

**SERVICE AGREEMENT
SECTION 115 PENSION TRUST FUND ADMINISTRATION
AND INVESTMENT MANAGEMENT SERVICES
CS-2021-1207BD**

This Service Agreement ("Agreement") is entered into as of the date fully executed below, by and between the ORANGE COUNTY SANITATION DISTRICT, a California special district organized and existing under the County Sanitation District Act of 1939, Health & Safety Code § § 4700 *et seq.* (OC SAN), and PFM ASSET MANAGEMENT, LLC, a Delaware limited liability corporation (CONSULTANT). OC SAN and CONSULTANT are sometimes individually referred to in this Agreement as each "Party" and collectively referred to as the "Parties."

WHEREAS, OC SAN desires to establish a Section 115 pension trust; and,

WHEREAS, OC SAN solicited Proposals through the Request for Proposal process in accordance with Ordinance No. OCSD-52; and,

WHEREAS, CONSULTANT submitted a Proposal to OC SAN for Section 115 pension trust fund administration and investment management services (Services); and

WHEREAS, CONSULTANT demonstrated that it is qualified to render the required Services; and

WHEREAS, OC SAN and CONSULTANT desire to enter into an agreement to provide for the required Services.

NOW, THEREFORE, in consideration of the mutual promises and mutual benefits exchanged between the Parties, the Parties mutually agree as follows:

1. Retention of CONSULTANT as Manager.

(a) Appointment of CONSULTANT. OC SAN hereby appoints CONSULTANT as an agent and attorney-in-fact of OC SAN and authorizes CONSULTANT to assume all investment duties with respect to the Assets in the custody of the Custodian (as defined below).

(b) Authority of CONSULTANT.

(1) CONSULTANT is hereby granted full discretion to invest and reinvest all Assets under its management in any type of security it deems appropriate, subject to the instructions given or guidelines set by OC SAN's Representative (defined below). CONSULTANT may direct the investments of the Assets and take such actions as it may deem appropriate in respect of the Assets, with or without the prior consent from OC SAN.

(2) The investment authority granted to CONSULTANT shall include the authority to exercise whatever powers OC SAN may possess with respect to the Assets, including, but not limited to, the right to vote, the power to exercise rights, options, warrants, conversion privileges and redemption privileges, and to tender securities pursuant to a tender offer. CONSULTANT shall be solely responsible for voting all proxies related to the Assets. CONSULTANT shall maintain a record of how it voted and such record shall be made available to OC SAN upon request. It is further understood that CONSULTANT need not and is not required to accept any direction concerning the voting of proxies from OC

SAN. The right of CONSULTANT to vote proxies shall continue until the earlier of the termination of this Agreement or such time as OC SAN specifically revokes CONSULTANT's authority to vote proxies and specifically reserves the right to OC SAN or to another.

(c) Investment Criteria and Objectives. OC SAN will supply CONSULTANT with such information as CONSULTANT shall reasonably require concerning the Assets' tax position, liquidity requirements and other information useful in developing investment objectives. CONSULTANT will determine the asset allocation of investments for the Assets (the "Investment Strategy") on the basis of information provided by OC SAN or other service providers, including the appropriate risk tolerance for the Assets based upon the cash needs of the Assets, the asset-liability characteristics and OC SAN's resources. CONSULTANT shall prepare a recommended policy statement of the Assets' Investment Strategy acceptable to OC SAN to the extent necessary to accomplish the Assets' Investment Strategy ("Investment Policy Statement"). CONSULTANT shall execute the Investment Strategy by instructing the Custodian (as hereinafter defined) to buy and sell shares of investments permitted hereunder in accordance with the Investment Policy Statement, approved by the OC SAN Treasurer or designee. In addition, CONSULTANT shall ensure that the diversification requirements are met with regard to the Assets and that the Assets conform to the investment categories defined in the Investment Policy Statement approved by OC SAN's Treasurer or designee. The CONSULTANT, in consultation with OC SAN, shall reassess and alter the Investment Strategy and Investment Policy Statement at least annually to the extent necessary to "rebalance the Assets' investments.

(d) Transactions and Reporting. All investments shall be made on a "delivery vs. payment" basis. CONSULTANT shall confirm to OC SAN, in writing, all purchases, sales, exchanges and movements of Assets, within 2 business days of the effectuation of the same. CONSULTANT shall provide to OC SAN monthly, quarterly and/or annual written reports concerning its investment management activities as may be requested by OC SAN. CONSULTANT shall add or reduce allocations to each investment or add or delete investments in its judgment (to the extent permitted under the Investment Policy Statement), and promptly advise OCSAN of any additions or deletions of the Assets' investments.

(e) Attendance at Meetings. A representative of CONSULTANT will meet with OC SAN's Representative to explain the investment management activities, and any reports related thereto, as may reasonably be requested by OC SAN. In addition, on a quarterly basis, a representative of CONSULTANT shall meet with OC SAN's Representatives and on an annual basis with OC SAN's Administration Committee to review investment performance and proposed strategies.

(f) Access to Records and Documents. All records and documents relating to the Assets' investments directed by CONSULTANT shall, upon reasonable advance notice, be made available for inspection or audit by OC SAN, or by a certified public accountant acting on OC SAN's behalf, at CONSULTANT's business offices at any time during normal business hours.

2. Custody of Assets.

(a) CONSULTANT shall present a custodian or custodial institution (Custodian) for the approval of the OC SAN Treasurer or designee.

(b) Neither CONSULTANT nor any parent, subsidiary or related firm shall take possession of or handle any cash, securities, mortgages or deeds of trust, or other indicia of ownership of the Assets' investments, or otherwise act as Custodian of such investments. The Custodian will collect the interest and dividends of the investments of the Assets in its custody and CONSULTANT shall have no responsibility in this regard.

(c) OC SAN will instruct the Custodian to (i) periodically advise CONSULTANT as to the amount of cash or cash equivalents available for investment; (ii) carry out all investment transactions as may be directed, in writing, by CONSULTANT; and (iii) confirm all completed transactions, in writing, by way of a monthly statement, to CONSULTANT.

(d) "Asset" means any economic resource that can be used for investment purposes, which can include but is not limited to; cash, cash equivalents, money market fund instruments, bonds, notes, debentures, or other extensions of credit, stocks, and all other equity interests, or other securities.

3. Key Personnel. Personnel, as provided in Exhibit "B", are considered "Key" to the work under this Agreement and will be available for the term of the Agreement. No person designated as Key under this Agreement shall be removed or replaced without prior written notice to OC SAN. If OC SAN asks CONSULTANT to remove a person designated as Key under this Agreement, CONSULTANT agrees to do so immediately regardless of the reason, or the lack of reason, for OC SAN's request. CONSULTANT shall assign only competent personnel as described in Exhibit "A" to perform Services pursuant to this Agreement.
4. Term. The term of this Agreement shall commence as of the date first above written and shall continue until this Agreement is terminated as provided for in section 12 hereof.
5. Fees. For all services provided by CONSULTANT and the Custodian to OC SAN pursuant to this Agreement, OC SAN shall incur an annual fee based on net Assets under management determined on a monthly basis as defined in the Investment Advisory Fee Schedule set forth in Exhibit 1, attached hereto and incorporated herein. For purposes of the section, "net Assets" means the net market value of all cash and investments Assets as of the end of the most recent month.
6. OC SAN Representative. In its capacity as investment manager, CONSULTANT shall receive all instructions, directions and other communications on OC SAN's behalf respecting OC SAN's Assets from OC SAN's Director of Finance or OC SAN's Controller ("OC SAN's Representative"). CONSULTANT is hereby authorized to rely and act upon all such instructions, directions and communications from such OC SAN's Representative or any agent of such OC SAN's Representative.
7. Notices.

(a) Written Notice. All notices under this Agreement must be in writing. Written notice shall be delivered by personal service or sent by registered or certified mail, postage prepaid, return receipt requested, or by any other overnight delivery service which delivers to the noticed destination and provides proof of delivery to the sender. Any facsimile notice must be followed within 3 days by written notice. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given as provided hereunder shall be deemed to be receipt of the notice, demand or request sent. All notices shall be effective when first received at the following addresses:

To OC SAN: Orange County Sanitation District
Attn.: Director of Finance
10844 Ellis Avenue
Fountain Valley, CA 92708-7018

To CONSULTANT: PFM Asset Management, LLC
Attn.: Ellen Clark
44 Montgomery Street, 3rd Floor
San Francisco, CA 94104

Each Party shall provide the other Party written notice of any change in address as soon as practicable.

(b) Electronic Delivery. From time to time, CONSULTANT may be required to deliver certain documents to OC SAN such as account information, notices and required disclosures. OC SAN hereby consents to CONSULTANT's use of secured electronic means, such as encrypted email, to make such delivery. This delivery may include notification of the availability of such document(s) on a secured website or web portal, and OC SAN agrees that such notification will constitute "delivery." OC SAN further agrees to provide CONSULTANT with OC SAN email address(s) and to keep this information current at all times by promptly notifying CONSULTANT of any change in email address(s).

OC SAN email address(s):

Assistant General Manager and Director of Finance (Treasurer): LTYNER@OCSD.COM
Controller: WRITCHIE@OCSD.COM

8. Liability. OC SAN recognizes that the opinions, recommendations and actions of CONSULTANT will be based on information deemed by it to be reliable, but not guaranteed to or by it. Provided that CONSULTANT acts in good faith, OC SAN agrees that CONSULTANT will not be liable for any error in judgment or for any act or omission, except as may otherwise be provided for under the Federal Securities laws or other applicable law.
9. Payment of Commissions. It is the policy and practice of CONSULTANT to strive for the best price and execution and for commission and discounts that are competitive in relation to the value of the transaction and which comply with Section 28(e) of the Securities and Exchange Act of 1934. Nevertheless, it is understood that CONSULTANT may pay a commission on transactions in excess of the amount another broker or dealer may charge, and that CONSULTANT makes no warranty or representation regarding commissions paid on transactions hereunder.
10. Other Clients. It is further understood that CONSULTANT may be acting in a similar capacity for other institutional and individual clients, and that investments and reinvestments for OC SAN's portfolio may differ from those made or recommended with respect to other accounts and clients even though the investment objectives may be the same or similar. Accordingly, it is agreed that CONSULTANT will have no obligation to purchase or sell for OC SAN's Assets any securities which it may purchase or sell for other clients.
11. No Assignment. This Agreement may not be assigned by CONSULTANT without OC SAN's consent.

12. Termination. OC SAN understands that it has the right to terminate this Agreement without penalty within 5 days after entering into this Agreement. If not so terminated, this Agreement may nevertheless be terminated by either Party without penalty upon 60 days prior written notice to the other. In the event of such termination by OC SAN, CONSULTANT shall return all OC San funds within sixty (60) days of receipt of said written notice. Termination will not affect the liabilities or obligations of the Parties arising from transactions initiated prior to termination.
13. Insurance. CONSULTANT and all subconsultants shall purchase and maintain, throughout the life of this Agreement and any periods of warranty or extensions, insurance in amounts equal to the requirements set forth in the signed Determined Insurance Requirement Form, Exhibit "C". CONSULTANT shall not commence work under this Agreement until all required insurance is obtained in a form acceptable to OC SAN, nor shall CONSULTANT allow any subconsultant to commence service pursuant to a subcontract until all insurance required of the subconsultant has been obtained. Failure to maintain required insurance coverage shall result in termination of this Agreement.

In addition to the requirements set forth in Exhibit "C", during the term of this Agreement, CONSULTANT, at its sole cost and expense, shall carry and maintain the following insurance coverage with a company or companies acceptable to OC SAN:

- (a) Employee Dishonesty/Fidelity Bond. \$10,000,000.00 policy limits.
- (b) Increased Insurance. At the time of renewal or amendment, OC SAN may request CONSULTANT to obtain additional insurance in amounts that are standard in the industry for a firm of CONSULTANT's size and volume. In the event of CONSULTANT's failure to do so, OC SAN may exercise its right to terminate this Agreement upon 15 days' notice.
- (c) Conditions of Insurance. The provisions of this section apply to all policies of insurance required by this Agreement, including those set forth in Exhibit "C", as follows:
 - (1) The insurance shall be issued and underwritten by insurance companies acceptable to OC SAN, which shall have an "A" policyholder's rating (or better) and a financial rating not less than Class VII in accordance with the most current Best's Guide Rating and which shall be authorized in the State of California to issue the lines of insurance specified.
 - (2) CONSULTANT may satisfy the limit requirements in a single policy or multiple policies, provided, however, that any such additional policies written as excess insurance shall have the same coverage (i.e., "following form") as CONSULTANT's first or primary policy.
 - (3) Any costs accruing to CONSULTANT, which are attributable to a self-insured retention, deductibles or premium rating programs, which determine premium based on loss experience, shall be for the account of CONSULTANT, and OC SAN shall not be required to participate in any such loss. If any such programs exist, CONSULTANT agrees to protect and defend OC SAN in the same manner as if such cost provisions were not applicable.

- (4) CONSULTANT shall present at or prior to the time of execution of this Agreement, original certificates of insurance evidencing that the coverage required hereunder is in force and in compliance with the terms and conditions of this Agreement. A separately executed certificate shall be presented for each insurance carrier providing coverage.
- (d) Naming OC SAN as Co-Loss Payee. All employee dishonesty insurance coverage obtained by CONSULTANT, as required hereunder, shall name OC SAN as co-loss payee, and the issuing underwriter shall execute a co-loss payee endorsement.
- (e) Claims Reporting. CONSULTANT has provided OC SAN with a declaration regarding the total amount of all claims, against its errors and omissions and employee dishonesty insurance policies, for which any of CONSULTANT's insurance carriers has established reserves. A copy of that declaration is attached as Exhibit "D" hereto. CONSULTANT represents and warrants that the declaration remains true and correct as of the date of execution of this Agreement. On a semi-annual basis, CONSULTANT or its insurance carrier(s) shall provide OC SAN with an updated declaration of such claims and reserves.
14. Compliance with Political Reform Act of 1974. CONSULTANT understands and acknowledges that CONSULTANT is subject to the conflict of interest provisions of the Political Reform Act of 1974 (Government Code section 87100 et seq.) and the regulations implementing the same (California Code of Regulations Title 2, Division 6, Chapter 7). As a material provision of this Agreement, CONSULTANT shall comply with such conflict of interest provisions. Specifically, the "high-level" officers and employees of CONSULTANT who exercise primary responsibility for the Assets, such as principal investment or financial officers or managers (but excluding persons who work under the supervision of such principal investment or financial officers or managers) shall, in compliance with Government Code section 87100 et seq. refrain from making, participating in, or influencing decisions affecting the Assets in which he/she knows or should know he/she has a financial interest, and shall file disclosure statements as required by Government Code section 87200 et seq.
15. Governing Law and Venue. It is understood that this Agreement shall be governed by and construed under and in accordance with the laws of the State of California. Venue for resolution of disputes shall be in Orange County.
16. Severability. Any provision of this Agreement which is prohibited or unenforceable shall be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof.
17. Receipt of Brochure and Privacy Policy. OC SAN has received the disclosure statement or "brochure" required to be delivered pursuant to Rule 204-3 of the Investment Advisers Act of 1940, and a copy of CONSULTANT'S privacy policy.
18. Third Party Rights. Nothing in this Agreement shall be construed to give any rights or benefits to anyone other than OC SAN and CONSULTANT.
19. Authority to Execute. The persons executing this Agreement on behalf of the Parties warrant that they are duly authorized to execute this Agreement and that by executing this Agreement, the Parties are formally bound.

20. Entire Agreement; Amendment. This Agreement constitutes the entire agreement of the Parties and supersedes all prior written or oral and all contemporaneous oral agreements, understandings, and negotiations between the Parties with respect to the subject matter hereof. This Agreement may be amended at any time in writing by mutual agreement of the Parties.
21. Registered Advisor; Duty of Care. CONSULTANT hereby represents it is a registered investment advisor under the Investment Advisers Act of 1940. CONSULTANT will immediately notify OC SAN if at any time during the term of this Agreement it is not so registered or if its registration is suspended. CONSULTANT agrees to perform its duties and responsibilities under this Agreement with reasonable care. The federal securities laws impose liabilities under certain circumstances on persons who act in good faith. Nothing herein in any way constitutes a waiver or limitation of any rights which OC SAN may have under any federal securities laws. OC SAN hereby authorizes CONSULTANT to sign an Internal Revenue Service Form W-9 on behalf of OC SAN and to deliver such form to broker-dealers or others from time to time as required in connection with securities transactions pursuant to this Agreement.
22. Force Majeure. CONSULTANT has no liability for any losses arising out of the delays in performing or inability to perform the services which it renders under this Agreement which result from events beyond its control, including interruption of the business activities of CONSULTANT or other financial institutions due to acts of God, acts of governmental authority, acts of war, terrorism, civil insurrection, riots, labor difficulties, or any action or inaction of any carrier or utility, or mechanical or other malfunction.
23. Disciplinary Actions. CONSULTANT will promptly notify OC SAN if CONSULTANT is found to have violated any state or federal securities law or regulation in any final and unappealable judgment in any criminal action or civil suit in any state or federal court or in any disciplinary proceeding before the Securities and Exchange Commission or any other regulatory agency or department of the United States, any registered securities exchange, the Financial Industry Regulatory Authority, or any regulatory authority of any State based upon the performance of services as an investment advisor.
24. Independent Contractor. CONSULTANT, its employees, officers and representatives, will not be deemed to be employees, agents (except as to the purchase or sale of securities described in Section 1), partners, servants, and/or joint ventures of OC SAN or the Account by virtue of this Agreement or any actions or services rendered under this Agreement.
25. Records. CONSULTANT will maintain appropriate records of all its activities hereunder. CONSULTANT will use its best efforts to provide OC SAN with a statement within 60 days following the end of each calendar quarter showing deposits, withdrawals, purchases and sales (or maturities) of investments, earnings received during the quarter, and the value of Assets held on the last business day of the calendar quarter, based on the information requested from and furnished to it by the Custodian.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, intending to be legally bound, the Parties hereto have caused this Contract to be signed by the duly authorized representatives.

ORANGE COUNTY SANITATION DISTRICT

Dated: _____

By _____
John B. Withers
Board Chairman

Dated: _____

By _____
Kelly A. Lore
Clerk of the Board

Dated: _____

By _____
Ruth Zintzun
Purchasing & Contracts Manager

PFM ASSET MANAGEMENT, LLC

Dated: _____

By: _____

Print Name and Title of Officer

Exhibits: Exhibit "A" – Scope of Work
Exhibit "B" – Proposal
Exhibit "C" – Determined Insurance Requirement Form
Exhibit "D" – Declaration
Exhibit "1" – Fee Schedule

CMM

Exhibit A
SCOPE OF WORK
For
Section 115 Pension Trust Administration and Management Services

SCOPE OF WORK
Section 115 Pension Trust Administration and Management Services
CS-2021-1207BD

EXECUTIVE SUMMARY/OVERVIEW

The Orange County Sanitation District (OC San) operates the third largest wastewater agency west of the Mississippi River. Since 1954, we have safely collected, treated, and disposed of and/or reclaimed the wastewater generated by 2.6 million people living and working in central and northwestern Orange County, California.

Each day we treat approximately 188 million gallons of wastewater, enough water to fill Anaheim stadium over two and a quarter times. About 80 percent of the wastewater comes from homes – sinks, toilets, showers, laundry, and dishwashers. The remaining come from businesses – retail stores, restaurants, manufacturers, hotels, offices, and other industries.

A professional staff of more than 600 employees manages the day-to-day activities of OC San. Our facilities include 388 miles of sewer pipes, located throughout the county, and two treatment plants – one in Fountain Valley, CA and the other in Huntington Beach, CA – where wastewater is treated in accordance with strict state and federal standards.

Our employees are on duty protecting health and the environment by ensuring the sewer system efficiently operates 24 hours a day, 7 days a week and 365 days a year. We are very proud of the job we do and take pride in providing our customers with quality service.

1 Purpose

OC San is seeking one or more qualified firms to establish and oversee OC San's Internal Revenue Service (IRS) Code Section 115 pension trust administration and investment management services.

2 Description

Provide comprehensive administration, trustee, fiduciary investment management & advisory, compliance monitoring, and reporting services to OC San for a Section 115 Pension Trust. A Section 115 trust is a tax-exempt irrevocable pension trust designated to pre-fund pension obligations. Some of the benefits that a Section 115 trust can provide include:

- Act as a reserve fund to offset potential volatility in annual contribution requirements determined by OCERS
- Decrease risk through diversification of plan assets
- Potentially earn higher investment returns, since a Section 115 trust allows investment in a wider array of investment options compared to the OC San portfolio which is strictly restricted by the State regulations

3 Project/Work Elements

OC San intends to obtain the services of one or more qualified firms to provide Section 115 pension trust administration and investment management services as outlined below.

- 3.1** Provide a comprehensive, ready to go multiple employer trust approach.
- 3.2** Implement the trust program within 60 days.
- 3.3** Plan implementation services:
 - 3.3.1** Meet with OC San staff to discuss plan provisions, implementation timelines, actuarial valuation process, funding strategies, benefit communication strategies, data reporting, and submission requirements for contributions/reimbursements/distributions.
 - 3.3.2** Provide the necessary analysis and advisory services to finalize these elements of the Plan.
 - 3.3.3** Provide the documentation needed to establish the Plan to be reviewed and approved by OC San's legal counsel. Resulting final Plan documentation must be approved by the Board prior to the commencement of the administration services.
- 3.4** Offer an IRS-approved irrevocable funding vehicle (with favorable Private Letter Ruling) to protect the OC San's assets long-term.
- 3.5** Provide a full-service program that includes trust administration, trustee, and investment management services.
- 3.6** With OC San staff, develop an Investment Policy for the Section 115 trust.
- 3.7** Work directly with OC San staff to prepare asset allocation guidelines for the trust based upon its investment objectives and risk tolerance parameters.
- 3.8** Provide education and presentations regarding the pension trust program to OC San.
- 3.9** Provide quarterly and annual comparative performance analyses and evaluation reports of the investments of the trust.
- 3.10** Assist with GASB 67/68 reporting.
- 3.11** Coordinate all contributions into the Trust and processes requests for distributions.
- 3.12** Coordinate periodic audits of the Trust

4 Deliverables

At a minimum, the selected Proposer will be expected to provide the following:

- Prepare and submit a monthly report of Plan activity to OC San
- Prepare and submit a quarterly report of Plan activity to OC San
- Prepare and submit an annual report of Plan activity to OC San
- Prepare and make presentations to the Board as requested by OC San

5 Staff Assistance

The Contractor will be assigned a single point of contact on this project. Any meetings and/or correspondence related to this project shall be scheduled and approved by the Project Manager.