269	\$ 30,890	\$ 29,927	\$ 28,196
Other Revenues	2,611	3,498	3,218	3,442
A.V. Tax	5,708	5,368	4,862	4,417
Interest	798	2,069	2,057	1,445
Rate Stabilization Fund <sup>(1)</sup>	-	-	-	-
Subtotal	<u>39,386</u>	<u>41,825</u>	<u>40,064</u>	<u>37,500</u>
CIF Pledged for Debt <sup>(2)</sup>	-	-	-	-
Total Revenue for Senior Calculation	<u>39,386</u>	<u>41,825</u>	<u>40,064</u>	<u>37,500</u>
CIF Connection Fee Revenue <sup>(2)</sup>	1,134	2,370	2,488	2,567
Total Revenue for Subordinate Calculation	<u>40,520</u>	<u>44,195</u>	<u>42,552</u>	<u>40,067</u>
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	27,250	26,221	24,892	22,379
Rate Stabilization Fund <sup>(4)</sup>	5,782	3,846	7,777	6,010
Total	<u>33,032</u>	<u>30,067</u>	<u>32,669</u>	<u>28,389</u>
<b>DEBT SERVICE PAYMENTS</b>				
Senior				
State Loans	1,463	1,483	1,538	1,450
Revenue Bonds	2,048	2,017	2,019	2,024
Total Senior Debt Payments	<u>3,511</u>	<u>3,500</u>	<u>3,557</u>	<u>3,474</u>
Subordinate				
State Loans	793	804	757	445
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>793</u>	<u>804</u>	<u>757</u>	<u>445</u>
Total Debt Service	<u>4,304</u>	<u>4,304</u>	<u>4,314</u>	<u>3,919</u>
<b>DEBT SERVICE COVERAGE<sup>(5)</sup>:</b>				
SENIOR	1.58	3.13	1.87	2.49
<u>SUBORDINATE</u>	<u>1.74</u>	<u>3.28</u>	<u>2.29</u>	<u>2.98</u>

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# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<b>District No. 22</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18</b>
<b>REVENUE SOURCES</b>				
User Fees	\$ 23,076	\$ 24,646	\$ 23,031	\$ 22,566
Other Revenues	2,158	2,024	2,047	2,048
A.V. Tax	5,485	5,013	4,591	4,420
Interest	729	1,787	1,788	1,265
Rate Stabilization Fund <sup>(1)</sup>	-	-	-	-
Subtotal	<u>31,448</u>	<u>33,470</u>	<u>31,457</u>	<u>30,299</u>
CIF Pledged for Debt <sup>(2)</sup>	-	-	-	-
Total Revenue for Senior Calculation	<u>31,448</u>	<u>33,470</u>	<u>31,457</u>	<u>30,299</u>
CIF Connection Fee Revenue <sup>(2)</sup>	937	1,790	2,282	2,059
Total Revenue for Subordinate Calculation	<u>32,385</u>	<u>35,260</u>	<u>33,739</u>	<u>32,358</u>
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	21,844	20,688	20,646	18,333
Rate Stabilization Fund <sup>(4)</sup>	5,350	3,043	6,550	5,071
Total	<u>27,194</u>	<u>23,731</u>	<u>27,196</u>	<u>23,404</u>
<b>DEBT SERVICE PAYMENTS</b>				
<b>Senior</b>				
State Loans	1,188	1,194	1,285	1,210
Revenue Bonds	1,772	1,744	1,747	1,751
Total Senior Debt Payments	<u>2,960</u>	<u>2,938</u>	<u>3,032</u>	<u>2,961</u>
<b>Subordinate</b>				
State Loans	650	648	633	371
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>650</u>	<u>648</u>	<u>633</u>	<u>371</u>
Total Debt Service	3,610	3,586	3,665	3,332
<b>DEBT SERVICE COVERAGE<sup>(5)</sup>:</b>				
SENIOR	1.22	3.09	1.20	2.20
<u>SUBORDINATE</u>	<u>1.44</u>	<u>3.22</u>	<u>1.79</u>	<u>2.69</u>

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# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<b>District No. 23</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18</b>
<b>REVENUE SOURCES</b>				
User Fees	\$ 6,287	\$ 4,664	\$ 4,966	\$ 3,523
Other Revenues	351	278	259	276
A.V. Tax	625	562	506	426
Interest	163	371	332	248
Rate Stabilization Fund <sup>(1)</sup>	-	-	-	-
Subtotal	<u>7,426</u>	<u>5,875</u>	<u>6,063</u>	<u>4,473</u>
CIF Pledged for Debt <sup>(2)</sup>	-	-	-	-
Total Revenue for Senior Calculation	<u>7,426</u>	<u>5,875</u>	<u>6,063</u>	<u>4,473</u>
CIF Connection Fee Revenue <sup>(2)</sup>	178	235	247	258
Total Revenue for Subordinate Calculation	<u>7,604</u>	<u>6,110</u>	<u>6,310</u>	<u>4,731</u>
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	4,313	3,643	3,335	3,264
Rate Stabilization Fund <sup>(4)</sup>	1,658	553	2,010	170
Total	<u>5,971</u>	<u>4,196</u>	<u>5,345</u>	<u>3,434</u>
<b>DEBT SERVICE PAYMENTS</b>				
<b>Senior</b>				
State Loans	197	167	163	164
Revenue Bonds	374	370	369	370
Total Senior Debt Payments	<u>571</u>	<u>537</u>	<u>532</u>	<u>534</u>
<b>Subordinate</b>				
State Loans	107	91	80	50
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>107</u>	<u>91</u>	<u>80</u>	<u>50</u>
Total Debt Service	678	628	612	584
<b>DEBT SERVICE COVERAGE<sup>(5)</sup>:</b>				
SENIOR	2.36	2.96	1.20	1.85
<u>SUBORDINATE</u>	<u>2.41</u>	<u>3.05</u>	<u>1.58</u>	<u>2.22</u>

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# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<b>District No. 28</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18</b>
<b>REVENUE SOURCES</b>				
User Fees	\$ 689	\$ 683	\$ 651	\$ 640
Other Revenues	71	67	69	71
A.V. Tax	800	755	717	679
Interest	70	169	162	117
Rate Stabilization Fund <sup>(1)</sup>	-	-	-	-
Subtotal	<u>1,630</u>	<u>1,674</u>	<u>1,599</u>	<u>1,507</u>
CIF Pledged for Debt <sup>(2)</sup>	-	-	-	-
Total Revenue for Senior Calculation	1,630	1,674	1,599	1,507
CIF Connection Fee Revenue <sup>(2)</sup>	25	56	80	52
Total Revenue for Subordinate Calculation	<u>1,655</u>	<u>1,730</u>	<u>1,679</u>	<u>1,559</u>
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	723	913	794	666
Rate Stabilization Fund <sup>(4)</sup>	715	497	615	650
Total	<u>1,438</u>	<u>1,410</u>	<u>1,409</u>	<u>1,316</u>
<b>DEBT SERVICE PAYMENTS</b>				
<b>Senior</b>				
State Loans	40	40	43	41
Revenue Bonds	97	96	97	97
Total Senior Debt Payments	<u>137</u>	<u>136</u>	<u>140</u>	<u>138</u>
<b>Subordinate</b>				
State Loans	22	22	21	13
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>22</u>	<u>22</u>	<u>21</u>	<u>13</u>
Total Debt Service	159	158	161	151
<b>DEBT SERVICE COVERAGE<sup>(5)</sup>:</b>				
SENIOR	1.24	1.78	1.21	1.29
SUBORDINATE	1.36	2.03	1.68	1.61

- (1) Previously expensed funds used to pay unexpected operating costs to minimize the impact on rates.
- (2) All connection fees pledged for repayment of debt is considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.
- (3) Does not include depreciation.
- (4) Funds being set aside to minimize the impact on rates in the event of future unexpected operating costs.
- (5) Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<b>District No. 29</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18</b>
<b>REVENUE SOURCES</b>				
User Fees	\$ 2,048	\$ 2,053	\$ 2,031	\$ 1,937
Other Revenues	92	86	88	90
A.V. Tax	192	173	154	154
Interest	76	158	149	107
Rate Stabilization Fund <sup>(1)</sup>	-	-	-	-
Subtotal	<u>2,408</u>	<u>2,470</u>	<u>2,422</u>	<u>2,288</u>
CIF Pledged for Debt <sup>(2)</sup>	-	-	-	-
Total Revenue for Senior Calculation	<u>2,408</u>	<u>2,470</u>	<u>2,422</u>	<u>2,288</u>
CIF Connection Fee Revenue <sup>(2)</sup>	<u>118</u>	<u>75</u>	<u>87</u>	<u>80</u>
Total Revenue for Subordinate Calculation	<u>2,526</u>	<u>2,545</u>	<u>2,509</u>	<u>2,368</u>
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	1,333	1,325	1,262	1,229
Rate Stabilization Fund <sup>(4)</sup>	<u>890</u>	<u>696</u>	<u>974</u>	<u>703</u>
Total	<u>2,223</u>	<u>2,021</u>	<u>2,236</u>	<u>1,932</u>
<b>DEBT SERVICE PAYMENTS</b>				
<b>Senior</b>				
State Loans	52	52	55	53
Revenue Bonds	<u>31</u>	<u>30</u>	<u>30</u>	<u>30</u>
Total Senior Debt Payments	<u>83</u>	<u>82</u>	<u>85</u>	<u>83</u>
<b>Subordinate</b>				
State Loans	85	85	84	73
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	<u>85</u>	<u>85</u>	<u>84</u>	<u>73</u>
Total Debt Service	168	167	169	156
<b>DEBT SERVICE COVERAGE<sup>(5)</sup>:</b>				
SENIOR	1.20	4.44	1.20	3.41
<u>SUBORDINATE</u>	<u>1.80</u>	<u>3.14</u>	<u>1.62</u>	<u>2.79</u>

- (1) Previously expensed funds used to pay unexpected operating costs to minimize the impact on rates.
- (2) All connection fees pledged for repayment of debt is considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.
- (3) Does not include depreciation.
- (4) Funds being set aside to minimize the impact on rates in the event of future unexpected operating costs.
- (5) Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<b>South Bay Cities</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18</b>
<b>REVENUE SOURCES</b>				
User Fees	\$ 7,028	\$ 7,036	\$ 6,822	\$ 6,725
Other Revenues	806	752	736	756
A.V. Tax	6,672	6,298	5,937	5,615
Interest	460	892	865	633
Rate Stabilization Fund <sup>(1)</sup>	-	-	-	-
Subtotal	<u>14,966</u>	<u>14,978</u>	<u>14,360</u>	<u>13,729</u>
CIF Pledged for Debt <sup>(2)</sup>	-	-	-	-
Total Revenue for Senior Calculation	<u>14,966</u>	<u>14,978</u>	<u>14,360</u>	<u>13,729</u>
CIF Connection Fee Revenue <sup>(2)</sup>	338	642	755	832
Total Revenue for Subordinate Calculation	<u>15,304</u>	<u>15,620</u>	<u>15,115</u>	<u>14,561</u>
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	9,243	8,893	8,116	7,556
Rate Stabilization Fund <sup>(4)</sup>	3,761	2,107	4,330	2,928
Total	<u>13,004</u>	<u>11,000</u>	<u>12,446</u>	<u>10,484</u>
<b>DEBT SERVICE PAYMENTS</b>				
Senior				
State Loans	453	451	464	448
Revenue Bonds	947	933	934	936
Total Senior Debt Payments	<u>1,400</u>	<u>1,384</u>	<u>1,398</u>	<u>1,384</u>
Subordinate				
State Loans	245	245	228	137
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>245</u>	<u>245</u>	<u>228</u>	<u>137</u>
Total Debt Service	<u>1,645</u>	<u>1,629</u>	<u>1,626</u>	<u>1,521</u>
<b>DEBT SERVICE COVERAGE<sup>(5)</sup>:</b>				
SENIOR	1.23	2.70	1.21	2.25
<u>SUBORDINATE</u>	<u>1.40</u>	<u>2.84</u>	<u>1.64</u>	<u>2.68</u>

- (1) Previously expensed funds used to pay unexpected operating costs to minimize the impact on rates.
- (2) All connection fees pledged for repayment of debt is considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.
- (3) Does not include depreciation.
- (4) Funds being set aside to minimize the impact on rates in the event of future unexpected operating costs.
- (5) Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<b>District No. 4</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18</b>
<b>REVENUE SOURCES</b>				
User Fees	\$ 3,973	\$ 3,984	\$ 3,852	\$ 3,925
Other Revenues	-	-	-	-
A.V. Tax	867	756	705	656
Interest	338	808	749	596
Rate Stabilization Fund <sup>(1)</sup>	-	-	-	-
Subtotal	5,178	5,548	5,306	5,177
CIF Pledged for Debt <sup>(2)</sup>	-	-	-	-
Total Revenue for Senior Calculation	5,178	5,548	5,306	5,177
CIF Connection Fee Revenue <sup>(2)</sup>	65	47	217	480
Total Revenue for Subordinate Calculation	5,243	5,595	5,523	5,657
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	2,062	2,256	1,976	1,924
Rate Stabilization Fund <sup>(4)</sup>	1,296	1,275	2,930	450
Total	3,358	3,531	4,906	2,374
<b>DEBT SERVICE PAYMENTS</b>				
<b>Senior</b>				
State Loans	-	-	-	-
Revenue Bonds	328	323	324	324
Total Senior Debt Payments	328	323	324	324
<b>Subordinate</b>				
State Loans	-	-	-	-
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	-	-	-	-
Total Debt Service	328	323	324	324
<b>DEBT SERVICE COVERAGE:</b>				
SENIOR	5.55	6.24	1.23	8.65

- (1) Previously expensed funds used to pay unexpected operating costs to minimize the impact on rates.
- (2) All connection fees pledged for repayment of debt is considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.
- (3) Does not include depreciation.
- (4) Funds being set aside to minimize the impact on rates in the event of future unexpected operating costs.

# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<b>District No. 9</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18</b>
<b>REVENUE SOURCES</b>				
User Fees	\$ 113	106	84	57
Other Revenues	-	-	-	-
A.V. Tax	114	111	106	100
Interest	48	89	84	68
Rate Stabilization Fund <sup>(1)</sup>	-	18	-	-
Subtotal	275	324	274	225
CIF Pledged for Debt <sup>(2)</sup>	-	-	-	-
Total Revenue for Senior Calculation	275	324	274	225
CIF Connection Fee Revenue <sup>(2)</sup>	-	4	3	-
Total Revenue for Subordinate Calculation	275	328	277	225
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	166	145	153	163
Rate Stabilization Fund <sup>(4)</sup>	-	-	66	7
Total	166	145	219	170
<b>DEBT SERVICE PAYMENTS</b>				
Senior				
State Loans	-	-	-	-
Revenue Bonds	46	45	46	46
Total Senior Debt Payments	46	45	46	46
Subordinate				
State Loans	-	-	-	-
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	-	-	-	-
Total Debt Service	46	45	46	46
<b>DEBT SERVICE COVERAGE:</b>				
SENIOR	2.37	3.98	1.20	1.20

(1) Previously expensed funds used to pay unexpected operating costs to minimize the impact on rates.

(2) All connection fees pledged for repayment of debt is considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

(3) Does not include depreciation.

(4) Funds being set aside to minimize the impact on rates in the event of future unexpected operating costs.

# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<b>District No. 14</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18</b>
<b>REVENUE SOURCES</b>				
User Fees	\$ 35,632	\$ 36,680	\$ 34,613	\$ 34,731
Other Revenues	1,575	1,228	1,183	1,325
A.V. Tax	2,282	1,952	1,754	1,565
Interest	603	1,172	1,168	759
Rate Stabilization Fund <sup>(1)</sup>	-	-	-	-
Subtotal	<u>40,092</u>	<u>41,032</u>	<u>38,718</u>	<u>38,380</u>
CIF Pledged for Debt <sup>(2)</sup>	-	2,377	2,377	2,597
Total Revenue for Senior Calculation	<u>40,092</u>	<u>43,409</u>	<u>41,095</u>	<u>40,977</u>
CIF Connection Fee Revenue <sup>(2)</sup>	2,067	2,290	1,394	1,433
Total Revenue for Subordinate Calculation	<u>42,159</u>	<u>43,322</u>	<u>40,112</u>	<u>39,813</u>
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	14,240	15,110	13,422	14,078
Rate Stabilization Fund <sup>(4)</sup>	4,300	5,609	1,375	4,567
Total	<u>18,540</u>	<u>20,719</u>	<u>14,797</u>	<u>18,645</u>
<b>DEBT SERVICE PAYMENTS</b>				
<b>Senior</b>				
State Loans	-	-	-	-
Revenue Bonds	465	459	460	460
Total Senior Debt Payments	<u>465</u>	<u>459</u>	<u>460</u>	<u>460</u>
<b>Subordinate</b>				
State Loans	6,856	6,854	6,856	6,856
Revenue Bonds	9,829	9,996	9,993	9,995
Total Subordinate Debt Payments	<u>16,685</u>	<u>16,850</u>	<u>16,849</u>	<u>16,851</u>
Total Debt Service	<u>17,150</u>	<u>17,309</u>	<u>17,309</u>	<u>17,311</u>
<b>DEBT SERVICE COVERAGE<sup>(5)</sup>:</b>				
SENIOR	10.47	12.72	20.54	11.92
SUBORDINATE	1.38	1.31	1.46	1.22

- (1) Previously expensed funds used to pay unexpected operating costs to minimize the impact on rates.
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- (4) Funds being set aside to minimize the impact on rates in the event of future unexpected operating costs.
- (5) Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<b>District No. 20</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18</b>
<b>REVENUE SOURCES</b>				
User Fees	\$ 25,504	\$ 25,460	\$ 25,097	\$ 23,761
Other Revenues	493	525	494	485
A.V. Tax	1,706	1,614	1,476	1,360
Interest	606	878	784	484
Rate Stabilization Fund <sup>(1)</sup>	-	-	-	-
Subtotal	<u>28,309</u>	<u>28,477</u>	<u>27,851</u>	<u>26,090</u>
CIF Pledged for Debt <sup>(2)</sup>	-	-	-	-
Total Revenue for Senior Calculation	<u>28,309</u>	<u>28,477</u>	<u>27,851</u>	<u>26,090</u>
CIF Connection Fee Revenue <sup>(2)</sup>	311	1,116	722	1,043
Total Revenue for Subordinate Calculation	<u>28,620</u>	<u>29,593</u>	<u>28,573</u>	<u>27,133</u>
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	13,445	12,180	11,440	12,107
Rate Stabilization Fund <sup>(4)</sup>	-	5,200	5,030	2,550
Total	<u>13,445</u>	<u>17,380</u>	<u>16,470</u>	<u>14,657</u>
<b>DEBT SERVICE PAYMENTS</b>				
<b>Senior</b>				
State Loans	-	-	-	-
Revenue Bonds	389	382	383	384
Total Senior Debt Payments	<u>389</u>	<u>382</u>	<u>383</u>	<u>384</u>
<b>Subordinate</b>				
State Loans	-	-	-	-
Revenue Bonds	10,446	10,622	10,622	10,622
Total Subordinate Debt Payments	<u>10,446</u>	<u>10,622</u>	<u>10,622</u>	<u>10,622</u>
Total Debt Service	<u>10,835</u>	<u>11,004</u>	<u>11,005</u>	<u>11,006</u>
<b>DEBT SERVICE COVERAGE<sup>(5)</sup>:</b>				
SENIOR	11.36	1.24	1.98	2.11
<u>SUBORDINATE</u>	<u>1.40</u>	<u>1.11</u>	<u>1.10</u>	<u>1.13</u>

- (1) Previously expensed funds used to pay unexpected operating costs to minimize the impact on rates.
- (2) All connection fees pledged for repayment of debt is considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.
- (3) Does not include depreciation.
- (4) Funds being set aside to minimize the impact on rates in the event of future unexpected operating costs.
- (5) Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.

# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<b>District No. 27</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18</b>
<b>REVENUE SOURCES</b>				
User Fees	\$ -	\$ -	\$ -	\$ -
Other Revenues	-	-	1	-
A.V. Tax	427	408	385	355
Interest	8	26	25	16
Rate Stabilization Fund <sup>(1)</sup>	-	-	-	-
Subtotal	<u>435</u>	<u>434</u>	<u>411</u>	<u>371</u>
CIF Pledged for Debt <sup>(2)</sup>	-	-	-	-
Total Revenue for Senior Calculation	<u>435</u>	<u>434</u>	<u>411</u>	<u>371</u>
CIF Connection Fee Revenue <sup>(2)</sup>	-	-	-	3
Total Revenue for Subordinate Calculation	<u>435</u>	<u>434</u>	<u>411</u>	<u>374</u>
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	103 <sup>(4)</sup>	130 <sup>(4)</sup>	54 <sup>(4)</sup>	52
Rate Stabilization Fund <sup>(5)</sup>	<u>255</u>	<u>225</u>	<u>281</u>	<u>220</u>
Total	<u>358</u>	<u>355</u>	<u>335</u>	<u>272</u>
<b>DEBT SERVICE PAYMENTS</b>				
<b>Senior</b>				
State Loans	-	-	-	-
Revenue Bonds	<u>64</u>	<u>64</u>	<u>63</u>	<u>64</u>
Total Senior Debt Payments	<u>64</u>	<u>64</u>	<u>63</u>	<u>64</u>
<b>Subordinate</b>				
State Loans	-	-	-	-
Revenue Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subordinate Debt Payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Debt Service	<u>64</u>	<u>64</u>	<u>63</u>	<u>64</u>
<b>DEBT SERVICE COVERAGE<sup>(6)</sup>:</b>				
SENIOR	1.20	1.23	1.21	1.55

- (1) Previously expensed funds used to pay unexpected operating costs to minimize the impact on rates.
- (2) All connection fees pledged for repayment of debt is considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.
- (3) Does not include depreciation.
- (4) In fiscal year 2019-20, a system error was discovered that had resulted in an under-reporting of the District's flow and strength in previous years. The new calculations resulted in charges of nearly double the previous year.
- (5) Funds being set aside to minimize the impact on rates in the event of future unexpected operating costs.

# LOS ANGELES COUNTY SANITATION DISTRICTS

## Bond Disclosure, Continued

### District's Historical Operating Data (\$000)

<u>Santa Clarita Valley</u>	<u>Fiscal Year</u> <u>2020-21</u>	<u>Fiscal Year</u> <u>2019-20</u>	<u>Fiscal Year</u> <u>2018-19</u>	<u>Fiscal Year</u> <u>2017-18</u>
<b>REVENUE SOURCES</b>				
User Fees	\$ 37,929	\$ 37,291	\$ 34,315	\$ 33,154
Other Revenues	662	699	890	837
A.V. Tax	8,361	8,090	7,432	7,256
Interest	988	2,614	2,571	1,859
Rate Stabilization Fund <sup>(1)</sup>	-	-	-	-
Subtotal	<u>47,940</u>	<u>48,694</u>	<u>45,208</u>	<u>43,106</u>
CIF Pledged for Debt <sup>(2)</sup>	-	2,785	2,785	4,721
Total Revenue for Senior Calculation	47,940	51,479	47,993	47,827
CIF Connection Fee Revenue <sup>(2)</sup>	2,805	3,004	6,652	4,648
Total Revenue for Subordinate Calculation	50,745	51,698	51,860	47,754
<b>EXPENSES<sup>(3)</sup></b>				
Total O&M	26,656	25,286	22,099	22,536
Rate Stabilization Fund <sup>(4)</sup>	12,965	13,112	14,815	10,372
Total	<u>39,621</u>	<u>38,398</u>	<u>36,914</u>	<u>32,908</u>
<b>DEBT SERVICE PAYMENTS</b>				
Senior				
State Loans	89	627	627	627
Revenue Bonds	3,363	3,310	3,314	3,322
Total Senior Debt Payments	<u>3,452</u>	<u>3,937</u>	<u>3,941</u>	<u>3,949</u>
Subordinate				
State Loans	2,659	2,661	2,659	2,659
Revenue Bonds	-	-	-	-
Total Subordinate Debt Payments	<u>2,659</u>	<u>2,661</u>	<u>2,659</u>	<u>2,659</u>
Total Debt Service	6,111	6,598	6,600	6,608
<b>DEBT SERVICE COVERAGE<sup>(5)</sup>:</b>				
SENIOR	1.64	2.65	2.14	3.10
<u>SUBORDINATE</u>	<u>1.82</u>	<u>2.02</u>	<u>2.26</u>	<u>2.25</u>

(1) Previously expensed funds used to pay unexpected operating costs to minimize the impact on rates.

(2) All connection fees pledged for repayment of debt is considered in calculating senior debt service coverage, while all connection fees collected were considered in calculating subordinate debt service coverage.

(3) Does not include depreciation.

(4) Funds being set aside to minimize the impact on rates in the event of future unexpected operating costs.

(5) Senior debt coverage calculation includes a deduction for subordinate debt payments pursuant to the applicable rate covenants. The subordinate debt coverage calculation is based on total debt service.



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



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## APPENDIX B

### BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix Concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book entry system has been obtained from DTC and the Participating Districts and the Underwriters take no responsibility for the completeness or accuracy thereof. The Participating Districts, the authority and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Holders (a) payments of interest, principal or premium, if any, with respect to the 2022 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2022 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2022 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2022 Bonds. The 2022 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each series of the 2022 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, rating of AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the 2022 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2022 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2022 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2022 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2022 Bonds, except in the event that use of the book-entry system for the 2022 Bonds is discontinued.

To facilitate subsequent transfers, all 2022 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2022 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2022 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2022 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2022 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2022 Bonds, such as redemptions, tenders, defaults and proposed amendments to the 2022 Bond documents. For example, Beneficial Owners of 2022 Bonds may wish to ascertain that the nominee holding the 2022 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the 2022 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the 2022 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2022 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2022 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2022 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2022 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the 2022 Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the 2022 Bonds will be printed and delivered to DTC.

The information in this Appendix F concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but neither the Authority, the Participating Districts nor the Underwriters take any responsibility for the accuracy thereof.

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**APPENDIX C**

**FORM OF MASTER OBLIGATION AGREEMENT**

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**MASTER OBLIGATION AGREEMENT**

**by and among**

**COUNTY SANITATION DISTRICTS  
OF LOS ANGELES COUNTY**

**named herein**

**and**

**ZIONS BANCORPORATION, NATIONAL ASSOCIATION,  
AS MASTER TRUSTEE**

**Dated as of April 1, 2022**

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## **MASTER OBLIGATION AGREEMENT**

**THIS MASTER OBLIGATION AGREEMENT** (this “Master Obligation Agreement”), dated as of April 1, 2022, is by and among COUNTY SANITATION DISTRICT NO. 1 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 2 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 3 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 5 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 8 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 15 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 16 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 17 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 18 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 19 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 21 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 22 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 23 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 28 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 29 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 34 OF LOS ANGELES COUNTY and SOUTH BAY CITIES SANITATION DISTRICT OF LOS ANGELES COUNTY (collectively, the “Districts”), each, a sanitation district organized and existing under the laws of the State of California, and ZIONS BANCORPORATION, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as Master Trustee (the “Master Trustee”).

### **W I T N E S S E T H:**

**WHEREAS**, the Districts are authorized and deem it desirable to enter into this Master Obligation Agreement for the purpose of setting forth the terms and conditions for the incurrence by each District from time to time of obligations of such District to finance or refinance the acquisition, construction, equipping and improvement of such District’s sewerage system and other items with respect thereto that such District may lawfully finance or refinance;

**WHEREAS**, the Master Trustee has agreed to accept the trusts and duties of the Master Trustee set forth herein; and

**WHEREAS**, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Master Obligation Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Master Obligation Agreement;

**NOW, THEREFORE, THIS MASTER OBLIGATION AGREEMENT WITNESSETH**, that in order to secure the payment of the obligations of a District subject to this Master Obligation Agreement at any time outstanding, to secure the performance and observance of all the covenants and conditions herein set forth with respect thereto, and to declare the terms and conditions upon and subject to which such obligations are to be incurred, and in consideration of the premises and of the mutual covenants herein contained, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each District does hereby covenant

and agree with the Master Trustee, for the benefit of the respective obligees from time to time with respect to such obligations of such District, as follows:

## ARTICLE I

### DEFINITIONS; RULES OF CONSTRUCTION; EQUAL SECURITY

**Section 1.01. Definitions.** Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Master Obligation Agreement and of any certificate, opinion or other document herein mentioned, have the meanings defined herein.

**“Accountant”** means, with respect to a District, an independent certified public accountant or firm of such accountants selected by such District.

**“Accrued Debt Service”** means, for any period, with respect to any Outstanding Obligations, the amount of Debt Service on such Obligations accrued and to accrue during such period. For purposes of calculating such Debt Service (a) payments of interest due on any Interest Payment Date for any Obligations shall be deemed to accrue daily in equal amounts from and including the date of the immediately preceding Interest Payment Date for such Obligations to but not including the Interest Payment Date on which such interest is due or, with respect to the initial Interest Payment Date for any Obligations, from the date on which interest on such Obligations begins to accrue pursuant to the terms of the Obligation Instrument pursuant to which such Obligations are incurred, (b) interest on any Variable Rate Obligations for any portion of such period for which the interest rate has not be set shall be calculated at the maximum rate of interest payable with respect to such Variable Rate Obligations pursuant to the Obligation Instrument pursuant to which such Variable Rate Obligations are incurred, and (c) payments of principal due on any Principal Payment Date for any Obligations shall be deemed to accrue daily in equal amounts from and including the date of the immediately preceding Principal Payment Date for such Obligations to but not including the Principal Payment Date on which such principal is due or, with respect to the initial Principal Payment Date for any Obligations, from the effective date of the Obligation Instrument pursuant to which such Obligations are incurred.

**“Adjusted Net Revenues”** means, with respect to a District, for any period (a) the Adjusted Revenues of such District for such period, less (b) the Operation and Maintenance Costs of such District for such period.

**“Adjusted Revenues”** means, with respect to a District, for any period, the Revenues of such District for such period, less (a) amounts, if any, transferred during such period from such District’s Operating Fund to its Rate Stabilization Fund, plus (b) the sum of (i) amounts, if any, transferred during such period from such District’s Rate Stabilization Fund to its Operating Fund, plus (ii) amounts, if any, transferred during such period from such District’s Capital Improvement Fund to its Senior Obligation Payment Fund pursuant to Section 3.05, plus (iii) amounts, if any, transferred during such period from such District’s Capital Improvement Fund to its Subordinate Obligation Payment Fund pursuant to Section 3.05; provided, however, that if, during such period, such District, or an Obligation Trustee on behalf of such District, received or is entitled to receive a Governmental Debt Service Subsidy with respect to Obligations of such District, and such Governmental Debt Service Subsidy would, but for this proviso, be included in Revenues, then the Revenues for such period shall be reduced by an amount equal to such Governmental Debt Service Subsidy in calculating Adjusted Revenues.

**“Administrative Costs”** means the ordinary and necessary administrative costs and incidental expenses related to this Master Obligation Agreement and the Obligations, including (a) fees and expenses of the Master Trustee (including fees and expenses of its counsel) and indemnification of the Master Trustee pursuant hereto, (b) fees and expenses of each Obligation Trustee (including fees and expenses of its counsel) and indemnification of such Obligation Trustee pursuant to the Obligation Instrument to which such Obligation Trustee is a party or pursuant to which it is engaged, (c) with respect to Obligations that are loan payments, installment payments, lease payments, rental payments or similar payments payable under and pursuant to a Contract, which Obligations are not Trustee Assigned Obligations, the fees and expenses of the Obligee with respect to such Contract (including fees and expenses of its counsel) and indemnification of such Obligee pursuant to the Obligation Instrument to which such Obligations are incurred, and (d) fees and expenses of a loan servicer or other Person performing similar services with respect to Obligations.

**“Assumed Debt Service”** means, with respect to a District, for any period the sum of (a) the interest on all of such District’s Obligations payable during such period, assuming that principal payments with respect to such Obligations are made on each Principal Payment Date for such Obligations in accordance with the maturity, principal payment, amortization or similar schedule for such Obligations, including mandatory redemptions or prepayments that are, or are equivalent to, sinking fund redemptions or prepayments; provided, however, that if a different assumption with respect to such maturity, principal payment, amortization or similar schedule is set forth below, such assumption shall apply for purposes of determining such maturity, principal payment, amortization or similar schedule, and (b) the principal of such District’s Obligations payable during such period, assuming that payment of such principal is made on each Principal Payment Date for such Obligations in accordance with the maturity, principal payment, amortization or similar schedule for such Obligations, including mandatory redemptions or prepayments that are, or are equivalent to, sinking fund redemptions or prepayments and, for such purpose, the scheduled payment at maturity, redemption payment or prepayment shall be deemed a principal payment; provided, however, that if a different assumption with respect to such maturity, principal payment, amortization or similar schedule is set forth below, such assumption shall apply for purposes of determining such maturity, principal payment, amortization or similar schedule. For purposes of calculating Assumed Debt Service, the following assumptions shall be used:

(i) in determining the interest on any Obligations due in each period, interest payable at a fixed rate shall be assumed to be made at such fixed rate and on the Interest Payment Dates for such Obligations;

(ii) if any Outstanding Obligations constitute Variable Rate Obligations, the interest rate on such Obligations shall be assumed to be 110% of the rate of interest on such Obligations on the date of calculation;

(iii) if Obligations proposed to be incurred will be Variable Rate Obligations, then such Obligations shall be assumed to bear interest (A) if such Obligations will be Tax-Exempt Obligations, at an interest rate equal to 100% of the Revenue Bond Index for the last week of the month preceding the date of sale of such Obligations, as published in *The Bond Buyer*, or if that index is no longer published, another comparable index selected by

such District, and (B) if such Obligations will not be Tax-Exempt Obligations, at an interest rate equal to the yield for outstanding United States Treasury bonds having an equivalent maturity as the Obligations proposed to be incurred, plus 50 basis points (0.50);

(iv) if any Outstanding Obligations constitute Balloon Obligations (and such Obligations do not constitute Short-Term Obligations that are Subordinate Obligations excluded from the calculation of Assumed Debt Service pursuant to paragraph (vi), below) or if Obligations proposed to be incurred would constitute Balloon Obligations (and such Obligations would not constitute Short-Term Obligations that are Subordinate Obligations excluded from the calculation of Assumed Debt Service pursuant to paragraph (vi), below), then such amounts as constitute Balloon Obligations shall be treated as if the principal amount of such Obligations were amortized from the date originally incurred in substantially equal installments of principal and interest over a term of 30 years; the interest rate used for such computation shall be (A) if such Obligations are or will be Tax-Exempt Obligations, at an interest rate equal to 100% of the Revenue Bond Index for the last week of the month preceding the date of sale of such Obligations, as published in *The Bond Buyer*, or if that index is no longer published, another comparable index selected by such District, and (B) if such Obligations are or will not be Tax-Exempt Obligations, at an interest rate equal to the yield for outstanding United States Treasury bonds having an equivalent maturity as the Obligations proposed to be incurred, plus 50 basis points (0.50).

(v) if any Outstanding Obligations constitute Credit Enhanced Obligations or if Obligations proposed to be incurred would constitute Credit Enhanced Obligations, then Assumed Debt Service on such Obligations shall not be based upon the terms of any Reimbursement Obligations to the Credit Support Provider providing the Credit Instrument securing the payment of Debt Service on such Obligations, except to the extent and for periods during which payments have been required to be made pursuant to the Credit Support Agreement with such Credit Support Provider due to the Credit Support Provider advancing or otherwise providing funds under such Credit Instrument and not being reimbursed therefor;

(vi) if any Outstanding Obligations constitute Short-Term Obligations that are Subordinate Obligations or if Obligations proposed to be incurred would constitute Short-Term Obligations that are Subordinate Obligations, and such Short-Term Obligations are or will be payable only out of Net Revenues of the Fiscal Year in which such Short-Term Obligations are incurred, then Debt Service on such Short-Term Obligations shall be disregarded and not included in calculating Assumed Debt Service for the purpose of calculating Assumed Subordinate Debt Service Coverage Ratio;

(vii) if a Qualified Swap Agreement has been entered into with respect to interest on any Outstanding Obligations of a District, the interest on such Obligations for each Fiscal Year or portion thereof during which such District and the Qualified Swap Counterparty that is party to such Qualified Swap Agreement are to exchange payments shall, for purposes of calculating Assumed Debt Service, be equal to the sum of (A) the amount of interest paid or to be paid by such District on such Obligations during the period for which Assumed Debt Service is being calculated, which interest, if such Obligations are Variable Rate Obligations, shall be calculated in accordance with paragraph (ii), above,

plus (B) the remainder (which may be a negative amount) of (I) the amount paid or to be paid under such Qualified Swap Agreement by such District to such Qualified Swap Counterparty during the period for which Assumed Debt Service is being calculated, minus (II) the amount paid or to be paid under such Qualified Swap Agreement by such Qualified Swap Counterparty to such District during the period for which Assumed Debt Service is being calculated, and, if the amount to be so paid by such Qualified Swap Counterparty is based on a variable rate of interest, such variable interest rate shall be deemed to be the rate calculated in accordance with paragraph (ii), above, for the Variable Rate Obligations of such District with respect to which such Qualified Swap Agreement has been entered into;

(viii) if a Qualified Swap Agreement has been entered into with respect to interest on Obligations of a District proposed to be incurred, the interest on such Obligations for each Fiscal Year or portion thereof during which such District and the Qualified Swap Counterparty that is party to such Qualified Swap Agreement are to exchange payments shall, for purposes of calculating Assumed Debt Service, be equal to the sum of (A) the amount of interest paid or to be paid by such District on such Obligations during the period for which Assumed Debt Service is being calculated, which interest, if such Obligations are Variable Rate Obligations, shall be calculated in accordance with paragraph (iii), above, plus (B) the remainder (which may be a negative amount) of (I) the amount paid or to be paid under such Qualified Swap Agreement by such District to such Qualified Swap Counterparty during the period for which Assumed Debt Service is being calculated, minus (II) the amount paid or to be paid under such Qualified Swap Agreement by such Qualified Swap Counterparty to such District during the period for which Assumed Debt Service is being calculated, and, if the amount to be so paid by such Qualified Swap Counterparty is based on a variable rate of interest, such variable interest rate shall be deemed to be the rate calculated in accordance with paragraph (iii), above, for the Variable Rate Obligations of such District with respect to which such Qualified Swap Agreement has been entered into;

(ix) if (A) amounts payable as interest on Obligations are, pursuant to the terms of such Obligations, scheduled to be advanced or drawn thereunder in some amount or for some period, then the interest payable with respect to such Obligations from such amounts or during such period, as applicable, shall be disregarded and not included in calculating Assumed Debt Service, or (B) amounts constituting capitalized interest have been deposited with an Obligee for Obligations, then the interest payable with respect to such Obligations from such amounts shall be disregarded and not included in calculating Assumed Debt Service;

(x) if, during such period, such District, or an Obligation Trustee on behalf of such District, is entitled to receive a Governmental Debt Service Subsidy with respect to Obligations of such District, then Debt Service on such Obligations for such period shall be reduced by an amount equal to such Governmental Debt Service Subsidy in calculating Assumed Debt Service;

(xi) if monies or Defeasance Securities, or both, have been deposited by a District into a separate fund or account held by such District or by a fiduciary to be used to pay Debt Service on specified Obligations, and such Obligations are, as a consequence thereof, discharged, or no longer Outstanding, pursuant to the terms of the Obligation

Instrument pursuant to which such Obligations are incurred, then the Debt Service to be paid from such monies or Defeasance Securities, or both, or from the earnings on such Defeasance Securities, shall be disregarded and not included in calculating Assumed Debt Service;

(xii) the amount on deposit in a Debt Service Reserve Fund established for Obligations shall, on any date of calculation of Assumed Debt Service for such Obligations, be deducted from the amount of principal due at the final maturity of such Obligations and in each preceding year until such amount is exhausted;

(xiii) with respect to Obligations of such District (A) that are Trustee Assigned Obligations, and (B) that are not comprised of separate payments of interest and principal, for purposes of calculating Assumed Debt Service, interest payments and principal payments (whether at maturity or by mandatory redemptions or prepayments that are, or are equivalent to, sinking fund redemptions or prepayments) with respect to the Trusteed Issuer Obligations with respect to such Trustee Assigned Obligations shall be deemed to be interest payments and principal payments with respect to such Obligations; and

(xiv) with respect to Obligations of such District incurred pursuant to an Obligation Instrument entered into by such District and the California State Water Resources Control Board, if such Obligation Instrument provides that a fee or charge in lieu of some or all of the interest that would otherwise be payable pursuant to such Obligations or Obligation Instrument may be made payable thereunder by the California State Water Resources Control Board, any such fee or charge in lieu of such interest shall for purposes hereof be deemed to be interest on such Obligations, but not in an amount greater than the amount of such interest that would otherwise be payable pursuant to such Obligations or Obligation Instrument.

**“Assumed Maximum Annual Debt Service”** means, at any point in time, with respect to Obligations to be Outstanding immediately after the incurrence of the Obligations in connection with the incurrence of which Assumed Maximum Annual Debt Service is being determined, the maximum amount of Assumed Debt Service on such Obligations in the then current or any future Fiscal Year.

**“Assumed Senior Debt Service Coverage Ratio”** means, with respect to a District, for the purpose of demonstrating compliance with the requirements for such District to incur Obligations that are Senior Obligations, for any period, the ratio of (a) Net Revenues for such period, to (b) Assumed Maximum Annual Debt Service on all Senior Obligations of such District to be Outstanding immediately after the incurrence of such Obligations.

**“Assumed Subordinate Debt Service Coverage Ratio”** means, with respect to a District, for the purpose of demonstrating compliance with the requirements for such District to incur Additional Obligations that are Subordinate Obligations, for any period, the ratio of (a) Net Subordinate Revenues for such period, to (b) Assumed Maximum Annual Debt Service on all Subordinate Obligations of such District to be Outstanding immediately after the incurrence of such Obligations.

**“Authorized Representative”** means, with respect to a District, the Chief Engineer and General Manager of such District (or his or her designee), the Assistant Chief Engineer and Assistant General Manager of such District (or his or her designee) or the Chief Accountant of such District (or his or her designee).

**“Balloon Obligations”** means Obligations 50% or more of the principal of which matures or is payable on the same date and which is not required by the instrument pursuant to which such Obligations are incurred to be amortized by payment or redemption prior to such date.

**“Bond Counsel”** means a firm of attorneys that are nationally recognized as experts in the area of municipal finance.

**“Bonds”** means, with respect to a District, its Senior Bonds and Subordinate Bonds.

**“Business Day”** means a day that is not (a) a Saturday, Sunday or legal holiday in the State, (b) a day on which banking institutions in the State are required or authorized by law, including executive order, to close, or (c) a day on which the New York Stock Exchange is closed.

**“Capital Improvement Fund”** means, with respect to a District, the fund by that name established by such District pursuant to Section 3.02.

**“City of Los Angeles Agreements”** means the Wastewater Services Agreement, effective February 24, 1999, between the City of Los Angeles and District No. 4, the Wastewater Services Agreement, effective February 24, 1999, between the City of Los Angeles and District No. 5, the Wastewater Services Agreement, effective February 24, 1999, between the City of Los Angeles and District No. 9, the Wastewater Services Agreement, effective February 24, 1999, between the City of Los Angeles and District No. 16, and the Wastewater Services Agreement, effective February 24, 1999, between the City of Los Angeles and District No. 27, as such agreements were originally executed and as the same were heretofore or may hereafter be from time to time amended, supplemented or otherwise modified, and any agreement superseding or replacing any of such agreements.

**“Code”** means the Internal Revenue Code of 1986, as amended, including, when appropriate, the statutory predecessor of the Code, all applicable regulations under that Code and the statutory predecessor of the Code, whether proposed, temporary or final, and any official rulings and judicial determinations under the foregoing.

**“Connection Fees”** means, with respect to a District, connection and other similar fees imposed by such District for the privilege of connecting any parcel within the boundaries of such District directly or indirectly to the Sewerage System of such District, or for increasing the strength and/or quantity of wastewater attributable to a connected parcel within such District.

**“Consultant’s Report”** means a written report signed by an Independent Consultant, which report shall include:

- (a) a statement that the Independent Consultant making or giving such report has read the pertinent provisions of this Master Obligation Agreement to which such report relates;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the report is based; and

(c) a statement that, in the opinion of such Independent Consultant, sufficient examination or investigation was made as is necessary to enable such Independent Consultant to express an informed opinion with respect to the subject matter referred to in the report.

**“Contracts”** means, with respect to a District, its Senior Contracts and Subordinate Contracts.

**“Credit Enhanced Obligations”** means, with respect to a District, Obligations of such District, the Debt Service payments on which are secured, directly or indirectly, by a Credit Support Instrument.

**“Credit Support Agreement”** means, with respect to a Credit Support Instrument securing payment of Debt Service on Obligations of a District, the agreement or agreements, which may be the Credit Support Instrument itself, between such District and the Credit Support Provider that issued such Credit Support Instrument, providing for the reimbursement to such Credit Support Provider for draws under, or amounts advanced or otherwise made available pursuant to, such Credit Support Instrument.

**“Credit Support Instrument”** means a policy of insurance, letter of credit, standby purchase agreement, revolving credit agreement or other credit facility or arrangement pursuant to which a Credit Support Provider provides credit or liquidity support with respect to the payment of Debt Service on Obligations of a District; provided, however, that the term “Credit Support Instrument” does not include any Reserve Guaranty.

**“Credit Support Provider”** means (a) with respect to Credit Enhanced Obligations that are Senior Obligations, a municipal bond insurance company, bank or other financial institution (i) the senior long-term obligations of which are rated “Aa” or “AA,” or the equivalent thereof, or better by a Nationally Recognized Rating Agency, such ratings to be determined without regard to any subcategory or modifier, and (ii) that is the issuer of a Credit Support Instrument with respect to such Credit Enhanced Obligations, and (b) with respect to Credit Enhanced Obligations that are Subordinate Obligations, a municipal bond insurance company, bank or other financial institution (i) the senior long-term obligations of which are rated “A,” or the equivalent thereof, or better by a Nationally Recognized Rating Agency, such ratings to be determined without regard to any subcategory or modifier, and (ii) that is the issuer of a Credit Support Instrument with respect to such Credit Enhanced Obligations.

**“Debt Service”** means, with respect to a District, for any period the sum of (a) the interest on all of such District’s Obligations payable during such period, assuming that principal payments with respect to such Obligations are made on each Principal Payment Date for such Obligations in accordance with the maturity, principal payment, amortization or similar schedule for such Obligations, including mandatory redemptions or prepayments that are, or are equivalent to, sinking fund redemptions or prepayments; provided, however, that if a different assumption with respect to such maturity, principal payment, amortization or similar schedule is set forth below,

such assumption shall apply for purposes of determining such maturity, principal payment, amortization or similar schedule, and (b) the principal of such District's Obligations payable during such period, assuming that payment of such principal is made on each Principal Payment Date for such Obligations in accordance with the maturity, principal payment, amortization or similar schedule for such Obligations, including mandatory redemptions or prepayments that are, or are equivalent to, sinking fund redemptions or prepayments and, for such purpose, the scheduled payment at maturity, redemption payment or prepayment shall be deemed a principal payment; provided, however, that (i) if (A) amounts payable as interest on Obligations are, pursuant to the terms of such Obligations, scheduled to be advanced or drawn thereunder in some amount or for some period, then the interest payable with respect to such Obligations from such amounts or during such period, as applicable, shall be disregarded and not included in calculating Debt Service, or (B) amounts constituting capitalized interest have been deposited with an Oblige for Obligations, then the interest payable with respect to such Obligations from such amounts shall be disregarded and not included in calculating Debt Service, (ii) if, during such period, such District, or an Obligation Trustee on behalf of such District, receives or is entitled to receive a Governmental Debt Service Subsidy with respect to Obligations of such District, then Debt Service on such Obligations for such period shall be reduced by an amount equal to such Governmental Debt Service Subsidy in calculating Debt Service, (iii) if monies or Defeasance Securities, or both, have been deposited by a District into a separate fund or account held by such District or by a fiduciary to be used to pay Debt Service on specified Obligations, and such Obligations are, as a consequence thereof, discharged, or no longer Outstanding, pursuant to the terms of the Obligation Instrument pursuant to which such Obligations are incurred, then the Debt Service to be paid from such monies or Defeasance Securities, or both, or from the earnings on such Defeasance Securities, shall be disregarded and not included in calculating Debt Service, (iv) interest income received on investment of monies in a Debt Service Reserve Fund and transferred to a debt service or similar fund for such Obligations or otherwise made available to pay Debt Service in such period shall, for the purpose of calculating Debt Service, offset interest payments and principal payments with respect to such Obligations required to be made in such period, (v) the amount on deposit in a Debt Service Reserve Fund established for Obligations shall, on any date of calculation of Debt Service for such Obligations, be deducted from the amount of principal due at the final maturity of such Obligations and in each preceding year until such amount is exhausted, (vi) with respect to Obligations of such District (A) that are Trustee Assigned Obligations, and (B) that are not comprised of separate payments of interest and principal, for purposes of calculating Debt Service, interest payments and principal payments (whether at maturity or by mandatory redemptions or prepayments that are, or are equivalent to, sinking fund redemptions or prepayments) with respect to the Trustee Issuer Obligations with respect to such Trustee Assigned Obligations shall be deemed to be interest payments and principal payments with respect to such Obligations, and (vii) with respect to Obligations of such District incurred pursuant to an Obligation Instrument entered into by such District and the California State Water Resources Control Board, if such Obligation Instrument provides that a fee or charge in lieu of some or all of the interest that would otherwise be payable pursuant to such Obligations or Obligation Instrument may be made payable thereunder by the California State Water Resources Control Board, any such fee or charge in lieu of such interest shall for purposes hereof be deemed to be interest on such Obligations, but not in an amount greater than the amount of such interest that would otherwise be payable pursuant to such Obligations or Obligation Instrument.

**“Debt Service Reserve Fund”** means, with respect to any Obligations, any debt service reserve fund or account established to secure the payment of Debt Service on such Obligations.

**“Defeasance Securities”** means (a) non-callable direct obligations of the United States of America (“United States Treasury Obligations”), (b) evidences of ownership of proportionate interests in future interest and principal payments on United States Treasury Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying United States Treasury Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated, and (c) any other securities eligible for “AAA” defeasance under the then existing criteria of S&P.

**“District No. 1”** means County Sanitation District No. 1 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“District No. 2”** means County Sanitation District No. 2 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“District No. 3”** means County Sanitation District No. 3 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“District No. 4”** means County Sanitation District No. 4 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“District No. 5”** means County Sanitation District No. 5 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“District No. 8”** means County Sanitation District No. 8 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“District No. 9”** means County Sanitation District No. 9 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“District No. 14”** means County Sanitation District No. 14 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“District No. 15”** means County Sanitation District No. 15 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“District No. 16”** means County Sanitation District No. 16 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“District No. 17”** means County Sanitation District No. 17 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“District No. 18”** means County Sanitation District No. 18 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto

**“District No. 19”** means County Sanitation. District No. 19 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“District No. 20”** means County Sanitation. District No. 20 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“District No. 21”** means County Sanitation District No. 21 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“District No. 22”** means County Sanitation District No. 22 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“District No. 23”** means County Sanitation District No. 23 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“District No. 27”** means County Sanitation District No. 27 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“District No. 28”** means County Sanitation District No. 28 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“District No. 29”** means County Sanitation District No. 29 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“District No. 34”** means County Sanitation District No. 34 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“Districts”** means District No. 1, District No. 2, District No. 3, District No. 5, District No. 8, District No. 15, District No. 16, District No. 17, District No. 18, District No. 19, District No. 21, District No. 22, District No. 23, District No. 28, District No. 29, District No. 34, SBC Sanitation District and each other Los Angeles County Sanitation District that becomes a party to this Master Obligation Agreement pursuant to, and in accordance with the provisions of, Article IX.

**“Event of Bankruptcy”** means, with respect to a District (a) that an involuntary proceeding is commenced or an involuntary petition is filed seeking (i) liquidation, reorganization or other relief in respect of such District or its debts, or of a substantial part of the assets thereof, under any Insolvency Laws, or (ii) the appointment of a receiver, trustee, liquidator, custodian, conservator or similar official for such District or for a substantial part of the assets thereof and, in any case referred to in the foregoing subclauses (i) and (ii), such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing is entered, or (b) such District (i) applies for or consents to the appointment of a receiver, trustee, liquidator, custodian, conservator or similar official therefor or for a substantial part of the assets thereof, (ii) generally is not paying its debts as they become due, unless such debts are the subject of a bona fide dispute, (iii) makes a general assignment for the benefit of creditors, (iv) consents to the institution of, or fails to contest in a timely and appropriate manner, any proceeding or petition with respect to it described in clause (a) of this definition, (v) commences a voluntary proceeding under any Insolvency Law, or files a voluntary petition seeking liquidation, reorganization, an arrangement with creditors or an order for relief, in each case under any Insolvency Law, (vi) files an answer admitting the material allegations of a petition filed against it in any proceeding referred to in the foregoing clause (a) subclauses (i) through (iv), inclusive, of this clause (b), or (vii) takes any action for the purpose of effecting any of the foregoing.

**“Event of Default”** means an event described in Section 6.01.

**“Excess Reimbursement Obligations”** means, with respect to a District, for any period, with respect to Reimbursement Obligations of such District required, pursuant to the Credit Support Agreement under which such Reimbursement Obligations arose, to be reimbursed or repaid during such period, that portion of such Reimbursement Obligations that is in excess of the Primary Reimbursement Obligations with respect thereto for such period, including interest on such Reimbursement Obligations.

**“Fiscal Year”** means, with respect to a District, the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of such District.

**“Fitch”** means Fitch Ratings, Inc., its successors and assigns, and, if Fitch Ratings, Inc., shall for any reason no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other Nationally Recognized Rating Agency designated by the Districts, with respect to the Obligations of which a rating by Fitch pertains.

**“Generally Accepted Accounting Principles”** means those principles of accounting set forth in pronouncements of the Governmental Accounting Standards Board and any successor thereto, pronouncements of the Financial Accounting Standards Board and any successor thereto

or pronouncements of the American Institute of Certified Public Accountants, as such principles are from time to time supplemented, amended or otherwise modified.

**“Governmental Debt Service Subsidy”** means, with respect to Obligations of a District, any subsidy, reimbursement or other payment from a governmental entity, including the federal government of the United States of America, in connection with, or related to, payments of Debt Service such Obligations.

**“Independent Consultant”** means a financial consultant, engineer or accountant, or firm of such financial consultants, engineers or accountants, that is generally recognized within its profession for work of the character required and that:

- (a) is in fact independent and not under the domination of any District;
  - (b) does not have any substantial interest, direct or indirect, with any District;
- and
- (c) is not connected with any District as a member, officer or employee thereof, but who may be regularly retained to make annual or other reports thereto.

**“Insolvency Laws”** means the United States Bankruptcy Code, 11 U.S.C. § 101 et seq., as from time to time amended and in effect, and any state bankruptcy, insolvency, receivership, conservatorship or similar law now or hereafter in effect.

**“Interest Payment Dates”** means, with respect to any Obligations, (a) if such Obligations are comprised of separate payments of interest and principal, the dates on which, pursuant to the Obligation Instrument pursuant to which such Obligations are incurred, interest on such Obligations is scheduled to be paid, and (b) if such Obligations are not comprised of separate payments of interest and principal, the terms “Interest Payment Date” and “Interest Payment Dates,” when used with reference to multiple separate Obligations in a context that would include such Obligations that are not comprised of separate payments of interest and principal, such reference shall, for purposes hereof, be deemed not to be applicable to such Obligations that are not comprised of separate payments of interest and principal.

**“Joinder Agreement”** means the agreement among the Districts and an additional Los Angeles County Sanitation District entered into pursuant to Article IX, pursuant to which such Los Angeles County Sanitation District is added as a party to this Master Obligation Agreement.

**“Joint Administration Agreement”** means (a) the Amended Joint Administration Agreement, effective September 10, 2014, by and among the Districts, District No. 4, District No. 9, District No. 14, District No. 20, District No. 27, NR Sanitation District and SCV Sanitation District, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the terms thereof, and (b) if (i) such Amended Joint Administration Agreement, effective September 10, 2014, has been superseded, replaced or otherwise terminated and is no longer in effect, and (ii) there is in effect a joint administration agreement, joint powers agreement or other agreement, howsoever denominated, among the Los Angeles County Sanitation Districts, governing substantially similar substantive matters with respect to the administration of the Los Angeles County Sanitation Districts as such Amended

Joint Administration Agreement, effective September 10, 2014, such joint administration agreement, joint powers agreement or other agreement among the Los Angeles County Sanitation Districts, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the terms thereof.

**“Joint Outfall Agreement”** means (a) the Joint Outfall Agreement, effective July 1, 2020, among the Joint Outfall Districts, (b) when such Joint Outfall Agreement, effective July 1, 2020, is, on July 1, 2022, superseded by the Joint Outfall Agreement, effective July 1, 2022, among the Joint Outfall Districts, such Joint Outfall Agreement, effective July 1, 2022, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the terms thereof, and (c) if (i) such Joint Outfall Agreement, effective July 1, 2022, has been superseded, replaced or otherwise terminated and is no longer in effect, and (ii) there is in effect a joint outfall agreement, joint powers agreement or other agreement, howsoever denominated, among the Joint Outfall Districts, governing substantially similar substantive matters with respect to the ownership and operation of the Joint Outfall System as such Joint Outfall Agreement, effective July 1, 2022, such joint outfall agreement, joint powers agreement or other agreement among the Joint Outfall Districts, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the terms thereof.

**“Joint Outfall Districts”** means District No. 1, District No. 2, District No. 3, District No. 5, District No. 8, District No. 15, District No. 16, District No. 17, District No. 18, District No. 19, District No. 21, District No. 22, District No. 23, District No. 28, District No. 29, District No. 34, SBC Sanitation District and any other Los Angeles County Sanitation District that joins as a party to the Joint Outfall Agreement.

**“Joint Outfall System”** has the meaning ascribed to such term in the Joint Outfall Agreement.

**“Local Agency Issuer”** means a county, city, town, township, district, authority, agency, public corporation or other governmental entity of any state of the United States, or other political subdivision thereof, established under and pursuant to the laws of such state.

**“Los Angeles County Sanitation Districts”** means District No. 1, District No. 2, District No. 3, District No. 4, District No. 5, District No. 8, District No. 9, District No. 14, District No. 15, District No. 16, District No. 17, District No. 18, District No. 19, District No. 20, District No. 21, District No. 22, District No. 23, District No. 27, District No. 28, District No. 29, District No. 34, NR Sanitation District, SBC Sanitation District, SCV Sanitation District and any other county sanitation district established within the boundaries of the County of Los Angeles, California after the date of this Master Obligation Agreement, which county sanitation district is, pursuant to the Joint Administration Agreement, administered by District No. 2.

**“Master Obligation Agreement”** means this Master Obligation Agreement, dated as of April 1, 2022, by and among the Districts and Zions Bancorporation, National Association, as Master Trustee, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the terms hereof.

**“Master Trustee”** means Zions Bancorporation, National Association, as master trustee under this Master Obligation Agreement, or any successor thereto as Master Trustee hereunder substituted in its place as provided herein.

**“Maximum Reserve Requirement”** means, with respect to any Obligations for which, pursuant to the Obligation Instrument pursuant to which such Obligations are incurred, a Debt Service Reserve Fund is required to be established, as of the date of any calculation, the least of (a) “10% of the proceeds of the issue,” within the meaning of Section 148 of the Code, (b) maximum annual Debt Service on such Obligations, and (c) 125% of average annual Debt Service on such Obligations.

**“Moody’s”** means Moody’s Investors Service, Inc., its successors and assigns, and, if Moody’s Investors Service, Inc., shall for any reason no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other Nationally Recognized Rating Agency designated by the Districts, with respect to the Obligations of which a rating by Moody’s pertains.

**“Nationally Recognized Rating Agency”** means Moody’s, S&P and Fitch, and any other credit rating agency registered with the Securities and Exchange Commission as a nationally recognized statistical rating organization (NRSRO).

**“Net Payment”** means, with respect to a District and a Qualified Swap Agreement to which such District is a party, the amount of the scheduled payment payable by such District on each scheduled payment date under such Qualified Swap Agreement, net of the amount of the scheduled payment payable by the Qualified Swap Counterparty under such Qualified Swap Agreement on such scheduled payment date.

**“Net Proceeds”** means, when used with respect to any insurance, self-insurance or condemnation award, the proceeds from such award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

**“Net Revenues”** means, with respect to a District, for any period (a) the Revenues of such District for such period, less (b) the Operation and Maintenance Costs of such District for such period.

**“Net Subordinate Revenues”** means, with respect to a District, for any period (a) the Net Revenues of such District for such period, less (b) the amount of the deposits, transfers and payments required by paragraphs (i) through (vii) of Section 3.03(c) to be made in such period.

**“NR Sanitation District”** means Newhall Ranch Sanitation District of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“Obligation Acceleration Event”** means, with respect to any Obligations, that, pursuant to the Obligation Instrument pursuant to which such Obligations are incurred, such Obligations have, as a consequence of an Obligation Default Event with respect to such Obligations, been declared to be immediately due and payable.

**“Obligation Default Event”** means, with respect to any Obligations, an “event of default” thereunder or under the Obligation Instrument pursuant to which such Obligations are incurred, as defined, specified or otherwise described in such Obligations or such Obligation Instrument or, if “event of default” is not defined, specified or otherwise described in such Obligations or such Obligation Instrument, the substantively similar event or occurrence, howsoever denominated, defined, specified or otherwise described in or applicable to such Obligations or such Obligation Instrument.

**“Obligation Instrument”** means the Contract, indenture, fiscal agent agreement, trust agreement, or similar instrument, agreement or contract, howsoever denominated, pursuant to which Obligations are issued or incurred.

**“Obligation Trustee”** means, with respect to any Obligations (a) if such Obligations are not Trustee Assigned Obligations, the trustee, fiscal agent or other fiduciary authorized to act for the benefit and on behalf of the Obligee or Obligees with respect to such Obligations, and (b) if such Obligations are Trustee Assigned Obligations, the trustee, fiscal agent or other fiduciary authorized to act for the benefit and on behalf of the Trustee Assigned Obligations Obligee or Trustee Assigned Obligations Obligees with respect to such Trustee Assigned Obligations.

**“Obligations”** means, with respect to a District, its Senior Obligations and Subordinate Obligations.

**“Obligee”** means, with respect to any Obligations (a) if such Obligations are loan payments, installment payments, lease payments, rental payments or similar payments payable under and pursuant to a Contract, and (i) such Obligations are not Trustee Assigned Obligations, the Person or Persons to whom such payments under such Contract are payable, or (ii) such Obligations are Trustee Assigned Obligations, the Trustee Issuer Obligation Obligee with respect to such Trustee Assigned Obligations or, if the context so requires, the Obligation Trustee for such Trustee Assigned Obligations, and (b) if such Obligations are Bonds, the owners of such Bonds, determined in accordance with the Obligation Instrument pursuant to which such Bonds are issued or, if the context so requires, the Obligation Trustee for such Bonds; provided, however, that if Obligations or the Obligation Instrument pursuant to which such Obligations are incurred provide (i) that a Credit Support Provider or a Reserve Guaranty Provider with respect thereto is, for the purposes specified therein, deemed to be the Obligee with respect to such Obligations, or (ii) that, in lieu of the nominal Obligee with respect to such Obligations, a Credit Support Provider or a Reserve Guaranty Provider with respect thereto is entitled to exercise certain rights thereunder or under the Obligation Instrument pursuant to which such Obligations are incurred, such Credit Support Provider or Reserve Guaranty Provider shall, for such purposes or with respect to the exercise of such rights, be deemed to be the Obligee with respect to such Obligations.

**“Operating Fund”** means, with respect to a District, the fund by that name established by such District pursuant to Section 3.02.

**“Operation and Maintenance Costs”** means, with respect to a District, for any period (a) the reasonable and necessary costs expended or incurred by such District for maintaining and operating its Sewerage System, calculated in accordance with Generally Accepted Accounting Principles, including the reasonable expenses of management and repair and other expenses

necessary to maintain and preserve its Sewerage System in good repair and working order, and including salaries and wages of employees, payments to its employee retirement systems (to the extent paid from Revenues of such District), overhead, insurance, taxes if any, fees of auditors, accountants, attorneys or engineers and insurance premiums, and (b) Administrative Costs and scheduled periodic fees, but not Debt Service, Reimbursement Obligations or reimbursements payable pursuant to any Reserve Guaranty, payable to an Obligee pursuant to an Obligation Instrument to which such District is a party in consideration of such Obligee's making, or standing ready to make, advances or draws thereunder available to such District pursuant to the provisions of such Obligation Instrument or, with respect to an Obligee that is a Credit Support Provider, such Obligee's standing ready to provide moneys necessary for payment to the Owners of the Credit Enhanced Obligations, the Debt Service payments on which are secured by a Credit Support Instrument between such District and such Credit Support Provider, but excluding in all cases (i) depreciation, replacement and obsolescence charges or reserves therefor, (ii) amortization of intangibles or other bookkeeping entries of a similar nature, (iii) costs of capital additions, replacements, betterments, extensions or improvements to its Sewerage System that, under Generally Accepted Accounting Principles, are chargeable to a capital account or to a reserve for depreciation, and (iv) charges for the payment of any Debt Service on Obligations of such District.

**“Opinion of Bond Counsel”** means a written opinion of Bond Counsel.

**“Opinion of Counsel”** means a written opinion of a reputable and qualified firm of attorneys.

**“Outstanding”** means, as of any particular time (a) with reference to Contracts, any of such Contracts (i) that, as of such time, has not expired, terminated or been discharged by its terms or by mutual agreement of the parties thereto, and (ii) as of such time, all or any part of the Obligations payable pursuant thereto have not, in accordance with the provisions thereof, been paid or deemed to be paid or otherwise been discharged, defeased or extinguished, and (b) with reference to Bonds, any of such Bonds defined, specified, prescribed, determined or deemed, as of such time, to be Outstanding pursuant to the provisions of the Obligation Instrument pursuant to which such Bonds are issued.

**“Permitted Investments”** means, with respect to a District:

(a) United States Treasury notes, bonds, bills or certificates of indebtedness, or obligations of, or obligations guaranteed directly or indirectly by, the United States of America or securities or other instruments evidencing ownership interests in such obligations or in specified portions of the interest on or principal of such obligations;

(b) Obligations issued by the Federal Home Loan Bank Board, Federal Home Loan Mortgage Corporation or the Tennessee Valley Authority, or (ii) obligations, participations or other instruments of or issued by, or fully guaranteed as to interest and principal, the Federal National Mortgage Association (excluding stripped mortgage backed securities which are valued at greater than par on the unpaid principal), or (iii) guaranteed portions of Small Business Administration notes, or (iv) obligations, participations or other instruments of or issued by a federal agency or a United States of America government-sponsored enterprise;

(c) Commercial paper at the time of investment of “prime” quality of the highest ranking or of the highest letter and numerical rating as provided by Moody’s and S&P, which commercial paper is limited to issuing authorities that are organized and operating within the United States of America and that have total assets in excess of \$500,000,000 and that have an “A” or higher rating for the issuer’s unsecured debentures, other than commercial paper, as provided by Moody’s and S&P; provided that purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10% of the outstanding commercial paper of an issuing authority;

(d) Certificates of deposit, whether negotiable or non-negotiable, issued by a state or national bank (including the Master Trustee, its parent and their affiliates) or a state or federal savings and loan association, provided that such certificates of deposit shall be either (i) continuously and fully insured by the Federal Deposit Insurance Corporation, or (ii) have maturities of not more than 365 days and issued by any state or national bank or a state or federal savings and loan association, the short term obligations of which are rated in the highest short term letter and numerical rating category by Moody’s and S&P;

(e) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers’ acceptances, which are eligible for purchase by the Federal Reserve System. Purchases of banker’s acceptances may not exceed 270 days maturity;

(g) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State of California or of any political subdivision or public agency thereof which are in the highest short-term rating category or within one of the three highest long term rating categories of Moody’s and S&P (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(h) For amounts less than \$10,000: interest-bearing demand or time deposits (including certificates of deposit) in a nationally or state-chartered bank, or state or federal savings and loan association in the State of California, fully insured by the Federal Deposit Insurance Corporation, including the Master Trustee, its parent and their affiliates;

(i) Investments in taxable money market funds or portfolios restricted to obligations maturing in one year or less and which funds or portfolios are rated in either of the two highest rating categories by Moody’s or S&P, or have or are portfolios guaranteed as to payment of principal and interest by the full faith and credit of the United States of America including funds for which the Master Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Master Trustee or such holding company provide investment advisory or other management services;

(j) Guaranteed investment contracts or funding agreements with insurance companies, rated “Aa” and “AA” as to claims paying ability by Moody’s and S&P, respectively, such agreements with securities dealers, commercial banks or insurance companies, the long term unsecured obligations of which are rated within one of the three highest long term rating categories of Moody’s and S&P, or such agreements the obligations of such securities dealers, commercial banks or insurance companies under which are guaranteed by a Person the long term unsecured

obligations of which are rated within one of the three highest long term rating categories of Moody's and S&P;

(k) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "Aa3" by Moody's and "AA-" by S&P; provided, that, by the terms of the investment agreement:

(i) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice;

(ii) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(iii) such District receive the opinion of domestic counsel that such investment agreement is legal, valid and binding and enforceable against the provider in accordance with its terms and of foreign counsel (if applicable);

(iv) the investment agreement shall provide that if during its term (i) the provider's rating by either Moody's or S&P falls below "Aa3" or "AA-," respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (A) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the a holder of the collateral, collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to Moody's and S&P to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (B) repay the principal of and accrued but unpaid interest, on the investment, and (ii) the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A3" or "A-," respectively, the provider must, at the direction of such District, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to or upon the order of such District;

(v) the investment agreement shall state, and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the holder of collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the holder of collateral is in possession); and

(vi) the investment agreement shall provide that if during its term (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of such District, be accelerated and amounts

invested and accrued but unpaid interest thereon shall be repaid to or upon the order of such District, and (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc., the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to or upon the order of such District;

(n) Any other investments permitted by Section 53600, *et seq.*, of the California Government Code, as amended.

**“Person”** means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

**“Primary Reimbursement Obligations”** means, with respect to a District, for any period, with respect to Reimbursement Obligations of such District required, pursuant to the Credit Support Agreement under which such Reimbursement Obligations arose, to be reimbursed or repaid during such period, that portion of such Reimbursement Obligations that is not in excess of the regularly scheduled Debt Service on the Obligations of such District with respect to which such Reimbursement Obligations arose, assuming, for such purpose, that such Obligations bear interest during such period at the interest rate specified in, or determined pursuant to, such Credit Support Agreement.

**“Principal Payment Dates”** means, with respect to any Obligations (a) if such Obligations are comprised of separate payments of interest and principal, the dates on which, pursuant to the Obligation Instrument pursuant to which such Obligations are incurred, principal of such Obligations is scheduled to be paid in accordance with the maturity, principal payment, amortization or similar schedule for such Obligations, including mandatory redemptions or prepayments that are, or are equivalent to, sinking fund redemptions or prepayments, and (b) if such Obligations are not comprised of separate payments of interest and principal, the dates on which, pursuant to the Obligation Instrument pursuant to which such Obligations are incurred, the loan payments, installment payments, lease payments, rental payments or similar payments are payable by such District under and pursuant to such Obligation Instrument.

**“Project”** means, with respect to a District (a) capital additions, replacements, betterments, extensions or improvements to the Sewerage System of such District, (b) working capital of such District, (c) unfunded accrued actuarial liability of such District, and (d) any other capital item or expense that may lawfully be financed or refinanced by such District, the costs of which are, or are to be, financed or refinanced by Obligations of such District.

**“Qualified Swap Agreement”** means, with respect to a District, a Swap Agreement to which such District and a Qualified Swap Counterparty are parties, entered into with respect to Obligations of such District.

**“Qualified Swap Counterparty”** means a counterparty to a Swap Agreement that (a) if such Swap Agreement is entered into with respect to Senior Obligations of a District (i) is a Person that is a bank or other financial institution, (ii) the senior long-term obligations of which, or the obligations of which are guaranteed by a bank or other financial institution, the long-term

obligations of which, are rated “Aa” or “AA,” or the equivalent thereof, or better by a Nationally Recognized Rating Agency, such ratings to be determined without regard to any subcategory or modifier, and (iii) the payment obligations of such Person under such Swap Agreement, or the payment obligations of such guarantor of the payment obligations of such Person under such Swap Agreement, are on a parity with the long-term senior debt obligations of such Person or guarantor, as applicable, or (b) if such Swap Agreement is entered into with respect to Subordinate Obligation of a District (i) is a Person that is a bank or other financial institution, (ii) the senior long-term obligations of which, or the obligations of which are guaranteed by a bank or other financial institution, the long-term obligations of which, are rated “A,” or the equivalent thereof, or better by a Nationally Recognized Rating Agency, such ratings to be determined without regard to any subcategory or modifier, and (iii) the payment obligations of such Person under such Swap Agreement, or the payment obligations of such guarantor of the payment obligations of such Person under such Swap Agreement, are on a parity with the long-term senior debt obligations of such Person or guarantor, as applicable.

**“Rate Stabilization Fund”** means, with respect to a District, if such District has established a fund by that name pursuant to Section 3.02, such fund.

**“Reimbursement Obligations”** means, with respect to a District, for any period, the obligation of such District to reimburse or repay during such period, pursuant to the terms of Credit Support Agreement between such District and a Credit Support Provider entered into with respect to Credit Enhanced Obligations of such District, amounts advanced by such Credit Support Provider under the Credit Support Instrument issued pursuant to such Credit Support Agreement.

**“Reserve Guaranty”** means (a) with respect to any Senior Obligations (i) a policy of municipal bond insurance or surety bond issued by a municipal bond insurer or a letter of credit issued by a bank or other financial institution, which policy, surety or letter of credit is provided in order to satisfy all or a portion of the Reserve Requirement for such Senior Obligations, provided that (A) if such Reserve Guaranty is a policy of municipal bond insurance or surety bond, at the time of issuance of such policy or surety the obligations insured by the insurer issuing such policy or surety are rated “Aa” or “AA,” or the equivalent thereof, or better by a Nationally Recognized Rating Agency, such ratings to be determined without regard to any subcategory or modifier, and (B) if such Reserve Guaranty is a letter of credit, at the time of issuance of such letter of credit, the long-term obligations of the bank or other financial institution issuing such letter of credit are rated “Aa” or “AA,” or the equivalent thereof, or better by a Nationally Recognized Rating Agency, such ratings to be determined without regard to any subcategory or modifier, and (b) with respect to any Subordinate Obligations (i) a policy of municipal bond insurance or surety bond issued by a municipal bond insurer or a letter of credit issued by a bank or other financial institution, which policy, surety or letter of credit is provided in order to satisfy all or a portion of the Reserve Requirement for such Subordinate Obligations, provided that (A) if such Reserve Guaranty is a policy of municipal bond insurance or surety bond, at the time of issuance of such policy or surety the obligations insured by the insurer issuing such policy or surety are rated “A,” or the equivalent thereof, or better by a Nationally Recognized Rating Agency, such ratings to be determined without regard to any subcategory or modifier, and (B) if such Reserve Guaranty is a letter of credit, at the time of issuance of such letter of credit, the long-term obligations of the bank or other financial institution issuing such letter of credit are rated “A,” or the equivalent thereof, or better

by a Nationally Recognized Rating Agency, such ratings to be determined without regard to any subcategory or modifier.

**“Reserve Guaranty Agreement”** means, with respect to a Reserve Guaranty provided in order to satisfy all or a portion of the Reserve Requirement for Obligations of a District, the agreement or agreements, which may be the Reserve Guaranty itself, between such District and the Reserve Guaranty Provider that issues such Reserve Guaranty providing for the reimbursement to such Reserve Guaranty Provider for draws under, or amounts advanced or otherwise made available pursuant to, such Reserve Guaranty.

**“Reserve Guaranty Provider”** means, with respect to any Obligations, the municipal bond insurer, bank or other financial institution that is the issuer of a Reserve Guaranty provided in order to satisfy all or a portion of the Reserve Requirement for such Obligations.

**“Reserve Requirement”** means, with respect to any Obligations for which, pursuant to the Obligation Instrument pursuant to which such Obligations are incurred, a Debt Service Reserve Fund is required to be established, the amount specified in such Obligation Instrument as the amount required to be maintained on deposit in such Debt Service Reserve Fund, which amount shall not exceed the Maximum Reserve Requirement.

**“Revenues”** means, with respect to a District, for any period, all income and revenue received by such District from the operation or ownership of such District’s Sewerage System, determined in accordance with Generally Accepted Accounting Principles, including all rates and charges received by such District for the services of its Sewerage System, investment income (to the extent generally available to pay costs with respect to its Sewerage System) and all other money howsoever derived by such District from the operation or ownership of its Sewerage System or arising from its Sewerage System, including the ad valorem property taxes received by such District during such period pursuant to Article XIII A of the Constitution of the State of California and Section 95 et seq. of the California Revenue and Taxation Code, but excluding (a) payments received under Qualified Swap Agreements, (b) refundable deposits made to establish credit, (c) advances or contributions in aid of construction, and (d) ad valorem property taxes levied to pay any voter approved general obligation indebtedness of such District.

**“S&P”** means S&P Global Ratings, a business unit of Standard and Poor’s Financial Services, LLC, its successors and assigns, and, if S&P Global Ratings shall for any reason no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other Nationally Recognized Rating Agency designated by the Districts, with respect to the Obligations of which a rating by S&P pertains.

**“SBC Sanitation District”** means South Bay Cities Sanitation District of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“SCV Sanitation District”** means Santa Clarita Valley Sanitation District of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“Senior Bonds”** means, with respect to a District, all bonds and notes, including bond anticipation notes and commercial paper notes, and other substantively similar evidences of indebtedness of such District, howsoever denominated (a) issued in accordance with and subject to the provisions of Section 4.01, (b) designated as Senior Obligations in the Obligation Instrument pursuant to which such bonds, notes or evidences of indebtedness are issued, and (c) authorized, executed, issued and delivered under and pursuant to applicable law; provided, however, that the term “Senior Bonds” does not include (i) any promissory note executed and delivered by such District that evidences such District’s obligations under a Contract, or (ii) any voter approved general obligation indebtedness of such District.

**“Senior Contracts”** means, with respect to a District, all Credit Support Agreements, Qualified Swap Agreements, loan agreements, credit agreements, credit facilities, lines of credit, installment purchase agreements, installment sales agreements, financing leases or other substantively similar agreements or contracts of such District, howsoever denominated, including any promissory note executed and delivered by such District that evidences such District’s obligations under any such loan agreement, credit agreement, credit facility, line of credit or other such agreement or contract of such District substantively similar thereto (i) each of which is entered into in accordance with and subject to the provisions of Section 4.01, (ii) the Obligations with respect to each of which are designated, in such Credit Support Agreement, Qualified Swap Agreement, loan agreement, credit agreement, credit facility, line of credit, installment purchase agreement, installment sales agreement, lease or similar agreement or contract, as applicable, as Senior Obligations, and (iii) each of which is authorized, executed and delivered under and pursuant to applicable law.

**“Senior Debt Service Coverage Ratio”** means, with respect to a District, for any Fiscal Year, the ratio of (a) Adjusted Net Revenues for such period, to (b) Debt Service on the Outstanding Senior Obligations of such District for such Fiscal Year.

**“Senior Obligation Instruments”** means, with respect to a District (a) the Senior Contracts of such District or, if the context so requires, the instrument, agreement or contract pursuant to which interests in the Obligations under any such Senior Contract are created, and (b) the indenture, trust agreement, fiscal agent agreement or similar instrument, agreement or contract, howsoever denominated, pursuant to which Senior Bonds of such District are issued.

**“Senior Obligation Payment Fund”** means, with respect to a District, the fund by that name established by such District pursuant to Section 3.02.

**“Senior Obligations”** means, with respect to a District (a) the loan payments, installment payments, lease payments, rental payments or similar payments of interest and principal or, if there are no separate payments of interest and principal, the loan payments, installment payments, lease payments, rental payments or similar payments payable by such District under and pursuant to Senior Contracts of such District, (b) Senior Bonds of such District and the interest and principal payments payable by such District under and pursuant to such Senior Bonds, (c) Reimbursement Obligations of such District payable by such District under and pursuant to Credit Support Agreements of such District entered into with respect to Credit Enhanced Obligations of such District that are Senior Obligations, and (d) Net Payments, but not Termination Payments, payable

by such District under and pursuant to Qualified Swap Agreements of such District entered into with respect to Senior Obligations of such District.

**“Sewage Unit”** means, for any period, the anticipated average daily quantity of sewage (wastewater) flow and strength from a typical single-family home measured in terms of flow, chemical oxygen demand and suspended solids, as more particularly defined and established in the Joint Outfall Agreement.

**“Sewerage System”** means, with respect to a District, the whole and each and every part of the wastewater collection, conveyance, treatment, disposal and administrative facilities of such District, including such District’s ownership interest, if any, pursuant to the Joint Administration Agreement, such District’s ownership interest, if any, pursuant to the Joint Outfall Agreement, such District’s ownership interest, if any, pursuant to a City of Los Angeles Agreement, all real and personal property, or any interest therein, constituting a part thereof and all additions, improvements, betterments and extensions thereto whether presently existing or hereafter acquired, constructed or installed.

**“Shared Project”** means, collectively, the Projects of Districts that are members of a Shared Project Group, the costs of which are, or are to be, financed or refinanced by Shared Project Obligations with respect to which such Districts are the Shared Project Group; provided, however, that if such Shared Project is a Supported Project, such Shared Project shall consist only of capital additions, replacements, betterments, extensions or improvements to the Sewerage Systems of the Districts that are members of such Shared Project Group.

**“Shared Project Group”** means, with respect to any Shared Project Obligations, the Districts that are party to the Obligation Instrument pursuant to which such Shared Project Obligations are incurred.

**“Shared Project Obligations”** means Obligations incurred pursuant to an Obligation Instrument pursuant to which Obligations of two or more Districts are incurred for the purpose of financing or refinancing a Shared Project.

**“Shared Project Percentage”** means, with respect to a Shared Project and a District that is a member of the Shared Project Group with respect to the Shared Project Obligations by which such Shared Project is financed or refinanced, the percentage, specified in decimal form, of the costs of such Shared Project for which such District is to be responsible, which Shared Project Percentage with respect to such District shall be set forth in the Obligation Instrument pursuant to which such Shared Project Obligations are incurred; provided, however, that (a) if such Shared Project Group consists of all of, and only, the Districts that are Joint Outfall Districts, and (b) if so specified in the Obligation Instrument pursuant to which such Shared Project Obligations are incurred, the Shared Project Percentage of each such Joint Outfall District, for any period, shall be equal to the percentage, specified in decimal form, of the quotient of (i) the number of Sewage Units attributable to such Joint Outfall District for such period, divided by (ii) the aggregate number of Sewage Units attributable to all of the Joint Outfall Districts for such period (which methodology for determining such Shared Project Percentage conforms to the methodology by which costs of the Joint Outfall System are allocated among the Joint Outfall Districts pursuant to the Joint Outfall Agreement), and (c) there may be excluded from the references in this proviso to

“Joint Outfall District” and “Joint Outfall Districts” (other than the reference to “Joint Outfall Districts” within the parenthetical in clause (b), above) any Joint Outfall District, the Sewerage System of which is not in active operation on the date that the Obligation Instrument pursuant to which such Shared Project Obligations are incurred is entered into.

“**Short-Term Obligations**” means, with respect to a District, Obligations of such District having an original maturity of less than or equal to one year and that are not renewable at the option of such District for a term greater than one year beyond the date of original incurrence.

“**State**” means the State of California.

“**Subordinate Bonds**” means, with respect to a District, all bonds and notes, including bond anticipation notes and commercial paper notes, and other substantively similar evidences of indebtedness of such District, howsoever denominated (a) issued in accordance with and subject to the provisions of Section 4.02, (b) designated as Subordinate Obligations in the Obligation Instrument pursuant to which such bonds, notes or evidences of indebtedness are issued, and (c) authorized, executed, issued and delivered under and pursuant to applicable law; provided, however, that the term “Subordinate Bonds” does not include (i) any promissory note executed and delivered by such District that evidences such District’s obligations under a Contract, or (ii) any voter approved general obligation indebtedness of such District.

“**Subordinate Contracts**” means, with respect to a District, all Credit Support Agreements, Qualified Swap Agreements, loan agreements, credit agreements, credit facilities, lines of credit, installment purchase agreements, installment sales agreements, financing leases or other substantively similar agreements or contracts of such District, howsoever denominated, including any promissory note executed and delivered by such District that evidences such District’s obligations under any such loan agreement, credit agreement, credit facility, line of credit or other such agreement or contract of such District substantively similar thereto (a) each of which is entered into in accordance with and subject to the provisions of Section 4.02, (b) the Obligations with respect to each of which are designated, in such Credit Support Agreement, Qualified Swap Agreement, loan agreement, credit agreement, credit facility, line of credit, installment purchase agreement, installment sales agreement, lease or similar agreement or contract, as applicable, as Subordinate Obligations, and (c) each of which is authorized, executed and delivered under and pursuant to applicable law.

“**Subordinate Obligation Instruments**” means, with respect to a District (a) the Subordinate Contracts of such District or, if the context so requires, the instrument, agreement or contract pursuant to which interests in the Obligations under any such Subordinate Contract are created, and (b) the indenture, trust agreement, fiscal agent agreement or similar instrument, agreement or contract, howsoever denominated, pursuant to which Subordinate Bonds of such District are issued.

“**Subordinate Obligation Payment Fund**” means, with respect to a District, the fund by that name established by such District pursuant to Section 3.02.

“**Subordinate Obligations**” means, with respect to a District (a) the loan payments, installment payments, lease payments, rental payments or similar payments of interest and

principal or, if there are no separate payments of interest and principal, the loan payments, installment payments, lease payments, rental payments or similar payments payable by such District under and pursuant to Subordinate Contracts of such District, (b) Subordinate Bonds of such District and the interest and principal payments payable by such District under and pursuant to such Subordinate Bonds, (c) Reimbursement Obligations of such District payable by such District under and pursuant to Credit Support Agreements of such District entered into with respect to Credit Enhanced Obligations of such District that are Subordinate Obligations, and (d) Net Payments, but not Termination Payments, payable by such District under and pursuant to Qualified Swap Agreements of such District entered into with respect to Subordinate Obligations of such District.

**“Support Group”** means, with respect to any Supported Obligations, the Districts that are party to the Obligation Instrument pursuant to which such Supported Obligations are incurred.

**“Support Payments”** means (a) with respect to any Supported Obligations that are Senior Obligations, the payments that each District that is a member of the Support Group with respect to such Supported Obligations is required, pursuant to the provisions of Section 3.04(a), to make to any other District that is a member of such Support Group (being a Supported District) in any month in which such Supported District has, in accordance with Section 3.04(a), notified each other District that is a member of such Support Group (i) that such Supported District has determined that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations in the then current month, and (ii) of the amount of such Supported Obligations Deficit Amount, and (b) with respect to any Supported Obligations that are Subordinate Obligations, the payments that each District that is a member of the Support Group with respect to such Supported Obligations is required, pursuant to the provisions of Section 3.04(b), to make to any other District that is a member of such Support Group (being a Supported District) in any month in which such Supported District has, in accordance with Section 3.04(b), notified each other District that is a member of such Support Group (i) that such Supported District has determined that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations in the then current month, and (ii) of the amount of such Supported Obligations Deficit Amount.

**“Supported District”** means (a) with respect to Supported Obligations that are Senior Obligations, a District (i) that is a member of a Support Group with respect to such Supported Obligations, (ii) that has determined that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations in the then current month, and (iii) that has, in accordance with Section 3.04(a), notified each other District that is a member of such Support Group (A) that such District has determined that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations in such month, and (B) of the amount of such Supported Obligations Deficit Amount, and (b) with respect to Supported Obligations that are Subordinate Obligations, a District (i) that is a member of a Support Group with respect to such Supported Obligations, (ii) that has determined that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations in the then current month, and (iii) that has, in accordance with Section 3.04(b), notified each other District that is a member of such Support Group (A) that such District has determined that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations in such month, and (B) of the amount of such Supported Obligations Deficit Amount.

**“Supported Obligations”** means, with respect to any Obligations (a) if such Obligations are Senior Obligations (i) such Senior Obligations are Shared Project Obligations, and (ii) pursuant to the provisions of Section 3.04(a), each District party to the Obligation Instrument pursuant to which such Shared Project Obligations are incurred agrees to make Support Payments to each other District party thereto, if and as required pursuant to the provisions of said Section, and (b) if such Obligations are Subordinate Obligations (i) such Subordinate Obligations are Shared Project Obligations, and (ii) pursuant to the provisions of Section 3.04(b), each District party to the Obligation Instrument pursuant to which such Shared Project Obligations are incurred agrees to make Support Payments to each other District party thereto, if and as required pursuant to the provisions of said Section.

**“Supported Obligations Deficit Amount”** means (a) with respect to any Supported Obligations of a District that are Senior Obligations, for any month, the remainder of (i) the Supported Obligations Transfer Amount for such month in respect of such Supported Obligations, minus (ii) the amount of Net Revenues that such District will have available to transfer to such District’s Senior Obligation Payment Fund in respect of such Supported Obligations in accordance with paragraph (i) of Section 3.03(c); provided, however, that such Supported Obligations Deficit Amount shall not be less than zero, and (b) with respect to any Supported Obligations of a District that are Subordinate Obligations, for any month, the remainder of (i) the Supported Obligations Transfer Amount for such month in respect of such Supported Obligations, minus (ii) the amount of Net Revenues that such District will have available to transfer to such District’s Subordinate Obligation Payment Fund in respect of such Supported Obligations in accordance with paragraph (vii) of Section 3.03(c); provided, however, that such Supported Obligations Deficit Amount shall not be less than zero.

**“Supported Obligations Transfer Amount”** means (a) with respect to any Supported Obligations of a District that are Senior Obligations, for any month, the amount of Net Revenues of such District required, pursuant to paragraph (i) of Section 3.03(c), to be transferred by such District from its Operating Fund to its Senior Obligation Payment Fund in respect of such Supported Obligations, and (b) with respect to any Supported Obligations of a District that are Subordinate Obligations, for any month, the amount of Net Revenues of such District required, pursuant to paragraph (vii) of Section 3.03(c), to be transferred by such District from its Operating Fund to its Subordinate Obligation Payment Fund in respect of such Supported Obligations.

**“Supported Project”** means a Shared Project that is financed or refinanced by Supported Obligations.

**“Supporting Districts”** means (a) with respect to Supported Obligations that are Senior Obligations, the Districts (i) that are members of the Support Group with respect to such Supported Obligations, (ii) that have, in accordance with Section 3.04(a), been notified by another District that is a member of such Support Group (A) that such notifying District has determined that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations in the then current month, and (B) of the amount of such Supported Obligations Deficit Amount, and (b) with respect to Supported Obligations that are Subordinate Obligations, the Districts (i) that are members of a Support Group with respect to such Supported Obligations, (ii) that have, in accordance with Section 3.04(b), been notified by another District that is a member of such Support Group (A) that such notifying District has determined that it will have a Supported Obligations

Deficit Amount in respect of such Supported Obligations in the then current month, and (B) of the amount of such Supported Obligations Deficit Amount.

**“Surplus Fund”** means, with respect to a District, the fund by that name established by such District pursuant to Section 3.02.

**“Swap Agreement”** means, with respect to a District (a) an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, futures contract or arrangement entered into by such District with respect to any Obligations of such District providing for payment based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, (b) an agreement, contract or arrangement entered into by such District with respect to any Obligations of such District to exchange cash flows or a series of payments, (c) an agreement, contract or arrangement entered into by such District with respect to any Obligations of such District, including interest rate floors or caps, options, rates or calls, to hedge payment, currency, rate, spread, or similar exposure, or (d) a similar agreement, contract or arrangement entered into by such District with respect to any Obligations of such District for similar hedging purposes.

**“Tax-Exempt”** means, with respect to any Obligations, that interest on such Obligations is excluded from gross income of the owners thereof for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax, under the Code.

**“Termination Payment”** means, with respect to a District and a Qualified Swap Agreement to which such District is a party, the amount payable by such District as a result of the termination of such Qualified Swap Agreement prior to its scheduled expiration or termination date.

**“Trustee Assigned Obligations”** means Obligations that (a) are transferred or assigned, or substantially all of the material rights in and to which are transferred or assigned, to an Obligation Trustee, and (b) pursuant to the Trusteed Obligation Instrument to which such Obligation Trustee is a party, or under and pursuant to which such Obligation Trustee is acting as trustee (i) are applied to the payment of debt service on Trusteed Issuer Obligations, or (ii) interests in which, or evidences of such interest, are issued, executed and delivered or otherwise created pursuant to such Trusteed Obligation Instrument.

**“Trustee Assigned Obligations Obligee”** means, with respect to Trustee Assigned Obligations, the owners of the Trusteed Issuer Obligations with respect to such Trustee Assigned Obligations, determined in accordance with the Trusteed Obligation Instrument pursuant to which such Trusteed Issuer Obligations are issued, executed and delivered or otherwise created.

**“Trusteed Issuer Obligations”** means, with respect to Trustee Assigned Obligations (a) the bonds and notes, including bond anticipation notes and commercial paper notes, and other substantively similar evidences of indebtedness issued or executed and delivered by a Local Agency Issuer, or another Person other than a District, the debt service on which is payable from such Trustee Assigned Obligations, and (b) the certificates of participation, receipts or other

evidences of interest issued, executed and delivered or otherwise created pursuant to a Trustee Obligation Instrument evidencing interests in such Trustee Assigned Obligations.

**“Trusteed Obligation Instrument”** means the indenture, fiscal agent agreement, trust agreement or similar instrument, agreement or contract, howsoever denominated, pursuant to which Trusteed Issuer Obligations are issued, executed and delivered or otherwise created.

**“Variable Rate Obligations”** means any portion of any Obligations the interest rate on which is not established at the time of incurrence of such Obligations and has not, at some subsequent date, been established at a rate that is not subject to fluctuation or subsequent adjustment.

**“Written Certificate”** and **“Written Request”** mean (a) with respect to a District, a written certificate or written request, respectively, signed in the name of such District by an Authorized Representative of such District, and (b) with respect to the Districts, a written certificate or written request, respectively, signed in the name of District No. 2 by an Authorized Representative of District No. 2. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

**Section 1.02. Rules of Construction.** (a) The terms defined herein expressed in the singular shall, unless the context otherwise indicates, include the plural and vice versa.

(b) The use herein of the masculine, feminine or neuter gender is for convenience only and shall be deemed and construed to include correlative words of the masculine, feminine or neuter gender, as appropriate.

(c) References herein to a document shall include all amendments, supplements or other modifications to such document, and any replacements, substitutions or novation of, that document.

(d) Any term defined herein by reference to another document shall continue to have the meaning ascribed thereto whether, or not such other document remains in effect.

(e) The use herein of the words “including” and “includes,” and words of similar import, shall be deemed to be followed by the phrase “without limitation.”

(f) Headings of Articles and Sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(g) All references herein to designated “Articles,” “Sections,” “Exhibits,” “subsections,” “paragraphs,” “clauses,” and other subdivisions are to the designated Articles, Sections, Exhibits, subsections, paragraphs, clauses, and other subdivisions of this Master Obligation Agreement.

(h) The words “hereof” (except when preceded by a specific Section or Article reference), “herein,” “hereby,” “hereunder,” “hereinabove,” “hereinafter,” and other equivalent

words and phrases used herein refer to this Master Obligation Agreement and not solely to the particular portion hereof in which any such word is used.

(i) The term “incur,” with respect to any Obligations, shall, as is appropriate in the context, mean the incurrence, the issuance, the creation the entering into an agreement or contract for or with respect to and any other act pursuant to or as a result of which a Person may become obligated with respect to, bound by or subject to the provisions of any Obligations.

**Section 1.03. Equal Security.** In consideration of entering into Obligation Instruments with, or purchasing the Obligations of, a District, this Master Obligation Agreement shall be deemed to be and shall constitute a contract among such District, the Master Trustee and the Obligees with respect to the Obligations of such District then Outstanding to secure the payment of such Obligations, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements and covenants set forth herein to be performed by or on behalf of such District shall be for the equal and proportionate benefit, protection and security of all Obligees with respect to the Obligations of such District without distinction, preference or priority as to security or otherwise of any such Obligations over any other of such Obligations by reason of the date thereof or the time of authorization, execution, issuance or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

## ARTICLE II

### REPRESENTATIONS OF THE DISTRICTS

**Section 2.01. Representations of the Districts.** Each District makes the following representations:

(a) such District is a county sanitation district organized and existing under the laws of the State;

(b) such District has full legal right, power and authority to enter into this Master Obligation Agreement and carry out its obligations hereunder and to carry out and consummate all transactions contemplated by this Master Obligation Agreement, and such District has complied with the provisions of applicable law in all matters relating to such transactions;

(c) by proper action, such District has duly authorized the execution, delivery and due performance of this Master Obligation Agreement;

(d) this Master Obligation Agreement has been duly executed and delivered by such District and constitutes the legal, valid and binding agreement of such District enforceable in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases;

(e) no consent or approval of any trustee or holder of any indebtedness of such District or any guarantor of indebtedness of, or credit provider of such District, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority was or is necessary in connection with the execution and delivery of this Master Obligation Agreement by such District, the consummation of any transaction herein contemplated or the fulfillment of or compliance with the terms and conditions hereof, except as have been obtained or made and as are in full force and effect;

(f) the execution and delivery of this Master Obligation Agreement and the consummation of the transactions herein contemplated will not violate, in a manner that would materially adversely affect such District's ability to perform its obligations hereunder, any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which such District is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default, with due notice or the passage of time or both, under any such indenture, agreement or other instrument, which conflict, breach or default would materially adversely affect such District's ability to perform its obligations hereunder, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of such District, which lien, charge or encumbrance would materially adversely affect such District's ability to perform its obligations hereunder; and

(g) there is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of such District, after reasonable investigation, threatened, against or affecting such District or the assets, properties or operations of such District that, if determined adversely to such District or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, this Master Obligation Agreement, or upon the financial condition, assets, properties or operations of such District, and such District is not in default (and no event has occurred and is continuing that with the giving of notice or the passage of time or both would constitute a default) with respect to any judgment, order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Master Obligation Agreement, or the financial condition, assets, properties or operations of such District.

## ARTICLE III

### PLEDGES; SPECIAL OBLIGATIONS; FUNDS AND ACCOUNTS

**Section 3.01. Pledges; Special Obligations.** (a) Subject only to the provisions of this Master Obligation Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein, each District, in order to secure the payment of its Senior Obligations, the Obligation Instruments pursuant to which such Senior Obligations are incurred and this Master Obligation Agreement, and to secure the performance and observance of all of the covenants and agreements of such District contained therein and herein, hereby grants a lien on and a security interest in, and pledges to and for the benefit of the Obligees with respect to its Senior Obligations, all of its Revenues and any other amounts held in its Operating Fund and Senior Obligation Payment Fund (but not any such Revenues or other amounts held in its Subordinate Obligation Payment Fund, Rate Stabilization Fund or Surplus Fund). Said pledge of each District shall constitute a first lien on and security interest in such assets of such District, which shall immediately attach to such assets and be effective, binding and enforceable against such District, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, this Master Obligation Agreement, irrespective of whether such parties have notice of the lien on, security interest in and pledge of such assets and without the need for any physical delivery, recordation, filing or further act.

(b) A District may, in connection with the incurrence of Subordinate Obligations of such District, subject only to the provisions of this Master Obligation Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein, in order to secure the payment of its Subordinate Obligations, the Obligation Instruments pursuant to which such Subordinate Obligations are incurred and this Master Obligation Agreement, and to secure the performance and observance of all of the covenants and agreements of such District contained therein and herein, grant a lien on and a security interest in, and pledge to and for the benefit of the Obligees with respect to such Subordinate Obligations, its Revenues and any other amounts held in its Operating Fund and Subordinate Obligation Payment Fund (but not any such Revenues or other amounts held in its Senior Obligation Payment Fund, Rate Stabilization Fund or Surplus Fund); provided, however, that such lien, security interest and pledge shall be subordinate and junior in all respects to the lien on, security interest in and pledge of all of the Revenues of such District and any other amounts held in its Operating Fund securing the payment of such District's Senior Obligations made and created by such District pursuant to subsection (a) of this Section.

(c) The Senior Obligations of a District are special, limited obligations of such District payable, in the manner provided herein, solely from such District's Net Revenues and the other assets pledged to the payment thereof hereunder, and do not constitute a debt of such District or the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction. The Subordinate Obligations of a District are special, limited obligations of such District payable, in the manner provided herein, solely from such District's Net Revenues and the other assets pledged to the payment thereof hereunder remaining after payment therefrom of such District's Senior Obligations, and do not constitute a debt of such District or the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction. Neither the faith and credit nor the taxing power of a District or the State or any political subdivision thereof is pledged to the payment of such District's Obligations.

**Section 3.02. Establishment of Funds.** (a) Subject to the provisions of subsection (b) of this Section, each District shall establish and maintain within its treasury, so long as any of its Obligations remain Outstanding, the following funds:

- (i) Operating Fund;
- (ii) Senior Obligation Payment Fund;
- (iii) Subordinate Obligation Payment Fund;
- (iv) Rate Stabilization Fund;
- (v) Surplus Fund; and
- (vi) Capital Improvement Fund.

(b) Notwithstanding the provisions of subsection (a) of this Section, a District need not establish a Subordinate Obligation Payment Fund unless and until it has incurred Subordinate Obligations, and a District need only establish a Rate Stabilization Fund if and when it deems the establishment of such fund to be necessary or appropriate for the management of its financial affairs.

(c) Each District may establish such additional funds and accounts within its treasury as it deems necessary or appropriate for the management of its financial affairs.

**Section 3.03. Allocation of Revenues.** (a) Each District, in order to carry out and effectuate such District's pledge contained in Section 3.01, shall deposit in its Operating Fund all of such District's Revenues as and when received.

(b) Each District shall pay from such District's Operating Fund all of its Operation and Maintenance Costs as and when the same shall be due and payable.

(c) Each District, after having paid, or having made provision for the payment of, such District's Operation and Maintenance Costs, shall, on the last Business Day of each month, set aside and deposit, transfer or pay, as the case may be, legally available Net Revenues from its Operating Fund in the amounts set forth below in the following order of priority (including curing any existing deficiency in deposit, transfers or payments required on any prior date), the requirements of each deposit, transfer or payment of each priority to be fully satisfied, leaving no deficiencies, prior to any deposit, transfer or payment later in priority:

- (i) *First*, deposit in its Senior Obligation Payment Fund, an amount that, together with other amounts on deposit therein, is at least equal to the sum of (A) Accrued Debt Service on each of the Outstanding Senior Obligations of such District, calculated (I) with respect to the interest on each of such Senior Obligations (aa) if the next occurring Interest Payment Date for such Senior Obligations is not in the immediately following month, for the period from and including the immediately preceding Interest Payment Date for such Senior Obligations or, if the initial Interest Payment Date for such Senior Obligations has not yet occurred, from the date on which interest on such Senior

Obligations begins to accrue pursuant to the terms of the Obligation Instrument pursuant to which such Senior Obligations are incurred, to and including the last day of the then current month, and (bb) if the next occurring Interest Payment Date for such Senior Obligations is in the immediately following month, for the period from and including the immediately preceding Interest Payment Date for such Senior Obligations or, if the initial Interest Payment Date for such Senior Obligations has not yet occurred, from the date on which interest on such Senior Obligations begins to accrue pursuant to the terms of the Obligation Instrument pursuant to which such Senior Obligations are incurred, to but not including such Interest Payment Date, and (II) with respect to the principal of each of such Senior Obligations (aa) if the next occurring Principal Payment Date for such Senior Obligations is not in the immediately following month, for the period from and including the immediately preceding Principal Payment Date for such Senior Obligations or, if the initial Principal Payment Date for such Senior Obligations has not yet occurred, from the effective date of the Obligation Instrument pursuant to which such Senior Obligations are incurred, to and including the last day of the then current month, and (bb) if the next occurring Principal Payment Date for such Senior Obligations is in the immediately following month, for the period from and including the immediately preceding Principal Payment Date for such Senior Obligations or, if the initial Principal Payment Date for such Senior Obligations has not yet occurred, from the effective date of the Obligation Instrument pursuant to which such Senior Obligations are incurred, to but not including such Principal Payment Date, plus (B) to the extent not included in such Accrued Debt Service on Senior Obligations representing or securing Primary Reimbursement Obligations of such District to a Credit Support Provider providing a Credit Support Instrument for Senior Obligations of such District, the accrued amount of each of such Primary Reimbursement Obligations, if any, payable by such District to such Credit Support Provider, assuming, for such purpose, that such Primary Reimbursement Obligations accrue daily in equal amounts from and including the immediately preceding payment date with respect to such Primary Reimbursement Obligations or, with respect to the initial payment date with respect to such Primary Reimbursement Obligations, the date such Primary Reimbursement Obligations became obligations of such District, to but not including the next succeeding payment date with respect to such Primary Reimbursement Obligations, which payment dates shall be determined as provided in the Credit Support Agreement pursuant to which such Credit Support Instrument was issued, calculated (I) if the next occurring payment date with respect to such Primary Reimbursement Obligations is not in the immediately following month, for the period from and including the immediately preceding payment date with respect to such Primary Reimbursement Obligations or, with respect to the initial payment date with respect to such Primary Reimbursement Obligations, from the date such Primary Reimbursement Obligations became obligations of such District, to and including the last day of the then current month, and (II) if the next occurring payment date with respect to such Primary Reimbursement Obligations is in the immediately following month, for the period from and including the immediately preceding payment date with respect to such Primary Reimbursement Obligations or, with respect to the initial payment date with respect to such Primary Reimbursement Obligations, from the date such Primary Reimbursement Obligations became obligations of such District, to but not including such payment date, plus (C) the accrued amount of the Net Payment, if any, payable by such District to each Qualified

Swap Counterparty providing a Qualified Swap Agreement with respect to Senior Obligations of such District, assuming, for such purpose, that such Net Payment accrues daily in equal amounts from and including the immediately preceding payment date with respect to such Net Payment or, with respect to the initial payment date with respect to such Net Payment, the effective date of such Qualified Swap Agreement, to but not including the next succeeding payment date with respect to such Net Payment, which payment dates shall be determined as provided in such Qualified Swap Agreement, calculated (I) if the next occurring payment date with respect to such Net Payment is not in the immediately following month, for the period from and including the immediately preceding payment date with respect to such Net Payment or, with respect to the initial payment date with respect to such Net Payment, the effective date of such Qualified Swap Agreement, to and including the last day of the then current month, and (II) if the next occurring payment date with respect to such Net Payment is in the immediately following month, for the period from and including the immediately preceding payment date with respect to such Net Payment or, with respect to the initial payment date with respect to such Net Payment, the effective date of such Qualified Swap Agreement, to but not including such payment date; provided, however, that (I) with respect to any such Senior Obligations that are Shared Project Obligations (aa) for purposes of determining the amount to be deposited pursuant to clause (A), above, the Accrued Debt Service referred to in such clause shall be an amount equal to the product of (AA) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (BB) the amount of such Accrued Debt Service, (bb) for purposes of determining the amount to be deposited pursuant to clause (B), above, the accrued amount of the Primary Reimbursement Obligations referred to in such clause shall be an amount equal to the product of (AA) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (BB) the accrued amount of such Primary Reimbursement Obligations, and (cc) for purposes of determining the amount to be deposited pursuant to clause (C), above, the accrued amount of the Net Payment referred to in such clause shall be an amount equal to the product of (AA) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (BB) the accrued amount of such Net Payment, (II) if the amount in such District's Operating Fund is not sufficient to make the deposit for all of such Senior Obligations as specified in this paragraph (i), the amount deposited for each such Senior Obligation shall be made, as nearly as practicable, pro rata, based on the respective amounts with respect to such Senior Obligations, the deposit of which is required pursuant to this paragraph (i), and (III) no such deposit need be made by such District if the amounts on deposit in such District's Senior Obligation Payment Fund are at least equal to the amounts required to be on deposit therein on such date pursuant to this paragraph (i);

(ii) *Second*, if such District is a member of one or more Support Groups with respect to Supported Obligations that are Senior Obligations and such District is, pursuant to Section 3.04(a), required on such date to make Support Payments to one or more Supported Districts with respect to any of such Support Groups, transfer to each such Supported District to which a Support Payment is due an amount equal to such Support Payment; provided, however, that, in the event that such District has insufficient Net Revenues to make all of such transfers, then said transfers shall be made, as nearly as practicable, pro rata, based on the respective amounts of the Support Payments required to be made on such date;

(iii) *Third*, if such District has incurred one or more Senior Obligations for which a Debt Service Reserve Fund has been established, and the amount on deposit in any of such Debt Service Reserve Funds, including the amount available to be drawn on any Reserve Guaranty on deposit therein, is less than the Reserve Requirement for such Senior Obligations, such District shall (A) with respect to (I) each such Debt Service Reserve Fund, the deficiency in which is the result of a withdrawal therefrom of monies, excluding monies derived from a draw on a Reserve Guaranty on deposit therein, to pay Debt Service on such Senior Obligations, transfer to the Obligee of such Senior Obligations, or the designee of such Obligee, with which such Debt Service Reserve Fund has been established, for deposit in such Debt Service Reserve Fund, an amount equal to one-twelfth of the amount of such monies so withdrawn, and (II) each such Debt Service Reserve Fund, the deficiency in which is the result of a withdrawal therefrom of monies derived from a draw on a Reserve Guaranty on deposit therein to pay Debt Service on such Senior Obligations, pay to the Reserve Guaranty Provider that issued such Reserve Guaranty, in reimbursement thereof, one-twelfth of the amount so drawn on such Reserve Guaranty; provided, however, that (aa) with respect to any such Senior Obligations that are Shared Project Obligations (AA) for purposes of determining the amount to be deposited pursuant to clause (I), above, such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) one-twelfth of the amount of such monies so withdrawn from such Debt Service Reserve Fund, and (BB) for purposes of determining the amount to be paid pursuant to clause (II), above, such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) one-twelfth of the amount so drawn on such Reserve Guaranty, and (bb) in the event that such District has insufficient Net Revenues to make all of such transfers and payments, then said transfers and payments shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Senior Obligations, transfers or payments with respect to the Debt Service Reserve Funds established therefor are required, pursuant to this clause (A), to be made on such date and, after having made all transfers and payments required pursuant to this clause (A), shall (B) with respect to each such Debt Service Reserve Fund, the deficiency in which is the result of a reduction in the market value of the Permitted Investments on deposit therein, transfer to the Obligee of such Senior Obligations, or the designee of such Obligee, with which such Debt Service Reserve Fund has been established, for deposit in such Debt Service Reserve Fund, an amount equal to the amount of such reduction in the market value of such Permitted Investments; provided, however, that (aa) with respect to any such Senior Obligations that are Shared Project Obligations (AA) for purposes of determining the amount to be transferred pursuant to this clause (B), such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) the amount of such reduction in the market value of such Permitted Investments, and (bb) in the event that such District has insufficient Net Revenues to make all of such transfers, then said transfers shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Senior Obligations, transfers with respect to the Debt Service Reserve Funds established therefor are required, pursuant to this clause (B), to be made on such date;

(iv) *Fourth*, pay to each Credit Support Provider providing a Credit Support Instrument for Senior Obligations of such District, the Excess Reimbursement Obligations,

if any, payable by such District to such Credit Support Provider as of the last day of such month in accordance with the Credit Support Agreement pursuant to which such Credit Support Instrument is provided; provided, however, that (A) with respect to any such Senior Obligations that are Shared Project Obligations, for purposes of determining the amount to be to be paid pursuant to this paragraph (iv), such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) the amount of such Excess Reimbursement Obligations, and (B) in the event that such District has insufficient Net Revenues to make all of such payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective Excess Reimbursement Obligations, the payment of which is required, pursuant to this paragraph (iv), to be made on such date;

(v) *Fifth*, pay to each Reserve Guaranty Provider providing a Reserve Guaranty for Senior Obligations of such District, the interest payable with respect to any draw on such Reserve Guaranty, payable by such District to such Reserve Guaranty Provider as of the last day of such month in accordance with the Reserve Guaranty Agreement pursuant to which such Reserve Guaranty is provided; provided, however, that (A) with respect to any such Senior Obligations that are Shared Project Obligations, for purposes of determining the amount to be to be paid pursuant to this paragraph (v), such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) the balance of such amount so payable, and (B) in the event that such District has insufficient Net Revenues to make all of such payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective amounts, the payment of which is required, pursuant to this paragraph (v), to be made on such date;

(vi) *Sixth*, pay to each Qualified Swap Counterparty providing a Qualified Swap Agreement with respect to Senior Obligations of such District, any Termination Payment with respect to such Qualified Swap Agreement, payable by such District to such Qualified Swap Counterparty as of the last day of such month in accordance with such Qualified Swap Agreement; provided, however, that (A) with respect to any such Senior Obligations that are Shared Project Obligations, for purposes of determining the amount to be to be paid pursuant to this paragraph (vi), such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) the balance of such amount so payable, and (B) in the event that such District has insufficient Net Revenues to make all of such payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective amounts, the payment of which is required, pursuant to this paragraph (vi), to be made on such date;

(vii) *Seventh*, if such District has, in accordance with Section 3.04(a), received one or more Support Payments with respect to Supported Obligations that are Senior Obligations from one or more Supporting Districts, transfer to each such Supporting District, in repayment of each Support Payment made by such Supporting District, the amount, if any, of such Support Payment that has not, as of such date, been repaid in full; provided, however, that, in the event that such District has insufficient Net Revenues to make all of such transfers, then said transfers shall be made, as nearly as practicable, pro

rata, based on the respective amounts of the Support Payments required to be repaid on such date;

(viii) *Eighth*, deposit in its Subordinate Obligation Payment Fund, an amount that, together with other amounts on deposit therein, is at least equal to the sum of (A) Accrued Debt Service on each of the Outstanding Subordinate Obligations of such District, calculated (I) with respect to the interest on each of such Subordinate Obligations (aa) if the next occurring Interest Payment Date for such Subordinate Obligations is not in the immediately following month, for the period from and including the immediately preceding Interest Payment Date for such Subordinate Obligations or, if the initial Interest Payment Date for such Subordinate Obligations has not yet occurred, from the date on which interest on such Subordinate Obligations begins to accrue pursuant to the terms of the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, to and including the last day of the then current month, and (bb) if the next occurring Interest Payment Date for such Subordinate Obligations is in the immediately following month, for the period from and including the immediately preceding Interest Payment Date for such Subordinate Obligations or, if the initial Interest Payment Date for such Subordinate Obligations has not yet occurred, from the date on which interest on such Subordinate Obligations begins to accrue pursuant to the terms of the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, to but not including such Interest Payment Date, and (II) with respect to the principal of each of such Subordinate Obligations (aa) if the next occurring Principal Payment Date for such Subordinate Obligations is not in the immediately following month, for the period from and including the immediately preceding Principal Payment Date for such Subordinate Obligations or, if the initial Principal Payment Date for such Subordinate Obligations has not yet occurred, from the effective date of the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, to and including the last day of the then current month, and (bb) if the next occurring Principal Payment Date for such Subordinate Obligations is in the immediately following month, for the period from and including the immediately preceding Principal Payment Date for such Subordinate Obligations or, if the initial Principal Payment Date for such Subordinate Obligations has not yet occurred, from the effective date of the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, to but not including such Principal Payment Date, plus (B) to the extent not included in such Accrued Debt Service on Subordinate Obligations representing or securing Primary Reimbursement Obligations of such District to a Credit Support Provider providing a Credit Support Instrument for Subordinate Obligations of such District, the accrued amount of each of such Primary Reimbursement Obligations, if any, payable by such District to such Credit Support Provider, assuming, for such purpose, that such Primary Reimbursement Obligations accrue daily in equal amounts from and including the immediately preceding payment date with respect to such Primary Reimbursement Obligations or, with respect to the initial payment date with respect to such Primary Reimbursement Obligations, the date such Primary Reimbursement Obligations became obligations of such District, to but not including the next succeeding payment date with respect to such Primary Reimbursement Obligations, which payment dates shall be determined as provided in the Credit Support Agreement pursuant to which such Credit Support Instrument was issued, calculated (I) if the next occurring payment date with respect to such Primary Reimbursement Obligations is not in the immediately following

month, for the period from and including the immediately preceding payment date with respect to such Primary Reimbursement Obligations or, with respect to the initial payment date with respect to such Primary Reimbursement Obligations, from the date such Primary Reimbursement Obligations became obligations of such District, to and including the last day of the then current month, and (II) if the next occurring payment date with respect to such Primary Reimbursement Obligations is in the immediately following month, for the period from and including the immediately preceding payment date with respect to such Primary Reimbursement Obligations or, with respect to the initial payment date with respect to such Primary Reimbursement Obligations, from the date such Primary Reimbursement Obligations became obligations of such District, to but not including such payment date, plus (C) the accrued amount of the Net Payment, if any, payable by such District to each Qualified Swap Counterparty providing a Qualified Swap Agreement with respect to Subordinate Obligations of such District, assuming, for such purpose, that such Net Payment accrues daily in equal amounts from and including the immediately preceding payment date with respect to such Net Payment or, with respect to the initial payment date with respect to such Net Payment, the effective date of such Qualified Swap Agreement, to but not including the next succeeding payment date with respect to such Net Payment, which payment dates shall be determined as provided in such Qualified Swap Agreement, calculated (I) if the next occurring payment date with respect to such Net Payment is not in the immediately following month, for the period from and including the immediately preceding payment date with respect to such Net Payment or, with respect to the initial payment date with respect to such Net Payment, the effective date of such Qualified Swap Agreement, to and including the last day of the then current month, and (II) if the next occurring payment date with respect to such Net Payment is in the immediately following month, for the period from and including the immediately preceding payment date with respect to such Net Payment or, with respect to the initial payment date with respect to such Net Payment, the effective date of such Qualified Swap Agreement, to but not including such payment date; provided, however, that (I) with respect to any such Subordinate Obligations that are Shared Project Obligations (aa) for purposes of determining the amount to be deposited pursuant to clause (A), above, the Accrued Debt Service referred to in such clause shall be an amount equal to the product of (AA) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (BB) the amount of such Accrued Debt Service, (bb) for purposes of determining the amount to be deposited pursuant to clause (B), above, the accrued amount of the Primary Reimbursement Obligations referred to in such clause shall be an amount equal to the product of (AA) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (BB) the accrued amount of such Primary Reimbursement Obligations, and (cc) for purposes of determining the amount to be deposited pursuant to clause (C), above, the accrued amount of the Net Payment referred to in such clause shall be an amount equal to the product of (AA) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (BB) the accrued amount of such Net Payment, (II) if the amount in such District's Operating Fund is not sufficient to make the deposit for all of such Subordinate Obligations as specified in this paragraph (viii), the amount deposited for each such Subordinate Obligation shall be made, as nearly as practicable, pro rata, based on the respective amounts with respect to such Subordinate Obligations, the deposit of which is required pursuant to this paragraph (viii), and (III) no

such deposit need be made by such District if the amounts on deposit in such District's Subordinate Obligation Payment Fund are at least equal to the amounts required to be on deposit therein on such date pursuant to this paragraph (viii);

(ix) *Ninth*, if such District is a member of one or more Support Groups with respect to Supported Obligations that are Subordinate Obligations and such District is, pursuant to Section 3.04(b), required on such date to make Support Payments to one or more Supported Districts with respect to any of such Support Groups, transfer to each such Supported District to which a Support Payment is due an amount equal to such Support Payment; provided, however, that, in the event that such District has insufficient Net Revenues to make all of such transfers, then said transfers shall be made, as nearly as practicable, pro rata, based on the respective amounts of the Support Payments required to be made on such date;

(x) *Tenth*, if such District has incurred one or more Subordinate Obligations for which a Debt Service Reserve Fund has been established, and the amount on deposit in any of such Debt Service Reserve Funds, including the amount available to be drawn on any Reserve Guaranty on deposit therein, is less than the Reserve Requirement for such Subordinate Obligations, such District shall (A) with respect to (I) each such Debt Service Reserve Fund, the deficiency in which is the result of a withdrawal therefrom of monies, excluding monies derived from a draw on a Reserve Guaranty on deposit therein, to pay Debt Service on such Subordinate Obligations, transfer to the Obligee of such Subordinate Obligations, or the designee of such Obligee, with which such Debt Service Reserve Fund has been established, for deposit in such Debt Service Reserve Fund, an amount equal to one-twelfth of the amount of such monies so withdrawn, and (II) each such Debt Service Reserve Fund, the deficiency in which is the result of a withdrawal therefrom of monies derived from a draw on a Reserve Guaranty on deposit therein to pay Debt Service on such Subordinate Obligations, pay to the Reserve Guaranty Provider that issued such Reserve Guaranty, in reimbursement thereof, one-twelfth of the amount so drawn on such Reserve Guaranty; provided, however, that (aa) with respect to any such Subordinate Obligations that are Shared Project Obligations (AA) for purposes of determining the amount to be deposited pursuant to clause (I), above, such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) one-twelfth of the amount of such monies so withdrawn from such Debt Service Reserve Fund, and (BB) for purposes of determining the amount to be paid pursuant to clause (II), above, such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) one-twelfth of the amount so drawn on such Reserve Guaranty, and (bb) in the event that such District has insufficient Net Revenues to make all of such transfers and payments, then said transfers and payments shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Subordinate Obligations, transfers or payments with respect to the Debt Service Reserve Funds established therefor are required, pursuant to this clause (A), to be made on such date and, after having made all transfers and payments required pursuant to this clause (A), shall (B) with respect to each such Debt Service Reserve Fund, the deficiency in which is the result of a reduction in the market value of the Permitted Investments on deposit therein, transfer to the Obligee of such Subordinate Obligations, or the designee of such Obligee, with which such Debt Service Reserve Fund

has been established, for deposit in such Debt Service Reserve Fund, an amount equal to the amount of such reduction in the market value of such Permitted Investments; provided, however, that (aa) with respect to any such Subordinate Obligations that are Shared Project Obligations (AA) for purposes of determining the amount to be transferred pursuant to this clause (B), such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) the amount of such reduction in the market value of such Permitted Investments, and (bb) in the event that such District has insufficient Net Revenues to make all of such transfers, then said transfers shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Subordinate Obligations, transfers with respect to the Debt Service Reserve Funds established therefor are required, pursuant to this clause (B), to be made on such date;

(xi) *Eleventh*, pay to each Credit Support Provider providing a Credit Support Instrument for Subordinate Obligations of such District, the Excess Reimbursement Obligations, if any, payable by such District to such Credit Support Provider as of the last day of such month in accordance with the Credit Support Agreement pursuant to which such Credit Support Instrument is provided; provided, however, that (A) with respect to any such Subordinate Obligations that are Shared Project Obligations, for purposes of determining the amount to be to be paid pursuant to this paragraph (xi), such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) the amount of such Excess Reimbursement Obligations, and (B) in the event that such District has insufficient Net Revenues to make all of such payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective Excess Reimbursement Obligations, the payment of which is required, pursuant to this paragraph (xi), to be made on such date;

(xii) *Twelfth*, pay to each Reserve Guaranty Provider providing a Reserve Guaranty for Subordinate Obligations of such District, the interest payable with respect to any draw on such Reserve Guaranty, payable by such District to such Reserve Guaranty Provider as of the last day of such month in accordance with the Reserve Guaranty Agreement pursuant to which such Reserve Guaranty is provided; provided, however, that (A) with respect to any such Subordinate Obligations that are Shared Project Obligations, for purposes of determining the amount to be to be paid pursuant to this paragraph (xii), such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) the balance of such amount so payable, and (B) in the event that such District has insufficient Net Revenues to make all of such payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective amounts, the payment of which is required, pursuant to this paragraph (xii), to be made on such date;

(xiii) *Thirteenth*, pay to each Qualified Swap Counterparty providing a Qualified Swap Agreement with respect to Subordinate Obligations of such District, any Termination Payment with respect to such Qualified Swap Agreement, payable by such District to such Qualified Swap Counterparty as of the last day of such month in accordance with such Qualified Swap Agreement; provided, however, that (A) with respect to any such Subordinate Obligations that are Shared Project Obligations, for purposes of determining the amount to be to be paid pursuant to this paragraph (xiii), such amount shall be equal to

the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) the balance of such amount so payable, and (B) in the event that such District has insufficient Net Revenues to make all of such payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective amounts, the payment of which is required, pursuant to this paragraph (xiii), to be made on such date;

(xiv) *Fourteenth*, if such District has, in accordance with Section 3.04(b), received one or more Support Payments with respect to Supported Obligations that are Subordinate Obligations from one or more Supporting Districts, transfer to each such Supporting District, in repayment of each Support Payment made by such Supporting District, the amount, if any, of such Support Payment that has not, as of such date, been repaid in full; provided, however, that, in the event that such District has insufficient Net Revenues to make all of such transfers, then said transfers shall be made, as nearly as practicable, pro rata, based on the respective amounts of the Support Payments required to be repaid on such date;

(xv) *Fifteenth*, such District may transfer all or a portion of the Net Revenues remaining in its Operating Fund to its Rate Stabilization Fund; provided, however, that the amount so transferred shall not be greater than (A) if the date of such transfer is during the period from and including December 1 in one year through and including March 31 of the following year, the remainder of (I) the sum of (x) the amount on deposit in such Operating Fund on the date of such transfer, plus (y) the amount of rates and charges for the services of such District's Sewerage System reasonably expected by such District to be received by such District from the date of such transfer through and including such March 31, including, for the purpose of determining the amount of such rates and charges expected to be so received, only those rates and charges that are not entered on the County assessment roll and billed and collected with general property taxes, minus (II) the sum of (x) the amount reasonably expected by such District to be required to pay its Operation and Maintenance Costs from the date of such transfer through and including such March 31, plus (y) the amount reasonably expected by such District to be required to make all of the deposits, transfers and payments required to be made by such District pursuant to paragraphs (i) through (xiv) of Section 3.03(c) from the date of such transfer through and including such March 31, and (B) if the date of such transfer is during the period from and including April 1 in a year through and including November 30 of such year, the remainder of (I) the sum of (x) the amount on deposit in such Operating Fund on the date of such transfer, plus (y) the amount of rates and charges for the services of such District's Sewerage System reasonably expected by such District to be received by such District from the date of such transfer through and including such November 30, including, for the purpose of determining the amount of such rates and charges expected to be so received, only those rates and charges that are not entered on the County assessment roll and billed and collected with general property taxes, minus (II) the sum of (x) the amount reasonably expected by such District to be required to pay its Operation and Maintenance Costs from the date of such transfer through and including such November 30, plus (y) the amount reasonably expected by such District to be required to make all of the deposits, transfers and payments required to be made by such District pursuant to paragraphs (i) through (xiv)

of Section 3.03(c) from the date of such transfer through and including such November 30; and

(xvi) *Sixteenth*, such District may transfer all or a portion of the Net Revenues remaining in its Operating Fund to its Surplus Fund; provided, however, that the amount so transferred shall not be greater than (A) if the date of such transfer is during the period from and including December 1 in one year through and including March 31 of the following year, the remainder of (I) the sum of (x) the amount on deposit in such Operating Fund on the date of such transfer, plus (y) the amount of rates and charges for the services of such District's Sewerage System reasonably expected by such District to be received by such District from the date of such transfer through and including such March 31, including, for the purpose of determining the amount of such rates and charges expected to be so received, only those rates and charges that are not entered on the County assessment roll and billed and collected with general property taxes, minus (II) the sum of (x) the amount reasonably expected by such District to be required to pay its Operation and Maintenance Costs from the date of such transfer through and including such March 31, plus (y) the amount reasonably expected by such District to be required to make all of the deposits, transfers and payments required to be made by such District pursuant to paragraphs (i) through (xiv) of Section 3.03(c) from the date of such transfer through and including such March 31, and (B) if the date of such transfer is during the period from and including April 1 in a year through and including November 30 of such year, the remainder of (I) the sum of (x) the amount on deposit in such Operating Fund on the date of such transfer, plus (y) the amount of rates and charges for the services of such District's Sewerage System reasonably expected by such District to be received by such District from the date of such transfer through and including such November 30, including, for the purpose of determining the amount of such rates and charges expected to be so received, only those rates and charges that are not entered on the County assessment roll and billed and collected with general property taxes, minus (II) the sum of (x) the amount reasonably expected by such District to be required to pay its Operation and Maintenance Costs from the date of such transfer through and including such November 30, plus (y) the amount reasonably expected by such District to be required to make all of the deposits, transfers and payments required to be made by such District pursuant to paragraphs (i) through (xiv) of Section 3.03(c) from the date of such transfer through and including such November 30.

(d) Each District shall maintain a written record available, at reasonable times and upon reasonable notice, for inspection by (i) under all circumstances, the Master Trustee, and (ii) during the continuance of any Event of Default, any Obligee of (A) the amount of Accrued Debt Service constituting accrued interest on or with respect to each of the Senior Obligations of such District that is on deposit in such District's Senior Obligation Payment Fund as of the last day of each month, (B) the amount of Accrued Debt Service constituting accrued principal of or with respect to each of the Senior Obligations of such District that is on deposit in such District's Senior Obligation Payment Fund as of the last day of each month, (C) the accrued amount of each of the Primary Reimbursement Obligations of such District payable to a Credit Support Provider providing a Credit Support Instrument for Senior Obligations of such District that is on deposit in such District's Senior Obligation Payment Fund as of the last day of each month, (D) the accrued amount of each Net Payment payable by such District payable to a Qualified Swap Counterparty providing a Qualified Swap Agreement with respect to Senior Obligations of such District that is

on deposit in such District's Senior Obligation Payment Fund as of the last day of each month, (E) the amount of Accrued Debt Service constituting accrued interest on or with respect to each of the Subordinate Obligations of such District that is on deposit in such District's Subordinate Obligation Payment Fund as of the last day of each month, (F) the amount of Accrued Debt Service constituting accrued principal of or with respect to each of the Subordinate Obligations of such District that is on deposit in such District's Subordinate Obligation Payment Fund as of the last day of each month, (G) the accrued amount of each of the Primary Reimbursement Obligations of such District payable to a Credit Support Provider providing a Credit Support Instrument for Subordinate Obligations of such District that is on deposit in such District's Subordinate Obligation Payment Fund as of the last day of each month, and (H) the accrued amount of each Net Payment payable by such District payable to a Qualified Swap Counterparty providing a Qualified Swap Agreement with respect to Subordinate Obligations of such District that is on deposit in such District's Subordinate Obligation Payment Fund as of the last day of each month.

**Section 3.04. Support Payments.** (a) If, in any month, a District that is a member of a Support Group for Supported Obligations that are Senior Obligations determines that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations, such District (being the Supported District), shall, as soon as possible, but in any event no later than the fifth Business Day immediately preceding the last day of such month, notify each other District that is a member of such Support Group (being the Supporting Districts) (i) that such Supported District has determined that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations in such month, and (ii) of such Supported Obligations Deficit Amount. Each such Supporting District so notified of such Supported Obligations Deficit Amount shall be obligated to make a Support Payment in respect thereof, which Support Payment shall be equal to the lesser of (i) an amount equal to the product of (A) such Supported Obligations Deficit Amount, times (B) a fraction, the numerator of which is the Shared Project Percentage of such Supporting District with respect to such Supported Obligations, and the denominator of which is the sum of the Shared Project Percentages of all Supporting Districts with respect to such Supported Obligations, and (ii) an amount equal to 20% of the Supported Obligations Transfer Amount of such Supporting District for such month in respect of such Supported Obligations. Each of such Supporting Districts so notified in such month shall, in accordance with paragraph (ii) of Section 3.03(c), on the last day of such month, transfer from its Operating Fund to such Supported District an amount equal to such Supporting District's Support Payment for such month in respect of such Supported Obligations, or such other amount as is required to be so transferred pursuant to said paragraph. Upon receipt of any of such Support Payments, such Supported District shall immediately transfer such Support Payment to such Supported District's Senior Obligation Payment Fund. Such Supported District shall, as and when such amount becomes available therefor pursuant to paragraph (vii) of Section 3.03(c), transfer to each such Supporting District, an amount equal to such Support Payment made by such Supporting District, or such other amount as is required to be so transferred pursuant to said paragraph. The transfer by a Supporting District to a Supported District of a Support Payment in accordance with the provisions hereof shall be deemed to be a purchase by such Supporting District of a proportionate interest in such Supported District's interest the Supported Project financed or refinanced by the Supported Obligations with respect to which such Support Payment is made, and the repayment by such Supported District to such Supporting District of such Support Payment in accordance with the provisions hereof shall be deemed to be a repurchase of such proportionate interest by such Supported District.

(b) If, in any month, a District that is a member of a Support Group for Supported Obligations that are Subordinate Obligations determines that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations, such District (being the Supported District), shall, as soon as possible, but in any event no later than the fifth Business Day immediately preceding the last day of such month, notify each other District that is a member of such Support Group (being the Supporting Districts) (i) that such Supported District has determined that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations in such month, and (ii) of such Supported Obligations Deficit Amount. Each such Supporting District so notified of such Supported Obligations Deficit Amount shall be obligated to make a Support Payment in respect thereof, which Support Payment shall be equal to the lesser of (i) an amount equal to the product of (A) such Supported Obligations Deficit Amount, times (B) a fraction, the numerator of which is the Shared Project Percentage of such Supporting District with respect to such Supported Obligations, and the denominator of which is the sum of the Shared Project Percentages of all Supporting Districts with respect to such Supported Obligations, and (ii) an amount equal to 20% of the Supported Obligations Transfer Amount of such Supporting District for such month in respect of such Supported Obligations. Each of such Supporting Districts so notified in such month shall, in accordance with paragraph (ix) of Section 3.03(c), on the last day of such month, transfer from its Operating Fund to such Supported District an amount equal to such Supporting District's Support Payment for such month in respect of such Supported Obligations, or such other amount as is required to be so transferred pursuant to said paragraph. Upon receipt of any of such Support Payments, such Supported District shall immediately transfer such Support Payment to such Supported District's Subordinate Obligation Payment Fund. Such Supported District shall, as and when such amount becomes available therefor pursuant to paragraph (xiv) of Section 3.03(c), transfer to each such Supporting District, an amount equal to such Support Payment made by such Supporting District, or such other amount as is required to be so transferred pursuant to said paragraph. The transfer by a Supporting District to a Supported District of a Support Payment in accordance with the provisions hereof shall be deemed to be a purchase by such Supporting District of a proportionate interest in such Supported District's interest the Supported Project financed or refinanced by the Supported Obligations with respect to which such Support Payment is made, and the repayment by such Supported District to such Supporting District of such Support Payment in accordance with the provisions hereof shall be deemed to be a repurchase of such proportionate interest by such Supported District.

**Section 3.05. Deposit and Application of Connection Fees.** All Connection Fees received by a District shall be deposited when and as received in such District's Capital Improvement Fund. Each District shall apply the Connection Fees on deposit in its Capital Improvement Fund to the payment of the costs of acquiring, constructing and installing improvements to the Sewerage System of such District to which such Connection Fees may be properly applied. Additionally, a District may from time to time (a) transfer Connection Fees from its Capital Improvement Fund to its Senior Obligation Payment Fund to be applied to the payment of Outstanding Senior Obligations of such District, but only if and to the extent that such Connection Fees may be lawfully applied to the payment of such Senior Obligations, and (b) transfer Connection Fees from its Capital Improvement Fund to its Subordinate Obligation Payment Fund to be applied to the payment of Outstanding Subordinate Obligations of such District, but only if and to the extent that such Connection Fees may be lawfully applied to the payment of such Subordinate Obligations.

**Section 3.06. Senior Obligation Payment Fund.** Each District shall, on each Interest Payment Date for any Senior Obligations of such District, transfer from its Senior Obligation Payment Fund to the Obligees of such Senior Obligations, the interest on or with respect to such Senior Obligations due and payable on such Interest Payment Date, as provided in the Obligation Instrument pursuant to which such Senior Obligations are incurred; provided, however, that the amount so transferred shall not exceed the amount of the Accrued Debt Service with respect to such Interest Payment Date constituting accrued interest on or with respect to such Senior Obligations that is required to have been deposited in such District's Senior Obligation Payment Fund pursuant to paragraph (i) of Section 3.03(c). Each District shall, on each Principal Payment Date for any Senior Obligations of such District, transfer from its Senior Obligation Payment Fund to the Obligees of such Senior Obligations (a) if such Senior Obligations are comprised of separate payments of interest and principal, the principal of or with respect to such Senior Obligations due and payable on such Principal Payment Date, as provided in the Obligation Instrument pursuant to which such Senior Obligations are incurred, and (b) if such Senior Obligations are not comprised of separate payments of interest and principal, the loan payment, installment payment, lease payment, rental payment or similar payment payable by such District under or with respect to such Senior Obligations due and payable on such Principal Payment Date, as provided in the Obligation Instrument pursuant to which such Senior Obligations are incurred; provided, however, that the amount so transferred shall not exceed the amount of the Accrued Debt Service with respect to such Principal Payment Date constituting accrued principal of or with respect to such Senior Obligations that is required to have been deposited in such District's Senior Obligation Payment Fund pursuant to paragraph (i) of Section 3.03(c). Each District shall, on each payment date with respect to Primary Reimbursement Obligations payable by such District to a Credit Support Provider providing a Credit Support Instrument for Senior Obligations of such District, transfer from its Senior Obligation Payment Fund to such Credit Support Provider, the amount of such Primary Reimbursement Obligation due and payable on such payment date, as provided in such Credit Support Instrument; provided, however, that the amount so transferred shall not exceed the accrued amount of such Primary Reimbursement Obligation with respect to such payment date that is required to have been deposited in such District's Senior Obligation Payment Fund pursuant to paragraph (i) of Section 3.03(c). Each District shall, on each payment date with respect to a Net Payment payable by such District to a Qualified Swap Counterparty providing a Qualified Swap Agreement for Senior Obligations of such District, transfer from its Senior Obligation Payment Fund to such Qualified Swap Counterparty, the amount of such Net Payment due and payable on such payment date, as provided in such Qualified Swap Agreement; provided, however, that the amount so transferred shall not exceed the accrued amount of such Net Payment with respect to such payment date that is required to have been deposited in such District's Senior Obligation Payment Fund pursuant to paragraph (i) of Section 3.03(c).

**Section 3.07. Subordinate Obligation Payment Fund.** (a) Each District shall, on each Interest Payment Date for any Subordinate Obligations of such District, transfer from its Subordinate Obligation Payment Fund to the Obligees of such Subordinate Obligations, the interest on or with respect to such Subordinate Obligations due and payable on such Interest Payment Date, as provided in the Obligation Instrument pursuant to which such Subordinate Obligations are incurred; provided, however, that the amount so transferred shall not exceed the amount of the Accrued Debt Service with respect to such Interest Payment Date constituting accrued interest on or with respect to such Subordinate Obligations that is required to have been deposited in such District's Subordinate Obligation Payment Fund pursuant to paragraph (viii) of Section 3.03(c).

Each District shall, on each Principal Payment Date for any Subordinate Obligations of such District, transfer from its Subordinate Obligation Payment Fund to the Obligee of such Subordinate Obligations (a) if such Subordinate Obligations are comprised of separate payments of interest and principal, the principal of or with respect to such Subordinate Obligations due and payable on such Principal Payment Date, as provided in the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, and (b) if such Subordinate Obligations are not comprised of separate payments of interest and principal, the loan payment, installment payment, lease payment, rental payment or similar payment payable by such District under or with respect to such Subordinate Obligations due and payable on such Principal Payment Date, as provided in the Obligation Instrument pursuant to which such Subordinate Obligations are incurred; provided, however, that the amount so transferred shall not exceed the amount of the Accrued Debt Service with respect to such Principal Payment Date constituting accrued principal of or with respect to such Subordinate Obligations that is required to have been deposited in such District's Subordinate Obligation Payment Fund pursuant to paragraph (viii) of Section 3.03(c). Each District shall, on each payment date with respect to Primary Reimbursement Obligations payable by such District to a Credit Support Provider providing a Credit Support Instrument for Subordinate Obligations of such District, transfer from its Subordinate Obligation Payment Fund to such Credit Support Provider, the amount of such Primary Reimbursement Obligation due and payable on such payment date, as provided in such Credit Support Instrument; provided, however, that the amount so transferred shall not exceed the accrued amount of such Primary Reimbursement Obligation with respect to such payment date that is required to have been deposited in such District's Subordinate Obligation Payment Fund pursuant to paragraph (viii) of Section 3.03(c). Each District shall, on each payment date with respect to a Net Payment payable by such District to a Qualified Swap Counterparty providing a Qualified Swap Agreement for Subordinate Obligations of such District, transfer from its Subordinate Obligation Payment Fund to such Qualified Swap Counterparty, the amount of such Net Payment due and payable on such payment date, as provided in such Qualified Swap Agreement; provided, however, that the amount so transferred shall not exceed the accrued amount of such Net Payment with respect to such payment date that is required to have been deposited in such District's Subordinate Obligation Payment Fund pursuant to paragraph (viii) of Section 3.03(c).

(b) Notwithstanding the provisions of subsection (a) of this Section, if, on any date, the amount on deposit in a District's Operating Fund is not sufficient to make all of the deposits, transfers and payments required to be made by such District on such date pursuant to paragraphs (i) through (vii) of Section 3.03(c), such District shall, if and to the extent available therein, transfer from its Subordinate Obligation Payment Fund to its Operating Fund an amount equal to the amount of such insufficiency.

**Section 3.08. Surplus Fund.** Amounts on deposit in a District's Surplus Fund may be applied by such District for any purposes for which funds of such District may be legally applied, including transfers of any of such amounts to such District's Operating Fund.

## ARTICLE IV

### INCURRENCE OF OBLIGATIONS

**Section 4.01. Incurrence of Senior Obligations.** (a) A District may from time to time, in order to finance or refinance a Project, incur Senior Obligations, payable from Net Revenues of such District as provided herein on a parity with all other Outstanding Senior Obligations of such District, but only subject to the satisfaction of the following conditions:

(i) at the time of incurrence of such Senior Obligations, and after giving effect to such incurrence, no Event of Default with respect to such District shall have occurred and be continuing under this Master Obligation Agreement;

(ii) such District shall have delivered to the Master Trustee, at the time of incurrence of such Senior Obligations, a Written Certificate of such District certifying that, upon the incurrence of such Senior Obligations, no Obligation Default Event will exist with respect to any Senior Obligations of such District;

(iii) such District shall have delivered to the Master Trustee, at the time of incurrence of such Senior Obligations, copies of such Senior Obligations and the Obligation Instrument pursuant to which such Senior Obligations are incurred, together with a Written Certificate of such District certifying that such copies so delivered to the Master Trustee are true and correct copies of such Senior Obligations and such Obligation Instrument and that, as of such time, neither such Senior Obligations nor such Obligation Instrument has been amended, supplemented or otherwise modified;

(iv) subject to the provisions of subsection (b) of this Section, such District shall have delivered to the Master Trustee, at the time of incurrence of such Senior Obligations, a Written Certificate of such District demonstrating that, for any 12 consecutive calendar months during the 24 calendar month period ending prior to the date of incurrence of such Senior Obligations (A) the Assumed Senior Debt Service Coverage Ratio for such District, determined in accordance with Generally Accepted Accounting Principles and as shown by the books of such District, is not less than 1.25:1, and (B) all deposits, transfers and payments required by paragraphs (viii) through (xiv) of Section 3.03(c) were made in such 12 consecutive calendar month period. For the purpose of calculating such Assumed Senior Debt Service Coverage Ratio, the Net Revenues of such District may be adjusted for (A) any changes in rates and charges for the services of such District's Sewerage System that have been adopted prior to the date of incurrence of such Senior Obligations, (B) customers added to such District's Sewerage System subsequent to the commencement of the applicable 12 month computation period but prior to the date of incurrence of such Senior Obligations, and (C) the estimated change in available Net Revenues of such District that will result from the connection of existing residences or businesses to such District's Sewerage System within one year following completion of any improvements to such District's Sewerage System to be financed by, or any system to be acquired from the proceeds of, such Senior Obligations; provided, however, that, for purposes of preparing such Written Certificate of such District, such District may rely upon financial statements

prepared by such District that have not been subject to audit by an independent certified public accountant if audited financial statements for the applicable period are not available;

(v) if, pursuant to the Obligation Instrument pursuant to which such Senior Obligations are being incurred, a Debt Service Reserve Fund is to be established to secure the payment of Debt Service on such Senior Obligations (A) the Reserve Requirement for such Senior Obligations shall not exceed the Maximum Reserve Requirement with respect thereto, (B) the maximum amounts required, pursuant to such Obligation Instrument, to be deposited into such Debt Service Reserve Fund in any month shall not exceed the amounts specified in paragraph (iii) of Section 3.03(c), and (C) the maximum amount required, pursuant to such Obligation Instrument, to be deposited into such Debt Service Reserve Fund shall be the amount necessary to restore such Debt Service Reserve Fund to the Reserve Requirement for such Senior Obligations;

(vi) the Obligation Instrument pursuant to which such Senior Obligations are incurred shall contain provisions addressing each of the matters set forth below, which provisions shall be no more favorable to the Obligees of such Senior Obligations than the following:

(A) that (I) the obligation of such District to pay such Senior Obligations is a special, limited obligation of such District payable, in the manner provided in this Master Obligation Agreement, solely from its Net Revenues and the other assets pledged to the payment thereof under this Master Obligation Agreement, and does not constitute a debt of such District or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction, (II) neither the faith and credit nor the taxing power of such District or the State or any political subdivision thereof is pledged to the payment of such Senior Obligations, (III) the Obligees with respect to such Senior Obligations, by their purchase thereof or by their entering into the Obligation Instrument pursuant to which such Senior Obligations are incurred, acknowledge that they have no right to payment of such Senior Obligations from any source other than such Net Revenues and the other assets pledged to the payment thereof under this Master Obligation Agreement, and (IV) none of the income or revenue from the ownership or operation of such District's Solid Waste System, or any real or personal property, or any interest therein, constituting a part thereof, or any other assets of such Solid Waste System, secures, is pledged to or is available, under any circumstances, for the payment of such Senior Obligations, such District's Solid Waste System being defined for such purposes as the whole and each and every part of the solid waste collection, transfer, treatment, disposal, processing and storage facilities owned by such District, or in which such District has an ownership interest, and all resource recovery facilities, waste-to-energy facilities, landfills, recycling facilities, transfer stations, collection equipment and rail transportation facilities and equipment owned by such District, or in which such District has an ownership interest, and any and all facilities and equipment owned by such District, or in which such District has an ownership interest, related to the interconnection of such Solid Waste System to any purchaser of energy generated through the operation of such Solid Waste System, and other real and personal property,

fixtures, rights therein, rights-of-way, easements and other interests constituting a part thereof;

(B) that the rights and obligations of such District under and as provided in such Senior Obligations and the Obligation Instrument pursuant to which such Senior Obligations are incurred, and the rights and obligations of the Obligees of such Obligations under and as provided in such Senior Obligations and the Obligation Instrument pursuant to which such Senior Obligations are incurred, shall, in all respects, be subject to the rights and obligations of, and the restrictions and limitations on, such District and such Obligee under and as provided in this Master Obligation Agreement;

(C) that, upon the occurrence and during the continuance of an Obligation Default Event with respect to such Senior Obligations, the Master Trustee shall be entitled to exercise rights and take action with respect to such Obligation Default Event in accordance with, and subject to, the provisions of Article VI of this Master Obligation Agreement; provided, however that such Obligee shall have and be entitled to exercise any and all such rights as are granted to such Obligee under and pursuant to, but subject to the provisions of, said Article VI, including requesting or directing the Master Trustee to take or refrain from taking certain actions as specified therein;

(D) that the Obligees with respect to such Senior Obligations, by their purchase thereof or by their entering into the Obligation Instrument pursuant to which such Senior Obligations are incurred, acknowledge and agree that the Master Trustee is vested with all the moneys, estates, properties, rights, powers, trusts, duties, obligations and protections set forth or provided for in this Master Obligation Agreement and that such Obligees irrevocably authorize the Master Trustee, subject to the provisions of this Master Obligation Agreement, to take such actions and execute such rights, powers and duties as are granted to the Master Trustee by the terms of this Master Obligation Agreement; and

(E) that the provisions of the Obligation Instrument pursuant to which such Senior Obligations are incurred addressing the matters set forth in this paragraph (vi) shall not be amended, supplemented or otherwise modified, except to reflect amendments, supplements or other modifications to this Master Obligation Agreement addressing such matters;

(vii) if such Senior Obligations are Shared Project Obligations, the Obligation Instrument pursuant to which such Senior Obligations are incurred shall, in addition to the matters described in paragraph (vi), above:

(A) specify that the Senior Obligations incurred pursuant to such Obligation Instrument are Shared Project Obligations;

(B) specify the Districts that are members of the Shared Project Group for such Shared Project Obligations;

(C) specify and describe the Shared Project financed or refinanced by such Shared Project Obligations;

(D) specify (I) the Shared Project Percentage for each District that is a member of the Shared Project Group for such Shared Project Obligations, and (II) that each such District will be responsible only for its Shared Project Percentage of the costs of such Shared Project financed or refinanced by such Shared Project Obligations and will not be responsible for the Shared Project Percentage of such costs of any other District;

(E) specify that such District's Shared Project Obligations incurred pursuant to such Obligation Instrument are equal to the product of (aa) such District's Shared Project Percentage, times (bb) the aggregate of the Shared Project Obligations of all of the members of the Shared Project Group, including such District, with respect to such Shared Project Obligations; and

(F) specify that the obligations of the members of such Shared Project Group under the Obligation Instrument pursuant to which such Shared Obligations are incurred are several, and not joint, obligations.

(viii) if such Senior Obligations are both Shared Project Obligations and Supported Obligations, the Obligation Instrument pursuant to which such Senior Obligations are incurred shall, in addition to the matters described in paragraphs (vi) and (vii), above:

(A) specify that the Senior Obligations incurred pursuant to such Obligation Instrument are both Shared Project Obligations and Supported Obligations;

(B) specify that the Districts that constitute the members of such Shared Project Group also constitute the members of the Support Group for such Supported Obligations;

(C) specify that the Shared Project financed or refinanced by such Shared Project Obligations also constitutes the Supported Project financed or refinanced by such Senior Obligations;

(D) specify that the Shared Project Percentage for each such District with respect to such Shared Project also constitutes the Shared Project Percentage for such District with respect to such Supported Project; and

(E) expressly incorporate the provisions of Section 3.04(a) and include an express agreement of each District that is a member of such Support Group to be bound by the provisions of said Section;

(ix) such District shall have delivered or caused to be delivered to the Master Trustee, at the time of incurrence of such Senior Obligations, either (A) an Opinion of Bond Counsel, dated the date of incurrence of such Senior Obligations, addressed to the

Master Trustee, substantially to the effect, or (B) a letter of Bond Counsel, dated the date of incurrence of such Senior Obligations, addressed to the Master Trustee, substantially to the effect that the Master Trustee may rely, as if the same were addressed to the Master Trustee, on an Opinion of Bond Counsel, substantially to the effect, that (I) the Obligation Instrument pursuant to which such Senior Obligations are incurred has been duly executed and delivered by, and constitutes the valid and binding obligation of, such District, (II) if such Senior Obligations are Senior Bonds, that such Senior Bonds constitute valid and binding obligations of such District, and (III) if Tax-Exempt Obligations of such District are Outstanding at the time of the issuance of such Senior Obligations, the execution and delivery of such Obligation Instrument and the incurrence of such Senior Obligations, in and of themselves, will not adversely affect the exclusion of interest on such Tax-Exempt Obligations of such District from gross income for federal income tax purposes.

(b) Notwithstanding the provisions of paragraph (iv) of subsection (a) of this Section, the Written Certificate of such District described therein shall not be required and the financial test specified therein need not be satisfied:

(i) if (A) the Senior Obligations being incurred are for the exclusive purpose of refunding then Outstanding Senior Obligations of such District, and (B) at the time of the incurrence of such refunding Senior Obligations a Written Certificate of the District is delivered demonstrating that Debt Service on the Senior Obligations in each Fiscal Year, calculated for all Senior Obligations that will be Outstanding after the incurrence of such refunding Senior Obligations, will be less than or equal to Debt Service in such Fiscal Year, calculated for all Senior Obligations that are Outstanding immediately prior to the incurrence of such refunding Senior Obligations;

(ii) if (A) the Senior Obligations being incurred are Net Payments under a Qualified Swap Agreement, (B) such Qualified Swap Agreement relates to a principal amount of Senior Obligations of such District, as specified in a Written Certificate of such District provided to each Obligee of the Obligations of such District, and (C) the notional amount of such Qualified Swap Agreement does not exceed the principal amount of the related Senior Obligations; or

(iii) if the Senior Obligations being incurred are Reimbursement Obligations under a Credit Support Agreement.

(c) A District shall, as soon as practicable, and in any event within ten days after the incurrence by such District of any Senior Obligations (i) notify the Master Trustee in writing of such incurrence, and (ii) deliver to the Master Trustee a copy of the Obligation Instrument pursuant to which such Senior Obligations are incurred.

**Section 4.02. Incurrence of Subordinate Obligations.** (a) A District may from time to time, in order to finance or refinance a Project, incur Subordinate Obligations, that are payable from Net Revenues of such District as provided herein on a basis subordinate to the payment therefrom of the Senior Obligations of such District, but only subject to the satisfaction of the following conditions:

(i) at the time of incurrence of such Subordinate Obligations, and after giving effect to such incurrence, no Event of Default with respect to such District shall have occurred and be continuing under this Master Obligation Agreement;

(ii) such District shall have delivered to the Master Trustee, at the time of incurrence of such Subordinate Obligations, a Written Certificate of such District certifying that, upon the incurrence of such Subordinate Obligations, no Obligation Default Event will exist with respect to any Subordinate Obligations of such District;

(iii) such District shall have delivered to the Master Trustee, at the time of incurrence of such Subordinate Obligations, copies of such Subordinate Obligations and the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, together with a Written Certificate of such District certifying that such copies so delivered to the Master Trustee are true and correct copies of such Subordinate Obligations and such Obligation Instrument and that, as of such time, neither such Subordinate Obligations nor such Obligation Instrument has been amended, supplemented or otherwise modified;

(iv) the Debt Service on such Subordinate Obligations shall be payable from such Net Revenues of such District as may from time to time be available for the payment thereof in accordance with this Master Obligation Agreement; provided, however, that such Debt Service on such Subordinate Obligations shall be, and shall be expressly stated to be in the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, subordinate and junior in all respects to the payment from the Net Revenues of such District of Debt Service on such Senior Obligations of such District as may be Outstanding from time to time, including Senior Obligations of such District incurred after the incurrence of such Subordinate Obligations;

(v) subject to the provisions of this Master Obligation Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein, such District, in order to secure the payment of Debt Service on such Subordinate Obligations in accordance with the provisions of such Subordinate Obligations, the Obligation Instrument pursuant to which such Subordinate Obligations are incurred and this Master Obligation Agreement, and to secure the performance and observance of all of the covenants and agreements of such District contained therein and herein, may grant a lien on and a security interest in, and pledge to and for the benefit of the Obligees with respect to such Subordinate Obligations, all of its Revenues and any other amounts held in its Operating Fund and Subordinate Obligation Payment Fund; provided, however, that any such lien, security interest and pledge shall be, and shall be expressly stated to be in the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, subordinate and junior in all respects to the lien on, security interest in and pledge of all of the Revenues of such District and any other amounts held in its Operating Fund and Senior Obligation Payment Fund securing the payment of Debt Service on such District's Senior Obligations made and created by such District pursuant to this Master Obligation Agreement;

(vi) subject to the provisions of subsection (b) of this Section, such District shall have delivered to the Master Trustee, at the time of incurrence of such Subordinate

Obligations, a Written Certificate of such District demonstrating that, for any 12 consecutive calendar months during the 24 calendar month period ending prior to the date of incurrence of such Subordinate Obligations, the Assumed Subordinate Debt Service Coverage Ratio for such District, determined in accordance with Generally Accepted Accounting Principles and as shown by the books of such District, is not less than 1:1. For the purpose of calculating such Assumed Subordinate Debt Service Coverage Ratio, the Net Revenues of such District may be adjusted for (A) any changes in rates and charges for the services of such District's Sewerage System that have been adopted prior to the date of incurrence of such Subordinate Obligations, (B) customers added to such District's Sewerage System subsequent to the commencement of the applicable 12 month computation period but prior to the date of incurrence of such Subordinate Obligations, and (C) the estimated change in available Net Revenues of such District that will result from the connection of existing residences or businesses to such District's Sewerage System within one year following completion of any improvements to such District's Sewerage System to be financed by, or any system to be acquired from the proceeds of, such Subordinate Obligations; provided, however, that, for purposes of preparing such Written Certificate of such District, such District may rely upon financial statements prepared by such District that have not been subject to audit by an independent certified public accountant if audited financial statements for the applicable period are not available;

(vii) if, pursuant to the Obligation Instrument pursuant to which such Subordinate Obligations are being incurred, a Debt Service Reserve Fund is to be established to secure the payment of Debt Service on such Subordinate Obligations (A) the Reserve Requirement for such Subordinate Obligations shall not exceed the Maximum Reserve Requirement with respect thereto, (B) the maximum amounts required, pursuant to such Obligation Instrument, to be deposited into such Debt Service Reserve Fund in any month shall not exceed the amounts specified in paragraph (ix) of Section 3.03(c), and (C) the maximum amount required, pursuant to such Obligation Instrument, to be deposited into such Debt Service Reserve Fund shall be the amount necessary to restore such Debt Service Reserve Fund to the Reserve Requirement for such Subordinate Obligations;

(viii) the Obligation Instrument pursuant to which such Subordinate Obligations are incurred shall contain provisions addressing each of the matters set forth below, which provisions shall be no more favorable to the Obligees of such Subordinate Obligations than the following:

(A) that (I) the obligation of such District to pay such Subordinate Obligations is a special, limited obligation of such District payable, in the manner provided in this Master Obligation Agreement, solely from its Net Revenues and the other assets pledged to the payment thereof under this Master Obligation Agreement remaining after payment therefrom of its Senior Obligations, and does not constitute a debt of such District or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction, (II) neither the faith and credit nor the taxing power of such District or the State or any political subdivision thereof is pledged to the payment of such Subordinate Obligations, (III) the Obligees with respect to such Subordinate Obligations, by their purchase thereof or by their entering into the Obligation

Instrument pursuant to which such Subordinate Obligations are incurred, acknowledge that they have no right to payment of such Subordinate Obligations from any source other than such Net Revenues and the other assets pledged to the payment thereof under this Master Obligation Agreement, and (IV) none of the income or revenue from the ownership or operation of such District's Solid Waste System, or any real or personal property, or any interest therein, constituting a part thereof, or any other assets of such Solid Waste System, secures, is pledged to or is available, under any circumstances, for the payment of such Subordinate Obligations, such District's Solid Waste System being defined for such purposes as the whole and each and every part of the solid waste collection, transfer, treatment, disposal, processing and storage facilities owned by such District, or in which such District has an ownership interest, and all resource recovery facilities, waste-to-energy facilities, landfills, recycling facilities, transfer stations, collection equipment and rail transportation facilities and equipment owned by such District, or in which such District has an ownership interest, and any and all facilities and equipment owned by such District, or in which such District has an ownership interest, related to the interconnection of such Solid Waste System to any purchaser of energy generated through the operation of such Solid Waste System, and other real and personal property, fixtures, rights therein, rights-of-way, easements and other interests constituting a part thereof;

(B) that the rights and obligations of such District under and as provided in such Subordinate Obligations and the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, and the rights and obligations of the Obligees of such Obligations under and as provided in such Subordinate Obligations and the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, shall, in all respects, be subject to the rights and obligations of, and the restrictions and limitations on, such District and such Obligee under and as provided in this Master Obligation Agreement;

(C) that upon the occurrence and during the continuance of an Obligation Default Event with respect to such Subordinate Obligations, the Master Trustee shall be entitled to exercise rights and take action with respect to such Obligation Default Event in accordance with, and subject to, the provisions of Article VI of this Master Obligation Agreement; provided, however that such Obligee shall have and be entitled to exercise any and all such rights as are granted to such Obligee under and pursuant to, but subject to the provisions of, said Article VI, including requesting or directing the Master Trustee to take or refrain from taking certain actions as specified therein;

(D) that such Subordinate Obligations shall only be subject to acceleration if all Outstanding Senior Obligations of such District subject to acceleration have become, or have been declared to be, due and payable, and such declaration has not been annulled in accordance with the provisions of Article VI of this Master Obligation Agreement and, any annulment of such acceleration of such Senior Obligations shall, *ipso facto*, constitute an annulment of such acceleration of such Subordinate Obligations;

(E) that, in the event that the Debt Service payments payable pursuant to such Subordinate Obligations are declared due and payable before their expressed maturity because of the occurrence of an Obligation Default Event with respect to such Subordinate Obligations, the Obligees of the Senior Obligations of such District Outstanding at the time such Debt Service payments so become due and payable shall be entitled to receive payment in full in cash of all Debt Service payments and all other payments payable pursuant to such Senior Obligations, including any Termination Payments, before the Obligees of such Subordinate Obligations are entitled to receive any accelerated payment from the Net Revenues of such District, amounts on deposit in the Operating Fund of such District or amounts on deposit in the Subordinate Obligation Payment Fund of such District;

(F) that, if any default with respect to any Outstanding Senior Obligations of such District shall have occurred and be continuing, the Obligees of all Outstanding Senior Obligations of such District shall be entitled to receive payment in full in cash of all Debt Service payments and all other payments payable pursuant to such Senior Obligations as the same become due and payable in accordance with the provisions of the Obligation Instruments pursuant to which such Senior Obligations are incurred before the Obligees of such Subordinate Obligations are entitled to receive any payment from the Net Revenues of such District, amounts on deposit in the Operating Fund of such District or amounts on deposit in the Subordinate Obligation Payment Fund of such District;

(G) that, in the event that, in violation of paragraph (E) or (F), above, any payment or distribution of any kind or character, whether in cash, property or securities, shall be received by an Obligee of such Subordinate Obligations before all other payments payable pursuant to all Senior Obligations of such District in accordance herewith have been paid in full, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to the Master Trustee for application to the payment of such Senior Obligations remaining unpaid;

(H) that no Obligee of any Senior Obligations of such District shall be prejudiced in such Obligee's right to enforce subordination of such Subordinate Obligations by any act or failure to act on the part of such District or the Master Trustee;

(I) that the Obligation Instrument pursuant to which such Subordinate Obligations are incurred may provide that the provisions thereof addressing the matters set forth in paragraphs (D), (E), (F), (G) and (H), above, are solely for the purpose of defining the relative rights of the Obligees of the Senior Obligations of such District, on the one hand, and the Obligees of such Subordinate Obligations, on the other hand, and that nothing therein shall impair, as between such District and the Obligees of such Subordinate Obligations, the obligation of such District to pay such Subordinate Obligations pursuant in accordance with the terms thereof;

(J) that the Obligees with respect to such Subordinate Obligations, by their purchase thereof or by their entering into the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, acknowledge and agree that the Master Trustee is vested with all the moneys, estates, properties, rights, powers, trusts, duties, obligations and protections set forth or provided for in this Master Obligation Agreement and that such Obligees irrevocably authorize the Master Trustee, subject to the provisions of this Master Obligation Agreement, to take such actions and execute such rights, powers and duties as are granted to the Master Trustee by the terms of this Master Obligation Agreement; and

(K) that the provisions of the Obligation Instrument pursuant to which such Subordinate Obligations are incurred addressing the matters set forth in this paragraph (viii) shall not be amended, supplemented or otherwise modified, except to reflect amendments, supplements or other modifications to this Master Obligation Agreement addressing such matters.

(ix) if such Subordinate Obligations are Shared Project Obligations, the Obligation Instrument pursuant to which such Subordinate Obligations are incurred shall, in addition to the matters described in paragraph (viii), above:

(A) specify that the Subordinate Obligations incurred pursuant to such Obligation Instrument are Shared Project Obligations;

(B) specify the Districts that are members of the Shared Project Group for such Shared Project Obligations;

(C) specify and describe the Shared Project financed or refinanced by such Shared Project Obligations;

(D) specify (I) the Shared Project Percentage for each District that is a member of the Shared Project Group for such Shared Project Obligations, and (II) that each such District will be responsible only for its Shared Project Percentage of the costs of such Shared Project financed or refinanced by such Shared Project Obligations and will not be responsible for the Shared Project Percentage of such costs of any other District;

(E) specify that such District's Shared Project Obligations incurred pursuant to such Obligation Instrument are equal to the product of (aa) such District's Shared Project Percentage, times (bb) the aggregate of the Shared Project Obligations of all of the members of the Shared Project Group, including such District, with respect to such Shared Project Obligations; and

(F) specify that the obligations of the members of such Shared Project Group under the Obligation Instrument pursuant to which such Shared Obligations are incurred are several, and not joint, obligations.

(x) if such Subordinate Obligations are both Shared Project Obligations and Supported Obligations, the Obligation Instrument pursuant to which such Subordinate

Obligations are incurred shall, in addition to the matters described in paragraphs (viii) and (ix), above:

(A) specify that the Subordinate Obligations incurred pursuant to such Obligation Instrument are both Shared Project Obligations and Supported Obligations;

(B) specify that the Districts that constitute the members of such Shared Project Group also constitute the members of the Support Group for such Supported Obligations;

(C) specify that the Shared Project financed or refinanced by such Shared Project Obligations also constitutes the Supported Project financed or refinanced by such Subordinate Obligations;

(D) specify that the Shared Project Percentage for each such District with respect to such Shared Project also constitutes the Shared Project Percentage for such District with respect to such Supported Project; and

(E) expressly incorporate the provisions of Section 3.04(b) and include an express agreement of each District that is a member of such Support Group to be bound by the provisions of said Section;

(xi) such District shall have delivered or caused to be delivered to the Master Trustee, at the time of incurrence of such Subordinate Obligations, either (A) an Opinion of Bond Counsel, dated the date of incurrence of such Subordinate Obligations, addressed to the Master Trustee, substantially to the effect, or (B) a letter of Bond Counsel, dated the date of incurrence of such Subordinate Obligations, addressed to the Master Trustee, substantially to the effect that the Master Trustee may rely, as if the same were addressed to the Master Trustee, on an Opinion of Bond Counsel, substantially to the effect, that (I) the Obligation Instrument pursuant to which such Subordinate Obligations are incurred has been duly executed and delivered by, and constitutes the valid and binding obligation of, such District, (II) if such Subordinate Obligations are Subordinate Bonds, that such Subordinate Bonds constitute valid and binding obligations of such District, and (III) if Tax-Exempt Obligations of such District are Outstanding at the time of the issuance of such Subordinate Obligations, the execution and delivery of such Obligation Instrument and the incurrence of such Subordinate Obligations, in and of themselves, will not adversely affect the exclusion of interest on such Tax-Exempt Obligations of such District from gross income for federal income tax purposes.

(b) Notwithstanding the provisions of paragraph (vi) of subsection (a) of this Section, the Written Certificate of such District described therein shall not be required and the financial test specified therein need not be satisfied:

(i) if (A) the Subordinate Obligations being incurred are for the exclusive purpose of refunding then Outstanding Subordinate Obligations of such District, and (B) at the time of the incurrence of such refunding Subordinate Obligations a Written Certificate of the District is delivered demonstrating that Debt Service on the Subordinate

Obligations in each Fiscal Year, calculated for all Subordinate Obligations that will be Outstanding after the incurrence of such refunding Subordinate Obligations, will be less than or equal to Debt Service in such Fiscal Year, calculated for all Subordinate Obligations that are Outstanding immediately prior to the incurrence of such refunding Subordinate Obligations;

(ii) if (A) the Subordinate Obligations being incurred are Net Payments under a Qualified Swap Agreement, (B) such Qualified Swap Agreement relates to a principal amount of Subordinate Obligations of such District, as specified in a Written Certificate of such District provided to each Obligee of the Obligations of such District, and (C) the notional amount of such Qualified Swap Agreement does not exceed the principal amount of the related Subordinate Obligations;

(iii) if the Subordinate Obligations being incurred are Reimbursement Obligations under a Credit Support Agreement; or

(iv) if the Subordinate Obligations being incurred are Short-Term Obligations excluded from the calculation of Assumed Debt Service pursuant to paragraph (vi) of the definition thereof.

(c) A District shall, as soon as practicable, and in any event within ten days after the incurrence by such District of any Subordinate Obligations (i) notify the Master Trustee in writing of such incurrence, and (ii) deliver to the Master Trustee a copy of the Obligation Instrument pursuant to which such Subordinate Obligations are incurred.

**Section 4.03. Restrictions on Obligations and Liens.** (a) No District shall (i) enter into any credit support agreement, swap agreement, loan agreement, credit agreement, credit facility, line of credit, installment purchase agreement, installment sales agreement, financing lease or other substantively similar agreement or contract of such District, howsoever denominated, or (ii) issue any bond or note, including any bond anticipation note or commercial paper note, or other substantively similar evidence of indebtedness of such District, howsoever denominated, the loan payments, installment payments, lease payments, rental payments, reimbursement payments, debt service payments or similar payments, howsoever denominated, payable by such District under or pursuant to which are senior or prior in right to the payment by such District, from its Net Revenues and amounts on deposit in its Senior Obligation Payment Fund, of such District's Senior Obligations.

(b) No District shall (i) enter into any credit support agreement, swap agreement, loan agreement, credit agreement, credit facility, line of credit, installment purchase agreement, installment sales agreement, financing lease or other substantively similar agreement or contract of such District, howsoever denominated, or (ii) issue any bond or note, including any bond anticipation note or commercial paper note, or other substantively similar evidence of indebtedness of such District, howsoever denominated, the loan payments, installment payments, lease payments, rental payments, reimbursement payments, debt service payments or similar payments, howsoever denominated, payable by such District under or pursuant to which are on a parity with or equal in right to the payment by such District, from its Net Revenues and amounts on deposit

in its Senior Obligation Payment Fund, of such District's Senior Obligations, except in accordance with Section 4.01.

(c) No District shall create, incur or suffer to exist any lien on, security interest in or pledge of such District's Revenues or any other amounts on deposit in its Operating Fund or Senior Obligation Payment Fund, howsoever such lien, security interest or pledge may be denominated, that is senior to the lien on and security interest in such District's Revenues or any other amounts on deposit in its Operating Fund or Senior Obligation Payment Fund pledged to and for the benefit of the Obligees with respect to such District's Senior Obligations granted by such District pursuant to Section 3.01(a).

(d) No District shall (i) enter into any credit support agreement, swap agreement, loan agreement, credit agreement, credit facility, line of credit, installment purchase agreement, installment sales agreement, financing lease or other substantively similar agreement or contract of such District, howsoever denominated, or (ii) issue any bond or note, including any bond anticipation note or commercial paper note, or other substantively similar evidence of indebtedness of such District, howsoever denominated, the loan payments, installment payments, lease payments, rental payments, reimbursement payments, debt service payments or similar payments, howsoever denominated, payable by such District under or pursuant to which are on a parity with or equal in right to the payment by such District, from its Net Revenues and amounts on deposit in its Subordinate Obligation Payment Fund, of such District's Subordinate Obligations, except in accordance with Section 4.02.

(e) No District shall create, incur or suffer to exist any lien on, security interest in or pledge of such District's Revenues or any other amounts on deposit in its Operating Fund or Subordinate Obligation Payment Fund, howsoever such lien, security interest or pledge may be denominated, to secure the payment of its Subordinate Obligations, except in accordance with Section 3.01(b).

## ARTICLE V

### COVENANTS

**Section 5.01. Compliance with Master Obligation Agreement.** Each District shall comply with, keep, observe and perform all of the agreements, covenants, provisions and terms contained in this Master Obligation Agreement required to be complied with, kept, observed or performed by such District.

**Section 5.02. Against Encumbrances.** (a) Each District shall not mortgage or otherwise encumber, pledge or place any charge upon its Sewerage System or any part thereof, or upon any of its Revenues that would impair such District's ability to comply with its obligations under this Master Obligation Agreement.

(b) So long as any Obligations of a District are Outstanding, such District will not issue any bonds or incur obligations payable from its Revenues or secured by a pledge, lien or charge upon its Revenues, except as provided herein.

**Section 5.03. Against Sale or Other Disposition of Property.** Each District shall not sell, lease or otherwise dispose of its Sewerage System or any part thereof essential to the proper operation of its Sewerage System or to the maintenance of its Revenues; provided, however, that any real or personal property which has become non-operative or that is not needed for the efficient and proper operation of such District's Sewerage System, or any material or equipment that has become worn out, may be sold if such sale will not materially reduce such District's Net Revenues and if the proceeds of such sale are deposited in such District's Operating Fund. Each District shall not enter into any agreement or lease that would (a) impair the operation of such District's Sewerage System or any part thereof necessary to secure adequate Revenues for the payment of its Obligations, (b) impair the rights of the Master Trustee or the applicable Obligees with respect to such District's Revenues, or (c) otherwise materially impair the operation of such District's Sewerage System. Notwithstanding the foregoing, a District may sell or lease its Sewerage System or any part thereof if (a) such Sewerage System or such part thereof is sold or leased to another local governmental agency (including the Los Angeles County Sanitation Districts Financing Authority) or to a nonprofit corporation that is organized for the purpose of assisting one or more local governmental agencies in financing or refinancing capital projects, (b) in the case of a sale of its Sewerage System or a part thereof, such District, as part of that same sale transaction, simultaneously repurchases its Sewerage System or such part thereof, (c) in the case of a lease of its Sewerage System or a part thereof, such District, as part of that same lease transaction, simultaneously leases back, for a term that is not substantially less than the term of that lease, its Sewerage System or such part thereof, and (d) the net financing proceeds obtained by such District from such sale and repurchase or lease and lease back are used by such District, or set aside for use by such District, either to pay for improvements to its Sewerage System or to refund or refinance its Obligations.

**Section 5.04. Operation and Maintenance of Sewerage System.** Each District shall maintain and preserve its Sewerage System in good repair and working order at all times and will operate its Sewerage System in an efficient and economical manner and shall pay all of its Operation and Maintenance Costs as they become due and payable, but such District shall not be

required to pay such Operation and Maintenance Costs if the validity thereof shall be contested in good faith, so long as such nonpayment will not materially adversely affect such District's ability to perform its obligations hereunder.

**Section 5.05. Budgets; Books and Records; Audits.** (a) On or before July 1 of each Fiscal Year, commencing July 1, 2022, each District shall adopt a budget approved by the Board of Directors of such District that appropriates amounts for the payment of its Obligations payable during such Fiscal Year.

(b) Each District shall keep adequate books and records of accounts in which complete and correct entries shall be made.

(c) Each District shall have its books and records for each Fiscal Year audited by an Accountant as having been prepared in accordance with Generally Accepted Accounting Principles, which audit such District shall use its best efforts to have completed no later than the December 31 next occurring after the end of such Fiscal Year,

**Section 5.06. Permitted Investments.** Moneys held by a District in its Operating Fund, Senior Obligation Payment Fund or Subordinate Obligation Payment Fund may be invested in any investments permitted by Section 53600, *et seq.*, of the California Government Code, as amended. Moneys on deposit in a Debt Service Reserve Fund established for Obligations of a District shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Obligation Instrument pursuant to which such Obligations are incurred; provided, however, that Permitted Investments in which moneys in such Debt Service Reserve Fund are so invested shall mature no later than the earlier of five years from the date of investment or the final maturity date of such Obligations and, provided, further, that if such Permitted Investments may be redeemed at par so as to be available on each Interest Payment Date of such Obligations, any amount in such Debt Service Reserve Fund may be invested in such redeemable Permitted Investments maturing on any date on or prior to the final maturity date of such Obligations.

**Section 5.07. Amounts of Rates and Charges.** (a) Each District shall, to the extent permitted by applicable law, fix, prescribe and collect rates and charges for the services of its Sewerage System that will be at least sufficient to yield during each Fiscal Year (i) Revenues of such District for such Fiscal Year sufficient to make all deposits, transfers and payments required pursuant to this Master Obligation Agreement to be made in such Fiscal Year, including (A) payments of Operation and Maintenance Costs, and (B) all deposits, transfers and payments required by paragraphs (i) through (xiv) of Section 3.03(c), and (ii) a Senior Debt Service Coverage Ratio of such District for such Fiscal Year of not less than 1.25:1. A District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless its Revenues and Senior Debt Service Coverage Ratio from such reduced rates and charges will at all times be sufficient to meet the requirements of this Section.

(b) A District shall not be in default under this Section if it fails to satisfy the requirements set forth in subsection (a) of this Section for a Fiscal Year, so long as (i) such District has satisfied the requirements of clause (i) of subsection (a) of this Section for such Fiscal Year,

and (ii) such District has delivered to each Obligee, no later than 90 days after the end of such Fiscal Year, a written report describing the cause or causes of such failure and describing the measures that such District has taken or is in the process of taking in order to prevent such a failure in the Fiscal Year next succeeding such Fiscal Year; provided, however, that such District shall be in default under this Section if it fails to satisfy the requirements set forth in subsection (a) of this Section for two consecutive Fiscal Years.

**Section 5.08. Payment of Claims.** Each District shall pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on its Net Revenues or any part thereof or on any funds in the hands of such District, but such District shall not be required to pay such claims if the validity thereof shall be contested in good faith, so long as such nonpayment will not materially adversely affect such District's ability to perform its obligations hereunder.

**Section 5.09. Compliance with Contracts.** Each District shall comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of its Sewerage System and all other contracts affecting or involving its Sewerage System to the extent that such District's failure to so comply, keep, observe or perform would have a material adverse effect on such District's ability to perform its obligations hereunder.

**Section 5.10. Insurance.** (a) Each District shall procure and maintain or cause to be procured and maintained casualty insurance on its Sewerage System with responsible insurers, or provide self-insurance (so long as such self-insurance is, in the opinion of an accredited actuary, actuarially sound), in such amounts and against such risks, including accident to or destruction of its Sewerage System, as are reasonably determined by such District to provide, in the event of any damage to or destruction of any material portion of such District's Sewerage System, sufficient Net Revenues to reconstruct, repair or replace the damaged or destroyed portion of such Sewerage System. In the event of any damage to or destruction of any material portion of such District's Sewerage System caused by the perils covered by such insurance or self-insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of its Sewerage System. Such District shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and its Sewerage System shall be free and clear of all claims and liens, unless such District determines that such damaged or destroyed portion of its Sewerage System is not necessary to the efficient or proper operation of its Sewerage System and therefore determines not to reconstruct, repair or replace such damaged or destroyed portion. If either (i) such District determines not to reconstruct, repair or replace such damaged or destroyed portion of such District's Sewerage System, or (ii) such Net Proceeds exceed the costs of such reconstruction, repair or replacement, then the excess Net Proceeds shall be deposited in such District's Operating Fund and be available for other proper uses of funds deposited in its Operating Fund.

(b) Each District shall procure and maintain or cause to be procured and maintained standard comprehensive general liability insurance in protection of such District and its directors,

officers, agents and employees with responsible insurers, or provide self-insurance (so long as such self-insurance is, in the opinion of an accredited actuary, actuarially sound), which insurance shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or ownership of such District's Sewerage System in such amounts as are reasonably determined by such District to protect such District and said parties against such risks.

(c) All policies of insurance required to be maintained hereunder shall, to extent reasonably obtainable, provide that the Master Trustee shall be given 30 days' written notice of any intended cancellation thereof or reduction of coverage provided thereby. If a District has elected to satisfy any insurance requirement hereunder through self-insurance, such District shall provide to the Master Trustee annually on or before July 1 a certificate of an accredited actuary, certifying in writing that such self-insurance is adequate to meet the particular requirements hereof.

**Section 5.11. Eminent Domain Proceeds.** If all or any part of a District's Sewerage System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied to the replacement of the property or facilities so taken, unless such District determines that such property or facility is not necessary to the efficient or proper operation of its Sewerage System and therefore determines not to replace such property or facilities. Any Net Proceeds of such award not applied to replacement, or remaining after such work has been completed, shall be deposited in such District's Operating Fund and be available for other proper uses of funds deposited in its Operating Fund.

**Section 5.12. Protection of Security and Rights of Obligees.** Each District shall preserve and protect the security hereof and the rights of the Master Trustee and the Obligees of such District's Obligations hereunder and the payments required to be made by such District hereunder and under such District's Obligation Instruments and will warrant and defend such rights against all claims and demands of all Persons.

**Section 5.13. Payment of Taxes and Compliance with Governmental Regulations.** Each District shall pay and discharge all taxes, assessments and other governmental charges that may hereafter be lawfully imposed upon its Sewerage System or any part thereof or upon its Revenues when the same shall become due. Each District shall duly observe and comply with all valid regulations and requirements of any governmental authority relative to the operation of its Sewerage System or any part thereof, but such District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

**Section 5.14. Collection of Rates and Charges; No Free Service.** Each District shall have in effect at all times rules and regulations for the payment of bills for services of its Sewerage System. Each District shall not permit any part of its Sewerage System or any facility thereof to be used or taken advantage of free of charge by any Person, or by any public agency (including the United States of America, the State and any city, county, district, political subdivision, public authority or agency of any thereof), except (a) to the extent that any such free use is required by the terms of any existing contract, agreement or arrangement, or (b) for incidental insignificant free use so long as such free use does not prevent such District from satisfying its other covenants under this Master Obligation Agreement, including, without limitation, Section 5.07.

**Section 5.15. Enforcement of Contracts.** Each District shall not voluntarily consent to or permit any rescission of, nor will it consent to any amendment or supplement to, or otherwise take any action under or in connection with, any contracts previously or hereafter entered into, which contracts provide such District with an interest in wastewater collection, conveyance, treatment or disposal facilities (including, if applicable, the Joint Administration Agreement, the Joint Outfall Agreement and the City of Los Angeles Agreements) unless the Board of Directors of such District determines by resolution that such rescission or amendment would not materially adversely affect the ability of such District to pay its Obligations, as and when due, or to perform and observe all of its covenants hereunder and under such District's Obligation Instruments.

**Section 5.16. Administrative Costs.** Each District shall pay all Administrative Costs incurred by such District in connection with, or payable by such District with respect to, Obligations of such District or, if District No. 2 has, as agent of such District pursuant to the Joint Outfall Agreement, paid any of such Administrative Costs on behalf of such District, reimburse District No. 2 for such Administrative Costs so paid. Administrative Costs shall be paid or reimbursed by each District directly to the Person or Persons to whom such amounts shall be payable. Each District shall pay or reimburse all such amounts when due or at such later time as such amounts may be paid or reimbursed without penalty.

**Section 5.17. Further Assurances.** Each District shall adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of its obligations hereunder.

## ARTICLE VI

### EVENTS OF DEFAULT AND REMEDIES

**Section 6.01. Events of Default.** (a) The following events shall be Events of Default with respect to a District:

(i) the occurrence and continuance of an Obligation Default Event with respect to any Senior Obligations of such District;

(ii) the failure by such District to observe and perform any of the covenants, agreements or conditions applicable to it set forth in this Master Obligation Agreement, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to such District by the Master Trustee, or to such District and the Master Trustee by the Obligees of not less than 5% in aggregate principal amount of the Senior Obligations of such District at the time Outstanding; provided, however, that, if in the reasonable opinion of such District the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by such District within such 30 day period and such District shall thereafter diligently and in good faith cure such failure in a reasonable period of time, which period of time shall not exceed 180 days (inclusive of such 30-day period), unless the Obligees of not less than 25% in aggregate principal amount of the Senior Obligations of such District at the time Outstanding consent in writing to a longer period of time; or

(iii) the occurrence and continuance of an Event of Bankruptcy with respect to such District.

(b) If an Event of Default shall have occurred with respect to a District, such District shall, as soon as practicable, and in any event within ten days after the occurrence of such Event of Default, notify the Master Trustee of the occurrence such Event of Default, which notice shall specify the Obligations of such District to which such Event of Default applies, state the nature of such event and the action that such District proposes to take with respect thereto. If an Obligation Acceleration Event shall have occurred with respect to a District, such District shall, as soon as practicable, and in any event within five days after the occurrence of such Obligation Acceleration Event, notify the Master Trustee of the occurrence such Obligation Acceleration Event, which notice shall specify the Obligations of such District to which such Obligation Acceleration Event applies, state the nature of such event and the action that such District proposes to take with respect thereto. Promptly following receipt of a notice of an Event of Default or a notice of Obligation Acceleration Event from a District, the Master Trustee shall deliver a copy of such notice to each Obligee.

(c) If an Event of Default shall have occurred and be continuing with respect to a District, such District shall account, as if it were the trustee of an express trust, for all Revenues of such District and all other amounts held in its Operating Fund, its Senior Obligation Payment Fund and its Subordinate Obligation Payment Fund.

(d) If an Event of Default shall have occurred and be continuing with respect to a District, the books of record and accounts of such District shall at all times be subject to the inspection by the Master Trustee, any Obligee and the agents and attorneys thereof.

**Section 6.02. Acceleration; Annulment of Acceleration.** (a) Upon (i) the occurrence of an Event of Bankruptcy or the occurrence of an Obligation Acceleration Event with respect to a District, the Master Trustee shall, and (ii) the occurrence and during the continuance of an Event of Default other than an Event of Bankruptcy or an Obligation Acceleration Event with respect to such District, the Master Trustee may, and upon the written request of the Obligees of not less than a majority in aggregate principal amount of the Outstanding Senior Obligations of such District shall, by notice to such District and each Obligee of Senior Obligations of such District, declare all Outstanding Senior Obligations of such District immediately due and payable. Upon such declaration of acceleration, all such Outstanding Senior Obligations shall be immediately due and payable; provided, however, that (A) if the terms of any Obligation Instrument pursuant to which Senior Obligations of such District are incurred grant to the Obligee of such Senior Obligations, or any other Person, including a Credit Support Provider with respect to such Senior Obligations, the right to consent to the acceleration of such Senior Obligations, such Senior Obligations shall not be accelerated by the Master Trustee unless such consent is properly obtained pursuant to the terms of such Obligation Instrument, and (B) such right to consent pursuant to such Obligation Instrument, or the withholding of such consent by such Obligee, shall not affect the acceleration of any other Senior Obligations of such District as provided herein. In the event of such an acceleration, an amount equal to the aggregate principal amount of all Outstanding Senior Obligations of such District subject to acceleration, plus all interest accrued thereon and, to the extent permitted by applicable law, interest that, pursuant to the Obligation Instruments pursuant to which such Senior Obligations are incurred accrues on such principal and interest to the date of payment, and all other amounts due thereunder, shall be due and payable on such Senior Obligations.

(b) At any time after Senior Obligations of a District have been declared to be due and payable, and before the entry of a final judgment or decree in any proceeding instituted with respect to the Event of Default with respect thereto that resulted in such declaration of acceleration, the Master Trustee may annul such declaration and its consequences if (i) such District has paid or caused to be paid, or deposited with the Master Trustee moneys sufficient to pay, all payments then due on all such Senior Obligations, other than payments then due only as a result of such declaration, (ii) such District has paid or caused to be paid, or deposited with the Master Trustee moneys sufficient to pay, all fees and expenses of the Master Trustee then due, (iii) such District has paid or caused to be paid, or deposited with the Master Trustee moneys sufficient to pay, all other amounts then payable by such District hereunder, and (iv) each Event of Default with respect to such District, other than a default in the payment amounts then due only as a result of such declaration, has been remedied. No such annulment shall extend to or affect any subsequent Event of Default with respect to such District or impair any right with respect to any subsequent Event of Default with respect to such District.

(c) No Subordinate Obligations of a District shall be declared immediately due and payable unless all Outstanding Senior Obligations of such District have been declared immediately due and payable pursuant to subsection (a) of this Section and such declaration has not been annulled pursuant to subsection (b) of this Section. Any annulment of an acceleration of

Outstanding Senior Obligations of a District shall, *ipso facto*, constitute an annulment of any acceleration of Outstanding Subordinate Obligations then in effect.

**Section 6.03. Remedies on Default.** (a) Upon the occurrence and continuance of an Event of Default with respect to a District, the Master Trustee may, and upon the written request of the Obligees of not less than a majority in aggregate principal amount of the Outstanding Senior Obligations of such District, unless the Master Trustee reasonably concludes that the indemnification to which it is entitled with respect thereto pursuant to Section 7.06 will not be made available to it, shall, proceed to protect and enforce its rights and the rights of such Obligees hereunder and under such Senior Obligations and the Obligation Instruments pursuant to which such Senior Obligations are incurred, by such proceedings as may be deemed expedient, including:

(i) enforcement of the right of such Obligees to collect amounts due or becoming due under such Senior Obligations;

(ii) civil action upon all or any part of such Senior Obligations;

(iii) civil action to require any Person holding monies, documents or other property pledged to secure payment of amounts due or to become due on such Senior Obligations to account as if it were the trustee of an express trust for the Obligees of such Senior Obligations;

(iv) civil action to enjoin any acts that may be unlawful or in violation of the rights of the Obligees of such Senior Obligations;

(v) civil action to obtain a writ of mandate against such District, or against any officer or member of the Board of Directors of such District to compel performance of any act specifically required by this Master Obligation Agreement, any such Senior Obligations or any Obligation Instruments pursuant to which any such Senior Obligations are incurred;

(vi) enforcement of any other right or remedy of the Obligees of such Senior Obligations conferred by law, by this Master Obligation Agreement or by such Senior Obligations or the Obligation Instruments pursuant to which such Senior Obligations are incurred; and

(vii) having a receiver or receivers appointed for such District's Sewerage System and of the issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

(b) Regardless of whether or not an Event of Default with respect to a District has occurred, if requested in writing by the Obligees of not less than a majority in aggregate principal amount of the Outstanding Senior Obligations of such District, unless the Master Trustee reasonably concludes that the indemnification to which it is entitled with respect thereto pursuant to Section 7.06 will not be made available to it, the Master Trustee shall institute and maintain such proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder or under such Senior Obligations or the Obligation Instruments pursuant to which such Senior Obligations are incurred by any acts that may be unlawful or in violation hereof or thereof, or (ii) to preserve or protect the interests of the Obligees

of such Senior Obligations; provided, however, that the Master Trustee shall not comply with any such request or institute and maintain any such proceeding that is in conflict with any applicable law or the provisions hereof or, in the sole judgment of the Master Trustee, is, in respect of time, method or place of exercise of remedies, unduly prejudicial to the interests of the Obligees of such Senior Obligations not making such request. Nothing herein shall be deemed to permit the Master Trustee to authorize or consent to or accept or adopt on behalf of any Obligee any plan of reorganization, arrangement, adjustment or composition affecting such Senior Obligations or the rights of any Obligee thereof, or to permit the Master Trustee to vote in respect of the claim of any such Obligee in any such proceeding without the approval of all of the Obligees so affected.

**Section 6.04. Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Master Trustee is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law and not otherwise limited by the terms hereof, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

**Section 6.05. No Impairment of Obligee's Rights Under Obligation Instruments.** Notwithstanding any other provision in this Master Obligation Agreement, the right of any Obligee with respect to Obligations of a District to (a) receive payment of such Obligations and any other amounts payable with respect thereto pursuant to the Obligation Instrument pursuant to which such Obligations are incurred (other than such principal amounts, and accrued interest thereon, of Obligations of such District that have been accelerated pursuant to Section 6.02) on or after the respective due dates thereof pursuant to such Obligation Instrument, or to institute suit for the enforcement of any such payment on or after its due date and collect the moneys adjudicated or decreed to be payable, and (b) enforce performance and observance of any obligation, agreement or covenant of such District under such Obligation Instrument or, without the consent of any other Person, take such action, including a *mandamus* action against such District and its officials, to enforce the performance by such District of any provisions of such Obligation Instrument, shall not be impaired or affected without the prior written consent of such Obligee.

**Section 6.06. Application of Moneys After Default.** (a) Notwithstanding anything to the contrary contained in this Master Obligation Agreement or in any Obligation Instrument, if an Event of Default with respect to a District shall have occurred and be continuing, such District shall, in such manner as the Master Trustee shall, in its sole discretion, deem appropriate, cause control of amounts in the Operating Fund, Senior Obligation Payment Fund and Subordinate Obligation Payment Fund of such District to be transferred to the Master Trustee and shall cause to be paid over to the Master Trustee, upon receipt thereof by such District, all Revenues of such District.

(b) During the continuance of an Event of Default with respect to a District, all moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article, including any moneys received by or in possession of the Master Trustee pursuant to subsection (a) of this Section, shall be applied as follows:

(i) unless all Outstanding Senior Obligations of such District subject to acceleration have become, or have been declared to be, due and payable (other than such Senior Obligations of such District with respect to which consent to such acceleration is,

pursuant to the Obligation Instrument pursuant to which such Senior Obligations are incurred, required to be obtained and has not been so obtained), or if such declaration has been annulled in accordance with the provisions of this Article:

*First:* to (I) the payment of the reasonable and proper charges, expenses and liabilities of the Master Trustee, including reasonable fees of counsel, (II) the payment of the reasonable and proper charges, expenses and liabilities of the Obligation Trustees for the Senior Obligations of such District, including reasonable fees of counsel, and (III) with respect to Senior Obligations that are loan payments, installment payments, lease payments, rental payments or similar payments payable under and pursuant to Senior Contracts, which Senior Obligations are not Trustee Assigned Obligations, the payment of the reasonable and proper charges, expenses and liabilities of the Obligees with respect to such Senior Contracts, including reasonable fees of counsel, in the amounts then due and, if the amount available is not sufficient to pay in full all such charges, expenses and liabilities then due, then to the payment thereof ratably, according to the amount of such charges, expenses and liabilities then due to each such Person, without any discrimination or preference;

*Second:* to the payment of the Operation and Maintenance Costs of such District; provided, however, that no such payment shall duplicate any payment made pursuant to the preceding paragraph;

*Third,* to the payment of Outstanding Senior Obligations of such District in the order of priority specified in paragraphs (i) through (vii) of Section 3.03(c), all payments in each priority to be fully satisfied, leaving no deficiencies, prior to any payment later in priority, and, among such Senior Obligations within each such priority, in the order of their due dates, and, if the amount available is not sufficient to pay in full all such amounts due on the same date, then to the payment thereof ratably, according to the amount due on such date, without any discrimination or preference; and

*Fourth,* to the payment of Outstanding Subordinate Obligations of such District in the order of priority specified in paragraphs (viii) through (xiv) of Section 3.03(c), all payments in each priority to be fully satisfied, leaving no deficiencies, prior to any payment later in priority, and, among such Subordinate Obligations within each such priority, in the order of their due dates, and, if the amount available is not sufficient to pay in full all such amounts due on the same date, then to the payment thereof ratably, according to the amount due on such date, without any discrimination or preference; and

(ii) if all Outstanding Senior Obligations of such District subject to acceleration have become, or have been declared to be, due and payable (other than such Senior Obligations of such District with respect to which consent to such acceleration is, pursuant to the Obligation Instrument pursuant to which such Senior Obligations are incurred, required to be obtained and has not been so obtained), and such declaration has not been annulled in accordance with the provisions of this Article:

*First:* to (I) the payment of the reasonable and proper charges, expenses and liabilities of the Master Trustee, including reasonable fees of counsel, (II) the payment of the reasonable and proper charges, expenses and liabilities of the Obligation Trustees for the Senior Obligations of such District, including reasonable fees of counsel, and (III) with respect to Senior Obligations that are loan payments, installment payments, lease payments, rental payments or similar payments payable under and pursuant to Senior Contracts, which Senior Obligations are not Trustee Assigned Obligations, the payment of the reasonable and proper charges, expenses and liabilities of the Obligees with respect to such Senior Contracts, including reasonable fees of counsel, in the amounts then due and, if the amount available is not sufficient to pay in full all such charges, expenses and liabilities then due, then to the payment thereof ratably, according to the amount of such charges, expenses and liabilities then due to each such Person, without any discrimination or preference;

*Second:* to the payment of the Operation and Maintenance Costs of such District; provided, however, that no such payment shall duplicate any payment made pursuant to the preceding paragraph;

*Third:* to the payment of all amounts due and payable in respect of (A) all Outstanding Senior Obligations of such District as a result of such acceleration until such Senior Obligations have been paid in full, and (B) any other Outstanding Senior Obligations then due and payable, and, if the amount available is not sufficient to pay in full the whole amount due and unpaid on each such Senior Obligations, then to the payment thereof ratably, without preference or priority, according to the amounts due respectively, without any discrimination or preference; and

*Fourth:* to the payment of all amounts then due and payable in respect of all Outstanding Subordinate Obligations of such District until such Outstanding Subordinate Obligations have been paid in full, and, if the amount available is not sufficient to pay in full the whole amount due and unpaid on each such Subordinate Obligations, then to the payment thereof ratably, without preference or priority, according to the amounts due respectively, without any discrimination or preference.

(c) Whenever all Obligations of a District have been paid under the terms of this Section and all fees and expenses of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive such balance. If no other Person is entitled thereto, then the balance shall be paid to such District or to such other Person as a court of competent jurisdiction may direct.

**Section 6.07. Power of Master Trustee to Enforce.** All rights of action under this Master Obligation Agreement, the Obligations or the Obligation Instruments or otherwise may be prosecuted and enforced by the Master Trustee without the possession of any of the Obligations or the Obligation Instruments or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Master Trustee shall be brought in the name of the

Master Trustee for the benefit and protection of the Obligees of such Obligations, subject to the provisions of this Master Obligation Agreement.

**Section 6.08. Direction of Remedies by Obligees; Limitations Thereon.** (a) Unless the Master Trustee reasonably concludes that the indemnification to which it is entitled with respect thereto pursuant to Section 7.06 will not be made available to it, the Obligees of not less than a majority in aggregate principal amount of the Senior Obligations of a District then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Master Trustee, to direct the method of conducting all remedial proceedings taken by the Master Trustee hereunder with respect to such Senior Obligations; provided, however, that such direction shall not be otherwise than in accordance with the provisions of this Master Obligation Agreement and other applicable law, and, provided, further, that the Master Trustee shall have the right to decline to follow any such direction that in the sole judgment of the Master Trustee would be, in respect of time, method or place of exercise of remedies, unjustly prejudicial to the interests of the Obligees of such Senior Obligations not parties to such direction.

(b) No Obligee of Senior Obligations of a District shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Master Obligation Agreement, unless (i) such Obligee shall have given to the Master Trustee written notice of the occurrence of an Event of Default with respect to such Senior Obligations, (ii) such Obligee shall have made written request upon the Master Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in the Master Trustee's own name, (iii) such Obligee shall have tendered to the Master Trustee indemnity satisfactory to the Master Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, and (iv) the Master Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Master Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the institution of any such suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Master Obligation Agreement, it being understood and intended that no one or more Obligees of such Senior Obligations shall have any right in any manner whatever by such action to affect, disturb or prejudice the security of this Master Obligation Agreement or the rights of any other Obligees of such Senior Obligations, or to enforce any right under such Senior Obligations, the Obligation Instruments pursuant to which such Senior Obligations are incurred, this Master Obligation Agreement or applicable law with respect to such Senior Obligations, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Obligees of such Senior Obligations, subject to the provisions of this Master Obligation Agreement.

**Section 6.09. Termination of Proceedings.** In case any proceedings taken by the Master Trustee with respect to the Senior Obligations of a District or any one or more Obligees of such Senior Obligations on account of any Event of Default with respect thereto shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Master Trustee or such Obligees, then in every such case the Master Trustee and the Obligees of such Senior Obligations, subject to any determination in such proceedings, shall be restored to their

former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of such District, the Master Trustee and the Obligees of such Senior Obligations shall continue as though no such proceedings had been taken.

**Section 6.10. Master Trustee to File Proofs of Claim in Receivership.** In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings affecting a District, the Master Trustee shall, to the extent permitted by law, be entitled to file such proofs of claims and other documents as may be necessary or advisable in order to have claims of the Master Trustee and of the Obligees of the Senior Obligations of such District allowed in such proceedings for the entire amount due and payable by such District thereunder at the date of the institution of such proceedings and for any additional amounts that may become due and payable by it after such date, without prejudice, however, to the right of any such Obligee to file a claim in his own behalf.

**Section 6.11. Waivers.** Unless the Master Trustee reasonably concludes that the indemnification to which it is entitled with respect thereto pursuant to Section 7.06 will not be made available to it, at the written direction of Obligees of not less than a majority in aggregate principal amount of the Outstanding Senior Obligations of a District, the Master Trustee shall waive any default or Event of Default hereunder with respect to such Senior Obligations; provided, however, that such direction shall not be otherwise than in accordance with the provisions of this Master Obligation Agreement and other applicable law, further, that the Master Trustee shall have the right to decline to follow any such direction that in the sole judgment of the Master Trustee would be, in respect of time, method or place of exercise of remedies, unjustly prejudicial to the interests of the Obligees of such Senior Obligations not parties to such direction.

**Section 6.12. Delay or Omission No Waiver.** No delay or omission of the Master Trustee or any Obligee to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein, and every power and remedy given by this Master Obligation Agreement to the Master Trustee or the Obligees may be exercised from time to time and as often as may be deemed expedient.

**Section 6.13. No Waiver of One Default to Affect Another.** No waiver of any default or Event of Default hereunder with respect to the Senior Obligations of a District, whether by the Master Trustee or the Obligees of such Senior Obligations, shall extend to or affect any subsequent or any other then existing default or Event of Default with respect to such Senior Obligations or shall impair any rights or remedies consequent thereon.

## ARTICLE VII

### MASTER TRUSTEE

**Section 7.01. Duties and Liabilities of Master Trustee.** The Master Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default that may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Master Obligation Agreement. The Master Trustee shall, during the existence of any Event of Default that has not been cured or waived, exercise such of the rights and powers vested in it by this Master Obligation Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

**Section 7.02. Qualifications; Removal and Resignation; Successors.** (a) The Master Trustee initially a party hereto and any successor thereto shall at all times be a trust company, national banking association or bank having trust powers in good standing in or incorporated under the laws of the United States or any state thereof, that is (or if such trust company, national banking association or bank is a member of a bank holding company system, its parent bank holding company is) (i) a national banking association that is supervised by the Office of the Comptroller of the Currency, or (ii) a state-chartered commercial bank that is a member of the Federal Reserve System that, in either case, has at least \$500 million of assets. If such trust company, national banking association or bank publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection the combined capital and surplus of such trust company, national banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) The Districts may, by an instrument in writing, upon at least 30 days' notice to the Master Trustee, remove the Master Trustee initially a party hereto and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Master Trustee initially a party hereto and any successor thereto if (i) at any time requested to do so by an instrument or concurrent instruments in writing signed by the Obligees of not less than a majority in aggregate principal amount of the Senior Obligations then Outstanding (or their attorneys duly authorized in writing), or (ii) the Master Trustee shall cease to be eligible in accordance with subsection (a) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Master Trustee or its property shall be appointed, or any public officer shall take control or charge of the Master Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Master Trustee.

(c) The Master Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the Districts, and to each of the Obligees of the Outstanding Obligations at the address therefor set forth in the Obligation Instrument pursuant to which such Obligations are incurred or at such other address as such Obligee may provide to the Master Trustee in writing. In case at any time the Master Trustee shall cease to be eligible in accordance with the provisions of subsection (a) of this Section, the Master Trustee shall resign immediately in the manner and with the effect specified in this Section.

(d) Upon removal or resignation of the Master Trustee, the Districts shall promptly appoint a successor Master Trustee by an instrument in writing. Any removal or resignation of the Master Trustee and appointment of a successor Master Trustee shall become effective upon acceptance of appointment by the successor Master Trustee; provided, however, that any successor Master Trustee shall be qualified as provided in subsection (a) of this Section. If no qualified successor Master Trustee shall have been appointed and have accepted appointment within 45 days following notice of removal or notice of resignation as aforesaid, the removed or resigning Master Trustee or any Obligee of Senior Obligations (on behalf of such Obligee and all other Obligees) may petition any court of competent jurisdiction for the appointment of a successor Master Trustee, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Master Trustee. Any successor Master Trustee appointed under this Master Obligation Agreement shall signify its acceptance of such appointment by executing and delivering to the Districts and to its predecessor Master Trustee a written acceptance thereof, and thereupon such successor Master Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Master Trustee, with like effect as if originally named Master Trustee herein; but, nevertheless at the Written Request of the Districts or the request of the successor Master Trustee, such predecessor Master Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Master Trustee all the right, title and interest of such predecessor Master Trustee in and to any property held by it under this Master Obligation Agreement and shall pay over, transfer, assign and deliver to the successor Master Trustee any money or other property subject to the trusts and conditions herein set forth. Upon acceptance of appointment by a successor Master Trustee as provided in this subsection, the successor Master Trustee shall, within 15 days after such acceptance, mail, by first class mail postage prepaid, a notice of the succession of such Master Trustee to the trusts hereunder to each of the Obligees of the Outstanding Obligations at the address therefor set forth in the Obligation Instrument pursuant to which such Obligations are incurred or at such other address as such Obligee may provide to the Master Trustee in writing.

(e) Any trust company, national banking association or bank into which the Master Trustee may be merged or converted or with which it may be consolidated or any trust company, national banking association or bank resulting from any merger, conversion or consolidation to which it shall be a party or any trust company, national banking association or bank to which the Master Trustee may sell or transfer all or substantially all of its corporate trust business, provided such trust company, national banking association or bank shall be eligible under subsection (a) of this Section, shall be the successor to such Master Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

**Section 7.03. Liability of Master Trustee.** (a) The recitals of facts herein contained shall be taken as statements of the Districts, and the Master Trustee shall not assume responsibility for the correctness of the same or incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein assigned to or imposed upon it.

(b) The Master Trustee makes no representations as to the validity or sufficiency of this Master Obligation Agreement or of any Obligations, or in respect of the security afforded by

this Master Obligation Agreement or any of the Obligations and the Master Trustee shall incur no responsibility in respect thereof.

(c) The Master Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

(d) No provision of this Master Obligation Agreement, any Obligations or the Obligation Instrument pursuant to which such Obligations are incurred, or any other document related hereto or thereto, shall require the Master Trustee to risk or advance its own funds.

(e) The Master Trustee may execute any of its powers or duties hereunder through attorneys, agents or receivers and shall not be answerable for the actions of such attorneys, agents or receivers if selected by it with reasonable care.

(f) The Master Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Master Trustee was negligent in ascertaining the pertinent facts.

(g) The immunities and protections extended to the Master Trustee also extend to its directors, officers, employees and agents.

(h) Before taking action under Article VI, under this Article, under any Obligations or the Obligation Instrument pursuant to which such Obligations are incurred or upon the direction of any one or more Obligees, the Master Trustee may require indemnity reasonably satisfactory to the Master Trustee be furnished to it to protect it against all fees and expenses, including those of its attorneys and advisors, and protect it against all liability it may incur.

(i) The Master Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Obligees of not less than a majority in aggregate principal amount of the Senior Obligations of a District at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Master Trustee with respect to such Senior Obligations, or exercising any trust or power conferred upon the Master Trustee under this Master Obligation Agreement with respect to such Senior Obligations.

(j) The Master Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to any Obligations.

(k) The Master Trustee shall not be liable for the failure to take any action required to be taken by it hereunder if and to the extent that the Master Trustee's taking such action is prevented by reason of an act of God, terrorism, war, riot, strike, fire, flood, earthquake, epidemic or other, similar occurrence that is beyond the control of the Master Trustee and could not have been avoided by exercising due care.

(l) The Master Trustee shall not be deemed to have knowledge of an Event of Default hereunder unless it has actual knowledge thereof.

**Section 7.04. Right to Rely on Documents and Opinions.** (a) The Master Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Whenever in the administration of the duties imposed upon it by this Master Obligation Agreement the Master Trustee shall deem it necessary or desirable that a factual matter with respect to one or more Districts be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the Districts, and such Written Certificate shall be full warrant to the Master Trustee for any action taken or suffered in good faith under the provisions of this Master Obligation Agreement in reliance upon such Written Certificate, but in its discretion the Master Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

(c) The Master Trustee may consult with counsel, who may be counsel to the Districts, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

**Section 7.05. Preservation and Inspection of Documents.** All documents relating to Obligations of a District received by the Master Trustee under the provisions of this Master Obligation Agreement shall be retained in its possession and shall be subject during business hours and upon reasonable notice to the inspection of such District, the Obligees of the Obligations of such District and their agents and representatives duly authorized in writing.

**Section 7.06. Compensation and Indemnification.** District No. 2, as agent of the Districts pursuant to the Joint Administration Agreement, shall pay to the Master Trustee from time to time all reasonable compensation pursuant to a pre-approved fee letter for all services rendered under this Master Obligation Agreement, and also all reasonable expenses, charges, legal and consulting fees pursuant to a pre-approved fee letter and other disbursements pursuant to a pre-approved fee letter and those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Master Obligation Agreement; provided, however, that, if any such expenses, charges or fees are payable with respect to Obligations of one or more, but not all, of the Districts, such District or Districts shall pay such expenses, charges or fees to the Master Trustee. District No. 2, as agent of the Districts pursuant to the Joint Administration Agreement, shall, to the extent permitted by law, indemnify and save the Master Trustee harmless against any costs, claims, expenses (including fees and expenses of its counsel) and liabilities that it may incur in the exercise and performance of its powers and duties hereunder, including the enforcement of any remedies and the defense of any suit, and that are not due to the negligence or willful misconduct of the Master Trustee; provided, however, that, if any such any costs, claims, expenses, fees or liabilities are payable with respect to Obligations of one or more, but not all, of the Districts, such District or Districts shall pay such costs, claims, expenses, fees or liabilities. The obligation of the Districts to indemnify the Master Trustee shall survive the resignation or removal of the Master Trustee and the termination of this Master Obligation Agreement.

## ARTICLE VIII

### AMENDMENTS

**Section 8.01. Amendments with Consent of Obligees.** This Master Obligation Agreement and the rights and obligations of the Districts, the Master Trustee and the Obligees hereunder may be amended, supplemented or otherwise modified from time to time and at any time by an amendment hereof or supplement hereto, which the Districts and the Master Trustee may enter into when there are filed with the Master Trustee the written consents of the Obligees of a majority of the aggregate principal amount of the Senior Obligations then Outstanding, exclusive of Senior Obligations disqualified as provided in Section 10.07. Notwithstanding the foregoing, no such amendment, supplement or modification shall (a) permit any pledge of, or the creation of any lien on, security interest in or charge or other encumbrance upon the assets pledged under this Master Obligation Agreement prior to or on a parity with the pledge contained in, and the lien and security interest created by, this Master Obligation Agreement securing the payment of the Senior Obligations, without the prior written consents of the Obligees of all Senior Obligations then Outstanding, (b) except for the pledge contained in, and the lien and security interest created by, this Master Obligation Agreement in order to secure the payment of the Senior Obligations, permit any pledge of, or the creation of any lien on, security interest in or charge or other encumbrance upon the assets pledged under this Master Obligation Agreement prior to or on a parity with the pledge contained in, and the lien and security interest created by, this Master Obligation Agreement in order to secure the payment of the Subordinate Obligations, without the prior written consents of the Obligees of all Subordinate Obligations then Outstanding, (c) have a prejudicial effect on any Obligee of Senior Obligations then Outstanding as compared to any other Obligee of Senior Obligations then Outstanding or a prejudicial effect on any Obligee of Subordinate Obligations then Outstanding as compared to any other Obligee of Subordinate Obligations then Outstanding, in each case without the prior written consent of such prejudiced Obligee, (d) have a prejudicial effect on Obligees of Subordinate Obligations then Outstanding, other than a prejudicial effect of the type described in the preceding clause (c), without the prior written consent of a majority of the aggregate principal amount of the Subordinate Obligations then Outstanding, (e) amend, supplement or otherwise modify Section 3.03, Section 6.05 or Section 6.06 in each case in a manner adverse to any Obligee without the prior written consent of such adversely affected Obligee, or (f) amend, supplement or otherwise modify this Section without the prior written consents of the Obligees of all Obligations then Outstanding.

**Section 8.02. Amendments without Consent of Obligees.** This Master Obligation Agreement and the rights and obligations of the Districts, the Master Trustee and the Obligees hereunder may be amended, supplemented or otherwise modified from time to time and at any time by an amendment hereof or supplement hereto, which the Districts and the Master Trustee may enter into without the consent of any Obligees for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Districts in this Master Obligation Agreement contained, other covenants and agreements thereafter to be observed or to surrender any right or power herein reserved to or conferred upon the Districts;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in

this Master Obligation Agreement, provided that such amendment, supplement or modification does not materially adversely affect the rights or interests of the Obligees hereunder;

(c) in any other respect whatsoever as the Districts may deem necessary or desirable, provided that such amendment, supplement or modification does not materially adversely affect the rights or interests of the Obligees hereunder.

**Section 8.03. Notice of Amendment.** Promptly after the execution of any amendment, supplement or modification to this Master Obligation Agreement executed in accordance with the provisions of this Section, the Master Trustee shall mail a notice, by first class mail postage prepaid, setting forth in general terms the substance of such amendment, supplement or modification, to the Districts and to each of the Obligees of the Outstanding Obligations at the address therefor set forth in the Obligation Instrument pursuant to which such Obligations are incurred or at such other address as such Obligee may provide to the Master Trustee in writing. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment, supplement or modification.

## ARTICLE IX

### ADDITIONAL DISTRICTS

**Section 9.01. Additional Districts.** Subject to the provisions of Section 9.02, an additional Los Angeles County Sanitation District may, from time to time, be added as a party to this Master Obligation Agreement, and thereby become a District, as such term is defined herein and for all purposes hereof, provided that, prior to such addition, the Master Trustee receives:

(a) a certified copy of the resolution of the Board of Directors of such proposed additional District authorizing such District to become party to this Master Obligation Agreement and authorizing the execution and delivery of the Joinder Agreement pursuant to which such proposed additional District would so become a party to this Master Obligation Agreement;

(b) a certified copy of the resolution of the Board of Directors of each District that, at the time, is a party to this Master Obligation Agreement District authorizing the execution and delivery of the Joinder Agreement pursuant to which such proposed additional District would so become a party to this Master Obligation Agreement;

(c) a Joinder Agreement executed by such proposed additional District and each District that, at the time, are party to this Master Obligation Agreement, pursuant to which:

(i) such proposed additional District agrees to become a party to this Master Obligation Agreement and thereby become a District, as such term is defined herein and for all purposes hereof;

(ii) such proposed additional District agrees to be bound by the terms and provisions of this Master Obligation Agreement; and

(iii) each of the Districts that, at the time, are party to this Master Obligation Agreement, agree that, upon the execution and delivery of such Joinder Agreement by all of the parties thereto, such proposed additional District shall be a District, as defined in this Master Obligation Agreement and for all purposes hereof.

(d) an Opinion of Counsel to each District that is party to such Joinder Agreement, addressed to the Master Trustee and each other District, substantially to the effect that such Joinder Agreement has been duly authorized, executed and delivered by, and constitutes the valid and binding obligation of, such District.

**Section 9.02. Qualified Additional Districts.** An additional Los Angeles County Sanitation District may be added as a party to this Master Obligation Agreement pursuant to Section 9.01, only if, either (a) such District has incurred no obligations that would, upon the execution and delivery of the Joinder Agreement pursuant to which such District becomes a party hereto, constitute Obligations, as such term is defined herein, that are Outstanding, as such term is defined herein, or (b) if such District has incurred obligations that would, upon the execution and

delivery of the Joinder Agreement pursuant to which such District becomes a party hereto, constitute Obligations, as such term is defined herein, that are Outstanding, as such term is defined herein (i) the terms and provisions of such obligations do not conflict with the terms and provisions of this Master Obligation Agreement, and (ii) such obligations, or the indenture, fiscal agent agreement, contract, agreement or similar instrument, howsoever denominated, pursuant to which such obligations were incurred, contains (A) if such obligations would constitute Senior Obligations, as such term is defined herein, the provisions required, pursuant to Section 4.01, to be contained in the Obligation Instruments pursuant to which Senior Obligations are incurred, or (B) if such obligations would constitute Subordinate Obligations, as such term is defined herein, the provisions required, pursuant to Section 4.02, to be contained in the Obligation Instruments pursuant to which Subordinate Obligations are incurred.

**Section 9.03. Effect of Becoming an Additional District.** Upon execution and delivery of a Joinder Agreement pursuant to Section 9.01, and satisfaction of the other conditions set forth therein and in Section 9.02(a) the Los Angeles County Sanitation District becoming party to this Master Obligation Agreement pursuant thereto shall, from and after the effective date of such Joinder Agreement, be a District, as defined herein and for all purposes hereof, and (b) from and after the effective date of such Joinder Agreement, the term District, as defined and as used herein, shall be deemed to include such Los Angeles County Sanitation District.

## ARTICLE X

### MISCELLANEOUS

**Section 10.01. Notices.** Any written notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication to be given hereunder shall be given to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to a District:

County Sanitation District No. 2  
of Los Angeles County  
1955 Workman Mill Road  
P.O. Box 4998  
Whittier, California 90607-4998  
Attention: Chief Engineer and General Manager

If to the Master Trustee:

Zions Bancorporation, National Association  
550 South Hope Street, Suite 2875  
Los Angeles, California 90071  
Attention: Corporate Trust Services

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if given by courier or delivery service or if personally served or delivered, upon delivery, (b) if given by telecopier, upon the sender's receipt of an appropriate answerback or other written acknowledgment, (c) if given by electronic mail, on the date sent, but only if confirmation of the receipt of such electronic mail is received or if notice is concurrently sent by another means specified herein, (d) if given by registered or certified mail, return receipt requested, deposited with the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail, or (e) if given by any other means, upon delivery at the address specified in this Section.

**Section 10.02. Successor Is Deemed Included in All References to Predecessor.** Whenever in this Master Obligation Agreement either a District or the Master Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Master Obligation Agreement contained required hereby to be performed by or on behalf of a District or the Master Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

**Section 10.03. Limitation of Rights.** Nothing in this Master Obligation Agreement expressed or implied is intended or shall be construed to give to any Person other than the Districts, the Master Trustee and the Obligees any legal or equitable right, remedy or claim under or in respect of this Master Obligation Agreement or any covenant, condition or provision therein or

herein contained, and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Districts, the Master Trustee and the Obligees.

**Section 10.04. Third-Party Beneficiaries.** Each Obligee with respect to Obligations of a District, including any Credit Support Provider, Reserve Guaranty Provider and Qualified Swap Provider with respect thereto, shall be, and is hereby declared to be, a third-party beneficiary of this Master Obligation Agreement.

**Section 10.05. Severability of Invalid Provisions.** If any one or more of the provisions contained in this Master Obligation Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Master Obligation Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Master Obligation Agreement, and this Master Obligation Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. Each District hereby declares that it would have entered into this Master Obligation Agreement and each and every other Section, subsection, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, subsections, paragraphs, sentences, clauses or phrases of this Master Obligation Agreement may be held illegal, invalid or unenforceable.

**Section 10.06. Evidence of Rights of Obligees.** Any request, consent or other instrument required or permitted by this Master Obligation Agreement to be signed and executed by Obligees may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Obligees in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, shall be sufficient for any purpose of this Master Obligation Agreement and shall be conclusive in favor of the Master Trustee and the Districts if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to such notary public or such officer the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

Any request, consent or other instrument or writing of the Obligee of any Obligations shall bind every future Obligee of the same Obligations.

**Section 10.07. Disqualified Obligations.** In determining whether the Obligees of the requisite aggregate principal amount of Obligations have concurred in any demand, request, direction, consent or waiver under this Master Obligation Agreement, Obligations that are known by the Master Trustee to be owned or held by or for the account of a District, or by any other obligor on such Obligations, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, such District or any other obligor on such Obligations, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Upon request of the Master Trustee, a District shall specify in a Written Certificate

of such District delivered to the Master Trustee the Obligations of such District disqualified pursuant to this Section and the Master Trustee may conclusively rely on such Written Certificate.

**Section 10.08. Business Days.** If the date for making any payment or transfer of moneys or the last date for performance of any act or the exercising of any right, as provided in this Master Obligation Agreement, shall not be a Business Day, such payment or transfer may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Master Obligation Agreement and, unless otherwise specifically provided in this Master Obligation Agreement, no interest shall accrue for the period from and after such nominal date.

**Section 10.09. Governing Laws.** This Master Obligation Agreement shall be governed by and construed in accordance with the laws of the State.

**Section 10.10. Electronic Signature.** Each of the parties hereto agrees that the transaction consisting of this Master Obligation Agreement may be conducted by electronic means. Each party agrees, and acknowledges that it is such party's intent, that if such party signs this Master Obligation Agreement using an electronic signature, it is signing, adopting, and accepting this Master Obligation Agreement and that signing this Master Obligation Agreement using an electronic signature is the legal equivalent of having placed its handwritten signature on this Master Obligation Agreement on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Master Obligation Agreement in a usable format.

**Section 10.11. Execution in Several Counterparts.** This Master Obligation Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

**IN WITNESS WHEREOF,** the parties hereto have executed and attested this Master Obligation Agreement as of the day and year first written above.

**COUNTY SANITATION DISTRICT NO. 1  
OF LOS ANGELES COUNTY**

By: \_\_\_\_\_

**COUNTY SANITATION DISTRICT NO. 2  
OF LOS ANGELES COUNTY**

By: \_\_\_\_\_

**COUNTY SANITATION DISTRICT NO. 3  
OF LOS ANGELES COUNTY**

By: \_\_\_\_\_

**COUNTY SANITATION DISTRICT NO. 5  
OF LOS ANGELES COUNTY**

By: \_\_\_\_\_

**COUNTY SANITATION DISTRICT NO. 8  
OF LOS ANGELES COUNTY**

By: \_\_\_\_\_

**COUNTY SANITATION DISTRICT NO. 15  
LOS ANGELES COUNTY**

By: \_\_\_\_\_

**COUNTY SANITATION DISTRICT NO. 16  
OF LOS ANGELES COUNTY**

By: \_\_\_\_\_

**COUNTY SANITATION DISTRICT NO. 17  
OF LOS ANGELES COUNTY**

By: \_\_\_\_\_

**COUNTY SANITATION DISTRICT NO. 18  
OF LOS ANGELES COUNTY**

By: \_\_\_\_\_

**COUNTY SANITATION DISTRICT NO. 19  
OF LOS ANGELES COUNTY**

By: \_\_\_\_\_

**COUNTY SANITATION DISTRICT NO. 21  
OF LOS ANGELES COUNTY**

By: \_\_\_\_\_

**COUNTY SANITATION DISTRICT NO. 22  
OF LOS ANGELES COUNTY**

By: \_\_\_\_\_

**COUNTY SANITATION DISTRICT NO. 23  
OF LOS ANGELES COUNTY**

By: \_\_\_\_\_

**COUNTY SANITATION DISTRICT NO. 28  
OF LOS ANGELES COUNTY**

By: \_\_\_\_\_

**COUNTY SANITATION DISTRICT NO. 29  
OF LOS ANGELES COUNTY**

By: \_\_\_\_\_

**COUNTY SANITATION DISTRICT NO. 34  
OF LOS ANGELES COUNTY**

By: \_\_\_\_\_

**SOUTH BAY CITIES SANITATION  
DISTRICT OF LOS ANGELES COUNTY**

By: \_\_\_\_\_

Attest:

\_\_\_\_\_  
Secretary

Approved as to Form:

**LEWIS BRISBOIS BISGAARD & SMITH LLP**

By: \_\_\_\_\_  
District Counsel

**ZIONS BANCORPORATION, NATIONAL  
ASSOCIATION, AS MASTER TRUSTEE**

By: \_\_\_\_\_

## APPENDIX D

### SUMMARY OF CERTAIN LEGAL DOCUMENTS

*The following is a summary of certain provisions of the Joint Acquisition Agreement and the Indenture (each as defined in the forepart of this Official Statement). This summary does not purport to be comprehensive and reference should be made to the Joint Acquisition Agreement and the Indenture for a full and complete statement of their provisions.*

#### CERTAIN DEFINITIONS

**“Act”** means the Marks-Roos Local Bond Pooling Act of 1985, constituting Section 6584 *et seq.* of the California Government Code.

**“Authority”** means the Los Angeles County Sanitation Districts Financing Authority, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“Authority Bonds” or “Bonds”** means the Los Angeles County Sanitation Districts Financing Authority Revenue Bonds, 2022 Series A (Green Bonds) (SRF Loans Refunding), issued under and pursuant to the Indenture.

**“Authority Revenues”** means all Installment Payments payable by the Districts pursuant to the Joint Acquisition Agreement, including any amounts received by the Trustee as a result of or in connection with the Trustee’s pursuit of remedies under the Joint Acquisition Agreement upon a Joint Acquisition Agreement Default Event.

**“Authorized Denominations”** means, with respect to the Bonds, \$5,000 and integral multiples thereof.

**“Authorized Representative”** means (a) with respect to the Authority, the Chairperson, the President, the Vice President, the Treasurer and the Secretary of the Authority, and any other Person designated as an Authorized Representative of the Authority in a Written Certificate of the Authority filed with the Trustee, and (b) with respect to a District, the Chief Engineer and General Manager of such District (or his or her designee), the Assistant Chief Engineer and Assistant General Manager of such District (or his or her designee) or the Chief Accountant of such District (or his or her designee), and any other Person designated as an Authorized Representative of such District in a Written Certificate of such District filed with the Trustee.

**“Beneficial Owners”** means those Persons for which the Participants have caused the Depository to hold Book-Entry Bonds.

**“Bond Year”** means each twelve-month period beginning on October 2 in each year and extending to the next succeeding October 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and end on October 1, 2022.

**“Book-Entry Bonds”** means the Bonds registered in the name of the Depository, or the Nominee thereof, as the registered owner thereof pursuant to the terms and provisions of the Indenture described under the heading “CERTAIN PROVISIONS OF THE BONDS – Book-Entry System.”

**“Business Day”** means a day that is not (a) a Saturday, Sunday or legal holiday in the State, (b) a day on which banking institutions in the State, or in any state in which the Office of the Trustee is located, are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed.

**“Closing Date”** means the date upon which the Bonds are delivered to the Original Purchaser.

**“Code”** means the Internal Revenue Code of 1986.

**“Continuing Disclosure Agreement”** means the Continuing Disclosure Agreement, dated as of the date of the Indenture, by and between the Authority and U.S. Bank Trust Company, National Association, in its capacity as Trustee and in its capacity as dissemination agent thereunder, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

**“Costs of Issuance”** means all the costs of issuing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Indenture, the Joint Acquisition Agreement, the Bonds and any preliminary official statement and final official statement pertaining to the Bonds, rating agency fees, CUSIP Service Bureau charges, legal fees and expenses of counsel with the issuance and delivery of the Bonds, the initial fees and expenses of the Trustee and its counsel, and any other cost, and other fees and expenses incurred in connection with the issuance and delivery of the Bonds, to the extent such fees and expenses are approved by the Authority.

**“Costs of Issuance Fund”** means the fund by that name established pursuant to provisions of the Indenture as described under the heading “FUNDS AND ACCOUNTS – Costs of Issuance Fund.”

**“Defeasance Securities”** means (a) non-callable direct obligations of the United States of America (“United States Treasury Obligations”), and (b) evidences of ownership of proportionate interests in future interest and principal payments on United States Treasury Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying United States Treasury Obligations are not available to any Person claiming through the custodian or to whom the custodian may be obligated.

**“Depository”** means DTC, and its successors as securities depository for any Book-Entry Bonds, including any such successor appointed pursuant to the Indenture described under the heading “CERTAIN PROVISIONS OF THE BONDS – Book-Entry System.”

**“Districts”** means District No. 1, District No. 2, District No. 3, District No. 5, District No. 8, District No. 15, District No. 16, District No. 17, District No. 18, District No. 19, District No. 21, District No. 22, District No. 23, District No. 28, District No. 29, District No. 34 and SBC Sanitation District.

**“DTC”** means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York.

**“Electronic Means”** means e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services under the Indenture.

**“Event of Default”** means (i) an event described in the Indenture summarized under the heading “EVENTS OF DEFAULT AND REMEDIES – Events of Default” and (ii) an event described in the Joint

Acquisition Agreement under the heading “EVENTS OF DEFAULT AND REMEDIES – Events of Default,” which is also referred to as a “**Joint Acquisition Agreement Default Event.**”

“**Indenture**” means the Indenture, dated as of April 1, 2022, by and between the Authority and U.S. Bank Trust Company, National Association, as Trustee, as originally executed and as it may from time to time be amended, supplemented or otherwise modified by any Supplemental Indenture.

“**Installment Payments**” means, with respect to a District, the installment payments required to be made by such District pursuant to the provisions of the Joint Acquisition Agreement described under the heading “PURCHASE AND SALE OF PURCHASED IMPROVEMENTS; PAYMENTS – Installment Payments.”

“**Interest Account**” means the account by that name within the Payment Fund established pursuant to the Indenture as described under the heading “FUNDS AND ACCOUNTS – Payment Fund.”

“**Interest Payment Dates**” means April 1 and October 1 of each year, commencing October 1, 2022.

“**Joint Acquisition Agreement**” means the Joint Acquisition Agreement, dated as of April 1, 2022, by and among the Districts and the Authority, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the terms of the Joint Acquisition Agreement.

“**Joint Acquisition Agreement Default Event**” has the meaning ascribed to the term “Event of Default” in the Joint Acquisition Agreement.

“**Letter of Representations**” means the Letter of Representations from the Authority to the Depository, in which the Authority makes certain representations with respect to issues of its securities for deposit by the Depository.

“**Master Obligation Agreement**” means the Master Obligation Agreement, dated as of April 1, 2022, by and among the County Sanitation Districts of Los Angeles County party thereto and Zions Bancorporation, National Association, as Master Trustee, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the terms thereof.

“**Master Trustee**” means Zions Bancorporation, National Association, as master trustee under the Master Obligation Agreement, or any successor thereto as Master Trustee thereunder substituted in its place as provided therein.

“**MOA Default Event**” has the meaning ascribed to the term “Event of Default” in the Master Obligation Agreement.

“**Moody’s**” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“**Nominee**” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture described under the heading “CERTAIN PROVISIONS OF THE BONDS – Book-Entry System.”

**“Office of the Trustee”** means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the Authority in writing; provided, however, that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted, which other office or agency shall be specified to the Authority by the Trustee in writing.

**“Opinion of Bond Counsel”** means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority and satisfactory to and approved by the Trustee.

**“Original Purchaser”** means the original purchaser of the Bonds from the Authority.

**“Outstanding”** means, when used as of any particular time with reference to Bonds, subject to the provisions of the Indenture described under the heading “MISCELLANEOUS – Disqualified Bonds,” all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture, except (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation, (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the provisions of the Indenture described under the heading “DEFEASANCE – Discharge of Indenture,” and (c) Bonds in lieu of which other Bonds shall have been authenticated and delivered by the Trustee, or that have been paid without surrender thereof, pursuant to the Indenture summarized under the heading “CERTAIN PROVISIONS OF THE BONDS – Bonds Mutilated, Lost, Destroyed or Stolen.”

**“Owner”** means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

**“Participant”** means any entity that is recognized as a participant by DTC in the book-entry system of maintaining records with respect to Book-Entry Bonds.

**“Participating Underwriters”** has the meaning ascribed thereto in the Continuing Disclosure Agreement.

**“Payment Date”** means March 15 and September 15 of each year, commencing September 15, 2022.

**“Payment Fund”** means the fund by that name established in accordance with the provisions of Indenture as described under the heading “FUNDS AND ACCOUNTS – Payment Fund.”

**“Permitted Investments”** means the following:

(a) United States Treasury notes, bonds, bills or certificates of indebtedness, or obligations of, or obligations guaranteed directly or indirectly by, the United States of America or securities or other instruments evidencing ownership interests in such obligations or in specified portions of the interest on or principal of such obligations;

(b) Obligations issued by the Federal Home Loan Bank Board, Federal Home Loan Mortgage Corporation or the Tennessee Valley Authority, or (ii) obligations, participations or other instruments of or issued by, or fully guaranteed as to interest and principal, the Federal National Mortgage Association (excluding stripped mortgage backed securities which are valued at greater than par on the unpaid principal), or (iii) guaranteed portions of Small Business Administration notes, or (iv) obligations,

participations or other instruments of or issued by a federal agency or a United States of America government-sponsored enterprise;

(c) Commercial paper at the time of investment of “prime” quality of the highest ranking or of the highest letter and numerical rating as provided by Moody’s and S&P, which commercial paper is limited to issuing authorities that are organized and operating within the United States of America and that have total assets in excess of \$500,000,000 and that have an “A” or higher rating for the issuer’s unsecured debentures, other than commercial paper, as provided by Moody’s and S&P; provided that purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10% of the outstanding commercial paper of an issuing authority;

(d) Certificates of deposit, whether negotiable or non-negotiable, issued by a state or national bank (including the Master Trustee, its parent and their affiliates) or a state or federal savings and loan association, provided that such certificates of deposit shall be either (i) continuously and fully insured by the Federal Deposit Insurance Corporation, or (ii) have maturities of not more than 365 days and issued by any state or national bank or a state or federal savings and loan association, the short term obligations of which are rated in the highest short term letter and numerical rating category by Moody’s and S&P;

(e) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers’ acceptances, which are eligible for purchase by the Federal Reserve System. Purchases of banker’s acceptances may not exceed 270 days maturity;

(f) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State of California or of any political subdivision or public agency thereof which are in the highest short-term rating category or within one of the three highest long term rating categories of Moody’s and S&P (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(g) For amounts less than \$10,000: interest-bearing demand or time deposits (including certificates of deposit) in a nationally or state-chartered bank, or state or federal savings and loan association in the State of California, fully insured by the Federal Deposit Insurance Corporation, including the Trustee, its parent and their affiliates;

(h) Investments in taxable money market funds or portfolios restricted to obligations maturing in one year or less and which funds or portfolios are rated in either of the two highest rating categories by Moody’s or S&P, or have or are portfolios guaranteed as to payment of principal and interest by the full faith and credit of the United States of America including funds for which the Master Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Master Trustee or such holding company provide investment advisory or other management services;

(i) Guaranteed investment contracts or funding agreements with insurance companies, rated “Aa” and “AA” as to claims paying ability by Moody’s and S&P, respectively, such agreements with securities dealers, commercial banks or insurance companies, the long term unsecured obligations of which are rated within one of the three highest long term rating categories of Moody’s and S&P, or such agreements the obligations of such securities dealers, commercial banks or insurance companies under which are guaranteed by a Person the long term unsecured obligations of which are rated within one of the three highest long term rating categories of Moody’s and S&P;

(j) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims

paying ability, of the guarantor is rated at least “Aa3” by Moody’s and “AA-” by S&P; provided, that, by the terms of the investment agreement:

(i) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days’ prior notice;

(ii) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(iii) the Authority receives the opinion of domestic counsel that such investment agreement is legal, valid and binding and enforceable against the provider in accordance with its terms and of foreign counsel (if applicable);

(iv) the investment agreement shall provide that if during its term (i) the provider’s rating by either Moody’s or S&P falls below “Aa3” or “AA-,” respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (A) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider’s books) to the a holder of the collateral, collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to Moody’s and S&P to maintain an “A” rating in an “A” rated structured financing (with a market value approach); or (B) repay the principal of and accrued but unpaid interest, on the investment, and (ii) the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A3” or “A-,” respectively, the provider must, at the direction of the Authority, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to or upon the order of the Authority;

(v) the investment agreement shall state, and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the holder of collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the holder of collateral is in possession); and

(vi) the investment agreement shall provide that if during its term (i) the provider shall default in its payment obligations, the provider’s obligations under the investment agreement shall, at the direction of the Authority, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to or upon the order of the Authority, and (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc., the provider’s obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to or upon the order of the Authority;

(k) Any other investments permitted by Section 53600, *et seq.*, of the California Government Code, as amended.

“**Person**” means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

**“Principal Account”** means the account by that name within the Payment Fund established pursuant to the Indenture as described under the heading “FUNDS AND ACCOUNTS – Payment Fund.”

**“Principal Payment Date”** means a date on which the principal of the Bonds becomes due and payable as a result of the maturity thereof.

**“Purchased Improvements”** means, with respect to a District, the existing improvements to such District’s Sewerage System described in the Joint Acquisition Agreement.

**“Rebate Fund”** means the fund by that name established pursuant to the provisions of the Indenture as described under the heading “FUNDS AND ACCOUNTS – Rebate Fund.”

**“Rebate Requirement”** has the meaning ascribed to such term in the Tax Certificate.

**“Record Date”** means, with respect to interest payable on any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

**“Refinanced Project”** means the capital additions, replacements, betterments, extensions and improvements to the respective Sewerage Systems of the Districts financed with proceeds of the State Loans.

**“Registration Books”** means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture described under the heading “CERTAIN PROVISIONS OF THE BONDS – Registration Books.”

**“S&P”** means S&P Global Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns, except that if such entity shall no longer perform the functions of a securities rating agency for any reason, the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority and approved by the Trustee.

**“Shared Project Percentage”** means, with respect to a District, for any period, the percentage, specified in decimal form, of the quotient of (a) the number of Sewage Units attributable to such District for such period, divided by (b) the aggregate number of Sewage Units attributable to all of the Districts for such period (which methodology for determining such Shared Project Percentage conforms to the methodology by which costs of the Joint Outfall System are allocated among the Districts pursuant to the Joint Outfall Agreement).

**“State”** means the State of California.

**“State Loans”** means the 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, as amended to date.

**“Supplemental Indenture”** means any supplemental indenture amendatory of or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

**“Tax Certificate”** means the Tax Certificate executed by the Authority at the time of issuance of the Bonds relating to the requirements of Section 148 of the Code, including a certificate of each of the Districts and the other exhibits thereto, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

**“Trustee”** means U.S. Bank Trust Company, National Association, a national banking association organized and existing under the laws of the United States of America, or any successor thereto as Trustee under the Indenture, substituted in its place as provided in the Indenture.

**“Verification Report”** means, with respect to the deemed payment of Bonds pursuant to the provisions of the Indenture described under paragraph (a) under the heading entitled “DEFEASANCE – Bonds Deemed to Have Been Paid,” a report of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, deposited in connection with such deemed payment satisfy the requirements of the provisions of the Indenture described in paragraph (a) under the heading entitled “DEFEASANCE – Bonds Deemed to Have Been Paid.”

**“Written Certificate”** and **“Written Request”** (a) of the Authority mean, respectively, a written certificate or written request signed in the name of the Authority by an Authorized Representative of the Authority, and (b) of one or more Districts mean, respectively, a written certificate or written request signed in the name of such District or Districts by an Authorized Representative of such District or Districts. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

## **JOINT ACQUISITION AGREEMENT**

### **REPRESENTATIONS**

Representations of the Districts. (a) Each District makes the following representations:

(i) such District is a county sanitation district organized and existing under the laws of the State;

(ii) such District has full legal right, power and authority to enter into the Joint Acquisition Agreement and carry out its obligations thereunder and to carry out and consummate all transactions contemplated by the Joint Acquisition Agreement, and such District has complied with the provisions of applicable law in all matters relating to such transactions;

(iii) by proper action, such District has duly authorized the execution, delivery and due performance of the Joint Acquisition Agreement;

(iv) the Joint Acquisition Agreement has been duly executed and delivered by such District and constitutes the legal, valid and binding agreement of such District enforceable in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases;

(v) no consent or approval of any trustee or holder of any indebtedness of such District or any guarantor of indebtedness of, or credit provider of such District, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority was or is necessary in connection with the execution and delivery of the Joint Acquisition Agreement by such District, the consummation of any transaction therein contemplated or the fulfillment of or compliance with the terms and conditions of the Joint Acquisition Agreement, except as have been obtained or made and as are in full force and effect;

(vi) the execution and delivery of the Joint Acquisition Agreement and the consummation of the transactions contemplated in the Joint Acquisition Agreement will not violate, in a manner that would materially adversely affect such District's ability to perform its obligations under the Joint Acquisition Agreement, any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which such District is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default, with due notice or the passage of time or both, under any such indenture, agreement or other instrument, which conflict, breach or default would materially adversely affect such District's ability to perform its obligations under the Joint Acquisition Agreement, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of such District, which lien, charge or encumbrance would materially adversely affect such District's ability to perform its obligations under the Joint Acquisition Agreement;

(vii) there is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of such District, after reasonable investigation, threatened, against or affecting such District or the assets, properties or operations of such District that, if determined adversely to such District or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, the Joint Acquisition Agreement, or upon the financial condition, assets, properties or operations of such District, and such District is not in default (and no event has occurred and is continuing that with the giving of notice or the passage of time or both would constitute a default) with respect to any judgment, order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Joint Acquisition Agreement, or the financial condition, assets, properties or operations of such District;

(viii) no MOA Default Event with respect to such District has occurred and is continuing; and

(ix) such District has determined that it is necessary and proper for the uses and purposes of such District within the terms of applicable law that such District acquire the Purchased Improvements in the manner provided for in the Joint Acquisition Agreement in order to provide essential services and facilities to the persons residing in the District.

(b) Each District under the Joint Acquisition Agreement makes each of the representations made by such District in Section 2.01 of the Master Obligation Agreement.

Representations of the Authority. The Authority represents that:

(a) the Authority is a joint exercise of powers authority organized and existing under the laws of the State;

(b) the Authority has full legal right, power and authority to enter into the Joint Acquisition Agreement and carry out its obligations thereunder and to carry out and consummate all transactions contemplated by the Joint Acquisition Agreement, and the Authority has complied with the provisions of applicable law in all matters relating to such transactions;

(c) by proper action, the Authority has duly authorized the execution, delivery and due performance of the Joint Acquisition Agreement;

(d) the Joint Acquisition Agreement has been duly executed and delivered by the Authority and constitutes the legal, valid and binding agreement of the Authority enforceable in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases;

(e) no consent or approval of any trustee or holder of any indebtedness of the Authority or any guarantor of indebtedness of, or credit provider of the Authority, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority was or is necessary in connection with the execution and delivery of the Joint Acquisition Agreement by the Authority, the consummation of any transaction therein contemplated or the fulfillment of or compliance with the terms and conditions of the Joint Acquisition Agreement, except as have been obtained or made and as are in full force and effect;

(f) the execution and delivery of the Joint Acquisition Agreement and the consummation of the transactions contemplated in the Joint Acquisition Agreement will not violate, in a manner that would materially adversely affect the Authority's ability to perform its obligations under the Joint Acquisition Agreement, any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Authority is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default, with due notice or the passage of time or both, under any such indenture, agreement or other instrument, which conflict, breach or default would materially adversely affect the Authority's ability to perform its obligations under the Joint Acquisition Agreement, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority, which lien, charge or encumbrance would materially adversely affect the Authority's ability to perform its obligations under the Joint Acquisition Agreement; and

(g) there is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the Authority, after reasonable investigation, threatened, against or affecting the Authority or the assets, properties or operations of the Authority that, if determined adversely to the Authority or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, the Joint Acquisition Agreement, or upon the financial condition, assets, properties or operations of the Authority, and the Authority is not in default (and no event has occurred and is continuing that with the giving of notice or the passage of time or both would constitute a default) with respect to any judgment, order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Joint Acquisition Agreement, or the financial condition, assets, properties or operations of the Authority.

## MASTER OBLIGATION AGREEMENT PROVISIONS

Senior Obligations; Senior Obligation Instrument. The Installment Payments of each District are designated by the Joint Acquisition Agreement as Senior Obligations of such District. The Joint Acquisition Agreement constitutes a Senior Contract with respect to each District and, consequently, a Senior Obligation Instrument with respect to each District.

Shared Project Obligations. (a) The Installment Payments are Shared Project Obligations.

(b) The members of the Shared Project Group for the Installment Payments are the Districts.

(c) The Shared Project refinanced by the Installment Payments is the Refinanced Project.

(d) The Shared Project Percentage with respect to a District is the Shared Project Percentage (as defined in the Joint Acquisition Agreement) with respect to such District, and each District shall be responsible only for its Shared Project Percentage of the costs of the Refinanced Project and shall not be responsible for the Shared Project Percentage of such costs of any other District.

(e) Each District's Installment Payments due and payable on any date shall be equal to the product of (i) such District's Shared Project Percentage, times (ii) the aggregate of the Installment Payments of all of the Districts, including such District, due and payable on such date.

(f) The obligations of the Districts under the Joint Acquisition Agreement are several, and not joint, obligations.

Supported Obligations. (a) The Installment Payments are both Shared Project Obligations and Supported Obligations.

(b) The Districts, which constitute the members of the Shared Project Group for the Installment Payments, also constitute the members of the Support Group for the Installment Payments.

(c) The Refinanced Project, which constitutes the Shared Project refinanced by the Installment Payments, also constitutes the Supported Project refinanced by the Installment Payments.

(d) The Shared Project Percentage for each District with respect to the Shared Project, which is the Shared Project Percentage (as defined in the Joint Acquisition Agreement) with respect to such District, is also the Shared Project Percentage for such District with respect to the Support Project.

(e) The provisions of Section 3.04(a) of the Master Obligation Agreement are expressly incorporated in the Joint Acquisition Agreement and each District expressly agrees to be bound by the provisions of said Section 3.04(a).

Special Limited Obligations. (a) The obligation of each District to pay its Installment Payments is a special, limited obligation of such District payable, in the manner provided in the Master Obligation Agreement, solely from its Net Revenues and the other assets pledged to the payment thereof under the Master Obligation Agreement, and does not constitute a debt of such District or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction.

(b) Neither the faith and credit nor the taxing power of a District or the State or any political subdivision thereof is pledged to the payment of the Installment Payments of such District.

(c) The Authority by entering into the Joint Acquisition Agreement acknowledges that it has no right to payment of the Installment Payments of a District from any source other than the Net Revenues of such District and the other assets pledged to the payment thereof under the Master Obligation Agreement.

(d) None of the income or revenue from the ownership or operation of a District's Solid Waste System, or any real or personal property, or any interest therein, constituting a part thereof, or any other assets of such Solid Waste System, secures, is pledged to or is available, under any circumstances, for the payment of such District's Installment Payments, such District's Solid Waste System being defined for such purposes as the whole and each and every part of the solid waste collection, transfer, treatment, disposal, processing and storage facilities owned by such District, or in which such District has an ownership interest, and all resource recovery facilities, waste-to-energy facilities, landfills, recycling facilities, transfer stations, collection equipment and rail transportation facilities and equipment owned by such District, or in which such District has an ownership interest, and any and all facilities and equipment owned by such District, or in which such District has an ownership interest, related to the interconnection of such Solid Waste System to any purchaser of energy generated through the operation of such Solid Waste System, and other real and personal property, fixtures, rights therein, rights-of-way, easements and other interests constituting a part thereof.

(e) The provisions of the Joint Acquisition Agreement described under this heading "MASTER OBLIGATION AGREEMENT PROVISIONS – Special Limited Obligations," shall not be amended, supplemented or otherwise modified, except to reflect amendments, supplements or other modifications to the Master Obligation Agreement addressing such matters.

Limitations on Rights; Rights of the Master Trustee. (a) The rights and obligations of a 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, shall, 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.

(b) Upon the occurrence and during the continuance of an Event of Default with respect to a District, the Master Trustee shall be entitled to exercise rights and take action with respect to such Event of Default in accordance with, and subject to, the provisions of Article VI of the Master Obligation Agreement; provided, however that the Trustee, as assignee of the Authority, shall have and be entitled to exercise any and all such rights as are granted thereto under and pursuant to, but subject to the provisions of, said Article VI, including requesting or directing the Master Trustee to take or refrain from taking certain actions as specified therein.

(c) The Authority, by entering into the Joint Acquisition Agreement, acknowledges and agrees that the Master Trustee is vested with all the moneys, estates, properties, rights, powers, trusts, duties, obligations and protections set forth or provided for in the Master Obligation Agreement and the Authority irrevocably authorizes the Master Trustee, subject to the provisions of the Master Obligation Agreement, to take such actions and execute such rights, powers and duties as are granted to the Master Trustee by the terms of the Master Obligation Agreement.

(d) The provisions of the Joint Acquisition Agreement described under this heading "MASTER OBLIGATION AGREEMENT PROVISIONS – Limitations on Rights; Rights of the Master Trustee," shall not be amended, supplemented or otherwise modified, except to reflect amendments, supplements or other modifications to the Master Obligation Agreement addressing such matters.

## **PURCHASE OF PURCHASED IMPROVEMENTS BY, AND SALE THEREOF TO, THE AUTHORITY; PAYMENT**

Purchase and Sale of Purchased Improvements. Each District represents and warrants that it is the sole and exclusive owner of such District's Purchased Improvements. Pursuant to the Joint Acquisition Agreement, the Authority purchases from each District, and each District sells to the Authority, such District's Purchased Improvements in accordance with the provisions of the Joint Acquisition Agreement. All right, title and interest in and to the Purchased Improvements shall immediately vest in the Authority on the Closing Date without further action on the part of the Authority or the Districts.

Payment. On the Closing Date, the Authority shall pay to the Districts, as and for the purchase price of the Purchased Improvements, the amount indicated in the Joint Acquisition Agreement, which amount shall be paid from the proceeds of the Authority Bonds and which the Districts direct shall be applied as provided in the Indenture.

## **PURCHASE AND SALE OF PURCHASED IMPROVEMENTS; PAYMENTS**

Purchase and Sale of Purchased Improvements. Pursuant to the Joint Acquisition Agreement, each District purchases from the Authority, and the Authority sells to such District, for the Installment Payments to be paid by such District, such District's Purchased Improvements in accordance with the provisions of the Joint Acquisition Agreement. All right, title and interest in and to the Purchased Improvements sold to a District by the Authority shall immediately vest in such District on the Closing Date without further action on the part of such District or the Authority.

Installment Payments. (a) Each District shall pay to the Authority its Installment Payments at the times and in the amounts provided in the Joint Acquisition Agreement. The amount of the Installment Payment payable by a District on each Payment Date shall be equal to the product of such District's Shared Project Percentage times the interest on, or the principal of and interest on, as applicable, the Authority Bonds due on the following Interest Payment Date. Pursuant to the Indenture, the Installment Payments are to be applied to the payment of the principal of and interest on the Authority Bonds, and the Installment Payments of each District shall be made in amounts that are sufficient, but no more than sufficient, to pay such District's Shared Project Percentage of the scheduled payments of principal of and interest on the Outstanding Authority Bonds.

(b) Each Installment Payment shall be paid to the Trustee, as assignee of the Authority, no later than the applicable Payment Date, in lawful money of the United States of America, in funds that will be available not later than the Business Day following payment.

Delinquent Payments. In the event a District fails to make any Installment Payment required to be made by it under the Joint Acquisition Agreement as and when the same is due, such Installment Payment shall continue as an obligation of such District until such amount shall have been fully paid and, to the extent permitted by law, such District shall pay the same with interest accruing thereon at a rate per annum equal to the highest rate of interest then borne by the Authority Bonds.

Obligation Absolute. The obligation of each District to make its Installment Payments from its Net Revenues and the other assets pledged to the payment thereof under the Master Obligation Agreement, as described in the Master Obligation Agreement, is absolute and unconditional, and until such time as such Installment Payments shall have been paid in full (or the agreements, covenants and other obligations of the Districts under the Joint Acquisition Agreement have been discharged and satisfied pursuant to the provisions of the Joint Acquisition Agreement described under the heading "DISCHARGE OF OBLIGATIONS – Discharge of Obligations," such District shall not discontinue or suspend any of its

Installment Payments when due, whether or not the Purchased Improvements or any part thereof are operating or operable, or their use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such Installment Payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

(b) No District shall terminate the Joint Acquisition Agreement with respect to itself for any cause, including any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Purchased Improvements, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or any failure of the Authority to observe or perform any agreement, covenant, provision or term contained in the Joint Acquisition Agreement required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with the Joint Acquisition Agreement or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion or acts or regulations of governmental authorities.

## **COVENANTS OF THE DISTRICTS**

Certain covenants by the Districts in the Joint Acquisition Agreement are summarized below:

Compliance with Master Obligation Agreement. Each District shall comply with, keep, observe and perform all of the agreements, covenants, provisions and terms contained in the Master Obligation Agreement required to be complied with, kept, observed or performed by such District.

Compliance with Joint Acquisition Agreement. Each District shall punctually pay its Installment Payments in strict conformity with the terms of the Joint Acquisition Agreement and shall comply with, keep, observe and perform all of the agreements, covenants, provisions and terms contained in the Joint Acquisition Agreement required to be complied with, kept, observed or performed by such District.

Protection of Security and Rights of the Authority. Each District shall preserve and protect the security of the Joint Acquisition Agreement and the rights of the Authority to the Installment Payments of such District and shall warrant and defend such rights against all claims and demands of all Persons.

Tax Covenants. No District shall take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Authority Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, each District shall comply with the requirements of the Tax Certificate, which is incorporated in the Joint Acquisition Agreement as if fully set forth in the Joint Acquisition Agreement. This covenant shall survive payment in full or defeasance of the Authority Bonds.

Continuing Disclosure. Each District shall provide the Authority with such financial and operating data and other information with respect to such District, at such times, as is necessary or appropriate for the Authority to comply with its undertakings under the Continuing Disclosure Agreement.

Indemnification. To the extent permitted by law, each District shall indemnify and hold the Authority and the Trustee, as assignee of the Authority, and their board members, officers and employees harmless against any and all liabilities that might arise out of or are related to the Purchased Improvements or any portion thereof or the Authority Bonds, and each District shall defend the Authority and the Trustee,

as assignee of the Authority, and their board members, officers and employees in any action arising out of or related to the Purchased Improvements or any portion thereof or the Authority Bonds.

Further Assurances. Each District shall adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of its obligations under the Joint Acquisition Agreement and for the better assuring and confirming unto the Authority the rights and benefits provided to it therein.

## **DISCHARGE OF OBLIGATIONS**

If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Authority Bonds the interest thereon and the principal thereof, or if all Outstanding Authority Bonds shall be deemed to have been paid at the times and in the manner stipulated in the Indenture, and if all amounts then due and payable under the Joint Acquisition Agreement shall have been paid or provided for, then all agreements, covenants and other obligations of the Districts under the Joint Acquisition Agreement shall thereupon cease, terminate and become void and be discharged and satisfied.

## **EVENTS OF DEFAULT AND REMEDIES**

Events of Default. The following events shall be Events of Default with respect to a District:

- (a) the failure of such District to pay any Installment Payment of such District as and when the same shall become due and payable;
- (b) the occurrence and continuance of an MOA Default Event with respect to such District;
- (c) the failure by such District to observe and perform any of the covenants, agreements or conditions applicable to it set forth in the Joint Acquisition Agreement, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to such District by the Trustee, or to such District and the Trustee by the Owners of not less than 5% in aggregate principal amount of the Authority Bonds at the time Outstanding; provided, however, that, if in the reasonable opinion of such District the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by such District within such 30 day period and such District shall thereafter diligently and in good faith cure such failure in a reasonable period of time, which period of time shall not exceed 180 days (inclusive of such 30-day period), unless the Trustee consents in writing to a longer period of time;
- (d) the commencement by such District of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Remedies on Default. Upon the occurrence of an Event of Default with respect to a District, the Authority, subject to the provisions of the Master Obligation Agreement, shall have the right:

- (a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against such District or any board member, officer or employee thereof, and to compel such District or any such board member, officer or employee to perform and carry out his or her duties under applicable law and the agreements and covenants required to be performed by him or her contained in the Joint Acquisition Agreement;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority;

(c) by suit in equity require such District and its board members, officers and employees to account as the trustees of an express trust; and

(d) to have a receiver or receivers appointed for such District's Sewerage System and of the issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Non-Waiver. (a) Nothing in the provisions of the Joint Acquisition described under the heading "EVENTS OF DEFAULT AND REMEDIES" or in any other provision thereof shall affect or impair the obligation of each District, which is absolute and unconditional, to pay its Installment Payments to the Authority at the respective due dates from its Net Revenues and the other assets pledged to the payment thereof under the Master Obligation Agreement, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Joint Acquisition Agreement.

(b) A waiver by the Authority of any default or breach of duty or contract by a District shall not affect any subsequent default or breach of duty or contract by such District or impair any rights or remedies on any such subsequent default or breach of duty or contract by such District. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by applicable law or by the provisions of the Joint Acquisition described under the heading "EVENTS OF DEFAULT AND REMEDIES" may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

(c) If any action, proceeding or suit to enforce any right or exercise any remedy with respect to a District is abandoned or determined adversely to the Authority, such District and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy in the Joint Acquisition Agreement conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Joint Acquisition Agreement or now or thereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

## **MISCELLANEOUS**

Amendments. (a) The Joint Acquisition Agreement and the rights and obligations of the Districts and the Authority thereunder may be amended in writing as may be mutually agreed by the Districts and the Authority, with the written consent of the Owners of at least a majority in aggregate principal amount of Authority Bonds Outstanding, provided that no such amendment shall (i) extend the payment date of any Installment Payment, or reduce the amount of any Installment Payment without the prior written consent of the Owner of each Authority Bond affected thereby, or (ii) reduce the percentage of Authority Bonds the consent of the Owners of which is required for the execution of any amendment of the Joint Acquisition Agreement.

(b) The Joint Acquisition Agreement and the rights and obligations of the Districts and the Authority thereunder may also be amended at any time by an amendment of the Joint Acquisition Agreement, which shall become binding upon execution by the Districts and the Authority, without the written consents of any Owners, but only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority or the Districts contained in the Joint Acquisition Agreement other covenants and agreements thereafter to be observed or to surrender any right or power in the Joint Acquisition Agreement or therein reserved to or conferred upon the Authority or the Districts;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Joint Acquisition Agreement; and

(iii) in any other respect whatsoever as the Authority and the Districts may deem necessary or desirable, provided that such amendment does not materially adversely affect the interests of the Owners of the Authority Bonds.

(c) The District shall not amend the Prior Installment Agreement, or agree to an amendment thereof if such amendment would materially adversely affect the interests of the Owners of the Authority Bonds.

Assignment to Trustee. The Districts understand and agree that, upon the execution and delivery of the Indenture, which is occurring simultaneously with the execution and delivery of the Joint Acquisition Agreement, 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) is being assigned and transferred to the Trustee for the benefit of the Owners of the Authority Bonds. Each District consents to such assignment and transfer. Upon the execution and delivery of the Indenture, references in the operative provisions of the Joint Acquisition Agreement to the Authority shall be deemed to be references to the Trustee, as assignee of the Authority.

Benefits of Joint Acquisition Agreement Limited to Parties. Nothing contained in the Joint Acquisition Agreement, expressed or implied, is intended to give to any Person other than the Districts, the Authority, and the assigns of the Authority, any right, remedy or claim under or pursuant to the Joint Acquisition Agreement, and any agreement or covenant required therein to be performed by or on behalf of the Districts or the Authority shall be for the sole and exclusive benefit of the Authority, and the assigns thereof, or the Districts, respectively.

Successor Is Deemed Included in all References to Predecessor. Whenever either a District or the Authority is named or referred to in the Joint Acquisition Agreement, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in such District or the Authority, and all agreements and covenants required thereby to be performed by or on behalf of such District or the Authority shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Waiver of Personal Liability. No board member, officer or employee of a District shall be individually or personally liable for the payment of the Installment Payments or other payments required to be made by the District under the Joint Acquisition Agreement, but nothing contained therein shall relieve any board member, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or by the Joint Acquisition Agreement.

Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required by the Joint Acquisition Agreement to be performed by or on the part of a District or the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity of the Joint Acquisition Agreement.

Effective Date; Termination. The Joint Acquisition Agreement shall become effective upon its execution and delivery, and shall terminate when all Installment Payments and other payments required to be made under the Joint Acquisition Agreement shall have been fully paid and when there are no longer any Authority Bonds Outstanding.

Governing Laws. The Joint Acquisition Agreement shall be governed by and construed in accordance with the laws of the State.

## **INDENTURE**

### **CERTAIN PROVISIONS OF THE BONDS**

Registration Books. The Trustee shall keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall be available for inspection and copying by the Authority during regular business hours and upon reasonable notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as provided in the Indenture.

Transfer and Exchange of Bonds. Any Bond may be transferred upon the Registration Books by the Person in whose name it is registered, in person or by such Person's duly authorized attorney, upon surrender of such Bond to the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds of the same maturity in a like aggregate principal amount, in any Authorized Denomination. The Trustee shall require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of the same maturity of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

Book-Entry System. (a) The Bonds shall initially be issued as Book-Entry Bonds, and the Bonds of each maturity date shall be in the form of a separate single fully-registered Bond (which may be typewritten). Upon initial issuance, the ownership of each Bond shall be registered in the Registration Books in the name of the Nominee, as nominee of the Depository.

Payment of principal of, and interest on, any Book-Entry Bond registered in the name of the Nominee shall be made on the applicable payment date by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account of the Nominee. Such payments shall be made to the Nominee at the address that is, on the Record Date, shown for the Nominee in the Registration Books.

(b) With respect to Book-Entry Bonds, the Authority and the Trustee shall have no responsibility or obligation to any Participant or to any Person on behalf of which such a Participant holds an interest in such Book-Entry Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any ownership interest in Book-Entry Bonds, (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the Registration Books, of any notice with respect to Book-Entry Bonds, (iii) the payment to any Participant or any other Person, other than an Owner as shown in the Registration Books, of any amount with respect to principal of or interest on Book-Entry Bonds, or (iv) any consent given or other action taken by the Depository as Owner.

(c) The Authority and the Trustee may treat and consider the Person in whose name each Book-Entry Bond is registered in the Registration Books as the absolute Owner of such Book-Entry Bond for the purpose of payment of principal of and interest on such Bond, for the purpose of registering transfers with respect to such Book-Entry Bond, for the purpose of obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and the Authority and the Trustee shall not be affected by any notice to the contrary.

(d) The Trustee shall pay all principal of and interest on the Book-Entry Bonds only to or “upon the order of” (as that term is used in the Uniform Commercial Code as adopted in the State) the respective Owner, as shown in the Registration Books, or such Owner’s respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the obligations with respect to payment of principal of and interest on the Book-Entry Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the Registration Books, shall receive an authenticated Book-Entry Bond. Upon delivery by the Depository to the Owners, the Authority and the Trustee of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Indenture with respect to Record Dates, the word Nominee in the Indenture shall refer to such nominee of the Depository.

(e) In order to qualify the Book-Entry Bonds for the Depository’s book-entry system, the Authority shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Authority or the Trustee any obligation whatsoever with respect to Persons having interests in such Book-Entry Bonds other than the Owners, as shown on the Registration Books. Such Letter of Representations may provide the time, form, content and manner of transmission, of notices to the Depository. In addition to the execution and delivery of a Letter of Representations by the Authority, the Authority and the Trustee shall take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify Book-Entry Bonds for the Depository’s book-entry program.

(f) In the event the Authority determines that it is in the best interests of the Beneficial Owners that they be able to obtain certificated Bonds and that such Bonds should therefore be made available, and notifies the Depository and the Trustee of such determination, the Depository will notify the Participants of the availability through the Depository of certificated Bonds. In such event, the Trustee shall transfer and exchange certificated Bonds as requested by the Depository and any other Owners in appropriate amounts. In the event (i) the Depository determines not to continue to act as securities depository for Book-Entry Bonds, or (ii) the Depository shall no longer so act and gives notice to the Trustee of such determination, then the Authority shall discontinue the Book-Entry system with the Depository. If the Authority determines to replace the Depository with another qualified securities depository, the Authority shall prepare or direct the preparation of a new single, separate, fully-registered Bond for each maturity date of such Book-Entry Bonds, registered in the name of such successor or substitute qualified securities depository or its nominee. If the Authority fails to identify another qualified securities depository to replace

the Depository, then the Book-Entry Bonds shall no longer be restricted to being registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Bonds shall designate, in accordance with the provisions of the Indenture described under the headings “CERTAIN PROVISIONS OF THE BONDS – Transfer and Exchange of Bonds,” “ – Bonds Mutilated, Lost, Destroyed or Stolen,” and “ – Temporary Bonds.” Whenever the Depository requests the Authority to do so, the Authority shall cooperate with the Depository in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Book-Entry Bonds to any Participant having Book-Entry Bonds credited to its account with the Depository, and (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Book-Entry Bonds.

(g) Notwithstanding any other provision of the Indenture to the contrary, if the Depository is the sole Owner of the Bonds, so long as any Book-Entry Bond is registered in the name of the Nominee, all payments of principal of and interest on such Book-Entry Bond and all notices with respect to such Book-Entry Bond shall be made and given, respectively, as provided in the Letter of Representations or as otherwise instructed by the Depository.

(h) In connection with any notice or other communication to be provided to Owners pursuant to the Indenture by the Authority or the Trustee, with respect to any consent or other action to be taken by Owners of Book-Entry Bonds, the Trustee shall establish a record date for such consent or other action and give the Depository notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of the same maturity in a like principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Authority. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence and indemnity satisfactory to the Trustee shall be given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of the same maturity in a like aggregate principal amount in lieu of and in replacement for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured, instead of issuing a replacement Bond, the Trustee may pay the same without surrender thereof). The Authority may require payment by the Owner of a sum not exceeding the actual cost of preparing each replacement Bond issued under the provisions of the Indenture described under this heading “CERTAIN PROVISIONS OF THE BONDS – Bonds Mutilated, Lost, Destroyed or Stolen” and of the expenses that may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of the Indenture summarized in this paragraph in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other Bonds secured by the Indenture.

Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, shall be of such Authorized Denominations as may be determined by the Authority, shall be in fully-registered form without coupons and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds it shall execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, at the Office of the Trustee and

the Trustee shall authenticate and deliver, in exchange for such temporary Bonds, an equal aggregate principal amount of definitive Bonds of such maturities in Authorized Denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under the Indenture as definitive Bonds authenticated and delivered under the Indenture.

## **PLEDGE AND ASSIGNMENT**

Pledge and Assignment. (a) Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, in order to secure the payment of the principal of and interest on the Bonds in accordance with their terms, the provisions of the Indenture and the Act, the Authority pledges to the Owners, and grants thereto a lien on and a security interest in, all of the Authority Revenues and any other amounts held in the funds and accounts established under the Indenture, other than the Rebate Fund. Said pledge shall constitute a first lien on and security interest in such assets, which shall immediately attach to such assets and be effective, binding and enforceable against the Authority, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, the Indenture, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act.

(b) The Authority assigns and transfers to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the Owners, all of its right, title and interest in and to the Joint Acquisition Agreement, including, without limitation, the right to receive Installment Payments and the right to exercise any remedies provided in the Joint Acquisition Agreement in the event of a Joint Acquisition Agreement Default Event; provided, however, that the Trustee shall not be required to perform any of the substantive obligations of the Authority thereunder, and, provided, further that Authority shall retain the rights to indemnification, to give consents and approvals thereunder, and to payment or reimbursement of its reasonable costs and expenses under the Joint Acquisition Agreement. The Trustee accepts said assignment and transfer for the benefit of the Owners, subject to the provisions of the Indenture.

(c) The Trustee shall be entitled to and shall receive all of the Installment Payments, and any Installment Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

(d) The Trustee, by accepting the assignment and transfer of the Authority's right, title and interest in and to the Joint Acquisition Agreement, as described in paragraph (b) above, acknowledges and agrees that (i) the rights and obligations of a 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, shall, 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, (ii) the Master Trustee is vested with all the moneys, estates, properties, rights, powers, trusts, duties, obligations and protections set forth or provided for in the Master Obligation Agreement and the Trustee, as assignee of the Authority, irrevocably authorize the Master Trustee, subject to the provisions of the Master Obligation Agreement, to take such actions and execute such rights, powers and duties as are granted to the Master Trustee by the terms of the Master Obligation Agreement, (iii) the Trustee, as assignee of the Authority, has no right to payment of the Installment Payments of a District from any source other than the Net Revenues of such District and the other assets pledged to the payment thereof under the Master Obligation Agreement, and (iv) upon the occurrence and during the continuance of an Joint Acquisition Agreement Default Event with respect to a District, the Master Trustee shall be entitled to exercise rights and take action with respect to such Joint Acquisition Agreement Default Event in

accordance with, and subject to, the provisions of Article VI of the Master Obligation Agreement; provided, however that the Trustee, as assignee of the Authority, shall have and be entitled to exercise any and all such rights as are granted thereto under and pursuant to, but subject to the provisions of, said Article VI, including requesting or directing the Master Trustee to take or refrain from taking certain actions as specified therein.

## **FUNDS AND ACCOUNTS**

Payment Fund. (a) The Trustee shall establish and maintain a special fund designated the “Payment Fund.” Within the Payment Fund, the Trustee shall establish and maintain a separate account designated the “Interest Account” and a separate account designated the “Principal Account.”

(b) All Authority Revenues received by the Trustee shall be deposited by the Trustee in the Payment Fund.

(c) The Trustee, on each Interest Payment Date, shall transfer from the Payment Fund to the Interest Account an amount equal to the interest on the Bonds coming due on such Interest Payment Date. On each Interest Payment Date, the Trustee shall withdraw from the Interest Account for payment to the Owners of the Bonds the interest on the Bonds then due and payable. In the event that, on such Interest Payment Date, amounts in the Interest Account are insufficient to pay the interest on the Bonds due and payable on such Interest Payment Date, the Trustee shall apply available funds therein in accordance with the provisions of the Indenture described under the heading “EVENTS OF DEFAULT AND REMEDIES – Application of Amounts After Default.”

(d) The Trustee, on each Principal Payment Date, shall transfer from the Payment Fund to the Principal Account an amount equal to the principal of the Bonds coming due on such date. On each Principal Payment Date, the Trustee shall withdraw from the Principal Account for payment to the Owners of the Bonds such principal then due and payable. In the event that, on such Principal Payment Date, amounts in the Principal Account are insufficient to pay the principal due and payable on such Principal Payment Date, the Trustee shall apply available funds therein in accordance with the provisions of the Indenture described under the heading “EVENTS OF DEFAULT AND REMEDIES – Application of Amounts After Default.”

Rebate Fund. The Trustee shall establish and maintain a special fund designated the “Rebate Fund.” There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate, as specified in a Written Request of the Authority. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Bonds pursuant to the provisions of the Indenture described under the heading “DEFEASANCE” or anything to the contrary contained therein, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by the provisions of the Indenture described under the heading “FUNDS AND ACCOUNTS – Rebate Fund” and by the Tax Certificate (which is incorporated in the Indenture by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority, and shall have no liability or responsibility to enforce compliance by the Authority or the Districts with the terms of the Tax Certificate. The Trustee may conclusively rely upon the determinations, calculations and certifications of the Authority or the Districts required by the Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the calculations of the Authority.

Cost of Issuance Fund. (a) The Trustee shall establish and maintain a separate fund designated the “Costs of Issuance Fund.” On the Closing Date, the Trustee shall deposit in the Costs of Issuance Fund the amount required to be deposited therein pursuant to the Indenture.

(b) The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Authority stating (i) the Person to whom payment is to be made and instructions for such payment, (ii) the amount to be paid, (iii) the purpose for which the obligation was incurred, (iv) that such payment is a proper charge against the Costs of Issuance Fund, and (v) that such amounts have not been the subject of a prior disbursement from the Costs of Issuance Fund, in each case together with a statement or invoice for each amount requested thereunder. On the last Business Day that is no later than six months after the Closing Date, the Trustee shall transfer any amount remaining in the Costs of Issuance Fund to the Interest Account and, upon making such transfer, the Costs of Issuance Fund shall be closed.

Investments. (a) Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments, as directed in a Written Request of the Authority received by the Trustee no later than two Business Days prior to the making of such investment. Moneys in all such funds and accounts shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture. Absent a timely Written Request of the Authority with respect to the investment of moneys in any of the funds or accounts established pursuant to the Indenture held by the Trustee, the Trustee shall invest such moneys in Permitted Investments described in paragraph (i) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a Written Request of the Authority specifying a specific money market fund that satisfies the requirements of said paragraph in which such investment is to be made and, if no such Written Request of the Authority is so received, the Trustee shall hold such moneys uninvested.

(b) Any interest or profits received with respect to investments held in any of the funds or accounts established under the Indenture shall be retained therein.

(c) Permitted Investments acquired as an investment of moneys in any fund or account established under the Indenture shall be credited to such fund or account. For the purpose of determining the amount in any fund or account, all Permitted Investments credited to such fund or account shall be valued by the Trustee at the market value thereof, such valuation to be performed not less frequently than semiannually on or before each March 15 and August 15. In determining the market value of Permitted Investments, the Trustee may use and rely upon generally recognized pricing information services, including brokers and dealers in securities, available to it.

(d) The Trustee may act as principal or agent in the making or disposing of any investment. Upon the Written Request of the Authority, the Trustee shall sell or present for redemption any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments are credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to the provisions of the Indenture described under this heading (“FUNDS AND ACCOUNTS – Investments”). For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established under the Indenture.

(e) The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee shall furnish the Authority periodic cash transaction statements, which shall include details for all investment transactions made by the Trustee under the Indenture.

## COVENANTS

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal of and interest on the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of the Authority Revenues and other assets pledged for such payment as provided in the Indenture and received by the Authority or the Trustee.

Compliance with Indenture. The Authority shall comply with, keep, observe and perform all of the agreements, covenants, provisions and terms contained in the Indenture required to be complied with, kept, observed or performed by it.

Compliance with Joint Acquisition Agreement. The Authority shall comply with, keep, observe and perform all of the agreements, covenants, provisions and terms contained in the Joint Acquisition Agreement required to be complied with, kept, observed or performed by it and, together with the Trustee, shall enforce the Joint Acquisition Agreement against each District in accordance with its terms.

Against Encumbrances; Defense of Pledge. The Authority shall not create, or permit the creation of, any pledge of, lien on, security interest in or charge or other encumbrance upon the assets pledged under the Indenture, except as permitted thereby. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect said pledge of such assets, and the lien thereon and security interest therein created by the Indenture, against all claims and demands of all Persons whomsoever.

Collection of Authority Revenues. The Trustee shall collect and cause to be paid to it all Authority Revenues promptly as such Authority Revenues become due and payable, and shall enforce and cause to be enforced all rights of the Trustee under and with respect to the Joint Acquisition Agreement.

Tax Covenants. (a) The Authority shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Authority shall comply with the requirements of the Tax Certificate, which is incorporated in the Indenture as if fully set forth in the Indenture. This covenant shall survive payment in full or defeasance of the Bonds.

(b) In the event that at any time the Authority is of the opinion that for purposes of the provisions of the Indenture described under this heading (“COVENANTS – Tax Covenants”), it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established under such provisions of the Indenture, the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of the Indenture described under this heading (“COVENANTS – Tax Covenants”), if the Authority shall provide to the Trustee an Opinion of Bond Counsel to the effect that any specified action required under such provisions of the Indenture is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of the Indenture described under this heading (“COVENANTS – Tax Covenants”), and of the Tax Certificate, and such covenants under the Indenture shall be deemed to be modified to that extent.

Continuing Disclosure. The Authority shall comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with the Continuing Disclosure Agreement shall not constitute an Event of Default under the Indenture; provided, however, that the Trustee may (and, at the written direction of the

Participating Underwriters or the Owners of at least 25% of the aggregate principal amount of Outstanding Bonds, and upon receipt of indemnification reasonably satisfactory to the Trustee, shall) or any Owner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Annual Reports and Notifications to the California Debt and Investment Advisory Commission. Not later than October 30 of each year, commencing October 30, 2023 and continuing until the October 30 following the final maturity of the Bonds, the Authority shall supply to the California Debt and Investment Advisory Commission the information required to be provided thereto pursuant to Section 6599.1(b) of the Act. If at any time the Trustee fails to pay principal or interest due on any scheduled payment date for the Bonds, the Trustee shall notify the Authority in writing of the occurrence of such event and, in accordance with Section 6599.1(c) of the Act, the Authority shall notify the California Debt and Investment Advisory Commission of the occurrence of such event within 10 days of such occurrence.

Further Assurances. Each of the Authority and the Trustee shall make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Indenture and the Joint Acquisition Agreement.

## **EVENTS OF DEFAULT AND REMEDIES**

Events of Default. The following events shall be Events of Default:

- (a) failure to pay any installment of principal of any Bond as and when the same shall become due and payable, whether at maturity as therein expressed or otherwise;
- (b) failure to pay any installment of interest on any Bond as and when the same shall become due and payable;
- (c) the occurrence and continuation of a Joint Acquisition Agreement Default Event;
- (d) failure by the Authority to observe and perform any of the other covenants, agreements or conditions applicable to it set forth in the Indenture or in the Bonds, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that if, in the reasonable opinion of the Authority, the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Authority within such 30 day period and the Authority shall thereafter diligently and in good faith cure such failure in a reasonable period of time, provided, further, that, unless consented to by the Trustee, which period of time shall not exceed 180 days (inclusive of such 30-day period), unless the Trustee consents in writing to a longer period of time;
- (e) the commencement by the Authority of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Action on Default. In each and every case during the continuance of an Event of Default, the Trustee may or, at the written direction of the Owners of not less than a majority of the aggregate principal amount of Bonds then Outstanding, shall exercise any of the remedies granted to the Authority under the Joint Acquisition Agreement and, in addition, take whatever action at law or in equity may appear necessary or desirable to protect and enforce any of the rights vested in the Trustee or the Owners by the Indenture or

by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the provisions of the Indenture described under the heading “EVENTS OF DEFAULT AND REMEDIES – Other Remedies.”

Other Remedies. If an Event of Default shall have occurred and be continuing, the Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Authority or any board member, officer or employee thereof of, and to compel the Authority or any such board member, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Indenture or in the Bonds;

(b) by suit in equity to enjoin any acts or things that are unlawful or violate the rights of the Trustee or the Owners; or

(c) by suit, action or proceeding in any court of competent jurisdiction, to require the Authority to account as if it were the trustee of an express trust.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or thereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy under the Indenture, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Application of Amounts After Default. If an Event of Default shall occur and be continuing, all Authority Revenues and any other funds thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) to the payment of any expenses incurred by the Trustee necessary in the opinion of the Trustee to protect the interests of the Owners and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(b) to the payment to the Persons entitled thereto of all installments of interest on the Bonds then due in the order of the maturity of such installments, with interest on the overdue interest at a rate per annum equal to the highest rate of interest then borne by the Bonds and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

(c) to the payment to the Persons entitled thereto of all installments of principal of the Bonds then due, with interest on the overdue principal at a rate per annum equal to the highest rate of interest then borne by the Bonds and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference.

Power of Trustee to Enforce. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds, subject to the provisions of the Indenture. Nothing in the Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture; provided, however, that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and, provided, further, that the Trustee shall have the right to decline to follow any such direction that in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction.

Limitation on Owners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bond, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default, (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted or to institute such suit, action or proceeding in its own name, (c) such Owner or said Owners shall have tendered to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners shall have any right in any manner whatever by such Owner's or Owners' action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners, or to enforce any right under the Bonds, the Indenture, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Owners, subject to the provisions of the Indenture.

Termination of Proceedings. If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner, then, subject to any such adverse determination, the Trustee, such Owner and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken. In case any proceedings taken by the Trustee or any one or more Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owner, then in every such case the Trustee, such Owner and the Authority, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Trustee, the Owners and the Authority shall continue as though no such proceedings had been taken.

No Waiver of Default. No delay or omission of the Trustee or of any Owner to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein, and every power and remedy given by the Indenture to the Trustee or to the Owners may be exercised from time to time and as often as may be deemed expedient.

## **THE TRUSTEE**

Duties and Liabilities of Trustee. The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default that may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default that has not been cured or waived, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Qualifications; Removal and Resignation; Successors. (a) The Trustee initially a party to the Indenture and any successor thereto shall at all times be a trust company, national banking association or bank having trust powers in good standing in or incorporated under the laws of the United States or any state thereof, which is (or if such trust company, national banking association or bank is a member of a bank holding company system, its parent bank holding company is) (i) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, or (ii) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets. If such trust company, national banking association or bank publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this paragraph the combined capital and surplus of such trust company, national banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) The Authority may, by an instrument in writing, upon at least 30 days' notice to the Trustee, remove the Trustee initially a party to the Indenture and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party to the Indenture and any successor thereto if (i) at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), or (ii) the Trustee shall cease to be eligible in accordance with the preceding paragraph (a) above, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee.

(c) The Trustee may at any time resign by giving written notice of such resignation by first-class mail, postage prepaid, to the Authority, and to the Owners at the respective addresses shown on the Registration Books. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of the preceding paragraph (a) above, the Trustee shall resign immediately in the manner and with the effect specified in the provisions of the Indenture described under this heading ("THE TRUSTEE – Qualifications; Removal and Resignation; Successors").

(d) Upon removal or resignation of the Trustee, the Authority shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee; provided, however, that any successor Trustee shall be qualified as provided in the preceding paragraph (a)

above. If no qualified successor Trustee shall have been appointed and have accepted appointment within 45 days following notice of removal or notice of resignation as aforesaid, the removed or resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon acceptance of appointment by a successor Trustee as provided in this paragraph, the successor Trustee shall, within 15 days after such acceptance, mail, by first-class mail postage prepaid, a notice of the succession of such Trustee to the trusts under the Indenture to the Owners at the addresses shown on the Registration Books.

(e) Any trust company, national banking association or bank into which the Trustee may be merged or converted or with which it may be consolidated or any trust company, national banking association or bank resulting from any merger, conversion or consolidation to which it shall be a party or any trust company, national banking association or bank to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such trust company, national banking association or bank shall be eligible under the paragraph (a) above, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Liability of Trustee. (a) The recitals of facts in the Indenture and in the Bonds contained shall be taken as statements of the Authority and the Trustee shall not assume responsibility for the correctness of the same or incur any responsibility in respect thereof, other than as expressly stated in the Indenture in connection with the respective duties or obligations in the Indenture or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds.

(b) The Trustee makes no representations as to the validity or sufficiency of the Indenture or of any Bonds, or in respect of the security afforded by the Indenture and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to the issuance of the Bonds for value, the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Trustee, or the application of any moneys paid to the Authority or others in accordance with the Indenture.

(c) The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct.

(d) No provision of the Indenture or any other document related thereto shall require the Trustee to risk or advance its own funds.

(e) The Trustee may execute any of its powers or duties under the Indenture through attorneys, agents or receivers and shall not be answerable for the actions of such attorneys, agents or receivers if selected by it with reasonable care.

(f) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(g) The immunities and protections extended to the Trustee also extend to its directors, officers, employees and agents.

(h) Before taking action under the provisions of the Indenture described under the headings “EVENTS OF DEFAULT AND REMEDIES” or “THE TRUSTEE” or upon the direction of the Owners, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to protect it against all fees and expenses, including those of its attorneys and advisors, and protect it against all liability it may incur.

(i) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(j) The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

(k) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(l) The Trustee shall not be liable for the failure to take any action required to be taken by it under the Indenture if and to the extent that the Trustee’s taking such action is prevented by reason of an act of God, terrorism, war, riot, strike, fire, flood, earthquake, epidemic or other, similar occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care.

(m) The Trustee shall not be deemed to have knowledge of an Event of Default under the Indenture unless it has actual knowledge thereof.

(n) The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

(o) The Trustee shall not be responsible for or accountable to anyone for the subsequent use or application of any moneys that shall be released or withdrawn in accordance with the provisions of the Indenture.

Right to Rely on Documents and Opinions. (a) The Trustee shall be protected in acting upon any notice, requisition, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The Trustee shall have the right to accept and act upon a Written Request of the Authority delivered using Electronic Means. If the Authority elects to deliver a Written Request of the Authority to the Trustee using Electronic Means and the Trustee acts upon such Written Request, the Trustee’s understanding of such Written Request shall be deemed controlling. The Authority understands and agrees

that the Trustee cannot determine the identity of the actual sender of such Written Request and that the Trustee shall conclusively presume that Written Requests of the Authority that purport to have been sent by an Authorized Representative of the Authority have been sent by such Authorized Representative. The Authority shall be responsible for ensuring that only Authorized Representatives transmit such Written Requests of the Authority to the Trustee and that the Authority is solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt thereof by the Authority. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Written Requests of the Authority delivered using Electronic Means notwithstanding such directions conflict or are inconsistent with a subsequent Written Request of the Authority. The Authority agrees (i) to assume all risks arising out of the use of Electronic Means to submit Written Requests of the Authority to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Written Requests of the Authority, and the risk of interception and misuse by third parties, (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Written Requests of the Authority to the Trustee and that there may be more secure methods of transmitting Written Requests of the Authority than the method selected by the Authority, (iii) that the security procedures, if any, to be followed in connection with its transmission of Written Requests of the Authority provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances, and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. Notwithstanding the foregoing, the provisions of the Indenture summarized in this paragraph and the Trustee's actions pursuant thereto, are subject to the Trustee's standard of care and limitations on liability set forth in the provisions of the Indenture described under the headings "SUPPLEMENTAL INDENTURES – Supplemental Indentures" and " – Endorsement of Bonds; Preparation of New Bonds;" provided, however, that the Trustee's reliance on a Written Request of the Authority that purports to have been sent by an Authorized Representative of the Authority delivered in accordance with the provisions of the Indenture described under this heading ("THE TRUSTEE – Right to Rely on Documents and Opinions") using Electronic Means shall not, in and of itself, be construed as negligence.

(c) Whenever in the administration of the duties imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Written Certificate of the Authority or Written Certificate of the Districts, and such Written Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Written Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

(d) The Trustee may consult with counsel, who may be counsel to the Authority or the Districts, with regard to legal questions, including with respect to compliance with the Indenture of amendments thereto or to the Joint Acquisition Agreement, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance therewith.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with prudent corporate trust industry standards, in which accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds, the Authority Revenues received by it and all funds and accounts established by it pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority during regular business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Trustee. The Trustee shall deliver to the Authority a monthly accounting of the funds and accounts it holds under the Indenture; provided, however, that the Trustee shall not be obligated to deliver an accounting for

any fund or account that (a) has a balance of zero, and (b) has not had any activity since the last reporting date.

Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject during business hours and upon reasonable notice to the inspection of the Authority, the Owners and their agents and representatives duly authorized in writing.

Compensation and Indemnification of the Trustee. The Authority shall pay to the Trustee from time to time all reasonable compensation pursuant to a pre-approved fee letter for all services rendered under the Indenture, and also all reasonable expenses, charges, legal and consulting fees pursuant to a pre-approved fee letter and other disbursements pursuant to a pre-approved fee letter and those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture. The Authority shall, to the extent permitted by law, indemnify and save the Trustee and its officers, directors and employees harmless against any costs, suits, judgments, damages, liabilities, claims, expenses, including legal fees and expenses, and liabilities that it may incur in the exercise and performance of its powers and duties under the Indenture and under any related documents, including the enforcement of any remedies and the defense of any suit, and that are not due to its negligence or its willful misconduct. The duty of the Authority to indemnify the Trustee shall survive the resignation or removal of the Trustee and the discharge and satisfaction of the Indenture.

## **SUPPLEMENTAL INDENTURES**

Supplemental Indentures. (a) The Indenture and the rights and obligations of the Authority the Trustee and the Owners thereunder may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into when there are filed with the Trustee the written consents of the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture described under the heading “MISCELLANEOUS – Disqualified Bonds.” No such modification or amendment shall (i) extend the fixed maturity of any Bond, reduce the amount of principal thereof or the rate of interest thereon or extend the time of payment thereof, without the prior written consent of the Owner of each Bond so affected, (ii) permit any pledge of, or the creation of any lien on, security interest in or charge or other encumbrance upon the assets pledged under the Indenture prior to or on a parity with the pledge contained in, and the lien and security interest created by, the Indenture or deprive the Owners of the pledge contained in, and the lien and security interest created by, the Indenture, except as expressly provided in the Indenture, without the prior written consent of the Owners of all of the Bonds then Outstanding, or (iii) modify or amend the provisions of the Indenture described under this heading (“SUPPLEMENTAL INDENTURES – Supplemental Indentures”) without the prior written consents of the Owners of all Bonds then Outstanding.

(b) The Indenture and the rights and obligations of the Authority, the Trustee and the Owners under the Indenture may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Owners for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture or in regard

to questions arising thereunder that the Authority may deem desirable or necessary and not inconsistent therewith, provided that such modification or amendment does not materially adversely affect the rights or interests of the Owners under the Indenture; and

(iii) in any other respect whatsoever as the Authority may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the rights or interests of the Owners under the Indenture.

(c) Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture, the Trustee shall mail a notice (the form of which shall be furnished to the Trustee by the Authority), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to the Indenture described under the heading “SUPPLEMENTAL INDENTURES,” the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and the Owners shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the effective date of any Supplemental Indenture pursuant to the provisions of the Indenture described under the heading “SUPPLEMENTAL INDENTURES” may and, if the Authority so determines, shall bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such effective date, and presentation of such Bond for such purpose at the Office of the Trustee, a suitable notation shall be made on such Bond. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such effective date, and presentation of such Bond for such purpose at the Office of the Trustee, such a new Bond in equal principal amount, with the same interest rate and maturity shall be exchanged for such Owner’s Bond so surrendered.

Amendment of Particular Bonds. The provisions of the Indenture described under the heading “SUPPLEMENTAL INDENTURES” shall not prevent any Owner from accepting any amendment or modification as to any particular Bond owned by it, provided that due notation thereof is made on such Bond.

## **DEFEASANCE**

Discharge of Indenture. (a) If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the principal thereof and the interest thereon at the times and in the manner stipulated in the Indenture and therein, then the Owners shall cease to be entitled to the pledge of the Authority Revenues and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Authority under the Indenture shall thereupon cease, terminate and become void and the Indenture shall be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such

discharge and satisfaction, and the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant to the Indenture that are not required for the payment of the principal of and interest on the Bonds.

(b) If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owner of an Outstanding Bond the principal thereof and the interest thereon at the times and in the manner stipulated in the Indenture and therein, then such Owner shall cease to be entitled to the pledge of the Authority Revenues and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Authority under the Indenture in respect of such Bond and such Owner shall thereupon cease, terminate and become void and the Indenture shall be discharged and satisfied as to such Bond.

(c) Notwithstanding the discharge and satisfaction of the Indenture or the discharge and satisfaction of the Indenture as to any Bond, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee and the Owners and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and interest on the Bonds, to pay to the Owners of the Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the discharge and satisfaction of the Indenture, the obligation of the Authority to indemnify the Trustee pursuant to the provisions of the Indenture described under the heading "THE TRUSTEE – Compensation and Indemnification of the Trustee," shall remain in effect and be binding upon the Authority.

Bonds Deemed to Have Been Paid. (a) If moneys shall have been set aside and held by the Trustee for the payment of any Bond and the payment of the interest thereon to the maturity date thereof, such Bond shall be deemed to have been paid within the meaning and with the effect provided in the Indenture described under the heading "DEFEASANCE – Discharge of Indenture." Any Outstanding Bond shall prior to the maturity date thereof be deemed to have been paid within the meaning of and with the effect expressed in the provisions of the Indenture described under the heading "DEFEASANCE – Discharge of Indenture" if (i) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient, or (B) Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, together with the money, if any, deposited therewith, will provide moneys that shall be sufficient to pay when due the interest to become due on such Bond on and prior to the maturity date thereof and the principal of on such Bond, and (ii) in the event such Bond does not by its terms mature within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Owner of such Bond that the deposit required by clause (i) above has been made with the Trustee and that such Bond is deemed to have been paid in accordance with the provisions of the Indenture described under this heading ("DEFEASANCE – Bonds Deemed to Have Been Paid") and stating the maturity date upon which money is to be available for the payment of the principal of such Bond. Neither the money nor the Defeasance Securities deposited with the Trustee pursuant to the provisions of the Indenture summarized in this paragraph in connection with the deemed payment of Bonds, nor principal or interest payments on any such Defeasance Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for and pledged to, the payment of the principal of and interest on such Bonds.

(b) No Bond shall be deemed to have been paid pursuant to clause (i) of the preceding paragraph (a) above unless the Authority shall have caused to be delivered to the Authority and the Trustee (i) an executed copy of a Verification Report with respect to such deemed payment, addressed to the Authority and the Trustee, in form and in substance acceptable to the Authority, (ii) a copy of the escrow

agreement entered into in connection with the deposit pursuant to clause (i)(B) of the preceding paragraph (a) above resulting in such deemed payment, which escrow agreement shall be in form and in substance acceptable to the Authority and the Trustee, which escrow agreement shall provide that no substitution of Defeasance Securities shall be permitted except with other Defeasance Securities and upon delivery of a new Verification, and no reinvestment of Defeasance Securities shall be permitted except as contemplated by the original Verification Report or upon delivery of a new Verification Report, and (iii) a copy of an Opinion of Bond Counsel, dated the date of such deemed payment and addressed to the Authority and the Trustee, in form and in substance acceptable to the Authority, to the effect that such Bond has been paid within the meaning and with the effect expressed in the Indenture, the Indenture has been discharged in respect of such Bond and all agreements, covenants and other obligations of the Authority under the Indenture as to such Bond have ceased, terminated, become void and been completely discharged and satisfied.

(c) The Trustee may seek and is entitled to rely upon (i) an Opinion of Bond Counsel reasonably satisfactory to the Trustee to the effect that the conditions precedent to a deemed payment pursuant to clause (i) of paragraph (a) above have been satisfied, and (ii) such other opinions, certifications and computations, as the Trustee may reasonably request, of accountants or other financial consultants concerning the matters described in the preceding paragraph (b) above.

Unclaimed Moneys. Any moneys held by the Trustee in trust for the payment and discharge of the principal of, or interest on, any Bond that remain unclaimed for two years after the date when such principal or interest has become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when such principal or interest become payable, shall, at the Written Request of the Authority, be repaid by the Trustee to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owner of such Bond shall look only to the Authority for the payment of such principal or interest. The Trustee shall hold any such moneys uninvested.

## **MISCELLANEOUS**

Successor Deemed Included in all References to Predecessor. Whenever the Authority or the Trustee is named or referred to in the Indenture, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority or the Trustee, and all agreements, conditions, covenants and terms required thereby to be observed or performed by or on behalf of the Authority or the Trustee shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Limitation of Rights. Nothing in the Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Trustee, the Authority and the Owners, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein contained, and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Trustee, the Authority and the Owners.

Destruction of Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the Authority of any Bonds, the Trustee shall, in lieu of such cancellation and delivery, destroy such Bonds.

Evidence of Rights of Owners. (a) Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Owners in Person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or

of a writing appointing any such agent, or of the holding by any Person of Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Authority and the Trustee if made in the manner provided in the provisions of the Indenture described under this heading (“MISCELLANEOUS – Evidence of Rights of Owners”).

(b) The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him or her the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

(c) The ownership of Bonds shall be proved by the Registration Books.

(d) Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Authority or the Trustee in accordance therewith or reliance thereon.

Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds that are actually known by the Trustee to be owned or held by or for the account of the Authority or a District or any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or a District, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination; provided, however, that if 100% of the Bonds are so owned or held, such Bonds so owned that have been pledged in good faith may be regarded as Outstanding for the purposes of the provisions of the Indenture summarized in this paragraph if the pledgee shall establish to the satisfaction of the Trustee the pledgee’s right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any District or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the Authority shall specify in a Written Certificate of the Authority delivered to the Trustee that Bonds, if any, are, as of the date of such Written Certificate, owned or held by or for the account of the Authority or a District.

Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest or principal due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners entitled thereto, subject, however, to the provisions of the Indenture described under the heading “DEFEASANCE – Unclaimed Moneys” but without any liability for interest thereon.

Funds and Accounts. Any fund or account required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with prudent corporate trust industry standards to the extent practicable, and with due regard for the requirements of the Indenture and for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish any such additional funds or accounts as it deems necessary to perform its obligations under the Indenture.

Business Days. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Indenture and, unless otherwise specifically provided in the Indenture, no interest shall accrue for the period from and after such nominal date.

Waiver of Personal Liability. Notwithstanding anything contained in the Indenture to the contrary, no member, officer or employee of the Authority shall be individually or personally liable for the payment of any moneys, including without limitation, the principal of or interest on the Bonds, but nothing contained in the Indenture shall relieve any member, officer or employee of the Authority from the performance of any official duty provided by any applicable provisions of law, by the Joint Acquisition Agreement or thereby.

Severability of Invalid Provisions. If any one or more of the agreements, conditions, covenants or terms required in the Indenture to be observed or performed by or on the part of the Authority or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void to the extent contrary to law and shall be deemed separable from the remaining agreements, conditions, covenants and terms of the Indenture and shall in no way affect the validity thereof or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law. The Authority and the Trustee declare that they would have executed the Indenture, and each and every Article, Section, paragraph, subsection, sentence, clause and phrase of the Indenture and would have authorized the execution, authentication, issuance and delivery of the Bonds pursuant thereto irrespective of the fact that any one or more Articles, Sections, paragraphs, subsections, sentences, clauses or phrases of the Indenture or the application thereof to any Person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Governing Laws. The Indenture and the Bonds shall be construed and governed in accordance with the laws of the State.

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## APPENDIX E

### FORM OF CONTINUING DISCLOSURE AGREEMENT

**THIS CONTINUING DISCLOSURE AGREEMENT** (this “Disclosure Agreement”), dated as of April 1, 2022, is by and among the LOS ANGELES COUNTY SANITATION DISTRICTS FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the “Authority”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America (“U.S. Bank”), in its capacity as Trustee (the “Trustee”) and in its capacity as Dissemination Agent (the “Dissemination Agent”).

#### WITNESSETH:

**WHEREAS**, pursuant to the Indenture, dated as of April 1, 2022 (the “Indenture”), by and between the Authority and the Trustee, the Authority has issued \$89,900,000 aggregate principal amount of its Los Angeles County Sanitation Districts Financing Authority Revenue Bonds, 2022 Series A (Green Bonds) (SRF Loans Refunding) (the “Bonds”);

**WHEREAS**, the Bonds are payable from and secured by installment payments to be made by certain of the County Sanitation Districts of Los Angeles County (the “Districts”) pursuant to a Joint Acquisition Agreement, dated as of April 1, 2022 (the “Joint Acquisition Agreement”), by and among the Districts and the Authority; and

**WHEREAS**, this Disclosure Agreement is being executed and delivered by the Authority, the Trustee and the Dissemination Agent for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the underwriters of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

**NOW, THEREFORE**, for and in consideration of the mutual promises and covenants herein contained, the receipt whereof is hereby acknowledged, the parties hereto agree as follows:

**Section 1. Definitions.** Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Disclosure Agreement have the meanings herein specified. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture or, if not defined therein, in the Joint Acquisition Agreement.

**“Annual Report”** means any Annual Report provided by the Authority pursuant to, and as described in, Sections 2 and 3 hereof.

**“Annual Report Date”** means the date in each year that is the first day of the month following the eighth month after the end of the Authority’s Fiscal Year, which date, as of the date of this Disclosure Agreement, is March 1.

**“Authority”** means the Los Angeles County Sanitation Districts Financing Authority, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State of California, and any successor thereto.

**“Bonds”** means the Los Angeles County Sanitation Districts Financing Authority Revenue Bonds, 2022 Series A (Green Bonds) (SRF Loans Refunding).

**“Dissemination Agent”** means U.S. Bank, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Trustee and the then existing Dissemination Agent a written acceptance of such designation.

**“Districts”** means the County Sanitation Districts of Los Angeles County that are parties to the Joint Acquisition Agreement, each a sanitation district organized and existing under and by virtue of the laws of the State of California, and any successor thereto.

**“Financial Obligation”** means (a) a debt obligation of the Authority or a District, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation of the Authority or a District, or (c) a guarantee of (i) a debt obligation of the Authority or a District, or (ii) a derivative instrument described in clause (b), above; provided, however, that the term “Financial Obligation” shall not include “municipal securities” (as such term is defined in the Securities Exchange Act of 1934, as amended) as to which a “final official statement” (as such term is defined in the Rule) has been provided to the MSRB consistent with the Rule.

**“Indenture”** means the Indenture, dated as of April 1, 2022, by and between the Authority and U.S. Bank Trust Company, National Association, as originally executed and as it may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

**“Joint Acquisition Agreement”** means the Joint Acquisition Agreement, dated as of April 1, 2022, by and among the Districts and the Authority, as originally executed and as it may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

**“Listed Events”** means any of the events listed in subsection (a) or subsection (b) of Section 4 hereof.

**“Master Obligation Agreement”** means the Master Obligation Agreement, dated as of April 1, 2022, by and among the Districts and certain other County Sanitation Districts of Los Angeles County and Zions Bancorporation, National Association, as master trustee, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with its terms.

**“MSRB”** means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

**“Official Statement”** means the Official Statement, dated March 10, 2022, relating to the Bonds.

**“Participating Underwriters”** means any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

**“Rule”** means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**“Trustee”** means U.S. Bank Trust Company, National Association, as Trustee under the Indenture, or any successor thereto as Trustee thereunder substituted in its place as provided therein.

**Section 2. Provision of Annual Reports.** (a) The Authority shall, or shall cause the Dissemination Agent to, provide to the MSRB an Annual Report that is consistent with the requirements of Section 3 hereof, not later than the Annual Report Date, commencing with the report for Fiscal Year 2021-22. The Annual Report may include by reference other information as provided in Section 3 hereof; provided, however, that the audited financial statements of the Authority and the Districts, if any, may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Authority’s or a District’s Fiscal Year changes, the Authority shall, or it shall instruct the Dissemination Agent to, give notice of such change in a filing with the MSRB.

(b) Not later than 15 business days prior to the date specified in subsection (a) of this Section for the providing of the Annual Report to the MSRB, the Authority shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Authority to determine if the Authority is in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent has not received a copy of the Annual Report from the Authority by the date specified in subsection (a) of this Section, the Dissemination Agent shall, in a timely manner, send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) provide each Annual Report received by it to the MSRB, as provided herein; and

(ii) file a report with the Authority and the Trustee certifying that such Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided to the MSRB.

**Section 3. Content of Annual Reports.** The Authority’s Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the Authority for the preceding Fiscal Year, prepared in accordance with the generally accepted accounting principles for municipalities in the State of California. If the Authority’s audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 2(a) hereof, the Annual Report shall contain unaudited financial

statements, in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when such audited financial statements become available.

(b) Audited financial statements of each District for the preceding Fiscal Year, prepared in accordance with the generally accepted accounting principles for municipalities in the State of California. If a District's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 2(a) hereof, the Annual Report shall contain unaudited financial statements, in a format similar to the financial statements contained in the Official Statement for such District, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when such audited financial statements become available. The parties hereto acknowledge that, presently, separate audited financial statements are not prepared for each District. So long as separate audited financial statements are not prepared for each District, the Authority's Annual Report shall contain or incorporate by reference the audited consolidated financial statements, if any, for the County Sanitation Districts of Los Angeles County.

(c) To the extent not included in the audited financial statements of the Authority or the Districts, if any, the Annual Report shall include the following:

(i) The principal amount of Bonds Outstanding as of the June 30 immediately preceding the Annual Report Date;

(ii) The amount of each Senior Obligation (as such term is defined in the Master Obligation Agreement) of each District outstanding as of the June 30 immediately preceding the Annual Report Date, and a description of each such Senior Obligation;

(iii) The amount of each Subordinate Obligation (as such term is defined in the Master Obligation Agreement), if any, of each District outstanding as of the June 30 immediately preceding the Annual Report Date, and a description of each such Subordinate Obligation; and

(iv) An update, for the most recently ended Fiscal Year only, of the information contained in the Official Statement in Table Nos. 1, 5, 6, 7, 11, 13, 14 and 15 (not including any projections contained therein).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority, the Districts, or related public entities that have been made available to the public on the MSRB website. The Authority shall clearly identify each such other document so included by reference.

**Section 4. Reporting of Significant Events.** (a) Pursuant to the provisions of this Section, the Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

- (i) principal and interest payment delinquencies;
- (ii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) substitution of credit or liquidity providers, or their failure to perform;
- (v) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) tender offers;
- (vii) defeasances;
- (viii) rating changes;
- (ix) bankruptcy, insolvency, receivership or similar event of the Authority or a District; and
- (x) default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the Authority or a District, any of which reflect financial difficulties.

For purposes of the event identified in paragraph (ix) of this subsection, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority or a District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority or such District, as applicable, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority or such District, as applicable.

(b) Pursuant to the provisions of this Section, the Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

- (i) unless described in paragraph (v) of subsection (a) of this Section, other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- (ii) modifications to rights of holders of the Bonds;
- (iii) bond calls;

- (iv) release, substitution, or sale of property securing repayment of the Bonds;
- (v) non-payment related defaults;
- (vi) the consummation of a merger, consolidation, or acquisition involving the Authority or a District or the sale of all or substantially all of the assets of the Authority or a District other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
- (vii) appointment of a successor or additional Trustee or the change of name of a Trustee; and
- (viii) incurrence of a Financial Obligation of the Authority or a District, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the Authority or a District, any of which affect holders of the Bonds.

(c) The Trustee shall, within one business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Authority and inform the Authority of the event.

(d) Whenever the Authority obtains knowledge of the occurrence of a Listed Event described in subsection (b) of this Section, the Authority shall determine if such event would be material under applicable Federal securities laws.

(e) Whenever the Authority obtains knowledge of the occurrence of a Listed Event described in subsection (a) of this Section, or determines that knowledge of a Listed Event described in subsection (b) of this Section would be material under applicable Federal securities law, the Authority shall, or shall cause the Dissemination Agent to, file a notice of the occurrence of such Listed Event with the MSRB, within ten business days of such occurrence.

(f) Notwithstanding the foregoing, notice of Listed Events described in paragraph (iii) of subsection (b) of this Section need not be given any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

**Section 5. Format for Filings with MSRB.** Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

**Section 6. Termination of Reporting Obligation.** The Authority's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give, or cause to be given, notice of such termination in a filing with the MSRB.

**Section 7. Dissemination Agent.** The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure

Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 30 days' written notice to the Authority and the Trustee.

**Section 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Authority, the Trustee and the Dissemination Agent may amend this Disclosure Agreement (and the Trustee and the Dissemination Agent shall agree to any amendment so requested by the Authority, so long as such amendment does not adversely affect the rights or materially increase the obligations of the Trustee or the Dissemination Agent), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of subsection (a) of Section 2 hereof, Section 3 hereof or subsection (a) or (b) of Section 4 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver (i) is approved by Owners of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Authority shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**Section 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

**Section 10. Default.** In the event of a failure of the Authority, the Trustee or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the written direction of any Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of Outstanding Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Trustee), or any Owner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority, the Trustee or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority, the Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

**Section 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent.** Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. Neither the Trustee nor the Dissemination Agent shall be responsible for the form or content of any Annual Report or notice of Listed Event. The Dissemination Agent shall receive reasonable compensation for its services provided under this Disclosure Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent permitted by law, the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, and which are not due to its negligence or its willful misconduct. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and the termination of this Disclosure Agreement.

The Dissemination Agent has no power to enforce performance on the part of the Authority. The Dissemination Agent shall not be responsible for the content of any notice or report prepared by the Authority pursuant to this Disclosure Agreement.

**Section 12. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the Authority, the Trustee, the Dissemination Agent, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**Section 13. Governing Laws.** This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of California.

**Section 14. Electronic Signature.** Each of the parties hereto agrees that the transaction consisting of this Disclosure Agreement may be conducted by electronic means. Each party agrees, and acknowledges that it is such party's intent, that if such party signs this Disclosure Agreement using an electronic signature, it is signing, adopting, and accepting this Disclosure Agreement and that signing this Disclosure Agreement using an electronic signature is the legal equivalent of having placed its handwritten signature on this Disclosure Agreement on paper. Each party

acknowledges that it is being provided with an electronic or paper copy of this Disclosure Agreement in a usable format.

**Section 15. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**IN WITNESS WHEREOF**, the parties hereto have executed this Disclosure Agreement as of the date first above written.

**LOS ANGELES COUNTY  
SANITATION DISTRICTS  
FINANCING AUTHORITY**

By: \_\_\_\_\_

**U.S. BANK TRUST COMPANY,  
NATIONAL ASSOCIATION, AS  
TRUSTEE**

By: \_\_\_\_\_  
Authorized Signatory

**U.S. BANK TRUST COMPANY,  
NATIONAL ASSOCIATION, AS  
DISSEMINATION AGENT**

By: \_\_\_\_\_  
Authorized Signatory

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Los Angeles County Sanitation Districts Financing Authority  
Name of Issue: Los Angeles County Sanitation Districts Financing Authority Revenue Bonds, 2022 Series A (Green Bonds) (SRF Loans Refunding)  
Date of Issuance: April 7, 2022

NOTICE IS HEREBY GIVEN that the Los Angeles County Sanitation Districts Financing Authority (the “Authority”) has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of April 1, 2022, by and among the Authority and U.S. Bank Trust Company, National Association, in its capacity as Trustee and in its capacity as Dissemination Agent. [The Authority anticipates that such Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

U.S. Bank Trust Company, National Association, as Dissemination Agent, on behalf of the Los Angeles County Sanitation Districts Financing Authority

cc: Los Angeles County Sanitation Districts Financing Authority

**APPENDIX F**

**FORM OF PROPOSED OPINION OF BOND COUNSEL**

*Upon delivery of the 2022 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, proposes to render its final approving opinion with respect to the 2022 Bonds in substantially the following form:*

[Date of Delivery]

Los Angeles County Sanitation Districts  
Financing Authority  
Whittier, California

Los Angeles County Sanitation Districts Financing Authority  
Revenue Bonds, 2022 Series A (Green Bonds)  
(SRF Loans Refunding)  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Los Angeles County Sanitation Districts Financing Authority (the “Authority”) in connection with the issuance of its \$89,900,000 aggregate principal amount of Los Angeles County Sanitation Districts Financing Authority Revenue Bonds, 2022 Series A (Green Bonds) (SRF Loans Refunding) (the “Bonds”), issued pursuant to the Indenture, dated as of April 1, 2022 (the “Indenture”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”).

In such connection, we have reviewed the Indenture, the Master Obligation Agreement, dated as of April 1, 2022 (the “Master Obligation Agreement”), by and among County Sanitation District No. 1 of Los Angeles County, County Sanitation District No. 2 of Los Angeles County, County Sanitation District No. 3 of Los Angeles County, County Sanitation District No. 5 of Los Angeles County, County Sanitation District No. 8 of Los Angeles County, County Sanitation District No. 15 of Los Angeles County, County Sanitation District No. 16 of Los Angeles County, County Sanitation District No. 17 of Los Angeles County, County Sanitation District No. 18 of Los Angeles County, County Sanitation District No. 19 of Los Angeles County, County Sanitation District No. 21 of Los Angeles County, County Sanitation District No. 22 of Los Angeles County, County Sanitation District No. 23 of Los Angeles County, County Sanitation District No. 28 of Los Angeles County, County Sanitation District No. 29 of Los Angeles County, County Sanitation District No. 34 of Los Angeles County and South Bay Cities Sanitation District of Los Angeles County (collectively, the “Districts”) and Zions Bancorporation, National Association, as master trustee (the “Master Trustee”), the Joint Acquisition Agreement, dated as of April 1, 2022 (the “Joint Acquisition Agreement”), by and among the Districts and the Authority, the Tax Certificate of the Authority, dated the date hereof (the “Tax Certificate”), opinions of counsel to the Authority, the Districts, the Master Trustee, the Trustee and others, certificates of the Authority, the Districts, the Master Trustee, the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to

render the opinions set forth herein. Capitalized undefined terms used herein have the meanings ascribed thereto in the Indenture or, if not defined therein, in the Master Obligation Agreement.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the Districts. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Master Obligation Agreement, the Joint Acquisition Agreement and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Master Obligation Agreement, the Joint Acquisition Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against governmental entities such as the Authority and the Districts in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or to have the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in, or as subject to the lien of, the Indenture or the Master Obligation Agreement or the accuracy or sufficiency of the description of any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion or conclusion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding special, limited obligations of the Authority payable solely from the Authority Revenues and the other assets pledged therefor under the Indenture.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority.

3. Each of the Master Obligation Agreement and the Joint Acquisition Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, each of the Districts.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

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# LOS ANGELES COUNTY SANITATION DISTRICTS

*Converting Waste Into Resources*



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