

Notice and Agenda

SPECIAL MEETING – COMMISSION OF THE LOS ANGELES COUNTY SANITATION DISTRICTS  
FINANCING AUTHORITY

To be held at the JOINT ADMINISTRATION OFFICE  
1955 Workman Mill Road, Whittier, California

*In response to concerns about the Novel Coronavirus (COVID-19), and in accordance with the Governor's Executive Order N-29-20 and N-08-21, Directors will attend these meetings via teleconference. To join the meeting, click <https://us02web.zoom.us/j/3397206095> or enter the Meeting ID 339 720 6095 into the Zoom app on your smartphone or computer. Alternatively, you may join by phone by calling (669) 900-9128 and entering the Meeting ID. You may find further information at: [www.lacsd.org/aboutus/governance/agenda\\_and\\_minutes/default.asp](http://www.lacsd.org/aboutus/governance/agenda_and_minutes/default.asp)*

THE DISTRICT MAY TAKE ACTION ON ANY AGENDA ITEM LISTED BELOW

WEDNESDAY	July 28, 2021	At 12:00 P.M.
District(s)	Commissioner	
SBC, 5	FUREY	
1	SALEH	
2	WARNER	
3	SANTA INES	
4	HORVATH	
8, 16	BUSCAINO	
9	HAHN	
14	PARRIS	
15	BARAKAT	
17	BARGER	
18	TAJ	
19	WOOD	
20	HOFBAUER	
21	MOSS	
22	FINLAY (Commission Chair)	
23	DAVIS	
27, NR	SOLIS	
28	DAVITT	
29	WILSON	
SCV	WESTE	

At the call of the Chairperson, a special meeting of the Board of Directors of the County Sanitation District Financing Authority of Los Angeles County will be held at the above time and place for the purpose of:

1. Public Comment
2. Approved Minutes of Regular Meeting Held April 22, 2020
3. Re: Los Angeles County Sanitation Districts' Financing Authority Capital Projects Revenue Bonds, 2021 Series A (District No. 14 Revenue Bonds) (Green Bonds)
  - (a) Employ Orrick, Herrington & Sutcliffe LLP, as Bond Counsel at Cost of Approximately \$125,500; Stradling, Yocca, Carlson & Rauth as Disclosure Counsel at a Cost of Approximately \$50,000; BofA Securities as Underwriter at Cost of Approximately 0.225 Percent of Aggregate Principal Amount of Bonds; and Montague DeRose and Associates as Municipal Advisor at Cost not to exceed \$75,000
  - (b) Confirm Sanitation District No. 14 Authorization of Use of Standard and Poor's Financial Services LLC, at Cost of Approximately \$34,250 and Fitch Ratings, Inc., at Cost of Approximately \$32,000 as Bond Rating Agencies
  - (c) Adopt Resolution Approving Issuance of Bonds and Authorizing the Following: *Execution and Delivery by Authority of an Installment Purchase Agreement, Indenture, Bond Purchase Agreement, and Continuing Disclosure Agreement in Connection with the Issuance of the Bonds; Issuance of Such Bonds in Aggregate Principal Amount Not to Exceed \$55,000,000; Distribution of Preliminary Official Statement and an Official Statement in Connection Therewith; and Execution of Necessary Documents and Certificates and Related Actions*

Summary: Between 2007 and 2012, District No. 14 made a number of upgrades to its facilities including construction of the Lancaster Water Reclamation Plant Expansion; construction of the Rosamond Outfall Trunk Sewer; and replacement of a section of the Trunk F Sewer. Four State Clean Water Revolving Fund

## 3. Contd.

low-interest loans obtained during that period were used to partially fund the work. Now, because interest rates have dropped to near-historic low levels, savings can be realized by refinancing the loan principal still outstanding. The proposed Resolution includes approval of the necessary documents, direction to staff to distribute the documents, and authority for the Financing Authority to sell new revenue bonds on District No. 14's behalf. Under the proposed action, the Financing Authority would approve the issuance of approximately \$45 million of refinancing bonds, resulting in an estimated net present value savings of \$4 million. The necessary extensive documents to be considered for the sale of the bonds are available at the links above or at <http://www.lacsd.org/d14bonds>. A letter discussing this issue accompanies the agenda. This item is consistent with the Districts Guiding Principles of commitment to fiscal responsibility and prudent financial stewardship and to protect financial assets through prudent investment programs.

## 4. Adopt Debt Management Policy (Policy)

Summary: Having sound investment, debt management, and financial reserve policies is crucial to maintaining the Districts' financial stability. The individual boards have each adopted debt management policies, and under state law the Financing Authority is also required to adopt a debt management policy. The attached proposed Policy is consistent with the individual Districts' policies and the requirements of state law. This item is consistent with the Districts Guiding Principles of commitment to fiscal responsibility and prudent financial stewardship and to protect financial assets through prudent investment programs.

5. *Adopt Resolution of the Commission of the Los Angeles County Sanitation Districts Financing Authority Approving the Addition of the Newhall Ranch Sanitation District (NRSD) of Los Angeles County as a Member District and Authorizing the Execution and Delivery of all Necessary Documents and Certificates and Related Actions (Resolution)*

Summary: The Authority's Joint Exercise of Power Agreement (Agreement) provides for the addition of member Districts. NRSD is now an active District; therefore, it is recommended that a Resolution be adopted adding NRSD as a party to the Agreement. The NRSD adopted a similar resolution authorizing becoming a member on June 8, 2021. This item is consistent with the Districts' Guiding Principle of commitment to fiscal responsibility and prudent financial stewardship.

## Adjourn

**Status Report:**

Prior to or during the meeting session, the Chief Engineer and General Manager may update the Directors on various matters concerning the Districts that may be of current interest to the Directors.

**Public Comment:**

Members of the public may address the Board of Directors on any item shown on the agenda or matter under the Board's authority. A "Request to Address Board of Directors" form is available. In compliance with the Americans with Disabilities Act, if you require special assistance to participate in this meeting, please contact the Secretary to the Boards' Office (562) 908-4288, extension 1100. Notification of 48 hours prior to the meeting will enable staff to make reasonable arrangements to ensure accessibility to this meeting. (28CFR 35.101 et seq. ADA Title II).

**Document Requests:**

Links to supporting documents are available online at the time of posting. Agendas and supporting documents or other writings that will be distributed to Board members in connection with matters subject to discussion or consideration at this meeting that are not exempt from disclosure under the Public Records Act are available for inspection following the posting of this agenda at the office of the Secretary to the Boards of Directors located at the Districts' Joint Administration Building, 1955 Workman Mill Road, Whittier, California, 90601, or at the time of the meeting at the address posted on this agenda.



July 23, 2021

Board of Commissioners  
Los Angeles County Sanitation Districts  
Financing Authority

Commissioners:

**Proposed 2021 Revenue Bond Sale – Sanitation District No. 14**

Between 2007 and 2012, District No. 14 made a number of upgrades to its facilities including construction of the Lancaster Water Reclamation Plant Expansion; construction of the Rosamond Outfall Trunk Sewer; and replacement of a section of the Trunk F Sewer. Four State Clean Water Revolving Fund low-interest loans, totaling approximately \$107 million in principal, were obtained to partially fund the work. The current principal balance on the loans is now approximately \$54 million and the loans have an average interest rate of 2.6% with payments extending to 2032.

Interest rates are now at historic lows and savings can be realized by refinancing the loan principal still outstanding by issuing bonds at a lower interest rate. The loans can be paid off at any time without penalty. Therefore, it is recommended that the Financing Authority, on behalf of District No. 14, proceed with issuing new bonds to pay off the loans.

The size of the proposed bond issuance will be approximately \$45 million and will have an interest rate (true interest cost) of approximately 0.75%. Because the overall interest rate will be lower than the existing interest rate on the existing debt, there will be a total estimated net present value savings of approximately \$4.3 million, translating into savings of roughly \$730,000 in the first year and \$365,000 each year from 2023-2032, or approximately 7% of the annual debt service.

The proposed bonds will be issued and sold by the Los Angeles County Sanitation Districts' Financing Authority, a joint powers authority that was established in 1993 for selling bonds on behalf of the member Districts. The membership consists of all of the active Districts and is governed by a commission consisting of the Chairs of each member District. District No. 14 will enter into a separate agreement (the "Installment Purchase Agreement") with the Financing Authority, which will require that District No. 14 make regular payments to cover the debt service on the bonds.

The proposed bonds and District No. 14's ability to repay them must be submitted to rating agencies (Fitch and Standard & Poor's) for their evaluation. The resulting ratings will, in large part, determine the interest rate at which the bonds can be sold. The primary vehicle for submitting this data is the Preliminary Official Statement, a copy of which is included. District No. 14 has employed a strategy of maintaining relatively strong debt coverage ratios and prudent cash reserves to maximize its ratings.

To complete the transaction, the Board of Commissioners must first authorize the sale of the bonds. This is done through the resolution that is on the agenda for the July 28, 2021 Commission meeting. The resolution approves all of the necessary documents in substantially final form, directs staff to distribute them, and authorizes the Financing Authority to sell bonds on District 14's behalf. A resolution is used because the official documents cannot be finalized until after the pricing is complete. The resolution authorizes the Authority's Chairperson, President (the Chief Engineer and General Manager), the Vice President (the Assistant Chief Engineer and Assistant General Manager), the Treasurer (Chief Accountant) and the Secretary to sign the final documents upon pricing.

The contents of the necessary documents are summarized below, and the complete documents are provided at <http://www.lacsd.org/d14bonds>.

- Preliminary Official Statement – This document is equivalent to a prospectus that would be issued when buying or selling stock. It contains general information about District No. 14, provides specific historic and projected financial data, gives information on the size of the proposed bond transaction and intended uses of the proceeds, and summarizes the requirements of the other bond documents.
- Installment Purchase Agreement – Through this agreement, the Financing Authority agrees to issue bonds on behalf of the District. In return, the District covenants to make the debt service payments on behalf of the Financing Authority. As part of its covenants, District No. 14 agrees to set appropriate service charge rates and to provide continuing disclosure. It also establishes the parameters under which the District can undertake additional debt (either bonds or loan).
- Indenture – This agreement is between the Financing Authority and the Trustee (a third party acting on behalf of the bond holders). The Indenture establishes the accounting practices that must be used and creates a flow of funds to ensure that the bondholders are repaid in a timely and orderly fashion.
- Continuing Disclosure Agreement – The Securities and Exchange Commission (SEC) requires that bond underwriters provide continuing and updated information on any bonds they have sold. This agreement effectuates that requirement. The required information is included in the Districts' Comprehensive Annual Financial Report.
- Bond Purchase Agreement – This agreement is between District No. 14, the Financing Authority and the underwriters. The agreement requires the underwriters to purchase the bonds from the District for resale to the public and requires the District, through the Financing Authority, to make the bonds available to the underwriters.

As stated above, this matter will be on the agenda for the July 28, 2021 Commission meeting and will be discussed with the Commissioners.

Very truly yours,

  
Robert Ferrante

RF:av

Enclosures

**RESOLUTION NO. \_\_**

**RESOLUTION OF THE COMMISSION OF THE LOS ANGELES COUNTY SANITATION DISTRICT FINANCING AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY BY THE AUTHORITY OF AN INDENTURE, AN INSTALLMENT PURCHASE AGREEMENT, A BOND PURCHASE AGREEMENT AND A CONTINUING DISCLOSURE AGREEMENT IN CONNECTION WITH THE ISSUANCE OF LOS ANGELES COUNTY SANITATION DISTRICT FINANCING AUTHORITY CAPITAL PROJECTS REVENUE BONDS, 2021 SERIES A (DISTRICT NO. 14 REVENUE BONDS) (GREEN BONDS), AUTHORIZING THE ISSUANCE OF SUCH BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$55,000,000, AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND AN OFFICIAL STATEMENT IN CONNECTION THEREWITH AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND CERTIFICATES AND RELATED ACTIONS**

**WHEREAS**, Los Angeles County Sanitation District No. 14 of Los Angeles County (the “District”) financed certain improvements to its sewerage system with proceeds of loans evidenced by (a) Loan Contract (Contract No. 03-846-550-0; Project No. 4783-110), by and between the District and the State Water Resources Control Board, (b) Loan Contract (Contract No. 03-847-550-0; Project No. 4783-210), by and between the District and the State Water Resources Control Board, (c) Loan Contract (Contract No. 03-848-550-0; Project No. 4783-310), by and between the District and the State Water Resources Control Board, and (d) Loan Contract (Contract No. 08-816-550-0; Project No. 4916-110), by and between the District and the State Water Resources Control Board (the “State Loans”);

**WHEREAS**, in order to achieve certain savings, the District desires to prepay the State Loans;

**WHEREAS**, the Los Angeles County Sanitation Districts Financing Authority (the “Authority”) desires to assist the District in financing the prepayment of the State Loans;

**WHEREAS**, in order to provide funds to prepay the State Loans, the Authority and the District desire that the Authority issue its Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2021 Series A (District No. 14 Revenue Bonds) (Green Bonds) (the “Bonds”);

**WHEREAS**, the Bonds will be issued pursuant to an Indenture by and between the Authority and U.S. Bank National Association, as trustee (such Indenture, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the “Indenture”);

**WHEREAS**, the Bonds will be payable from and secured by installment payments (the “Installment Payments”) to be made by the District pursuant to an Installment Purchase Agreement by and between the District and the Authority (such Installment Purchase Agreement,

in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the “Installment Purchase Agreement”);

**WHEREAS**, BofA Securities, Inc., as underwriter (the “Underwriter”), has presented the Authority and the District with a form of Bond Purchase Agreement, pursuant to which the Underwriter proposes to purchase the Bonds (such Bond Purchase Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the “Purchase Agreement”);

**WHEREAS**, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (“Rule 15c2-12”) requires that, in order to be able to purchase or sell the Bonds, the Underwriter must have reasonably determined that the issuer or one or more obligated persons has undertaken in a written agreement or contract for the benefit of the owners and beneficial owners of the Bonds to provide disclosure of certain financial and operating data and certain material events on an ongoing basis;

**WHEREAS**, in order to cause such requirement to be satisfied, the Authority desires to enter into a Continuing Disclosure Agreement with U.S. Bank National Association, as trustee and as Dissemination Agent, relating to the Bonds (such Continuing Disclosure Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the “Continuing Disclosure Agreement”);

**WHEREAS**, a form of the Preliminary Official Statement to be distributed in connection with the offering and sale of the Bonds has been prepared (such Preliminary Official Statement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the “Preliminary Official Statement”);

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

- (a) the Indenture;
- (b) the Installment Purchase Agreement;
- (c) the Purchase Agreement;
- (d) the Continuing Disclosure Agreement; and
- (e) the Preliminary Official Statement;

**WHEREAS**, the Commission of the Authority (the “Commission”) desires to authorize the issuance of the Bonds and the execution of such documents and the performance of such acts as may be necessary or desirable to effect the offering, sale and issuance of the Bonds;

**WHEREAS**, Section 5852.1 of the California Government Code (the “Government Code”) requires that the Commission obtain from an underwriter, financial advisor or private lender and disclose, in a meeting open to the public, prior to authorization of the issuance of the Bonds, good faith estimates of (a) the true interest cost of the Bonds, (b) the sum of all fees and charges paid to third parties with respect to the Bonds, (c) the amount of proceeds of the Bonds

expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Bonds, and (d) the sum total of all debt service payments on the Bonds calculated to the final maturity of the Bonds, plus the fees and charges paid to third parties not paid with the proceeds of the Bonds; and

**WHEREAS**, in compliance with Government Code Section 5852.1, the Commission has obtained from Montague DeRose and Associates, LLC, as the District's municipal advisor (the "Municipal Advisor"), the required good faith estimates and such estimates are disclosed and set forth in Exhibit A attached hereto;

**NOW, THEREFORE, BE IT RESOLVED** by the Commission of the Los Angeles County Sanitation District Financing Authority, as follows:

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

**Section 2.** Subject to the provisions of Section 3 hereof, the issuance of the Bonds, in an aggregate principal amount of not to exceed \$55,000,000, on the terms and conditions set forth in, and subject to the limitations specified in, the Indenture, is hereby authorized and approved. The Bonds shall be dated, shall bear interest at the rates, shall mature on the dates, shall be subject to call and redemption, shall be issued in the form and shall be as otherwise provided in the Indenture, as the same shall be completed as provided in this Resolution.

**Section 3.** The Indenture, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, is hereby approved, and each of the Chairperson of the Commission, or such other member of the Commission as the Chairperson may designate, the President of the Authority, the Vice President of the Authority, the Treasurer of the Authority and the Secretary of the Authority (each, an "Authorized Officer") is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name and on behalf of the Authority, to execute and deliver the Indenture in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the aggregate principal amount of the Bonds shall not exceed \$55,000,000, the final maturity date of the Bonds shall not be later than October 1, 2032 and the true interest cost for the Bonds shall not be in excess of 2.00% per annum.

**Section 4.** The Installment Purchase Agreement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, is hereby approved, and each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name and on behalf of the Authority, to execute and deliver the Installment Purchase Agreement in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that such changes, insertions and omissions shall not result in the aggregate principal amount of Bonds payable from the Installment Payments payable by the District under the Installment Purchase Agreement being in excess of \$55,000,000, shall not result in the term of the Installment Purchase Agreement terminating later than October 1, 2032 and shall not result in a

true interest cost attributable to the Installment Payments payable by the District under the Installment Purchase Agreement being in excess of 2.00% per annum.

**Section 5.** The Purchase Agreement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, is hereby approved, and each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name and on behalf of the Authority, to execute and deliver the Purchase Agreement in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the Underwriter's discount for the sale of the Bonds (exclusive of any original issue discount) shall not exceed 0.325% of the initial aggregate principal amount of the Bonds.

**Section 6.** The Continuing Disclosure Agreement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, is hereby approved, and each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name and on behalf of the Authority, to execute and deliver the Continuing Disclosure Agreement in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 7.** The Preliminary Official Statement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, with such changes, insertions and omissions therein as may be approved by an Authorized Officer, is hereby approved, and the distribution of the Preliminary Official Statement in connection with the offering and sale of the Bonds is hereby authorized and approved. The Authorized Officers are hereby authorized to certify on behalf of the Authority that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 (except for the omission of certain final pricing, rating and related information as permitted by Rule 15c2-12).

**Section 8.** The preparation and delivery of a final Official Statement (the "Official Statement"), and its use in connection with the offering and sale of the Bonds, be and the same is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement, with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. Each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name and on behalf of the Authority, to execute the final Official Statement and any amendment or supplement thereto, for and in the name of the Authority.

**Section 9.** The Commission hereby authorizes the execution and delivery of all agreements, documents, certificates and instruments authorized by this Resolution to be executed and delivered (a) with electronic signatures using DocuSign, as the same may be permitted under the California Uniform Electronic Transactions Act, and (b) with digital signatures using DocuSign, as the same may be permitted under Section 16.5 of the California Government Code.

**Section 10.** The Authorized Officers and their authorized deputies and agents of the Authority are, and each of them is, hereby authorized and directed, for and in the name and on behalf of the Authority to do any and all things and to execute and deliver any and all agreements, documents, certificates and instruments that they or any of them deem necessary or advisable in order to consummate the transactions contemplated by this Resolution and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution.

**Section 11.** All actions heretofore taken by the Authorized Officers and their authorized deputies and agents of the Authority with respect to the issuance and sale of the Bonds or in connection with or related to any of the agreements, documents, certificates or instruments referred to herein, are hereby approved, confirmed and ratified.

**Section 12.** This Resolution shall take effect immediately upon its adoption.

**PASSED AND ADOPTED** by the Commission of the Los Angeles County Sanitation District Financing Authority on July 28, 2021.

---

Chairperson

ATTEST:

---

Secretary

## EXHIBIT A

### GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the Authority by Montague DeRose and Associates, LLC, the District's municipal advisor (the "Municipal Advisor").

*Principal Amount.* The Municipal Advisor has informed the Authority that, based on the District's financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the Bonds to be sold is \$44,390,000 (the "Estimated Principal Amount").

*True Interest Cost of the Bonds.* The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 0.750%.

*Finance Charge of the Bonds.* The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is \$399,997.26.

*Amount of Proceeds to be Received.* The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the Authority for sale of the Bonds, less the finance charge of the Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is \$53,921,550.74.

*Total Payment Amount.* The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the Authority will make to pay debt service on the Bonds, plus the finance charge for the Bonds, as described above, not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$56,402,144.44, which excludes any reserves or capitalized interest paid or funded with proceeds of the Bonds (which may offset such total payment amount).

The foregoing estimates constitute good faith estimates only and are based on market conditions prevailing at the time of preparation of such estimates. The actual principal amount of the Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Bonds sold

being different from the Estimated Principal Amount, (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the District's financing plan, or a combination of such factors. The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the Authority based on the timing of the need for proceeds of the Bonds and other factors. The actual interest rates borne by the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the Authority.

# **DEBT MANAGEMENT POLICY**

**Los Angeles County Sanitation Districts  
Financing Authority**

**July 2021**

## **TABLE OF CONTENTS**

---

---

<b>POLICY STATEMENT.....</b>	<b>1</b>
<b>PURPOSE OF DEBT .....</b>	<b>1</b>
<b>TYPES OF DEBT .....</b>	<b>1</b>
<b>INTERNAL CONTROLS.....</b>	<b>2</b>
<b>DEBT POLICIES.....</b>	<b>2</b>
<b>DEBT MANAGEMENT POLICY ADOPTION .....</b>	<b>3</b>

# **Debt Management Policy**

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

### **Policy Statement**

This debt management policy has been developed to comply with California Government Code Section 8855(i) and provide guidelines for the Los Angeles County Sanitation Districts Financing Authority (Authority) on the issuance of debt on behalf of a Sanitation District of Los Angeles County (District). While long-term financing is an effective way to spread these costs over time, the Districts and Authority must also consider maintaining and improving credit strength, providing certainty and cash flow flexibility in the annual budgeting process, and prioritizing future capital infrastructure needs.

### **Purpose of Debt**

The Authority will issue debt on the behalf of a District to fund long-term capital improvements, including projects listed in the Capital Improvement Plan (CIP). Under no circumstances will long-term debt will be used to fund ongoing operational expenses.

At various times it may be economically beneficial and cost effective to issue new debt to refinance existing debt on the behalf of a District. This can include refunding of existing bonds, prepayment of loans or other debt instruments, and converting short-term debt such as commercial paper into long-term debt.

Any debt issued by the Authority shall be accompanied by an Installment Purchase Agreement between the Authority and the District receiving the debt proceeds.

### **Types of Debt**

Types of debt that may be issued by the Authority on behalf of a District include:

#### **1. Revenue Bonds**

These bonds are typically long-term obligations issued to fund a specific project or purpose. They are backed solely by the future revenues expected to be received by the District in accordance with the agreed upon bond covenants. Pledged revenues may include user charges, ad valorem (AV) taxes, contracts, interest, or any other sources of allowable revenue. Revenue bonds can be issued individually by a District or as part of a pool with other Districts under the Marks-Roos Local Bond Pooling Act of 1985.

#### **2. Clean Renewable Energy Bonds (CREBs)**

CREBS can only be used to finance clean renewable energy projects. Because bondholders of this type of debt receive federal tax credits in lieu of all or a portion of traditional bond interest, the Authority and/or District must apply to the Internal Revenue Service for a CREB allocation.

### 3. Other Bonds

The Authority may issue other bonds when they satisfy the conditions of this debt policy and the debt policy of the District utilizing the bond proceeds.

## **Internal Controls**

### 1. Internal Control Procedures on the Use of Debt

Expenditures of the proceeds from each debt instrument must be expended in the manner detailed in the associated documents. Records must be maintained in accordance with any covenants related to the debt instrument and ~~IRS~~ Internal Revenue Service regulations, including the following:

- Requisitions to the trustee, if one is utilized, from the project construction fund
- Trustee records relating to other funds and accounts
- Verifiable information showing payments to third parties
- An accounting of all proceeds spent on the approved capital project

### 2. Disclosure Requirements and Investor Relations

The Authority will comply with disclosure requirements in a timely and comprehensive manner including:

- Adhering to the “antifraud rules” as promulgated in the Securities Act of 1933, Section 17; Securities and Exchange Act of 1934, Section 10(b); and regulations adopted by the U.S. Security and Exchange Commission’s (SEC) under those Acts, particularly Rule 10b-5.
- Preparing bond disclosures as stipulated by the SEC’s Rule 15c2-12.
- Providing information to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (EMMA) system.
- Maintaining compliance with all accounting and disclosure standards promulgated by state and national regulatory bodies, including the Government Accounting Standards Board (GASB) and the SEC.
- Reporting to the California Debt and Investment Advisory Commission (CDIAC).
- Complying with any other reporting required by the issuer of debt.

Disclosure training sessions will be conducted as needed. Training sessions must include education on the Authority’s disclosure obligations under applicable federal and state securities laws and the disclosure responsibilities and potential liabilities of members of the Authority’s staff and members of the Board.

## **Debt Policies**

Before the Authority issues debt on behalf of a District, the District must certify that it has adopted a debt policy in compliance with Government Code section 8855(i)(1) and that the debt policy includes the items listed in (C), (D) and (E) of 8855(i)(1).

**Debt Management Policy Adoption**

Any modifications made to this Policy shall be approved by the Authority's Commission.

Adopted this \_\_\_\_\_ day of \_\_\_\_\_.

RESOLUTION NO. \_\_\_\_\_

**RESOLUTION OF THE COMMISSION OF THE LOS ANGELES COUNTY  
SANITATION DISTRICTS FINANCING AUTHORITY APPROVING THE  
ADDITION OF THE NEWHALL RANCH SANITATION DISTRICT OF LOS  
ANGELES COUNTY AS A MEMBER DISTRICT AND AUTHORIZING THE  
EXECUTION AND DELIVERY OF ALL NECESSARY DOCUMENTS AND  
CERTIFICATES AND RELATED ACTIONS**

**WHEREAS**, the Los Angeles County Sanitation Districts Financing Authority (the "Authority") was created under the provisions of the April 14, 1993 Joint Exercise of Powers Agreement (the "Agreement"), signed by all of the Member Districts who are parties thereto;

**WHEREAS**, under the provisions of Section 7.02 of the Agreement additional County Sanitation Districts may be added as parties to the Agreement and become Member Districts, upon (i) the filing of such District of an executed counterpart of the Agreement, together with a certified copy of the Resolution of the Board of Directors of such District approving the Agreement and the execution and delivery thereof, and (ii) adoption of a Resolution of the Commission approving the addition of such Districts as a Member District;

**WHEREAS**, the Newhall Ranch County Sanitation District of Los Angeles County desires to become a Member District and thereby an active member of the Authority;

**WHEREAS**, the Commission of the Authority desires to authorize and approve the Newhall County Sanitation District of Los Angeles County becoming a Member District and the execution and delivery of such documents and the performance of such acts as may be necessary or desirable to effect such actions;

**NOW, THEREFORE, BE IT RESOLVED** by the Commission of the Los Angeles County Sanitation Districts Financing Authority, as follows:

**Section 1.** All of the above recitals herein contained are true and correct and the Commission so finds.

**Section 2.** The Commission hereby approves the addition of the Newhall Ranch County Sanitation District of Los Angeles County as a Member District of the Los Angeles County Sanitation Districts Financing Authority.

**Section 3.** The Officers of the Authority are hereby authorized and directed, jointly and severally, for and in the name of the Authority, to do any and all things to execute and deliver any and all documents which they or any of them may deem necessary or advisable in order to consummate the transactions herein authorized and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution.

**Section 4.** All actions heretofore taken by the Officers of the Authority with respect to the transactions herein authorized above are hereby approved, confirmed and ratified.

**Section 5.** This Resolution shall take effect immediately upon its adoption.

**PASSED AND ADOPTED** by the Commission of the Los Angeles County Sanitation Districts Financing Authority on July 28, 2021.

---

Chairperson

ATTEST:

---

Secretary