

ORDINANCE NO. 22-01
AN ORDINANCE OF THE SUNSET BEACH SANITARY DISTRICT OF ORANGE
COUNTY, CALIFORNIA REGULATING MANDATORY ORGANIC WASTE
DISPOSAL IN ACCORDANCE WITH SB 1383

ARTICLE I
GENERAL PROVISIONS

101. Purpose and Findings:

- (a) The purpose of this policy is to supplement the District's Ordinance No. 19-01, Regulating the Collection of Refuse, in order to comply with the provisions of SB 1383, which was signed into State law in 2016 to combat climate change and reduce landfill methane emissions. The Sunset Beach Sanitary District was notified by CalRecycle on February 7, 2022 that its waiver application was denied.
- (b) SB 1383 requires Jurisdictions to adopt and enforce an ordinance to implement the provisions of SB 1383 Regulations, and requires every jurisdiction to provide organic waste collection services to all residents and businesses, beginning on January 1, 2022.
- (c) As the Sunset Beach Sanitary District (herein referred to as the "District") does not purchase paper or landscaping services, the procurement provisions of SB 1383 do not apply.
- (d) As there are very few yards in the District's beach community, green waste is minimal.

ARTICLE II
DEFINITIONS

- 201.** The definitions provided below are in addition to those already provided in the District's Ordinance No. 19-01, as necessary for the implementation of this Ordinance 22-01:
- (a) "Commercial Edible Food Generator" includes a Tier One or a Tier Two Commercial Edible Food Generator. For the purposes of this definition, Food Recovery Organizations and Food Recovery Services are not Commercial Edible Food Generators.
 - (b) "Compliance Review" means a review of records by a Jurisdiction to determine compliance with this ordinance.
 - (c) "Community Composting" means any activity that composts green material, agricultural material, food material, and vegetative food material, alone or in combination, and the total amount of feedstock and Compost on-site at any one time does not exceed 100 cubic yards and 750 square feet, as specified in 14 CCR Section 18982(a)(8).
 - (d) "Compost" means the product resulting from the controlled biological decomposition of organic Solid Wastes that are Source Separated from the municipal Solid Waste stream, or which are separated at a centralized facility.
 - (e) "Container Contamination" or "Contaminated Container" means a container, regardless of color, that contains Prohibited Container Contaminants, or as otherwise defined in 14 CCR Section 18982(a)(55).
 - (f) "C&D" means construction and demolition debris.

- (g) "Designee" means an entity that the District contracts with or otherwise arranges to carry out any of the District's responsibilities of this ordinance as authorized in 14 CCR Section 18981.2. A Designee may be a government entity, a hauler, a private entity, or a combination of those entities.
- (h) "Edible Food" means food intended for human consumption, or as otherwise defined in 14 CCR Section 18982(a)(18). For the purposes of this ordinance or as otherwise defined in 14 CCR Section 18982(a)(18), "Edible Food" is not Solid Waste if it is recovered and not discarded. Nothing in this ordinance or in 14 CCR, Division 7, Chapter 12 requires or authorizes the Recovery of Edible Food that does not meet the food safety requirements of the California Retail Food Code.
- (i) "Enforcement Action" means an action of the District, its agents, and/or City of Huntington Beach to address non-compliance with this ordinance including, but not limited to, issuing administrative citations, fines, penalties, or using other remedies.
- (j) "Excluded Waste" means hazardous substance, hazardous waste, infectious waste, designated waste, volatile, corrosive, medical waste, infectious, regulated radioactive waste, and toxic substances or material that facility operator(s), which receive materials from the District and its generators, reasonably believe(s) would, as a result of or upon acceptance, transfer, processing, or disposal, be a violation of local, State, or Federal law, regulation, or ordinance, including: land use restrictions or conditions, waste that cannot be disposed of in Class III landfills or accepted at the facility by permit conditions, waste that in District's, or its Designee's reasonable opinion would present a significant risk to human health or the environment, cause a nuisance or otherwise create or expose the District, or its Designee, to potential liability; but not including de minimis volumes or concentrations of waste of a type and amount normally found in Single-Family or Multi-Family Solid Waste after implementation of programs for the safe collection, processing, recycling, treatment, and disposal of batteries and paint in compliance with Sections 41500 and 41802 of the California Public Resources Code
- (k) "Food Distributor" means a company that distributes food to entities including, but not limited to, Supermarkets and Grocery Stores, or as otherwise defined in 14 CCR Section 18982(a)(22).
- (l) "Food Facility" has the same meaning as in Section 113789 of the Health and Safety Code.
- (m) "Food Recovery" means actions to collect and distribute food for human consumption that otherwise would be disposed.
- (n) "Food Recovery Organization" means an entity that engages in the collection or receipt of Edible Food from Commercial Edible Food Generators and distributes that Edible Food to the public for Food Recovery either directly or through other entities, including, but not limited to:
- (1) A food bank as defined in Section 113783 of the Health and Safety Code;
 - (2) A nonprofit charitable organization as defined in Section 113841 of the Health and Safety code; and,
 - (3) A nonprofit charitable temporary food facility as defined in Section 113842 of the Health and Safety Code.
 - (4) A Food Recovery Organization is not a Commercial Edible Food Generator for the purposes of this ordinance and implementation of 14 CCR, Division 7, Chapter 12.
- (o) "Food Recovery Service" means a person or entity that collects and transports Edible Food from a Commercial Edible Food Generator to a Food Recovery Organization or other entities for Food Recovery, or as otherwise defined in 14 CCR Section 18982(a)(26). A Food Recovery Service is not a Commercial Edible Food Generator for the purposes of this ordinance and implementation of 14 CCR, Division 7, Chapter 12.
- (p) "Food Scraps" means all food such as, but not limited to, fruits, vegetables, meat, poultry, seafood, shellfish, bones, rice, beans, pasta, bread, cheese, and eggshells. Food Scraps excludes fats, oils, and grease when such materials are Source Separated from other Food Scraps.

- (q) "Food Service Provider" means an entity primarily engaged in providing food services to institutional, governmental, Commercial, or industrial locations of others based on contractual arrangements with these types of organizations.
- (r) "Food-Soiled Paper" is compostable paper material that has come in contact with food or liquid, such as, but not limited to, compostable paper plates, paper coffee cups, napkins, pizza boxes, and milk cartons.
- (s) "Food Waste" means Food Scraps and Food-Soiled Paper.
- (t) "Green Container" has the same meaning as in 14 CCR Section 18982.2(a)(29) and shall be used for the purpose of storage and collection of Green Container Organic Waste.
- (u) "Grocery Store" means a store primarily engaged in the retail sale of canned food; dry goods; fresh fruits and vegetables; fresh meats, fish, and poultry; and any area that is not separately owned within the store where the food is prepared and served, including a bakery, deli, and meat and seafood departments, or as otherwise defined in 14 CCR Section 18982(a)(30).
- (v) "Hauler Route" means the designated itinerary or sequence of stops for each segment of the District's collection service area.
- (w) "High Diversion Organic Waste Processing Facility" means a facility that is in compliance with the reporting requirements of 14 CCR Section 18815.5(d) and meets or exceeds an annual average Mixed Waste organic content Recovery rate of 50 percent between January 1, 2022 and December 31, 2024, and 75 percent after January 1, 2025, as calculated pursuant to 14 CCR Section 18815.5(e) for Organic Waste received from the "Mixed waste organic collection stream" as defined in 14 CCR Section 17402(a)(11.5); or, as otherwise defined in 14 CCR Section 18982(a)(33).
- (x) "Inspection" means a site visit where a member of the District's staff and/or agent reviews records, containers, and an entity's collection, handling, recycling, or landfill disposal of Organic Waste or Edible Food handling to determine if the entity is complying with requirements set forth in this ordinance.
- (y) "Large Event" means an event, including, but not limited to, a sporting event or a flea market, that charges an admission price, or is operated by a local agency, and serves an average of more than 2,000 individuals per day of operation of the event, at a location that includes, but is not limited to, a public, nonprofit, or privately owned park, parking lot, golf course, street system, or other open space when being used for an event. If the definition in 14 CCR Section 18982(a)(38) differs from this definition, the definition in 14 CCR Section 18982(a)(38) shall apply to this ordinance.
- (z) "Mixed Waste Organic Collection Stream" or "Mixed Waste" means Organic Waste collected in a container that is required by 14 CCR Sections 18984.1, 18984.2 or 18984.3 to be taken to a High Diversion Organic Waste Processing Facility or as otherwise defined in 14 CCR Section 17402(a)(11.5).
- (aa) "Non-Local Entity" means the following entities that are not subject to the Jurisdiction's enforcement authority, or as otherwise defined in 14 CCR Section 18982(a)(42):
- (1) Federal facilities, including the United States Post Office in Sunset Beach, CA 90742 and United States Post Office in Surfside, CA 90743.
 - (2) The beaches and greenbelt areas operated and maintained by the Cities of Huntington Beach and Seal Beach.
- (bb) "Non-Organic Recyclables" means non-putrescible and non-hazardous recyclable wastes including but not limited to bottles, cans, metals, plastics and glass, or as otherwise defined in 14 CCR Section 18982(a)(43).
- (cc) "Notice of Violation (NOV)" means a notice that a violation has occurred that includes a compliance date to avoid an action to seek penalties, or as otherwise defined in 14 CCR Section 18982(a)(45) or further explained in 14 CCR Section 18995.4.
- (dd) "Organic Waste" means Solid Wastes containing material originated from living organisms and their metabolic waste products, including but not limited to food, green material, landscape and pruning waste, organic textiles and carpets, lumber, wood, Paper Products, Printing and Writing Paper, manure, biosolids,

- digestate, and sludges or as otherwise defined in 14 CCR Section 18982(a)(46). Biosolids and digestate are as defined by 14 CCR Section 18982(a).
- (ee) "Organic Waste Generator" means a person or entity that is responsible for the initial creation of Organic Waste, or as otherwise defined in 14 CCR Section 18982(a)(48).
- (ff) "Prohibited Container Contaminants" means the following: (i) discarded materials placed in the Blue Container that are not identified as acceptable Source Separated Recyclable Materials for District's Blue Container; (ii) discarded materials placed in the Green Container that are not identified as acceptable Source Separated Green Material Organic Waste for the District's Green Container; and, (iii) discarded materials placed in the Brown Container that are acceptable Source Separated Recyclable Materials and/or Source Separated Green Container Organic Wastes to be placed in District's Green Container and/or Blue container; and, (iv) Excluded Waste placed in any container.
- (gg) "Recovered Organic Waste Products" means products made from California, landfill-diverted recovered Organic Waste processed in a permitted or otherwise authorized facility, or as otherwise defined in 14 CCR Section 18982(a)(60).
- (hh) "Recovery" means any activity or process described in 14 CCR Section 18983.1(b), or as otherwise defined in 14 CCR Section 18982(a)(49).
- (ii) "Restaurant" means an establishment primarily engaged in the retail sale of food and drinks for on-premises or immediate consumption, or as otherwise defined in 14 CCR Section 18982(a)(64).
- (jj) "Route Review" means a visual Inspection of containers along a Hauler Route for the purpose of determining Container Contamination, and may include mechanical Inspection methods such as the use of cameras, or as otherwise defined in 14 CCR Section 18982(a)(65).
- (kk) "SB 1383" means Senate Bill 1383 of 2016 approved by the Governor on September 19, 2016, which added Sections 39730.5, 39730.6, 39730.7, and 39730.8 to the Health and Safety Code, and added Chapter 13.1 (commencing with Section 42652) to Part 3 of Division 30 of the Public Resources Code, establishing methane emissions reduction targets in a Statewide effort to reduce emissions of short-lived climate pollutants as amended, supplemented, superseded, and replaced from time to time.
- (ll) "SB 1383 Regulations" or "SB 1383 Regulatory" means or refers to, for the purposes of this ordinance, the Short-Lived Climate Pollutants: Organic Waste Reduction regulations developed by CalRecycle and adopted in 2020 that created 14 CCR, Division 7, Chapter 12 and amended portions of regulations of 14 CCR and 27 CCR.
- (mm) "Solid Waste" has the same meaning as Refuse as defined in the District's Ordinance 19-02.
- (nn) "Source Separated" means materials, including commingled recyclable materials, that have been separated or kept separate from the Solid Waste stream, at the point of generation, for the purpose of additional sorting or processing those materials for recycling or reuse in order to return them to the economic mainstream in the form of raw material for new, reused, or reconstituted products, which meet the quality standards necessary to be used in the marketplace, or as otherwise defined in 14 CCR Section 17402.5(b)(4). For the purposes of the ordinance, Source Separated shall include separation of materials by the generator, property owner, property owner's employee, property manager, or property manager's employee into different containers for the purpose of collection such that Source Separated materials are separated from Brown Container Waste or other Solid Waste for the purposes of collection and processing.
- (1) "Source Separated Green Container Organic Waste" means Source Separated Organic Waste that can be placed in a Green Container that is specifically intended for the separate collection of Organic Waste by the generator, excluding Source Separated Blue Container Waste, carpets, non-compostable paper, and textiles.

- (2) "Source Separated Recyclable Materials" means Source Separated Non-Organic Recyclables and Source Separated Blue Container Organic Waste.
- (oo) "Source Separated Recyclable Materials" means Source Separated Non-Organic Recyclables and Source Separated Blue Container Organic Waste.
- (pp) "Supermarket" means a full-line, self-service retail store with gross annual sales of two million dollars (\$2,000,000), or more, and which sells a line of dry grocery, canned goods, or nonfood items and some perishable items, or as otherwise defined in 14 CCR Section 18982(a)(71).
- (qq) "Tier One Commercial Edible Food Generator" means a Commercial Edible Food Generator that is one of the following:
- (1) Supermarket.
 - (2) Grocery Store with a total facility size equal to or greater than 10,000 square feet.
 - (3) Food Service Provider.
 - (4) Food Distributor.
 - (5) Wholesale Food Vendor.
- (rr) "Tier Two Commercial Edible Food Generator" means a Commercial Edible Food Generator that is one of the following:
- (1) Restaurant with 250 or more seats, or a total facility size equal to or greater than 5,000 square feet.
 - (2) Hotel with an on-site Food Facility and 200 or more rooms.
 - (3) Health facility with an on-site Food Facility and 100 or more beds.
 - (4) Large Venue.
 - (5) Large Event.
 - (6) A State agency with a cafeteria with 250 or more seats or total cafeteria facility size equal to or greater than 5,000 square feet.
 - (7) A Local Education Agency facility with an on-site Food Facility.

ARTICLE III REQUIREMENTS FOR RESIDENTIAL GENERATORS

301. Residential Organic Waste Generators shall:
- (a) Subscribe to the District's three-container Organic Waste collection services. The District shall have the right to review the number and size and location of a generator's containers to evaluate adequacy of capacity provided for each type of collection service for proper separation of materials and containment of materials; and, Single-Family generators shall adjust its service level for its collection services as requested by the District.
- (b) Participate in the District's Organic Waste collection service by placing designated materials in designated containers as described below, and shall not place Prohibited Container Contaminants in collection containers.
- (1) Generator shall place Source Separated Green Container Organic Waste, including Food Waste, in the Green Container; Source Separated Recyclable Materials in the Blue Container; and Brown Container Waste in the Brown Container. Generators shall not place materials designated for the Brown Container into the Green Container or Blue Container.
- (c) Nothing in this Section prohibits a generator from preventing or reducing waste generation, managing Organic Waste on site, and/or using a Community Composting site pursuant to 14 CCR Section 18984.9(c).

ARTICLE IV
REQUIREMENTS COMMERCIAL BUSINESSES

401. Generators that are Commercial Businesses shall:
- (a) Subscribe to District's three-container Organic Waste collection services. The District shall have the right to review the number and size of a generator's containers and frequency of collection to evaluate adequacy of capacity provided for each type of collection service for proper separation of materials and containment of materials; and, Commercial Businesses shall adjust their service level for their collection services as requested by the District.
 - (b) Participate in and comply with the District's Organic Waste collection service(s) by placing designated materials in designated containers as described below.
 - (1) Generator shall place Source Separated Green Container Organic Waste, including Food Waste, in the Green Container; Source Separated Recyclable Materials in the Blue Container; and Brown Container Waste in the Brown Container. Generators shall not place materials designated for the Brown Container into the Green Container or Blue Container.
 - (c) Supply and allow access to adequate number, size and location of collection containers with sufficient labels for employees, contractors, and customers, consistent with District's Blue Container, Green Container, and Brown Container collection.
 - (d) Provide containers for the collection of Source Separated Green Container Organic Waste and Source Separated Recyclable Materials in all indoor and outdoor areas where disposal containers are provided for customers, for materials generated by that business. Such containers do not need to be provided in restrooms. If a Commercial Business does not generate any of the materials that would be collected in one type of container, then the business does not have to provide that particular container in all areas where disposal containers are provided for customers. Pursuant to 14 CCR Section 18984.9(b), the containers provided by the business shall have either:
 - (1) A body or lid that conforms with the container colors provided through the collection service provided by the District, with either lids conforming to the color requirements or bodies conforming to the color requirements or both lids and bodies conforming to color requirements. A Commercial Business is not required to replace functional containers, including containers purchased prior to January 1, 2022, that do not comply with the requirements of the subsection prior to the end of the useful life of those containers, or prior to January 1, 2036, whichever comes first.
 - (2) Container labels that include language or graphic images, or both, indicating the primary material accepted and the primary materials prohibited in that container, or containers with imprinted text or graphic images that indicate the primary materials accepted and primary materials prohibited in the container. Pursuant 14 CCR Section 18984.8, the container labeling requirements are required on new containers commencing January 1, 2022.
 - (e) To the extent practical through education, training, inspection, and/or other measures, prohibit employees from placing materials in a container not designated for those materials per the District's Blue Container, Green Container, and Brown Container collection service.

- (f) Periodically inspect Blue Containers, Green Containers, and Brown Containers for contamination and inform employees if containers are contaminated and of the requirements to keep contaminants out of those containers pursuant to 14 CCR Section 18984.9(b)(3).
- (g) Annually provide information to employees, contractors, tenants, and customers about Organic Waste Recovery requirements and about proper sorting of Source Separated Green Container Organic Waste and Source Separated Recyclable Materials.
- (h) Provide or arrange access for District or its agent to their properties during all Inspections conducted in accordance with Section 16 of this ordinance to confirm compliance with the requirements of this ordinance.
- (i) Nothing in this Section prohibits a generator from preventing or reducing waste generation, managing Organic Waste on site, or using a Community Composting site pursuant to 14 CCR Section 18984.9(c).
- (j) Commercial Businesses that are Tier One or Tier Two Commercial Edible Food Generators shall comply with Food Recovery requirements, pursuant to this ordinance.

**ARTICLE V
WAIVERS FOR COMMERCIAL GENERATORS**

501. De Minimis Waivers:

- (a) The District may waive, at its discretion, a Commercial Business' requirement to comply with some or all of the Organic Waste requirements of this ordinance if the Commercial Business provides documentation that the business generates below a certain amount of Organic Waste material. Commercial Businesses requesting a de minimis waiver shall:
 - (1) Submit an application specifying the services that they are requesting a waiver from.
 - (2) Provide documentation that either:
 - (A) The Commercial Business' total Solid Waste collection service is two cubic yards or more per week and Organic Waste subject to collection in a Blue or Green Container comprises less than 20 gallons per week per applicable container of the business' total waste; or,
 - (B) The Commercial Business' total Solid Waste collection service is less than two cubic yards per week and Organic Waste subject to collection in a Blue or Green Container comprises less than 10 gallons per week per applicable container of the business' total waste.
 - (3) Notify the District if circumstances change such that Commercial Business's Organic Waste exceeds threshold required for waiver, in which case waiver will be rescinded.
 - (4) Provide written verification of eligibility for de minimis waiver every 5 years, if District has approved a de minimis waiver.

- (b) Physical Space Waivers: The District, at its discretion, may waive a Commercial Business' or commercial property owner's obligations to comply with some or all of the recyclable materials and/or Organic Waste collection service requirements if the District has evidence from its own staff, a hauler, licensed architect, or licensed engineer demonstrating that the premises lacks adequate space for the collection containers required for compliance with the Organic Waste collection requirements of this ordinance. A Commercial Business or commercial property owner may request a physical space waiver through the following process:
- (1) Submit an application specifying the type(s) of collection services for which they are requesting a compliance waiver.
 - (2) Provide documentation that the premises lacks adequate space for Blue and/or Green Containers including documentation from its hauler, licensed architect, or licensed engineer.
 - (3) Provide written verification to District that it is still eligible for physical space waiver every five years, if District has approved application for a physical space waiver.

ARTICLE VI REQUIREMENTS FOR COMMERCIAL EDIBLE GENERATORS

601. Requirements for Commercial Edible Generators:

- (a) Tier One Commercial Edible Food Generators must comply with the requirements of this ordinance commencing January 1, 2022, and Tier Two Commercial Edible Food Generators must comply commencing January 1, 2024, pursuant to 14 CCR Section 18991.3.
- (b) Large Venue or Large Event operators not providing food services, but allowing for food to be provided by others, shall require Food Facilities operating at the Large Venue or Large Event to comply with the requirements of this Section, commencing January 1, 2024.
- (c) Commercial Edible Food Generators shall comply with the following requirements:
 - (1) Arrange to recover the maximum amount of Edible Food that would otherwise be disposed.
 - (2) Contract with, or enter into a written agreement with Food Recovery Organizations or Food Recovery Services for: (i) the collection of Edible Food for Food Recovery; or, (ii) acceptance of the Edible Food that the Commercial Edible Food Generator self-hauls to the Food Recovery Organization for Food Recovery.
 - (3) Shall not intentionally spoil Edible Food that is capable of being recovered by a Food Recovery Organization or a Food Recovery Service.
 - (4) Allow District's designated enforcement entity or designated third party enforcement entity to access the premises and review records pursuant to 14 CCR Section 18991.4.
 - (5) Keep records that include the following information, or as otherwise specified in 14 CCR Section 18991.4:

- (A) A list of each Food Recovery Service or organization that collects or receives its Edible Food pursuant to a contract or written agreement established under 14 CCR Section 18991.3(b).
- (B) A copy of all contracts or written agreements established under 14 CCR Section 18991.3(b).
- (C) A record of the following information for each of those Food Recovery Services or Food Recovery Organizations:
 - (i) The name, address and contact information of the Food Recovery Service or Food Recovery Organization.
 - (ii) The types of food that will be collected by or self-hauled to the Food Recovery Service or Food Recovery Organization.
 - (iii) The established frequency that food will be collected or self-hauled.
 - (iv) The quantity of food, measured in pounds recovered per month, collected or self-hauled to a Food Recovery Service or Food Recovery Organization for Food Recovery.
- (6) No later than January 31 of each year, commencing no later than January 31, 2023 for Tier One Commercial Edible Food Generators and January 31, 2024 for Tier Two Commercial Edible Food Generators, provide an annual Food Recovery report to the District that includes records of their written agreements and Food Recovery activities.
- (d) Nothing in this ordinance shall be construed to limit or conflict with the protections provided by the California Good Samaritan Food Donation Act of 2017, the Federal Good Samaritan Act, or share table and school food donation guidance pursuant to Senate Bill 557 of 2017.

ARTICLE VII
REQUIREMENTS FOR FOOD RECOVERY SERVICES AND ORGANIZATIONS

- 701. Requirements for Food Recovery Services and Organizations:**
- (a) Food Recovery Services collecting or receiving Edible Food directly from Commercial Edible Food Generators, via a contract or written agreement established under 14 CCR Section 18991.3(b), shall maintain the following records, or as otherwise specified by 14 CCR Section 18991.5(a)(1):
 - (1) The name, address, and contact information for each Commercial Edible Food Generator from which the service collects Edible Food.
 - (2) The quantity in pounds of Edible Food collected from each Commercial Edible Food Generator per month.
 - (3) The quantity in pounds of Edible Food transported to each Food Recovery Organization per month.
 - (4) The name, address, and contact information for each Food Recovery Organization that the Food Recovery Service transports Edible Food to for Food Recovery.
 - (b) Food Recovery Organizations collecting or receiving Edible Food directly from Commercial Edible Food Generators, via a contract or written agreement established under 14 CCR Section 18991.3(b), shall maintain the following records, or as otherwise specified by 14 CCR Section 18991.5(a)(2):
 - (1) The name, address, and contact information for each Commercial Edible Food Generator from which the organization receives Edible Food.
 - (2) The quantity in pounds of Edible Food received from each Commercial Edible Food Generator per month.
 - (3) The name, address, and contact information for each Food Recovery Service that the organization receives Edible Food from for Food Recovery.

- (c) Food Recovery Capacity Planning: In order to support Edible Food Recovery capacity planning assessments or other studies conducted by the District, its County, or City, Food Recovery Services and Food Recovery Organizations operating in the District shall provide information and consultation to the District, upon request, regarding existing, or proposed new or expanded, Food Recovery capacity that could be accessed by the District and its Commercial Edible Food Generators. A Food Recovery Service or Food Recovery Organization contacted by the District shall respond to such request for information within 60 days, unless a shorter timeframe is otherwise specified by the District.

ARTICLE VIII REQUIREMENTS FOR HAULERS AND FACILITY OPERATORS

801. Haulers and Facility Operators Requirements:

(a) Requirements for Haulers:

- (1) The franchise hauler providing residential or commercial waste collection services to generators within the District's boundaries shall meet the following requirements and standards as a condition of approval of a contract, agreement, or other authorization with the District to collect Organic Waste:
 - (A) Through written notice to the Jurisdiction annually on or before January 1st, identify the facilities to which they will transport Organic Waste including facilities for Source Separated Recyclable Materials and Source Separated Green Container Organic Waste, as applicable.
 - (B) Transport Source Separated Recyclable Materials, Source Separated Organic Waste to a facility, operation, activity, or property that recovers Organic Waste as defined in 14 CCR, Division 7, Chapter 12, Article 2.
 - (C) Obtain approval from the District to haul Organic Waste, unless it is transporting Source Separated Organic Waste to a Community Composting site or lawfully transporting C&D in a manner that complies with 14 CCR Section 18989.1.
 - (D) The franchise hauler shall comply with education, equipment, signage, container labeling and container color, contamination monitoring, reporting, and other requirements contained within its franchise agreement entered into with the District.

(b) Requirements for Facility Operators and Community Composting Operations:

- (1) Owners of facilities, operations, and activities that recover Organic Waste, including, but not limited to, Compost facilities, in-vessel digestion facilities, and publicly-owned treatment works shall, upon the District's request, provide information regarding available and potential new or expanded capacity at their facilities, operations, and activities, including information about throughput and permitted capacity necessary for planning purposes. Entities contacted by the District shall respond within 60 days.
- (2) Community Composting operators, upon the District's request, shall provide information to the District to support Organic Waste capacity planning, including, but not limited to, an estimate of the amount of Organic Waste anticipated to be handled at the Community Composting operation. Entities contacted by the District shall respond within 60 days.

ARTICLE IX INSPECTIONS AND INVESTIGATIONS

901. Inspections and Investigations by the District

- (a) District representatives and/or its designated entity, including Designees are authorized to conduct inspections and investigations, at random or otherwise, of any collection container, collection vehicle loads, or transfer, processing, or disposal facility for materials collected from generators, or Source Separated materials to confirm compliance with this ordinance by Organic Waste Generators, Commercial Businesses, property owners, Commercial Edible Food Generators, haulers, Food Recovery Services, and Food Recovery Organizations, subject to applicable laws.
 - (b) Regulated entity shall provide or arrange for access during all Inspections and shall cooperate with the District's employee or its designated entity/Designee during such inspections and investigations. Such inspections and investigations may include confirmation of proper placement of materials in containers, Edible Food Recovery activities, records, or any other requirement of this ordinance described herein. Failure to provide or arrange for: (i) access to an entity's premises, or (ii) access to records for any inspection or investigation is a violation of this ordinance and may result in penalties described.
 - (c) Any records obtained by the District during its inspections and other reviews shall be subject to the requirements and applicable disclosure exemptions of the Public Records Act as set forth in Government Code Section 6250 et seq.
 - (d) District representatives, its designated entity, and/or Designee are authorized to conduct any inspections, or other investigations as reasonably necessary to further the goals of this ordinance, subject to applicable laws.
- The District shall receive written complaints from persons regarding an entity that may be potentially non-compliant with SB 1383 Regulations, including receipt of anonymous complaints.

ARTICLE X ENFORCEMENT

1001. Enforcement:

- (a) Violation of any provision of this ordinance shall constitute grounds for issuance of a Notice of Violation and assessment of a fine by the District's Superintendent, representative, or other Responsible Entity for Enforcement. Enforcement Actions under this ordinance are issuance of an administrative citation and assessment of a fine. The District's procedures on imposition of administrative fines are hereby incorporated in their entirety, as modified from time to time, and shall govern the imposition, enforcement, collection, and review of administrative citations issued to enforce this ordinance and any rule or regulation adopted pursuant to this ordinance, except as otherwise indicated in this ordinance.
- (b) Other remedies allowed by law may be used, including civil action or prosecution as misdemeanor or infraction. District may pursue civil actions in the California courts to seek recovery of unpaid administrative citations. District may choose to delay court action until such time as a sufficiently large number of violations, or cumulative size of violations exist such that court action is a reasonable use of District staff and resources.

(c) Responsible Entities for Enforcement:

- (1) Enforcement pursuant to this ordinance may be undertaken by the District Superintendent, District Staff, applicable City Code Enforcement Department (City of Huntington Beach for Sunset Beach generators; City of Seal Beach for Surfside generators), a designated entity/representative, legal counsel, or combination thereof.

(d) Process for Enforcement:

- (1) District Superintendent, District Staff, applicable City Code Enforcement Department (City of Huntington Beach for Sunset Beach generators; City of Seal Beach for Surfside generators), a designated entity/representative, or combination thereof will monitor compliance with the ordinance randomly and through Compliance Reviews, Route Reviews, investigation of complaints, and an inspection program. Section 901 establishes District's right to conduct Inspections and Investigations.
- (2) District Superintendent, District Staff, applicable City Code Enforcement Department, a designated entity/representative, or combination thereof may issue an official notification to notify regulated entities of its obligations under the ordinance.
- (3) For incidences of Prohibited Container Contaminants found in containers, District Superintendent, District Staff, applicable City Code Enforcement Department, a designated entity/representative, or combination thereof will issue a Notice of Violation to any generator found to have Prohibited Container Contaminants in a container. Such notice will be provided via a cart tag or other communication immediately upon identification of the Prohibited Container contaminants or within ten days after determining that a violation has occurred. If District Superintendent, District Staff, applicable City Code Enforcement, designated entity/representative observes Prohibited Container Contaminants in a generator's containers on three consecutive occasions within a six-month time period, the District or applicable City Code Enforcement Department may assess contamination processing fees or contamination penalties on the generator.
- (4) Notices of Violation shall be issued requiring compliance within 30 days of issuance of the notice.
- (5) Absent compliance by the respondent within the deadline set forth in the Notice of Violation, the District or applicable City Code Enforcement Office shall commence an action to impose penalties, via an administrative citation and fine.
- (6) Notices of Violation shall be sent to "owner" at the official address of the owner maintained by the tax collector for the District, or if no such address is available, to the owner at the address of the dwelling or Commercial property or to the party responsible for paying for the collection services, depending upon available information.

- (e) Penalty Amounts for Types of Violations:
- (1) For a first violation, the amount of the base penalty shall be \$100.
 - (2) For a second violation, the amount of the base penalty shall be \$200 per violation.
 - (3) For a third or subsequent violation, the amount of the base penalty shall be \$500 per violation.
- (f) Compliance Deadline Extension Considerations: The Jurisdiction may extend the compliance deadlines set forth in a Notice of Violation issued in accordance with Section 1001 if it finds that there are extenuating circumstances beyond the control of the respondent that make compliance within the deadlines impracticable, including the following:
- (1) Acts of God such as earthquakes, wildfires, flooding, and other emergencies or natural disasters;
 - (2) Delays in obtaining discretionary permits or other government agency approvals; or,
 - (3) Deficiencies in Organic Waste recycling infrastructure or Edible Food Recovery capacity and the Jurisdiction is under a corrective action plan with CalRecycle pursuant to 14 CCR Section 18996.2 due to those deficiencies.
- (g) Appeals Process: Persons receiving an administrative citation containing a penalty for an uncorrected violation may request a hearing to appeal the citation. A hearing will be held at the District's regular General Board meeting only if it is requested within the time prescribed and consistent with the District's procedures for appeals of administrative citations. Evidence may be presented at the hearing. The Board of Directors will issue a final determination.
- (h) Education Period for Non-Compliance: Beginning January 1, 2022 and through December 31, 2023, Jurisdiction will conduct Inspections, Route Reviews or waste evaluations, and Compliance Reviews, depending upon the type of regulated entity, to determine compliance, and if District determines that Organic Waste Generator, hauler, Tier One Commercial Edible Food Generator, Food Recovery Organization, Food Recovery Service, or other entity is not in compliance, it shall provide educational materials to the entity describing its obligations under this ordinance and a notice that compliance is required by January 1, 2022, and that violations may be subject to administrative civil penalties starting on January 1, 2024.
- (i) Civil Penalties for Non-Compliance: Beginning January 1, 2024, if the District determines that an Organic Waste Generator, hauler, Tier One or Tier Two Commercial Edible Food Generator, Food Recovery Organization, Food Recovery Service, or other entity is not in compliance with this ordinance, it shall document the noncompliance or violation, issue a Notice of Violation, and take Enforcement Action pursuant to this ordinance.

ARTICLE XI CEQA

1101. CEQA. The District finds that this Ordinance is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Sections 15061(b)(3) and 15308 on the grounds that it can be seen with certainty that the enhanced solid waste regulations, as provided for in this ordinance will not have a significant effect on the environment and that the new requirements, which strengthen requirements for the handling of solid waste, represent actions by a regulatory agency (the District) for the protection of the environment.

**ARTICLE XII
SEVERABILITY**

1201. Severability. If any section, subsection, subdivision, sentence, clause, phrase, or portion of this ordinance for any reason is held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this ordinance. The District hereby declares that it would have adopted this ordinance, and each section, subsection, subdivision, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more sections, subsections, subdivisions, sentences, clauses, phrases, or portions thereof be declared invalid or unconstitutional.

**ARTICLE XIII
EFFECTIVE DATE**

1301. This ordinance shall take effect and be in force thirty (30) days after its passage.

**ARTICLE XIV
PUBLICATION**

1401. Publication. The District Clerk shall certify to the publication of Notice of Public Hearing to discuss adoption of this ordinance and shall post or publish its adoption or a summary as required by law.

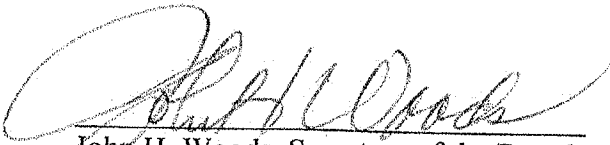
SECRETARY CERTIFICATION

I, John H. Woods, Secretary of the Board of the Sunset Beach Sanitary District, do hereby certify that the foregoing Ordinance was introduced, published, and passed by the District at a regular meeting by the following vote:

Ayes: 5

Noes: 0

Absent: 0



John H. Woods, Secretary of the Board
Sunset Beach Sanitary District

SUNSET BEACH SANITARY DISTRICT

of Orange County
P.O. Box 1185
Sunset Beach, CA 90742
~~(310) 590-8100~~

(562) 493-9932

Assessment Policy

Vacant lot: A parcel with the potential of having a separate structure or unit built upon it, but which, at the time of the assessment, contains no structures and is not used for storage or any other purpose.

Strip lot: Narrow parcels which have been combined with an existing parcel to extend property lines and owner's rights. For example, channel and oceanfront properties sometimes have these narrow strip parcels added to them.

Streets: Parcels that are considered public right-of-way.

Commercial parcel: Any parcel with a commercial business on it. The parcel may also contain residential units.

Residential parcel: A parcel which does not have a commercial business on it.

Units: An area within a parcel that is maintained as a separate commercial business or a separate living area. Each separate area will count as one unit, designated either residential or commercial.

Commercial unit: A separate business area. A business area is considered separate if each business has a separate entrance to the unit. Unoccupied areas are considered separate if separate entrances are maintained.

Residential unit: A separate living area. A living area is considered separate if a separate entrance or a separate food preparation area is maintained or there are no joint-indoor entertainment areas. Any living area with a separate entrance or a separate food preparation area is considered a separate unit whether or not the unit is occupied. A building with a single entrance may be considered multiple units if separate food-preparation areas are maintained or there are no joint-indoor entertainment areas for individual residents.

Trash Assessment Policy:

Any parcel which contains any structure, whether permanent or temporary, or any items of storage or is developed in any way is assumed to be a parcel which generates trash. Unless an assigned commercial dumpster is present, that parcel will be assessed a minimum of one (1) unit of trash collection. The total number of units assessed is based upon the number of commercial or residential units on the parcel.

If an assigned commercial dumpster is present on any parcel, no assessment for trash collection will be made. In addition, adjacent parcels owned by the same individual or company may combine use of a commercial dumpster that is located on one of the several properties. These

adjacent properties will not be assessed trash collection at the discretion of the Assessor. (If it appears to the Assessor that adjacent parcels are not using the commercial dumpster but are using local trash collection, the adjacent parcels will be assessed for trash collection.)

Commercial dumpster: A dumpster that a parcel owner or a business owner contracts for directly with a trash collection company. These may be on commercial or residential properties. Dumpsters contracted for during construction on a parcel are not considered assigned commercial dumpsters and are considered temporary contracts only. Assessment of trash collection units on parcels under construction is at the discretion of the Assessor.

Sewage Assessment Policy:

Any parcel with the potential of having a separate structure or unit built upon it will be assessed a minimum of one (1) sewage unit. Current use of the parcel will not negate this assessment, e.g., vacant lots, parking lots, storage lots. The purpose of this policy is to allow equitable distribution of maintenance costs of sewage lines to all parcels.

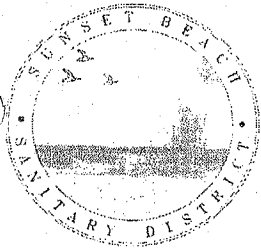
Residential sewage: Residential parcels will be assessed for sewage based on the number of residential units on the parcel. Each residential unit counts as one unit of sewage assessment. Minimum assessment is one (1) unit of sewage.

Commercial sewage: Commercial parcels are assessed for sewage based on the amount of water used in the year prior to the assessment. The calculation for commercial sewage units is based on an estimated average of residential water usage. The water usage of approximately 30 single-unit residential parcels is averaged to come up with a base value for water usage per unit. That base value is used to find the number of units used by commercial parcels. Water usage for a commercial parcel is divided by the base value to determine the number of sewage units to assess the commercial parcel. The final number is then rounded to the nearest quarter unit. Commercial parcels will be assessed a minimum of one (1) unit of sewage.

This policy is based on two factors. The first is that the District is assessed sewage processing fees by Orange County Sanitary District 11 and sewage transmittal fees by the City of Huntington Beach on the basis of the number of gallons which flow through their plants. The second is that some commercial businesses may use more water and thus more sewage than most other businesses and residences, e.g., restaurants. This allows a more equitable distribution of fees.

Policy: Vacant lots are assessed for one (1) unit of sewage and zero (0) units of trash collection.

Policy: Strip lots, streets, and subsurface parcels are not assessed.



Sunset Beach Sanitary District

P.O. Box 1185

Sunset Beach, CA 90742

RESOLUTION NO. 10-04-03

AMENDMENT TO ASSESSMENT POLICY DATED APRIL 9, 1992

The following language shall be added to the District's Assessment Policy and become effective upon passage by the Board of Directors to include language that refunds of User Fees, resulting from an erroneous assessment, will not exceed what the County will pay based on the County Statute of Limitations.

Refund Policy: In the event of an erroneous over-assessment, the District shall direct the County to refund assessed amounts to the taxpayer to the extent that the County's statute of limitations applies. The District shall not be liable to any taxpayer for an amount in excess of the preceding.

MOTION: To amend the District's Assessment Policy as stated above.

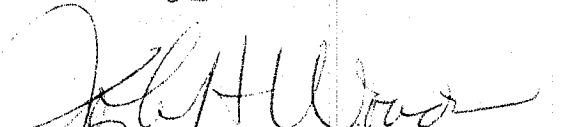
Motion made by: Bob Hendler

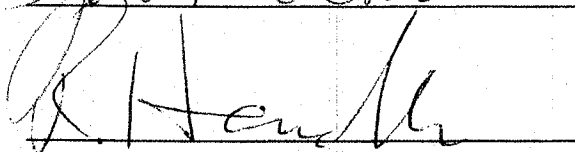
Seconded by: Bill Bruton

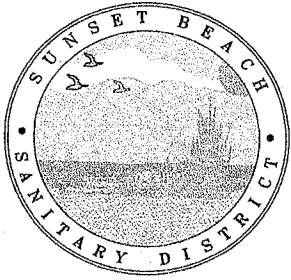
Ayes: 3

Nays: 0

Absent: 2







Sunset Beach Sanitary District Climate Change Policy & Action Plan

A. Purpose: The Sunset Beach Sanitary District (the District) is dedicated to planning and preparing, in all ways possible, for the present and future impacts of Climate Change. According to the U.S. EPA, wastewater infrastructure is particularly at risk from flooding due to the low elevation at which these facilities are generally located. The District has already experienced the effects of climate change with higher than average tides and storm surges. Ocean levels are predicted to continue to rise, especially during high tides and storms. The purpose of this Climate Change Policy & Action Plan is to document the present and future preparations made by the District to address those effects.

B. Climate Change Defined: Climate Change is defined as the long-term shifts in temperatures and weather patterns which may pose risks by causing storm surges, rising sea-levels, wildfires, and other catastrophic events.

C. Climate Change Vulnerability Defined: Climate Change Vulnerability is used to define climate change effects to which the District's infrastructure may be susceptible.

D. District Geography Contributing to Climate Change Vulnerability: The following District geographic characteristics have been identified as contributing to the District's Climate Change Vulnerability:

1. The District service's area includes the low-lying coastal communities located in portions of the Cities of Huntington Beach and Seal Beach.
2. Elevations within the District vary from 5 to 10 feet above mean sea level.
3. Geographically, the District's service area forms a marine peninsula; the Pacific Ocean to its West, Huntington Harbour to its East, and the Anaheim Bay to its North. Also, to its South, lies the coveted Bolsa Chica Ecological Wetlands Reserve and the Bolsa Bay Marsh, which is included on the 2022 State Water Resources Control Board's Clean Water Act Section 303(d) List of Impaired Waters. The District's entire jurisdiction is all within 500-feet of ocean water.

E. Potential Climate Change Vulnerabilities: The District's Engineer and Board of Directors have identified the following Potential Climate Change Vulnerabilities:

1. **Pump Station Failure** - The District owns and operates a single pump station, which serves the entire District. Built in the 1930's, the pump station has been in continuous operation since 1935. Storm surges, higher tides, and rises in overall sea levels subject the pump station to system failure resulting in sanitary sewer overflow adversely affecting the health of the District's residences and businesses.
2. **Exfiltration of 3,200-foot Force Main** – The District's 3,200-foot force main was constructed in 1983. Rising high-tides and sea-levels resulting from Climate Change could result in exfiltration from the District's force main. Such a result could cause a sanitary sewer overflow which would adversely affect the health of the District's residential and business users.
3. **Ground-Water Infiltration of Private Sewer Laterals** - Currently, old and cracked Private Sewer Laterals allow for groundwater infiltration. Increased flooding from Climate Change would increase the chances of a sanitary sewer overflow.
4. **Manhole Flooding** – Increased flooding from Climate Change results in the increase of water from flooded streets to infiltrate the sewers.
5. **Yard and Roof Drains** – While not permitted by District Ordinance, existing residential yard and roof drains could overtax the District's sewer systems due to increased rainfall from Climate Change.

E. Action Plan to Adapt and Mitigate Climate Change Vulnerabilities:

In order to address each of the above Climate Change Vulnerabilities, it is the policy of the District to take all actions available to prepare the District's sewage collection system for more frequent flooding from higher ocean water levels and storm surges. It is the District's intent to reduce threats to its public's health and safety and to build climate sustainability and resiliency through this Action Plan.

Specifically, the District's Board, through its District Engineer, is committed to considering the design and construction of projects to adapt to, and mitigate, potential damages to its infrastructure, resulting from Climate Change flooding and storm surges, as follows:

1. Abandon the Broadway Pump Station. The Broadway Pump Station, built in 1935, pumps about 90% of the District's total sewage. The pump station is a below grade (under the street) facility. Climate induced higher tides combined with storm surge could flood the pump station, rendering the below grade electric motors inoperable. Due to the current placement of the pump station, it is inherently vulnerable to sea level rise, flooding, and storm surges.

2. Stronger enforcement of the District's Sewer Ordinance which requires service laterals to be replaced or lined with a plastic liner if major construction takes place on the property, in order to prevent infiltration of groundwater from old and cracked sewer laterals when yards flood.

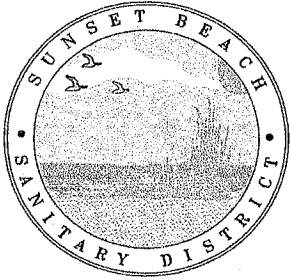
3. All manholes shall be retrofitted with new composite manhole covers that have a compression seal to prevent water from flooded streets to infiltrate the sewers.

4. Prohibit any yard or roof drains from connecting to the sewer system.

5. All newly constructed facilities shall be designed with the best water tight materials with conscience awareness of the potential for increased flooding due to higher ocean levels.

6. Infrastructure Projects will use natural and green materials to reduce flood risks when feasible.

The above Climate Change Policy and Action Plan are to be re-evaluated at least once during the fiscal year, during the creation, adoption, and possible amendment of the District's budget, for the purpose of prioritizing capital projects with Climate Change in mind.



Sunset Beach Sanitary District

Debt Management Policy

A. Purpose: The Sunset Beach Sanitary District (the District) is dedicated to providing access, public input and transparency regarding its meetings, operations and policies. Accordingly, this Debt Management Policy has been developed to provide guidelines for the issuance of bonds and other forms of debt to finance capital improvements, equipment purchases, and property acquisition in compliance with California Government Code Section 8855(i). These guidelines will assist in determining appropriate uses for debt financing, structuring of debt, and meeting the District's financial objectives. While long-term financing is an effective way to spread these costs over time, the District 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.

1. The District will follow sound financial management practices, including:
 - a) Multi-year planning to facilitate timely and equitable changes to rates and charges;
 - b) Maintaining prudent reserves;
 - c) Ensuring access to the credit markets;
 - d) Establishing and maintaining good credit ratings;
 - e) Achieving the lowest aggregate financing costs consistent with an acceptable degree of risk and the recognition of ratepayer affordability.

B. Authorization and Administration:

1. The Board of Directors (Board) must approve debt issuance.
2. The Board will use these guidelines to review any long-term debt implications, including costs of borrowing, historical interest rate trends, credit enhancement capacity, opportunities to refund existing debt obligations, and other financial considerations.

C. Purpose of Debt:

1. Debt for Long-Term Capital Improvements - Debt financing will only be used to fund long-term capital improvements, including construction, equipment purchases, and property acquisition costs. By spreading the cost of a project over a number of years the financial impact in any given year can be lessened, reducing the impact on the corresponding user charges. Long-term debt also helps ensure that future users, who will benefit from the improvements, will pay a share of its costs.

2. Refunding/Refinancing - If economically beneficial and cost-effective, new debt may be issued in order to refinance existing debt. This can include refunding existing bonds, prepaying loans or other debt instruments, and converting short-term debt such as commercial paper into long-term debt.

3. Emergencies - Debt may be issued in the event of an unforeseen emergency that either impacts the District's ability to continue to operate or results in depletion of the District's reserves below the targets set by the Board in the District's Financial Reserve Policy.

4. No Debt for Operations & Maintenance - Debt will not be used to fund ongoing operational expenses.

D. Debt Management:

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 including the following:

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

2. Investment of Debt Proceeds - Any proceeds to be held by the District (or a trustee on the District's behalf) between the time the debt is issued and the time the proceeds are expended on the approved capital project will be invested to maximize safety, liquidity, and return. The District's Investment Policy and the requirements of the debt instrument govern objectives and criteria for investment of proceeds.

3. Credit Ratings - The Board will seek to maintain the highest possible credit ratings that can be achieved for debt instruments without compromising rate payer affordability. Ratings are one reflection of the general fiscal soundness of the District and the capabilities of its management. By maintaining the highest possible credit ratings, the District can issue debt at a lower cost. To enhance creditworthiness, the District is committed to prudent financial management, systematic capital planning, and long-term financial planning.

4. Disclosure Requirements and Investor Relations - The District will comply with disclosure requirements in a timely and comprehensive manner including:

a) 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.

b) Preparing bond disclosures as stipulated by the SEC's Rule 15c2-12.

c) Providing information to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) system.

d) 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.

e) Reporting to the California Debt and Investment Advisory Commission (CDIAC).

f) Complying with any other reporting required by the issuer of debt.

5. Debt Covenants - General financial reporting and other requirements embodied in debt covenants must be monitored to ensure that the District is in compliance. These may include:

a) Annual appropriation of revenues to meet debt service payments.

b) Timely transfer of debt service payments to the trustee or paying agent.

c) Compliance with insurance requirements.

d) Compliance with rate covenants where applicable.

e) Compliance with all other covenants.

6. Debt Service Coverage Target - The District will set user charge rates with a targeted goal of maintaining an average 5-year projected debt service coverage ratio of 125% on all senior plus subordinate debts. The debt service coverage ratio is calculated as the projected annual net revenues (i.e. revenues remaining after payment of operation and maintenance expenses) divided by the estimated annual debt service. The objective is to maintain a debt service coverage ratio above the legally-required minimum to sustain a high quality credit rating.

7. Debt Service Reserve Fund - A debt service reserve fund will be established only if:

a) it provides an economic or credit advantage that outweighs the cost of funding the reserve; or

b) it is a condition of the debt instrument.

If a debt service reserve fund is required, it must be maintained in accordance with the provisions of the debt instrument and the requirements of the District's Financial Reserve Policy.

E. Types of Debt: If the use of debt is appropriate, the Board will evaluate the types of debt available and make a determination as to the debt instrument best suited for the particular purpose. Unless otherwise specifically authorized by the Board, debt will be issued with fixed interest rates through final maturity. Types of debt that may be issued by the 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 taxes, contract revenue, interest, or any other sources of allowable revenue.

2. Clean Water State Revolving Fund (SRF) Loans - The SRF program is a low-interest loan program administered by the California State Water Resources Control Board. Loan proceeds can be used to finance a variety of projects related to water quality, including sewers, treatment plants, water recycling facilities, and stormwater improvements. Board approval is required for each SRF loan.

3. Commercial Paper - Commercial Paper is a short-term, unsecured note that pays a fixed rate of interest for a term ranging from seven to 270 days. It may be used as a source of interim construction financing until it is appropriate to replace it with a long-term bond, usually at or near the end of the construction period. Maturing principal and the interest thereon can be rolled to a subsequent maturity date at the then-prevailing interest rate. Board approval is required to issue Commercial Paper debt.

4. Leases - In certain cases, leases may be considered debt under Government Code Section 8855(i), in particular when the lease may lead to purchase of the asset, the total lease payments approach the value of the asset, or when the lease term approaches the life of the asset. The District will comply with all debt-related requirements for the lease in the event the lease is considered debt under the criteria of Section 8855(i). Board approval is required to enter into such a lease.

5. Other Debt Instruments - The District may consider other available financing mechanisms that satisfy the conditions of this Debt Policy if the costs and structure are the most cost-effective option for the District. This can include other state or federal loans that, from time to time, may make funds available at or below market interest rates for specific types of projects or programs. Board approval is required before incurring any such debt.

F. Method of Sale: When issuing bonds, the District will select the method of sale which best fits the type of bond being sold, market conditions, and the desire to structure bond maturities to enhance the overall performance of the entire debt portfolio. Three general methods exist for the sale of municipal bonds:

1. Competitive Sale - In a competitive sale, underwriters submit sealed bids and the underwriter or underwriting syndicate with the lowest true interest cost is awarded the sale.

2. Negotiated Sale - In a negotiated sale, the underwriter or underwriting syndicate is selected through a Request for Proposal (RFP) process. The underwriter's fee is

negotiated prior to the sale. The interest rate, redemption features and principal amortization are based on current market conditions on the sale date.

3. Private Placement - Private placement bonds are not publicly issued or publicly traded but rather are funded through direct negotiation with one or a select number of private financial institutions. The private financial institution is effectively providing a loan to be repaid over time. In general, private placements do not require many of the disclosure requirements found in public offerings. Private financial institutions typically do not require the bonds to be rated by a credit rating agency.

G. Criteria for Issuing Debt: The Board will evaluate the need for issuing debt, taking into consideration the anticipated capital program and the long-term rate projections. The goals of reasonable and stable rates, compliance with the Financial Reserve Policy, and ensuring operations and maintenance are sufficiently funded per the District mission statement will be factored into the decision-making process.

1. Projects will only be financed if the District has the ability to repay the debt and fund appropriate operations and maintenance costs for the asset. The repayment period for any debt must not exceed the anticipated useful life of assets or improvements funded by the debt.

2. If incurring debt is the best option for funding a particular project, the following criteria will be used to determine the optimum debt structure:

a) The term, repayment structure, and interest rate mode must ensure other financial objectives are met, specifically the need to comply with the Financial Reserve Policy and the desire for stable rates.

b) The type of debt instrument must be optimized to achieve the lowest net present value cost.

c) Any conditions for the debt must not place undue burdens or obligations on the District.

d) Prior to issuing debt, the following debt ratios must be calculated for at least the first 5 years of debt service and compared to the indicated goals:

Metric (all District debt)	Targeted Goal
Debt Service Coverage Ratio	≥ 1.25
Total debt service as a percent of total operating expenses plus debt service	≤ 30%

Sunset Beach Sanitary District

P.O. Box 1185
Sunset Beach, California 90742
(562) 592-2352

CASH RESERVE POLICY

FY 2022-23

Background

California Government Code Section 53600 subjects all governing bodies of local agencies to the prudent investor standard which requires the Board to act with care, skill, and prudence to safeguard principal and maintain liquidity needs of the agency when investing, purchasing, acquiring or managing public funds.

General

The appropriate level and separation of reserves is critical to the financial health of the District and is necessary for the sustainable delivery of public services. It is the goal of this policy to establish those reserve funds necessary to meet the District's operating and capital financial goals.

Policy

The objective of the Sunset Beach Sanitary District's Reserve Policy is to provide adequate funding to meet the District's short-term requirements and long-term plans as outlined in the District's Capital Reserve Policy and its Forecast Budget. The Board authorizes and directs that the following reserve funds be established as follows:

- (1) Emergency Reserve Fund: This fund is established to set aside funds which would be needed for emergency repairs and related cleanup or other costs, in excess of \$100,000, resulting from a natural disaster, such as an earthquake or flood, or an unanticipated and unforeseen circumstance such as a sewer line breakage. The 2022-23 Emergency Reserve fund has been established by Board Resolution at a minimum amount of \$450,000 and target amount of \$500,000, to be invested in the State of California Local Agency Investment Fund (LAIF).
- (2) Capital Improvements Reserve Fund: This fund is established to accumulate reserves which have been committed to fund specific upcoming District projects that repair, rehabilitate, or replace current District assets, approved by the District's Board, on a pay-as-you-go basis. This reserve shall be funded with excess unassigned funds available.

The Board of Directors, by Resolution, has established the 2022-23 Capital Improvements Reserve at a minimum amount of \$1,000,000, set aside to fund the Broadway Pump Station Bypass Sewer Project, and a target amount of \$3,500,000, to be invested with funds maintained by the County of Orange as follows.

2023-24 Broadway Pump Station	\$ 2,000,000
2024-25 Allowance for Sewer Lateral Repairs	<u>1,500,000</u>
	<u>\$3,500,000</u>

Total 2022-23 Budgeted Reserves are summarized as follows:

Emergency Reserve Fund	\$ 453,380
Capital Improvement-Broadway PS Sewer Reserve Fund	<u>1,809,700</u>
	<u>\$2,263,080</u>

The above Reserve Fund balances are to be reported on monthly financial reports and are to be evaluated at least once during the fiscal year, during the creation, adoption, and possible amendment of the District's budget.

Sunset Beach Sanitary District

P.O. Box 1185
Sunset Beach, California 90742
(562) 592-2352

INVESTMENT POLICY 2022-23

General:

The Sunset Beach Sanitary District (hereinafter referred to as "the District") shall invest its reserve funds under the "Prudent Investor Standard" under California Government Code Section 53600.3, which states that "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

Objectives: The District shall invest in a manner designed to accomplish the objectives of:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated cash flows.
3. Attainment of a market value rate of return.
4. Diversification to avoid incurring unreasonable market risks.

Authorized Investments:

All investments and deposits of the District shall be made in accordance with California Government Code Sections 16429.1, 53600-53609 and 53630-53686 (the "Code"). The District has further limited investments of reserves to the following which are specifically allowed under the Code:

Orange County Pooled Investment Fund: The Code allows unlimited investment in the Orange County Pooled Investment Fund. The District may invest in the Orange County Pooled Investment Fund in any manner it deems prudent.

Local Agency Investment Fund: The Code allows unlimited investment in the Local Agency Investment Fund ("LAIF"). The District may invest in LAIF in any manner it deems prudent.

Annual Review of Policy: The District shall review the Investment Policy at least once annually to insure its overall consistency with the overall objectives of preservation of principal, liquidity, and compliance to current law.

SUNSET BEACH SANITARY DISTRICT

Capital Improvement Policy

April, 2023

INTRODUCTION

Sunset Beach Sanitary District has provided sewage and refuse collection and disposal service for more than 90 years to the beach community generally bounded by Anaheim Bay on the north, Huntington Harbor on the east, Bolsa Chica on the south, and the Pacific Ocean on the west. Originally serving a small portion of unincorporated Orange County, the District's service area is now within the Cities of Seal Beach and Huntington Beach.

Historically, the District has operated on a 'pay-as-you-go' financial plan, so financial planning, budgeting, and reserve accumulation are critical to the successful operation. The District's financial policy has worked well; its customers pay the lowest charges for sewer and municipal waste collection and disposal in Orange County, and the District has no debt.

The District has consistently maintained prudent, conservative fiscal policies, and planned for future needs. While the District's sewer collection facilities are old, having been installed in 1936, they are in generally fair condition due to the completion of an 8-year rehabilitation program begun in 1998 that included lining the collection sewers with a plastic liner, thereby reducing groundwater infiltration into the sewers to the point that flows have been cut by 65%. Annual operating costs for sewage transmission, treatment, and pumping are also about 65% of what they would have been, had the rehabilitation not occurred. Installing the sewer pipe liners has already saved more than the original lining cost.

The District's Capital Reserve Policy provides for three types of expenditures, as follows:

1. Funds to recover from a disaster.
2. Planned capital expenditures for rehabilitation of facilities.
3. Other planned capital expenditures.

OPERATIONS DESCRIPTION

The District collects both municipal solid waste and sewage. The District contracts for the collection and disposal of the municipal solid waste with a private firm, and for the transmission and treatment of sewage with the City of Huntington Beach and the Orange County Sanitation District. The District operates and maintains the local sewage collection system and is governed by a Board of Directors from the community served. The District's website is www.sunsetbeachsd.org.

THE BUDGET

The Board of Directors adopts an annual Budget that provides funding for the operation described above, and for maintenance and capital needs. The District receives most of its revenue from two sources, a share of the basic levy, and user fees collected on the property tax bill. Together these two sources provide more than 95% of the revenue. Minor revenue sources include interest on reserves and connection fees. Total revenue is about \$1.35M per year.

The District's expenditures are mostly fixed, and include contracts to collect and dispose of garbage; contracts to convey, treat and dispose of sewage; and contracts for power, line cleaning and maintenance of the sewage collection lines and pumping station.

The current user fee is \$440 per year for each residence (commercial pays a little more). The Board of Directors has consistently maintained a budget policy that allows the District to meet its contract obligations and place funds into a reserve account. The District's Reserve will be about \$2.5M in July, 2023.

RESERVE FUND GOALS

1. Emergency Expenditures

It is very difficult to guess the size of damage incurred, or to determine a dollar amount to hold in reserve for a future emergency. It's even harder to predict if grants or recovery loans will be available to the District. An unplanned or emergency expense could come under several scenarios; here are a couple: First, an earthquake could cause damage to the pumping plant and sewers. If that happened, it's likely that there would be damage far beyond the District's service area, and perhaps a greater chance of federal or state assistance. Another scenario is the occurrence of high waves caused by a combination of a severe storm and high tide. Since the District serves an area near sea level, high waves and tides could cause sewer washouts of District sewers, as happened in the 1950's, or damage to the pump station. This damage might be more local and federal or state assistance might not be available.

While the capital reserve account is set up to provide for the three types of long-range expenditures described including those described below, there must always be funds available immediately for a disaster which could happen at any time. Disaster reimbursement, if available, may take a year to be fully received, while sewage services must be restored immediately. The Board has set a goal of \$750,000 for an emergency in the Reserve Fund.

2. Planned Capital Expenditures for the Rehabilitation of Facilities

The projects contained in this category are major expenditures, as opposed to yearly maintenance/rehabilitation of manholes, monitoring equipment, pumps and generators, etc. (Charges for those projects are included in the yearly operational budget.)

Construction of the Broadway Pump Station Bypass Sewer

This project is the construction of a new gravity sewer generally within the Sunset Greenbelt. When built, it will allow the 1935 era Broadway Pump Station and the 1983 3,200-foot-long force main to be abandoned, eliminating the need to replace those facilities. The construction cost of \$10M is less than the cost of rebuilding the pump station and force main, and eliminates the potential for a pump station related Sanitary Sewer Overflow (SSO). The District has already spent about \$500,000 of that amount.

The building of the Broadway Pump Station Bypass Sewer will require the District to borrow money for the first time in many years. Elimination of the pump station will save money by (1) eliminating the need to rebuild the pump station and force main at a cost of more than \$10M, and (2) save the yearly expense of maintaining the pump station, about \$150,000 per year. The project will hopefully start in 2023-24.

Rehabilitation/Repair of Private Sewer Laterals

The sewer laterals from houses or commercial property are owned by the property owner. In general, they are in poor condition, especially at the connection to the District's sewers. Rainwater and, during high tides, groundwater infiltrate into the private sewer laterals and overload the District's sewage facilities. The District has studied the problem and enacted regulatory ordinance to help eliminate the problem. There are probably 500 connections that will need rehabilitation or repair in the next 15 years. The costs will primarily be the responsibility of the property owner; however, the costs for emergency repairs may be about \$25,000 per year.

Other Planned Capital Expenditures

The District does not now and has never owned property for a headquarters. An emergency generator and other equipment are kept in a rented space several miles from the District. An 'in-District' equipment and office facility is desirable; however, this probably cannot happen in the near future unless a bargain presents itself.

REFUSE COLLECTION AND DISPOSAL

The District collects and disposes of refuse from its service area. Compliance with SB-1383 will add additional collection and disposal cost for this service and the District will be forced to raise annual service fees to cover this new charge.

CASH FLOW

Based on expected revenues, and knowing that each year the cost of treating and disposing of sewage will rise under our contract with the Orange County Sanitation District as well as expected increases in our other fixed expenditures, plus the increase for refuse collection and disposal discussed above, annual sewer fees will probably have

to rise to support the construction of the Broadway Pump Station Bypass Sewer. This is based on the following analysis:

On the revenue side, our share of the basic levy is hard to predict as we do not know how fast the assessed value will appreciate. However, based on current revenue and expenditures, the District is able to place about \$150,000 net per year into the reserve fund for capital expenditures. Construction of the bypass sewer will result in annual savings of \$150,000 from the elimination of the maintenance and power charges for Broadway Pump Station. The total of the reserve fund contribution and the savings by the elimination of the pump station total \$300,000 per year. The District will require a loan of \$7M from the state revolving fund for the construction of the bypass sewer, which at current interest rate of 2.1% and a 30-year amortization period, will require an annual payment of about \$335,000, slightly more than the sum of the current reserve deposit and cost avoidance of \$300,000 discussed above.

The sum of the expected cost increase for refuse collection plus needed funds for servicing the bypass sewer construction loan will require an increase in annual fees, the exact amount of which is not know as of this writing.

(This Capital Improvement Policy was adopted as a general District guideline by the Board of Directors of the Sunset Beach Sanitary District on April 13, 2023)