

CITY OF IRWINDALE

5050 N. IRWINDALE AVE., IRWINDALE CA 91706 • PHONE: (626) 430-2200 • FACSIMILE: 962-4209



NOTICE AND AGENDA FOR THE SPECIAL AND REGULAR MEETING OF THE

CITY COUNCIL

SUCCESSOR AGENCY TO THE IRWINDALE COMMUNITY REDEVELOPMENT AGENCY

HOUSING AUTHORITY

SEPTEMBER 22, 2021

SPECIAL MEETING – 5:30 P.M. - CLOSED SESSION

REGULAR MEETING - 6:30 P.M. - OPEN SESSION

IRWINDALE CITY COUNCIL CHAMBER

CLOSED SESSION / OPEN SESSION – CITY COUNCIL CHAMBER

(Closed to the Public)

Pursuant to Executive Order N-29-20

The Governor has declared a State of Emergency to exist in California as a result of the threat of COVID-19 (aka the “Coronavirus”). The Governor also issued Executive Order N-25-20, which directs Californians to follow public health directives including canceling large gatherings. The Executive Order also allows local legislative bodies to hold meetings via conference calls while still meeting state transparency requirements.

The public’s health and well-being are the top priority for the City, and you are urged to take all appropriate health safety precautions. To facilitate this process, the meeting and opportunities to participate will also be available through the following options:

<https://us02web.zoom.us/j/87104592389>



Spontaneous Communications: The public is encouraged to address the City Council on any matter listed on the agenda or on any other matter within its jurisdiction. The City Council will hear public comments on items listed on the agenda during discussion of the matter and prior to a vote. The City Council will hear public comments on matters not listed on the agenda during the Spontaneous Communications period.

Pursuant to provisions of the **Brown Act**, no action may be taken on a matter unless it is listed on the agenda, or unless certain emergency or special circumstances exist. The City Council may direct staff to investigate and/or schedule certain matters for consideration at a future City Council meeting.

Americans with Disabilities Act: In compliance with the ADA, if you need special assistance to participate in a City Council meeting or other services offered by this City, please contact City Hall at (626) 430-2200. Assisted listening devices are available at this meeting. Ask the Chief Deputy City Clerk if you desire to use this device. Upon request, the agenda and documents in the agenda packet can be made available in appropriate alternative formats to persons with disabilities. Notification of at least 48 hours prior to the meeting or time when services are needed will assist the City staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting or service.

Note: Staff reports are available for inspection at the office of the Chief Deputy City Clerk, City Hall, 5050 N. Irwindale Avenue, during regular business hours (8:00 a.m. to 6:00 p.m., Monday through Thursday).

Code of Ethics

As City of Irwindale Council Members, our fundamental duty is to serve the public good. We are committed to the principle of an efficient and professional local government. We will be exemplary in obeying the letter and spirit of Local, State and Federal laws and City policies affecting the operation of the government and in our private life. We will be independent and impartial in our judgment and actions.

We will work for the common good of the City of Irwindale community and not for any private or personal interest. We will endeavor to treat all people with respect and civility. We will commit to observe the highest standards of morality and integrity, and to faithfully discharge the duties of our office regardless of personal consideration. We shall refrain from abusive conduct, personal charges or verbal attacks upon the character or motives of others.

We will inform ourselves on public issues, listen attentively to public discussions before the body, and focus on the business at hand. We will base our decisions on the merit and substance of that business. We will be fair and equitable in all actions, claims or transactions. We shall not use our official position to influence government decisions in which we have a financial interest or where we have a personal relationship that could present a conflict of interest, or create a perception of a conflict of interest.

We shall not take advantage of services or opportunities for personal gain by virtue of our public office that are not available to the public in general. We shall refrain from accepting gifts, favors or promises of future benefit that might compromise our independence of judgment or action or give the appearance of being compromised.

We will behave in a manner that does not bring discredit or embarrassment to the City of Irwindale. We will be honest in thought and deed in both our personal and official lives.

Ultimate responsibility for complying with this Code of Ethics rests with the individual elected official. In addition to any other penalty as provided by law, violation of this Code of Ethics may be used as a basis for disciplinary action or censure of a Council Member.

These things we hereby pledge to do in the interest and purposes for which our government has been established.

IRWINDALE CITY COUNCIL



SPECIAL MEETING - CLOSED SESSION – 5:30 P.M.

A. CALL TO ORDER

- B. ROLL CALL:** Councilmembers: Albert F. Ambriz, Mark A. Breceda, Manuel R. Garcia;
Mayor Pro Tem Larry G. Burrola; Mayor H. Manuel Ortiz

SPONTANEOUS COMMUNICATIONS

Spontaneous communications are limited to the special meeting agenda items only.

RECESS TO CLOSED SESSION

A. Conference with Labor Negotiator

Pursuant to California Government Code Section 54957.6

Agency Designated Representatives: William Tam, City Manager; Adrian Guerra, Legal
Counsel; Mary Hull, Human Resources Manager

Employee Organizations: IMEA, ICEA, IPOA, and Unrepresented Employees

B. Conference with Real Property Negotiators

Pursuant to California Government Code Section 54956.8

Property: Olive Pit (APN 8415-001-906, 908)

Agency negotiator: William Tam, City Manager

Negotiating Parties: United Rock Products Corp.

Under negotiation: Sublease Price and Terms

C. Conference with Legal Counsel – Exposure to Litigation (City Council)

Significant Exposure to Litigation Pursuant to Government Code Section 54956.9(d)(2),
(e)(1)

Number of potential cases: One (1)

A point has been reached where, in the opinion of the City Council and on the advice of its legal counsel, based on existing facts and circumstances, there is a significant exposure to litigation against the City, but the City believes are not yet known to a potential plaintiff or plaintiffs, which facts and circumstances need not be disclosed.

RECONVENE IN OPEN SESSION

REPORT FROM CLOSED SESSION

ADJOURNMENT

OPEN SESSION – 6:30 P.M.

- A. CALL TO ORDER**
- B. PLEDGE OF ALLEGIANCE**
- C. INVOCATION**
- D. ROLL CALL: Councilmembers: Albert F. Ambriz, Mark A. Breceda, Manuel R. Garcia;
Mayor Pro Tem Larry G. Burrola; Mayor H. Manuel Ortiz**
- E. CHANGES TO THE AGENDA**
- F. COUNCIL MEMBER TRAVEL REPORTS**
- G. COUNCILMEMBER COMMENTS**
- H. INTRODUCTION OF NEW EMPLOYEES/PROMOTIONS**
 - 1) Introduction of Daniel Grijalva, Aquatics Supervisor
- I. PROCLAMATIONS / PRESENTATIONS / COMMENDATIONS**
 - 1) Irwindale Chamber of Commerce Business of the Month – California Custom Fruits and Flavors
 - 2) Gold Line Project Presentation – Requested by Mayor Ortiz

SPONTANEOUS COMMUNICATIONS

This is the time set aside for members of the audience to speak on items not on this agenda. State law prohibits any Council discussion or action on such communications unless 1) the Council by majority vote finds that a catastrophe or emergency exists; or 2) the Council by at least four votes finds that the matter (and need for action thereon) arose within the last five days. Since the Council cannot (except as stated) participate it is requested that all such communications be made in writing so as to be included on the next agenda for full discussion and action. If a member of the audience feels he or she must proceed tonight, then each speaker will be limited to 3 minutes unless such time limits are extended.

1. CONSENT CALENDAR

The Consent Calendar contains matters of routine business and is to be approved with one motion unless a member of the City Council requests separate action on a specific item. At this time, members of the audience may ask to be heard regarding an item on the Consent Calendar.

A. Minutes

Recommendation: Approve the following minutes:

- 1) Special meeting held July 28, 2021
- 2) Regular meeting held July 28, 2021

B. Warrants/Demands/Payroll

Recommendation: Approve

C. Approve the Out-Of-State Travel to the 57th Annual California Narcotic Officers' Association (CNOA) Training Institute and Law Enforcement Services Expo for Detective Sergeant Rudy Gatto, Detective Corporal Diego Cornejo, Detective Raymond Gonzales, Detective Jorge Rodriguez and Detective Nicholas Lopez

Recommendation: Adopt **Resolution No. 2021-73-3285** entitled: "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRWINDALE APPROVING THE OUT-OF-STATE TRAVEL TO THE CNOA INSTITUTE EQUIPMENT AND SERVICES EXPO IN RENO, NEVADA, FOR DETECTIVE SERGEANT RUDY GATTO, DETECTIVE CORPORAL DIEGO CORNEJO, DETECTIVE RAYMOND GONZALES, DETECTIVE JORGE RODRIGUEZ, AND DETECTIVE NICHOLAS LOPEZ," waiving further reading.

Department: Police

D. Acceptance of California Office of Traffic Safety (OTS) Federal Grant Funds in the amount of \$90,000.00 for Traffic Safety Education and Impaired Driving Enforcement

Recommendation: 1) Approve and authorize the City Manager to sign the 2021-2022 Selective Traffic Enforcement Program (STEP) Grant Agreement between California Office of Traffic Safety (OTS) and the City of Irwindale, and 2) adopt **Resolution No. 2021-75-3287**, entitled: "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRWINDALE APPROVING THE ACCEPTANCE OF THE CALIFORNIA OFFICE OF TRAFFIC SAFETY FEDERAL GRANT FUNDS IN THE AMOUNT OF \$90,000.00 FOR THE SELECTIVE TRAFFIC ENFORCEMENT PROGRAM (STEP), AND APPROVING APPROPRIATIONS OF THESE FUNDS IN THE CITY'S FEDERAL GRANT FUND".

Department: Police

E. Proposed End-Of-Year Closure of City Facilities for 2021

Recommendation: Approve the closure of some City facilities during the period of Monday, December 20, 2021, through and including Sunday, January 2, 2022, and authorize the City Manager to implement said closure.

Department: Administration

F. Adopt Resolution No. 2021-76-3288 Appointing a Voting Delegate for 2021 League of California Cities Annual Conference – Annual Business Meeting; Oppose the Online Sales Tax Equity Resolution proposed by Cal Cities; and Support the Securing Railroad Property Maintenance Resolution proposed by Cal Cities

Recommendation: (1) **Adopt Resolution No. 2021-76-3288**, appointing a voting delegate to represent the City of Irwindale at the Annual Business Meeting to be held at the 2021 League of California Cities Annual Conference in Sacramento, California; (2) Oppose the proposed League of California Cities Resolution regarding Online Sales Tax Equity Resolution and direct the voting delegate to vote in opposition to the resolution; (3) Support the proposed League of California Cities Resolution regarding Securing Railroad Property Maintenance and direct the voting delegate to vote in support of the resolution.

Department: Administration

G. Approve the Purchase of an Alternative Recreation Vehicle, Waive Formal Bidding Procedure and Appropriate Additional Funds

Recommendation: (1) **Adopt Resolution No. 2021-77-3289**, entitled: “A Resolution of the City Council of the City of Irwindale Waiving Formal Bidding Procedures Pursuant to Irwindale Municipal Code Section 3.44.080(E), Authorizing the Issuance of a Purchase Order, and Authorizing the City Manager to Enter into a Purchase Agreement for a Chevrolet Suburban for the Recreation Division, and Appropriating Additional Funds.”

Department: Public Services

H. Regional Food Recovery Program Memorandum of Agreement between the City of Irwindale and the San Gabriel Valley Council of Government

Recommendation: **(1) Adopt Resolution No. 2021-78-3290**, entitled, “A Resolution of the City Council of the City of Irwindale Approving the Memorandum of Agreement Between the San Gabriel Valley Council of Governments and the City of Irwindale for Participation in the San Gabriel Valley Regional Food Recovery Program, Authorizing the City Manager to Execute the Memorandum of Agreement, and Appropriating Funds for the Regional Food Recovery Program as Required by Senate Bill 1383 (Lara) and CalRecycle Regulations.”

Department: Public Services

I. Caltrans Landscape Maintenance Agreement

Recommendation: Authorize the Mayor and City Manager to execute a Landscape Maintenance Agreement between the City of Irwindale and the California Department of Transportation (Caltrans).

Department: Public Services

J. Acceptance of the 2020-2021 Resurfacing Project; P-1026

Recommendation: (1) Ratify changes to the original scope of work and accept the improvements and maintenance responsibilities for the constructed improvements of the 2020-2021 Resurfacing Project, which includes Buena Vista Street from Avenida Barbosa to City limits and Avenida Barbosa; (2) approve the final construction project amount of \$544,311.93 under the construction contract with Hardy and Harper; (3) approve final construction management and inspection services contract with SA Associates in the amount of \$43,920.38; (4) authorize the City Clerk to record the Notice of Completion; and (5) authorize the Finance Director to release the 5% retention amount for the construction project.

Department: Engineering

K. Consideration of Settlement Agreement and Mutual Release between Beador Construction Company, Inc., and City of Irwindale, Los Angeles Superior Court Case No. 21STCV14867

Recommendation: 1) Approve the Settlement Agreement and Mutual Release between Beador Construction Company, Inc., and the City of Irwindale, and 2) Authorize the City Manager to execute same.

Department: Administration

L. January 3, 2006 Hanson Aggregates West, Inc. Development Agreement – Letter of Consent

Recommendation: The City Council authorize the Mayor to execute the letter of consent.

Department: Administration

2. NEW BUSINESS

At this time, members of the audience may ask to be heard regarding an item on New Business.

A. In-Person Attendance at Public Meetings Beginning October 2021

Recommendation: Discuss and provide direction regarding the in-person attendance at public meeting.

Department: Administration

B. Discuss Waiver of Plan Check Fees for Residential Projects Pursuant to the City of Irwindale's Fee Adjustment Policy

Recommendation: Discuss and provide direction regarding the waiver of plan check fees for residential projects pursuant to the City of Irwindale's Fee Adjustment Policy.

Department: Administration

C. Adoption of Resolution Supporting Installation of a Signalized Bicycle Crossing at Vincent Avenue / Big Dalton Wash by Los Angeles County Public Works

Recommendation: Adopt **Resolution No. 2021-85-3297**, entitled: "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRWINDALE SUPPORTING THE INSTALLATION OF A SIGNALIZED BICYCLE CROSSING AT VINCENT AVENUE AT THE BIG DALTON WASH."

Department: Engineering

D. Verbal Update on Sidewalk Repairs

Department: Community Services

3. PUBLIC HEARINGS

At this time, members of the audience may ask to be heard regarding an item on Public Hearings.

4. LEGISLATIVE UPDATE

5. CITY MANAGER'S REPORT

6. AGENDA ITEMS REQUESTED BY COUNCIL MEMBERS

7. ADJOURN

SUCCESSOR AGENCY TO THE IRWINDALE COMMUNITY REDEVELOPMENT AGENCY

SPONTANEOUS COMMUNICATIONS

This is the time set aside for members of the audience to speak on items not on this agenda. Spontaneous Communications for the Successor Agency are subject to the same State prohibitions and City guidelines as cited on the City Council agenda.

1. CONSENT CALENDAR

A. Minutes

Recommendation: Approve the following minutes:

- 1) Regular meeting held July 28, 2021

B. Warrants

Recommendation: Approve

2. NEW BUSINESS

At this time, members of the audience may ask to be heard regarding an item on New Business.

3. PUBLIC HEARINGS

At this time, members of the audience may ask to be heard regarding an item on Public Hearings.

4. ADJOURN

HOUSING AUTHORITY

SPONTANEOUS COMMUNICATIONS

This is the time set aside for members of the audience to speak on items not on this agenda. Spontaneous Communications for the Housing Authority are subject to the same State prohibitions and City guidelines as cited on the City Council agenda.

1. CONSENT CALENDAR

A. Minutes

Recommendation: Approve the following minutes:

- 1) Special meeting held July 28, 2021

2. NEW BUSINESS

At this time, members of the audience may ask to be heard regarding an item on New Business.

A. Las Casitas Senior Affordable Housing Apartment Complex

Recommendation: Discuss and provide direction regarding the IHA's purchasing the lease agreement for Las Casitas Senior Affordable Housing Apartment Complex

Department: Administration

3. PUBLIC HEARINGS

At this time, members of the audience may ask to be heard regarding an item on Public Hearings.

4. ADJOURN

AFFIDAVIT OF POSTING

I, Armando Hegdahl, Acting Deputy City Clerk, certify that I caused the agenda for the regular meeting of the City Council, Irwindale Successor Agency to the Irwindale Community Redevelopment Agency, and Housing Authority, to be held on September 22, 2021, be posted at the City Hall, Library, and Post Office on September 16, 2021.

Armando Hegdahl, CMC

Armando Hegdahl, CMC

Acting Deputy City Clerk

IRWINDALE CITY COUNCIL CHAMBERS
5050 N. IRWINDALE AVENUE
IRWINDALE, CALIFORNIA 91706

CC Item 1A1

JULY 28, 2021
WEDNESDAY
6:04 P.M.

The Irwindale CITY COUNCIL met in special session at the above time and place.

ROLL CALL:

Present: Councilmember Albert F. Ambriz; Mark A. Breceda (arrived at 6:04 p.m.); Manuel R. Garcia; Mayor Pro Tem Larry G. Burrola; Mayor H. Manuel Ortiz

Present: William Tam, City Manager; and Adrian Guerra, City Attorney

**SPONTANEOUS
COMMUNICATIONS**

DENA ZEPEDA

Dena Zepeda requested that Item No. 1E from the Consent Calendar portion of the Open Session agenda be removed for separate consideration.

**RECESS TO
CLOSED SESSION**

At 6:04 p.m., the City Council met in Closed Session to discuss the following:

1) Conference with Legal Counsel – Existing Litigation
Pursuant to California Government Code Section 54956.9

Name of Case: City of Baldwin Park vs. City of Irwindale, et. al.
Case Number: Los Angeles County Superior Court Case BS163400
(Lead Case) [Consolidated with BS171622] [Related to BS163450 and BS171509]

ACTION: Update provided; no reportable action taken.

ADJOURNMENT

There being no further business to conduct, the meeting was adjourned at 6:50 p.m.

Laura M. Nieto, MMC
Chief Deputy City Clerk

**IRWINDALE CITY COUNCIL CHAMBERS
5050 N. IRWINDALE AVENUE
IRWINDALE, CALIFORNIA 91706**

CC Item 1A2

**JULY 28, 2021
WEDNESDAY
6:50 P.M.**

The Irwindale **CITY COUNCIL** met in regular session, beginning at the above time and place.

ROLL CALL:

Present: Councilmembers Albert F. Ambriz, Mark A. Breceda, Manuel R. Garcia; Mayor Pro Tem Larry G. Burrola; Mayor H. Manuel Ortiz

Present: William Tam, City Manager; Theresa Olivares, Assistant City Manager; Adrian Guerra, City Attorney; Ty Henshaw, Chief of Police; Arsanious Hanna, Director of Engineering / Building Official; Eva Carreon, Finance Director / City Treasurer; Jeanette Duran, Finance Manager; Marilyn Simpson, Community Development Director; Mary Hull, Human Resources Manager, Elizabeth Rodriguez, Public Services Director; Jeff Wagner, Information Technology Manager; Iris Espino, Assistant to the City Manager; and Laura Nieto, Chief Deputy City Clerk

**CHANGES TO THE
AGENDA**

None.

**COUNCILMEMBER
TRAVEL REPORTS**

None.

**COUNCILMEMBER
COMMENTS**

**COUNCILMEMBER
AMBRIZ**

Councilmember Ambriz noted that Huy Fong recently made a sizable donation to the Irwindale Community Foundation, and advised that the Foundation will meet to determine how to best allocate the funding received amongst the city's various community service programs.

**MAYOR PRO TEM
BURROLA**

Mayor Pro Tem Burrola requested that the meeting be adjourned in memory of "Chachi" Valencia.

MAYOR ORTIZ

Mayor Ortiz reported on a July 15 meeting of the Gold Line Joint Powers Authority, wherein the Gold Line extension from Azusa to Montclair was discussed.

**INTRODUCTION OF
NEW EMPLOYEES /
PROMOTIONS**

None.

**PROCLAMATIONS /
PRESENTATIONS /
COMMENDATIONS**

**CHAMBER OF
COMMERCE
BUSINESS OF THE**

**CHAMBER OF COMMERCE BUSINESS OF THE MONTH –
BRITEWORKS**

MONTH – BRITEWORKS The presentation was made.

CHAMBER OF
COMMERCE
QUARTERLY UPDATE CHAMBER OF COMMERCE QUARTERLY UPDATE
The presentation was made.

**SPONTANEOUS
COMMUNICATIONS**

CARMEN ROMAN Carmen Roman thanked Huy Fong for its donation, asked when Recreation fees would be waived, and requested that Consent Calendar Item No. 1E be removed for separate consideration.

DENA ZEPEDA Dena Zepeda thanked Huy Fong for its donation, thanked the Police Department for their hard work, requested for some of Huy Fong's donated funds to be earmarked for a luncheon for Police Department and Library staff, and complained about "errors" by staff as well as local industrial projects.

FRED BARBOSA Fred Barbosa complained about the apparent lack of disabled parking availability at city facilities.

CONSENT CALENDAR

MOTION A motion was made by Councilmember Breceda, seconded by Mayor Pro Tem Burrola to approve the Consent Calendar, with the exception of Item No. 1E, which was removed for separate consideration. The motion was unanimously approved.

ITEM NO. 1A
MINUTES MINUTES
None for approval

ITEM NO. 1B
WARRANTS
/ DEMANDS
/ PAYROLL WARRANTS / DEMANDS / PAYROLL
The warrants / demands / payroll were approved.

ITEM NO. 1C
INVESTMENT
QUARTERLY REPORT
FOR JUNE 30, 2021 INVESTMENT QUARTERLY REPORT FOR JUNE 30, 2021 (Joint Item on Successor Agency agenda)

RESOLUTION NO.
2021-66-3278
ADOPTED **Resolution No. 2021-66-3278**, entitled:

"A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINDALE WAIVING THE FORMAL BIDDING PROCEDURES AND AUTHORIZING THE ISSUANCE OF A PURCHASE ORDER FOR THE PURCHASE OF FOUR (4) PUBLIC SERVICES VEHICLES FOR THE RECREATION AND PUBLIC SERVICES

MAINTENANCE DIVISIONS PER IRWINDALE MUNICIPAL CODE SECTION 3.44.080(E)"; was adopted, and the City Manager was authorized to enter into a purchase agreement for the procurement of the following four (4) vehicles – (1) 2022 Chevrolet Tahoe; (1) 2022 Chevrolet Trailblazer, and (2) 2022 Chevrolet Colorado.

END OF CONSENT CALENDAR

ITEM NO. 1E
CLAIM REJECTION –
DENA ZEPEDA VS.
CITY OF IRWINDALE

CLAIM REJECTION – DENA ZEPEDA VS. CITY OF IRWINDALE

CHIEF DEPUTY CITY
CLERK NIETO

Chief Deputy City Clerk Nieto presented the staff report.

COUNCILMEMBER
BRECEDA AND
MAYOR ORTIZ

Councilmember Breceda and Mayor Ortiz declared a potential conflict of interest, recused from participating in the discussion, and exited the Council Chambers.

CHIEF DEPUTY CITY
CLERK NIETO

Chief Deputy City Clerk Nieto repeated her presentation at the request of the City Attorney.

CARMEN ROMAN,
DENA ZEPEDA, AND
FRED BARBOSA

Carmen Roman, Dena Zepeda, and Fred Barbosa spoke in support of approving the claim.

COUNCILMEMBER
AMBRIZ

Councilmember Ambriz spoke in support of approving payment to the claimant since it was his belief that the damage that occurred to the claimant's property was due to inferior workmanship at the time of installation.

COUNCILMEMBER
GARCIA

Councilmember Garcia disagreed with Councilmember Ambriz and cautioned the Council against paying out the claim since it might lead to additional claims and liabilities.

MAYOR PRO TEM
BURROLA

Mayor Pro Tem Burrola spoke on the claimant's previous complaints about water quality issues and stated his opinion that the water main line should have included copper piping of the correct size. He expressed his belief that the city is responsible for repairing the damage that occurred.

Mayor Pro Tem Burrola asked for input by the City Attorney, to which City Attorney Guerra advised that he would have to research the matter further since he was unsure whether the city is legally responsible for the housing unit. He also requested that the Board direct the City Manager to explore a resolution of the claim, and suggested discussing this matter in Closed Session at the next meeting to explore whether the city is liable.

Mayor Pro Tem Burrola stated his desire for the city to reimburse the claimant's expenses, to which City Attorney Guerra requested that the Council allow staff time to explore liability. He noted that the city's claims adjuster has recommended denial of the claim, and requested the opportunity to fully vet the claim and appropriately advise the Council before taking action.

MOTION

A motion was made by Councilmember Ambriz, seconded by Mayor Pro Tem Burrola, to direct the City Manager to explore a resolution for the claim and to place the matter on the Closed Session agenda for the next meeting for discussion. The motion was approved with Councilmember Ambriz and Mayor Pro Tem Burrola in favor, Councilmember Garcia opposed, and Councilmember Breceda and Mayor Ortiz absent.

**COUNCILMEMBER
BRECEDA AND
MAYOR ORTIZ**

Councilmember Breceda and Mayor Ortiz then returned to the meeting, at which time Mayor Ortiz resumed the meeting.

NEW BUSINESS

**ITEM NO. 2A
IRWINDALE
RECREATION USAGE
STATISTICS FOR
2019-2021**

IRWINDALE RECREATION USAGE STATISTICS FOR 2019-2021

DIRECTOR RODRIGUEZ Director Rodriguez presented the staff report.

**MAYOR PRO TEM
BURROLA** Mayor Pro Tem Burrola thanked Director Rodriguez for the report. He then asked whether the information presented was accurate, to which Director Rodriguez confirmed that the information is correct.

MAYOR ORTIZ Mayor Ortiz also thanked Director Rodriguez and advised that the report would be received and filed.

**ITEM NO. 2B
APPROVAL OF THE
ADJUSTMENT OF USER
FEES FOR THE
RECREATION DEPT.
FOR FISCAL YEAR
2021-2022**

**APPROVAL OF THE ADJUSTMENT OF USER FEES FOR THE
RECREATION DEPARTMENT FOR FISCAL YEAR 2021-2022**

MANAGER DURAN Manager Duran presented the staff report

**COUNCILMEMBER
AMBRIZ** Councilmember Ambriz expressed his support for eliminating fees for residents and suggested that the fees that the residents were previously charged become the new fees for non-residents.

COUNCILMEMBER BRECEDA	Councilmember Breceda concurred; as long as there was a determination that public funds are not being gifted, to which City Attorney Guerra advised that case law provides that the expenditure of public funds for the benefit of private individuals may be permissible when it advances the happiness, well-being, and prosperity of the community and serves the public purpose. He noted that, should the action be challenged in court, it might be decided that the city's argument is valid, and the court would defer determination to the City Council.
COUNCILMEMBER GARCIA	Councilmember Garcia disagreed with the proposal that the fees that the residents were previously charged become the new fees for non-residents, since doing so may attract a large number of participants, which may overwhelm staff.
COUNCILMEMBER AMBRIZ	Councilmember Ambriz withdrew his request for the modification of fees for non-residents.
MAYOR ORTIZ	Mayor Ortiz stated that the city is doing very well financially, and that city programs are geared primarily toward city residents. He concurred with Councilmember Garcia that the non-resident fees should remain as they are.
RESOLUTION NO. 2021-65-3277 ADOPTED	Resolution No. 2021-65-3277 , entitled: "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRWINDALE APPROVING ADJUSTMENTS TO THE SCHEDULE OF FEES & CHARGES FOR THE RECREATION DIVISION FOR FISCAL YEAR 2021-2022," was passed, approved, and adopted, on the motion of Councilmember Ambriz, seconded by Councilmember Breceda and unanimously approved; Councilmember Garcia abstaining.
<u>PUBLIC HEARINGS</u>	None.
<u>LEGISLATIVE UPDATE</u>	
<u>ITEM NO. 4A</u> REPORT ON PENDING LEGISLATION	REPORT ON PENDING LEGISLATION
ASSISTANT CITY MANAGER OLIVARES	Assistant City Manager Olivares presented the staff report.
MAYOR ORTIZ	Mayor Ortiz thanked Assistant City Manager Olivares for closely monitoring legislative issues that may affect Irwindale.
MOTION	A motion was made by Councilmember Ambriz, seconded by Councilmember Breceda, to 1) retroactively approve a letter executed by the Mayor in opposition to AB 215 (Chiu) Housing Element /

Regional Housing Need. Relative Progress Determination; and 2) receive and file several legislative letters prepared in accordance with the approved City of Irwindale 2021 Legislative Platform. The motion was unanimously approved.

**CITY MANAGER'S
REPORT**

ASSISTANT TO THE CITY MANAGER ESPINO Assistant to the City Manager Espino provided a COVID-19 update.

SUZANNE GOMEZ Responding to a question by Suzanne Gomez, City Manager Tam advised that staff tentatively anticipates for the Council and Commission meetings to be open to the public beginning in October. Ms. Gomez thanked staff at all levels of the city for keeping residents safe.

DIRECTOR RODRIGUEZ Director Rodriguez provided an update on upcoming events and activities with the Recreation and Senior Center departments. She also noted the city's requirement that facemasks be used indoors at all city facilities.

MAYOR ORTIZ Mayor Ortiz provided an update on a recent meeting of the ad-hoc committee amongst Councilmembers and City Managers of the cities of Azusa, Duarte, and Irwindale, along with representatives of Supervisor Solis' office, the Los Angeles Homeless Services Authority, and Los Angeles County Transit Services. He noted that efforts are underway to clean up Lario Park, concerns were expressed regarding train stops, and that the three cities expressed concerns over funding an emergency homeless shelter and the restriction on funds received from various funding sources. He requested that the matter be placed on the agenda for the next meeting for further discussion.

**AGENDA ITEMS
REQUESTED BY
COUNCILMEMBERS**

MAYOR ORTIZ Mayor Ortiz noted a couple of requests received by residents: 1) extend aquatics programs, and 2) look into providing internet services to residents of Las Casitas apartments.

BRIEF DISCUSSION Brief discussion was held relating to current aquatics programs and when they will end for the year, as well as the possibility of extending the programs through September.

ADJOURNMENT

There being no further business to conduct, the meeting was adjourned at 8:10 p.m., in memory of "Chachi" Valencia.

Laura M. Nieto, MMC
Chief Deputy City Clerk

Electronic Payments

September 2021

September 1 - 15, 2021



Number	Vendor Name	Date	Amount
ACH	CalPERS-Medical	9/1/2021	250,562.97
ACH	CalPERS	9/10/2021	9.55
ACH	CalPERS	9/15/2021	78,018.01
ACH	EDD	9/15/2021	21,866.18
ACH	Federal Tax	9/15/2021	58,430.95
ACH	EDD	9/15/2021	45.19
ACH	Federal Tax	9/15/2021	172.49
ACH	Nationwide-457 Plan & Trust	9/9/2021	12,882.89
ACH	Nationwide-Roth Cotribution-457 Plan & Trust	9/9/2021	2,570.00
ACH	PARS-Public Agency Retirement Services	9/8/2021	5,120.00
ACH	ICMA	9/9/2021	10.39
ACH	PARS-FT	9/9/2021	22,024.50
ACH	PARS-PT	9/9/2021	1,034.96
595	CJPIA Excess Pool	9/10/2021	339.80
Report Total:			<u>453,087.88</u>

Accounts Payable

Checks by Date - Summary by Check Number

User: nwoodard
Printed: 9/15/2021 12:01 PM



Check No	Vendor No	Vendor Name	Check Date	Check Amount
74891	AMERIFID	American Fidelity Assurance	09/02/2021	6,259.96
74892	AMERIFID	American Fidelity Assurance	09/02/2021	6,259.96
74893	BARBOS04	Dolores Barbosa	09/02/2021	810.00
74894	CALIFO01	California Contract Cities	09/02/2021	650.00
74895	CALIFO03	California JPIA	09/02/2021	14,600.00
74896	CASTRO06	Candice Castro	09/02/2021	160.00
74897	ESPINO10	Iris Espino	09/02/2021	894.69
74898	ESPINO10	Iris Espino	09/02/2021	908.51
74899	EQUI01	Richard Esquivel	09/02/2021	75.00
74900	FRAIJO02	John Fraijo	09/02/2021	1,947.00
74901	FRAIJO02	John Fraijo	09/02/2021	649.95
74902	GARCHI2	Rocio Garcia	09/02/2021	75.00
74903	GASCOM	Gas Company, The	09/02/2021	636.02
74904	GATTO01	Rudy Gatto	09/02/2021	77.16
74905	HENSHA01	Ty Henshaw	09/02/2021	186.47
74906	HENSHA01	Ty Henshaw	09/02/2021	374.86
74907	HENSHA01	Ty Henshaw	09/02/2021	866.60
74908	HOYEN	Noelle Hoyer	09/02/2021	540.00
74909	HULL01	Mary Hull	09/02/2021	150.88
74910	LEDEZMA	Erica Ledezma	09/02/2021	960.00
74911	MARIO1	Mariachi Lindas Mexicanas Inc.	09/02/2021	1,500.00
74912	OPTUM01	OptumRx, Inc.	09/02/2021	26,851.88
74913	PASADE05	Pasadena Police Department	09/02/2021	153.00
74914	RODRIG04	Elizabeth Rodriguez	09/02/2021	896.55
74915	SANGAB20	San Gabriel Valley City Managers' Association	09/02/2021	55.00
74916	SANCH01	Jaycon Sanchez	09/02/2021	17.00
74917	SCE02	Southern California Edison	09/02/2021	28,359.75
74918	VALLEY09	Valley View Mutual Water Co.	09/02/2021	72.53
74919	SCFUELS	SC Fuels	09/07/2021	5,989.57
74920	SMART&	Smart & Final	09/07/2021	2,050.09
74921	CALIFO56	California State Disbursement Unit	09/09/2021	604.15
74922	CALIFO57	California State Disbursement Unit	09/09/2021	143.07
74923	FRANC06	Franchise Tax Board	09/09/2021	458.83
74924	LOSANG31	Los Angeles County Sheriff's Dept.	09/09/2021	35.02
74925	AGUILA06	Luz Aguilar	09/09/2021	12.90
74926	ALVARE02	Isabel Alvarez	09/09/2021	75.00
74927	AMERIC34	American Fidelity Assurance Co	09/09/2021	2,498.67
74928	AVILA05	Desiree Avila	09/09/2021	300.00
74929	Ayala01	Leonor Ayala	09/09/2021	354.00
74930	BARBA01	Columba Barba	09/09/2021	1,100.00
74931	CALIFO02	California American Water	09/09/2021	990.96
74932	CHART01	Charter Communications	09/09/2021	366.83
74933	CHICO05	Robert Chico	09/09/2021	75.00
74934	CPS01	CPS HR Consulting	09/09/2021	521.80
74935	FLORE01	Karla Flores	09/09/2021	520.00
74936	FRONT01	Frontier Communications	09/09/2021	282.04
74937	SOUTHE17	Golden State Water Company	09/09/2021	834.57

Check No	Vendor No	Vendor Name	Check Date	Check Amount
74938	CHICO02	Andrea Hernandez	09/09/2021	75.00
74939	HOMED0	Home Depot Credit Services	09/09/2021	795.80
74940	IRWIND14	Irwindale Industrial Clinic	09/09/2021	120.00
74941	LOSANG20	Los Angeles County Fire Dept.	09/09/2021	559.00
74942	NAVARR04	Humberto Navarro Jr.	09/09/2021	150.00
74943	ORELLA01	Blanca Orellano	09/09/2021	75.00
74944	SCE02	Southern California Edison	09/09/2021	21,110.33
74945	TORR01	Edward Torres	09/09/2021	5.00
74946	VALD01	Irma Valdivia	09/09/2021	75.00
74947	VALLEY01	Valley County Water District	09/09/2021	12,598.71
74948	WAGONER	Pamela Wagoner	09/09/2021	400.00
Report Total (58 checks):				148,164.11

Accounts Payable

Checks by Date - Summary by Check Number

User: nwoodard
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Check No	Vendor No	Vendor Name	Check Date	Check Amount
74950	AMBRIZ05	Albert Ambriz	09/13/2021	120.96
74951	BRECED04	Mark A. Breceda	09/13/2021	908.51
74952	BURROL13	Enoch Burrola	09/13/2021	908.51
74953	BURROL08	Larry Burrola	09/13/2021	908.51
74954	CALIFO01	California Contract Cities	09/13/2021	650.00
74955	CHICOR	Richard Chico	09/13/2021	908.51
74956	GARCIA03	Manuel Garcia	09/13/2021	908.51
74957	HARTMA01	Robert Hartman	09/13/2021	563.12
74958	OLIVAR01	Theresa Olivares	09/13/2021	908.51
74959	ORTIZH	H. Manuel Ortiz	09/13/2021	643.99
74960	ORTIZT	Teresa Ortiz	09/13/2021	908.51
74961	ROMANC	Carmen M. Roman	09/13/2021	908.51
74962	SIMPSON01	Marilyn Simpson	09/13/2021	908.51

Report Total (13 checks):

10,154.66

Accounts Payable

Checks by Date - Summary by Check Number

User: nwoodard
Printed: 9/15/2021 12:04 PM



Check No	Vendor No	Vendor Name	Check Date	Check Amount
74964	CALIFA01	Califa Group	09/22/2021	2,950.06
74965	COUNTY04	County of Los Angeles	09/22/2021	20,457.92
74966	DUDEK01	Dudek	09/22/2021	1,207.14
74967	HINDER	Hinderliter, De Llamas & Assoc	09/22/2021	5,000.00
74968	INTER01	Interwest Consulting Group	09/22/2021	11,135.00
74969	ADVANT	Advantage Ford	09/22/2021	612.02
74970	ANIMAL03	Animal Pest Management Service, Inc.	09/22/2021	1,850.00
74971	AREAD	Area "D"	09/22/2021	900.00
74972	ARROWR02	Arrow Restaurant Equipment	09/22/2021	4,790.33
74973	AZBUS01	A-Z Bus Sales	09/22/2021	812.00
74974	AZUSAP01	Azusa Plumbing Supply	09/22/2021	292.02
74975	B&BTIR	B & B Tires Service	09/22/2021	75.00
74976	BAKER01	Baker & Taylor Books	09/22/2021	500.79
74977	BATE01	Bateman Community Living, LLC	09/22/2021	1,518.00
74978	CARQUEST	Carquest	09/22/2021	68.09
74979	CINTAS	Cintas Corporation #693	09/22/2021	256.28
74980	LACOUN02	County of Los Angeles	09/22/2021	1,339.00
74981	DAVIDE	David Evans & Associates Inc	09/22/2021	296.00
74982	DELONG	DeLong Unlimited	09/22/2021	238.14
74983	BALLOO	Carol Diess	09/22/2021	15.00
74984	DUDEK01	Dudek	09/22/2021	7,242.86
74985	FARONI01	Faronics Technologies	09/22/2021	451.50
74986	FCG01	FCG Consultants Inc.	09/22/2021	1,870.50
74987	FEDEX	FedEx	09/22/2021	47.37
74988	FILLG01	Fill Good Landscaping	09/22/2021	375.00
74989	HASA01	Hasa Inc.	09/22/2021	562.13
74990	IRWIND21	Irwindale Hand Wash & Auto Detail	09/22/2021	584.71
74991	JUSTIRE	Just Tires	09/22/2021	406.33
74992	LANDSC	Landscape Warehouse III	09/22/2021	377.99
74993	LAWEO1	Law Enforcement Medical Services, Inc.	09/22/2021	75.00
74994	LEXISN	LexisNexis Risk Solutions	09/22/2021	151.50
74995	MAINT01	Maintex	09/22/2021	87.76
74996	MARIPO	Mariposa Landscapes, Inc.	09/22/2021	10,961.26
74997	MIJACA	Mijac Alarm, Inc.	09/22/2021	666.00
74998	MONROV07	Monrovia Chrysler Dodge Jeep Ram	09/22/2021	2,667.21
74999	OFFICE03	Office Depot	09/22/2021	509.45
75000	PHASEII	PARS	09/22/2021	1,750.00
75001	PROPRINT	Pro Printing, Inc.	09/22/2021	224.91
75002	PACIFI13	Rene David LTD	09/22/2021	162.95
75003	RICOH01	Ricoh USA, Inc	09/22/2021	1,421.28
75004	RIOHON01	Rio Hondo College	09/22/2021	125.00
75005	ROYAL04	Royal Industrial Electric	09/22/2021	739.29
75006	SANGAB25	San Gabriel Valley Police Chief's Associati	09/22/2021	400.00
75007	SCFUELS	SC Fuels	09/22/2021	6,649.51
75008	SHI01	SHI International Corp.	09/22/2021	1,834.56
75009	STERIC01	Stericycle, Inc.	09/22/2021	87.39
75010	SWT01	SWT Engineering, Inc.	09/22/2021	2,367.75

Check No	Vendor No	Vendor Name	Check Date	Check Amount
75011	TRANSP02	Transportation & Energy Solutions, Inc.	09/22/2021	13,077.50
75012	WALT01	Walters Wholesale Electric Co.	09/22/2021	91.15
75013	WESTCO05	West Coast Arborists, Inc.	09/22/2021	35,500.00
Report Total (50 checks):				145,780.65

- ☒ City Council
- ☐ Successor Agency
- ☐ Housing Authority
- ☐ Reclamation Authority
- ☐ Joint Powers Authority

City of
IRWINDALE
AGENDA REPORT

Date: September 22, 2021

To: Honorable Mayor and Members of the City Council

From: William K. Tam, City Manager

Issue: Approve the Out of State Travel to the 57th Annual California Narcotic Officers' Association (CNOA) Training Institute and Law Enforcement Services Expo for Detective Sergeant Rudy Gatto, Detective Corporal Diego Cornejo, Detective Raymond Gonzales, Detective Jorge Rodriguez and Detective Nicholas Lopez.

City Manager's Recommendation:

Adopt **Resolution No. 2021-73-3285** entitled: "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRWINDALE APPROVING THE OUT OF STATE TRAVEL TO THE CNOA INSTITUTE EQUIPMENT AND SERVICES EXPO IN RENO, NEVADA FOR DETECTIVE SERGEANT RUDY GATTO, DETECTIVE CORPORAL DIEGO CORNEJO, DETECTIVE RAYMOND GONZALES, DETECTIVE JORGE RODRIGUEZ AND DETECTIVE NICHOLAS LOPEZ" waiving further reading.

Administrative Action:

Submitted by:

Ty Henshaw, Police Chief
(626) 430-2200

Electronically Approved

Prepared by:

Diego Cornejo, Police Corporal

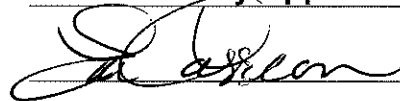
Electronically Approved

Reviewed by:

Adrian R. Guerra, City Attorney

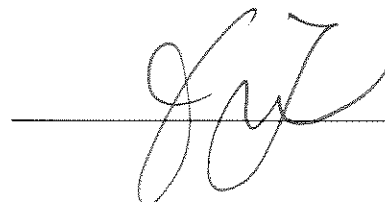
Electronically Approved

Eva Carreon, Finance Director / City Treasurer



Approved by:

William K. Tam, City Manager



Background and Analysis:

In years past, the City Council of the City of Irwindale passed a resolution to limit travel to conferences and training to in-state travel due to budgetary limitations. This agenda item is seeking an exception to the restriction for Police Detective Sergeant Rudy Gatto, Detective Corporal Diego Cornejo, Detective Raymond Gonzales, Detective Jorge Rodriguez and Detective Nicholas Lopez to attend an out-of-state conference, in Reno, Nevada, in November 2021.

Each year the California Narcotic Officers Association (CNOA) holds a conference to discuss law enforcement emerging trends and technology and provide preparation of unexpected law enforcement situations (CNOA Conference). Now, more than ever, police detectives are embroiled in keeping up with organized drug trafficking organizations and finding a safe and viable way to keep their narcotics, weapons and ruthless tactics from the public at large. Drug trafficking organizations are constantly training and using some of the same technology as law enforcement to get their narcotics and weapons on our streets and ensuring their money makes it south of our border. The CNOA Conference provides innovative, comprehensive training and discussions on narcotics among police detectives and federal agents from around the country. It also provides insight from members of drug trafficking organization members that have been apprehended and now want to educate law enforcement on how the drug trafficking organizations operate and the tactics these organizations use.

In the past, investigative operations that the Irwindale Police Department has participated in has generated thousands of dollars in asset forfeiture money. The money seized from various drug trafficking organizations can be used for training and law enforcement operations under federal law.

The training from the CNOA Conference is not only beneficial to personal development for the detectives attending the conference, but more importantly, to the organization and the community the Irwindale Police Department serves. The CNOA conference is a transitory event and the upcoming CNOA Conference is being hosted in Reno, Nevada. The Irwindale Police Department Detective Bureau has attended the CNOA Conference annually and would represent the Irwindale Police Department this year if approved.

Fiscal Impact:

There will be no fiscal impact to the General Fund. Funding for the CNOA Conference will be facilitated by using Federal Asset Forfeiture funds in the amount of \$8,200. The total cost for this conference is for all five detectives and sufficient funds exist in our asset forfeiture account.

Attachment(s): Resolution No. 2021-73-3285

RESOLUTION NO. 2021-73-3285

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRWINDALE APPROVING THE
OUT OF STATE TRAVEL TO THE CNOA INSTITUTE EQUIPMENT AND SERVICES EXPO
IN RENO, NEVADA FOR DETECTIVE SERGEANT RUDY GATTO, DETECTIVE
CORPORAL DIEGO CORNEJO, DETECTIVE RAYMOND GONZALES, DETECTIVE JORGE
RODRIGUEZ AND DETECTIVE NICHOLAS LOPEZ**

WHEREAS, the Irwindale Police Department wishes to enhance the quality of service to the community by attending the California Narcotic Officers Association (CNOA) 57th Annual Training Institute and Law Enforcement Exposition; and

WHEREAS, the CNOA conference will discuss emerging law enforcement tactics, training, trends, and technology, and the latest training and intelligence pertaining to drug trafficking organizations; and

WHEREAS, the CNOA conference provides innovative and comprehensive training for investigative personnel, and facilitates discussions among law enforcement detectives and federal agents from around the world; and

WHEREAS, the Irwindale Police Department's Detective Bureau has attended CNOA conference annually and desires to represent Irwindale Police Department in the upcoming CNOA conference in Reno, Nevada by sending five (5) detectives; and

WHEREAS, the detectives' attendance at the CNOA conference will benefit the police organization and the community the Irwindale Police Department serves.

NOW, THEREFORE, the City Council of the City of Irwindale, California, resolves, determines and orders as follows:

SECTION 1. Authorize the Irwindale Police Department Detective Bureau consisting of Detective Sergeant Rudy Gatto, Detective Corporal Diego Cornejo, Detective Raymond Gonzales, Detective Jorge Rodriguez and Detective Nicholas Lopez to attend the CNOA out-of-state conference in Reno, Nevada in November 2021.

SECTION 2. The funding for the CNOA conference will be facilitated by using Federal Asset Forfeiture funds in the amount of \$8,200 with no impact to the General Fund.

SECTION 3. The Deputy City Clerk shall attest to the adoption of this resolution which shall, in turn, have immediate effect.

PASSED, APPROVED AND ADOPTED this 22nd day of September, 2021.

H. Manuel Ortiz, Mayor

ATTEST:

Laura M. Nieto, MMC
Chief Deputy City Clerk

STATE OF CALIFORNIA }
COUNTY OF LOS ANGELES } ss.
CITY OF IRWINDALE }

I, Laura Nieto, Deputy City Clerk of the City of Irwindale, do hereby certify that the foregoing Resolution No. 2021-73-3285 was duly adopted by the City Council of the City of Irwindale at a regular meeting thereof held on the 22nd day of September, 2021, by the following vote:

AYES: Councilmembers:

NOES: Councilmembers:

ABSTAIN: Councilmembers:

ABSENT: Councilmembers:

Laura M. Nieto, MMC
Chief Deputy City Clerk

☐ City Council
☐ Successor Agency
☐ Housing Authority
☐ Reclamation Authority
☐ Joint Powers Authority

City of
IRWINDALE
AGENDA REPORT

Date: September 22, 2021
To: Honorable Mayor and Members of the City Council
From: William Tam, City Manager
Issue: Acceptance of California Office of Traffic Safety (OTS) Federal Grant Funds in the amount of \$90,000.00 for Traffic Safety Education and Impaired Driving Enforcement.

City Manager's Recommendation:

- 1) Approve and authorize the City Manager to sign the 2021-2022 Selective Traffic Enforcement Program (STEP) Grant Agreement between California Office of Traffic Safety (OTS) and the City of Irwindale.
- 2) Adopt **Resolution No. 2021-75-3287** entitled: **"A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRWINDALE APPROVING THE ACCEPTANCE OF THE CALIFORNIA OFFICE OF TRAFFIC SAFETY FEDERAL GRANT FUNDS IN THE AMOUNT \$90,000.00 FOR THE SELECTIVE TRAFFIC ENFORCEMENT PROGRAM (STEP), AND APPROVING APPROPRIATIONS OF THESE FUNDS IN THE CITY'S FEDERAL GRANT FUND."**

Administrative Action:

Submitted by:

Ty Henshaw, Police Chief
(626) 430-2234

Electronically Approved

Prepared by:

Manny Campos, Police Corporal

Electronically Approved

Reviewed by:

Adrian Guerra, City Attorney

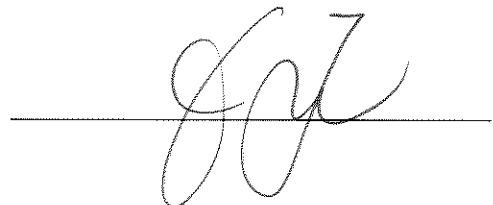
Electronically Approved

Eva Carreon, Finance Director / City Treasurer



Approved by:

William Tam, City Manager



Background and Analysis:

The Irwindale Police Department applied and participated in a competitive grant process offered through the California Office of Traffic Safety (OTS). Last year (2020-2021), the Irwindale Police Department was granted \$32,500 through OTS. The Irwindale Police Department is pleased the OTS Board of Directors approved our grant request in June of 2021 in the amount of \$90,000.

The funding program titled, Selective Traffic Enforcement Program (STEP), will fund officers on an overtime basis to enforce drunk/impaired driving, distracted driving and court sting operations and will provide for educational presentations to our community. The grant also includes training for officers in drug recognition, standardized field sobriety testing and advanced roadside impaired driving enforcement. Included in this year's grant, the OTS Board of Directors also awarded the Irwindale Police Department the purchase of a new police motorcycle to add to our Traffic Bureau Division.

The goal of the Irwindale Police Department is to reduce the amount of injuries and deaths caused by drunk and impaired drivers and to improve the quality of life of those who drive our streets every day.

STEP is scheduled to begin after City Council adoption of the resolution, on October 1, 2021, and will operate until September 30, 2022.

Fiscal Impact:

There will be no fiscal impact to the General Fund, as the grant operations are fully funded through the Federal OTS grant amount of \$90,000.

Approval of this resolution will allow for the appropriations required in the City's Federal Grant Fund (Fund 31) for receiving the grant revenue of \$90,000, and the expenditure appropriations to spend the funds for overtime, training, equipment, and the new police motorcycle.

Attachment: Resolution No. 2021-75-3287

Resolution No. 2021-75-3287

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRWINDALE APPROVING THE ACCEPTANCE OF THE CALIFORNIA OFFICE OF TRAFFIC SAFETY FEDERAL GRANT FUNDS IN THE AMOUNT \$90,000.00 FOR THE SELECTIVE TRAFFIC ENFORCEMENT PROGRAM (STEP), AND APPROVING APPROPRIATIONS OF THESE FUNDS IN THE CITY'S FEDERAL GRANT FUND

WHEREAS, the Irwindale Police Department wishes to enhance the quality of service to the community by seeking grant funds to supplement the Police Department's budget to provide a safe and secure environment.

WHEREAS, the Irwindale Police Department was approved for funding in the amount of \$90,000 through a federal grant entitled "Selective Traffic Enforcement Program (STEP)", by the State of California Office of Traffic Safety ("OTS") for the enforcement of drunk and impaired driving, distracted driving and court sting operations, for educational presentations to our community and for one (1) new police motorcycle to be used for grant purposes ("STEP Grant").

WHEREAS, the Irwindale Police Department will utilize the STEP Grant funding over a period of one year to implement educational and enforcement programs designed to reduce the amount of injuries and deaths caused by drunk and impaired drivers). The STEP Grant will also help Irwindale Police Officers improve the quality of life of those who drive our streets every day.

NOW, THEREFORE, the City Council of the City of Irwindale, California, resolves determines, and orders the follows:

SECTION 1. The City Manager is authorized to accept the STEP Grant and enter into the resultant STEP Grant agreement with OTS ("OTS Grant Agreement").

SECTION 2. The STEP Grant funds shall be appropriated in the proper revenue and expenditure accounts in the City's Federal Grant Fund (Fund 31).

SECTION 3. The FY 2021-2022 STEP Grant funds are to be used for grant management and administration, the implementation of educational and enforcement programs designed to deter drunk and impaired drivers, and purchase of one (1) new police motorcycle to be used for grant purposes as provided in the OTS Grant Agreement.

SECTION 4. Chief Deputy City Clerk shall attest to the adoption of this resolution, which shall, in turn have immediate effect.

PASSE, APPROVED AND ADOPTED this 22nd day of September, 2021.

H. Manuel Ortiz, Mayor

ATTEST:

Laura M. Nieto, MMC
Chief Deputy City Clerk

STATE OF CALIFORNIA }
COUNTY OF LOS ANGELES } ss.
CITY OF IRWINDALE }

I Laura Nieto, Chief Deputy Clerk of the City of Irwindale, do hereby certify that the foregoing Resolution No. 2021-75-3287 was duly adopted by the City Council of the City of Irwindale at a regular meeting thereof held on the 22nd day of September, 2021, by the following vote:

AYES: Councilmembers:

NOES: Councilmembers:

ABSTAIN: Councilmembers;

ABSENT: Councilmembers:

Laura M. Nieto, MMC
Chief Deputy City Clerk

- ☒ City Council
- ☐ Successor Agency
- ☐ Housing Authority
- ☐ Reclamation Authority
- ☐ Joint Powers Authority

City of
IRWINDALE
AGENDA REPORT

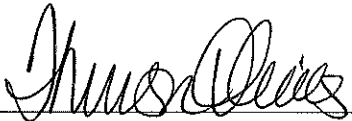
Date: September 22, 2021
 To: Honorable Mayor and Members of the City Council
 From: William K. Tam, City Manager
 Issue: Proposed End-of-Year Closure of City Facilities for 2021

City Manager's Recommendation:

Approve the closure of some City facilities during the period of Monday, December 20, 2021 through and including Sunday, January 2, 2022, and authorize the City Manager to implement said closure.

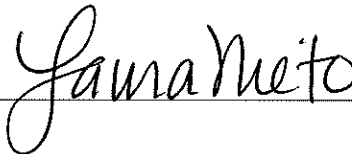
Submitted by:

Theresa Olivares, Assistant City Manager



Prepared by:

Laura Nieto, Chief Deputy City Clerk



Reviewed by:

Adrian R. Guerra, City Attorney

Electronically Approved

Eva Carreon, Finance Director / City Treasurer



Approved by:

William K. Tam, City Manager



Background and Analysis:

For the past thirteen years, the Council has authorized end-of-year closures; the closures have been for a period of one and one-half to two weeks. The closures have proven to be very successful. Employees have reacted positively to the extended time off, and because this time of year is historically very slow, we have not received any complaints from the public as a result of the closure. We are again proposing a two-week end-of-year closure

from Monday, December 20, 2021 through and including Sunday, January 2, 2022. The closure will require affected employees to use their leave accruals or take time off without pay if they do not have sufficient leave accruals. There are several reasons to favorably consider this closure:

- This time of year is historically a very slow time in most departments (both internally and externally) so the impact to public services is minimal;
- If the entire department is out during this slow period there won't be a backlog of work an employee typically faces upon return to work after a vacation;
- This could result in a savings to the City in that employees will take the time off using accrued leave, which reduces the City's leave liability;
- There would be modest reduction in utilities expense, fuel and supplies consumption;
- This would enable employees in one-and two-person department to be off at the same time without impacting service to the public.

It is proposed that all departments would close to the public with the exception of Police (Records and Administrative staff excluded) and Recreation. We are proposing that employees be offered the option to use accrued leave (comp time, floating holiday, vacation, or administrative leave) or take the time off with no pay. The holiday schedule for 2021 will require the use of 76 hours of leave during the proposed closure period from Monday, December 20, 2021 through and including Sunday, January 2, 2022. All departments and impacted bargaining units (IMEA and ICEA) have been consulted regarding this potential closure, as the MOU with these bargaining units provides that the City Manager and City Council may authorize the closure after advance notification to all employees, residents, and other stakeholders. The City Manager may authorize, on a case-by-case basis, an employee to work during the closure to meet critical work deadlines or demands.

As in previous years, future decisions to close will be made on a year-to-year basis after consideration on impact to operations and the public, meeting with departments and bargaining units, and at the discretion of the City Manager.

Fiscal Impact:

No additional cost to the City; instead would most likely result in savings as mentioned above relating to utilities, fuel, accrued leave reduction and other operating expenses.

- ☒ City Council
- ☐ Successor Agency
- ☐ Housing Authority
- ☐ Reclamation Authority
- ☐ Joint Powers Authority

City of
IRWINDALE
AGENDA REPORT

Date: September 22, 2021

To: Honorable Mayor and Members of the City Council

From: William Tam, City Manager

Issue: Adopt Resolution No. 2021-76-3288 Appointing a Voting Delegate for 2021 League of California Cities Annual Conference – Annual Business Meeting; Oppose the Online Sales Tax Equity Resolution proposed by Cal Cities; and Support the Securing Railroad Property Maintenance Resolution proposed by Cal Cities

City Manager's Recommendation:

1. **Adopt Resolution No. 2021-76-3288**, appointing a voting delegate to represent the City of Irwindale at the Annual Business Meeting to be held at the 2021 League of California Cities Annual Conference in Sacramento, California.
2. Oppose the proposed League of California Cities Resolution regarding Online Sales Tax Equity Resolution and direct the voting delegate to vote in opposition to the resolution.
3. Support the proposed League of California Cities Resolution regarding Securing Railroad Property Maintenance and direct the voting delegate to vote in support of the resolution.

Administrative Action:

Submitted by:

Theresa Olivares, Assistant City Manager
(626) 430-2294

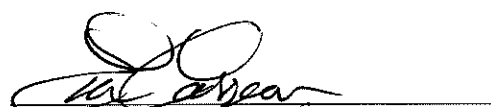


Reviewed by:

Adrian Guerra, City Attorney

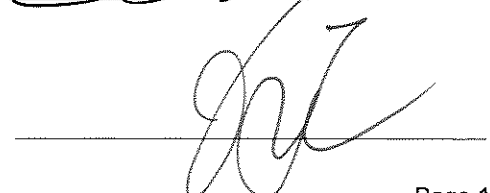
Electronically Approved

Eva Carreon, Finance Director / City Treasurer



Approved by:

William Tam, City Manager



Background and Analysis:

The 2021 League of California Cities (Cal Cities) Annual Conference is scheduled for September 22 - 24, 2021 in Sacramento, California. As part of the annual conference, the League will be holding the Annual Business Meeting at 12:30 p.m. on Friday, September 24, 2021 at the SAFE Credit Union Convention Center.

At this meeting, the League membership considers and takes action on resolutions that establish League policy. In order for the City of Irwindale to vote at the meeting, it is necessary for the City Council to designate a voting delegate. Although Irwindale City Council members are unable to attend this conference, staff has been informed by Cal Cities that the City Council may delegate city staff as a delegate. Ms. Iris Espino, Assistant to the City Manager, is scheduled to attend the conference and it would be appropriate for the City Council to appoint Ms. Espino as the City's voting delegate.

Two resolutions have been submitted to Cal Cities 1) Online Sales Tax Equity, and 2) Securing Railroad Property Maintenance. Staff opposes the proposed online sales tax equity resolution, as this resolution requests the Legislature to develop a "fair and equitable reallocation plan" for sales tax revenue. Preferably, Cal Cities should work with its membership to retain local control and develop a comprehensive solution to this issue as opposed to requesting the state to intercede with a solution. Staff supports the proposed securing railroad property maintenance resolution, which urges the State and federal government to increase maintenance oversight on freight rail lines.

It is therefore recommended that the City Council adopt Resolution No. 2021-76-3288, appointing Ms. Iris Espino as the City's voting delegate for the 2021 League of California Cities Annual Conference and (1) Oppose the proposed League of California Cities Resolution regarding Online Sales Tax Equity Resolution and direct the voting delegate to vote in opposition to the resolution, and (2) Support the proposed League of California Cities Resolution regarding Securing Railroad Property Maintenance and direct the voting delegate to vote in support of the resolution.

Fiscal Impact:

None

Attachments:

- "A" Resolution No. 2021-76-3288
- "B" League of California Cities correspondence
- "C" Voting Delegate / Alternate Form
- "D" Annual Conference Voting Procedures
- "E" 2021 Annual Conference Resolutions

Attachment “A”

RESOLUTION NO. 2021-76-3288

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRWINDALE
APPOINTING A VOTING DELEGATE FOR THE 2021 LEAGUE OF
CALIFORNIA CITIES ANNUAL CONFERENCE**

WHEREAS, the City of Irwindale is a full voting member of the League of California Cities (League); and

WHEREAS, the League takes positions on matters affecting cities throughout the state, including but not restricted to sponsoring legislation, taking joint positions on pending legislation, and placing voters' initiatives on the ballot; and

WHEREAS, the Board of Directors of the League of California Cities has placed matters for the cities' collective consideration on the agenda for the business meeting at the League's annual conference which is taking place in Sacramento, California on September 22 - 24, 2021; and

WHEREAS, the League requires each city seeking to vote on those matters to authorize by resolution its Mayor, other elected officials, or city staff to formally represent the city, participate in the business meeting and vote on behalf of the city.

WHEREAS, the City Council desires to appoint Ms. Iris Espino, Assistant to the City Manager as the City of Irwindale's voting delegate for the 2021 League of California Cities Annual Conference.

NOW, THEREFORE, the City Council of the City of Irwindale, California, does hereby resolve, determine, and order as follows:

SECTION 1. The City Council determines that each of the findings set forth above is true and correct and incorporated herein by this reference.

SECTION 2. The City Council of the City of Irwindale hereby appoints Iris Espino, Assistant to the City Manager, as the City's voting delegate for the 2021 League of California Cities Annual Conference.

SECTION 3. The Chief Deputy City Clerk is directed to forward a certified copy of this Resolution to the League, attached to the 2021 League of California Cities Annual Conference Voting Delegate/Alternate Form as required.

SECTION 4. The Chief Deputy City Clerk shall certify the adoption of this Resolution which shall take effect immediately following its adoption.

PASSED, APPROVED AND ADOPTED this 22th of September, 2021.

H. Manuel Ortiz, Mayor

ATTEST:

Laura M. Nieto, MMC
Chief Deputy City Clerk

STATE OF CALIFORNIA }
COUNTY OF LOS ANGELES } ss.
CITY OF IRWINDALE }

I, Laura M. Nieto, Chief Deputy City Clerk of the City of Irwindale, do hereby certify that the foregoing Resolution No. 2021-76-3288 was duly adopted by the City Council of the City of Irwindale at a regular meeting thereof held on the 22nd day of September 2021, by the following vote:

AYES: Councilmembers:

NOES: Councilmembers:

ABSTAIN: Councilmembers:

ABSENT: Councilmembers:

Laura M. Nieto, MMC
Chief Deputy City Clerk

Attachment “B”



Council Action Advised by August 31, 2021

June 16, 2021

TO: City Managers and City Clerks

**RE: DESIGNATION OF VOTING DELEGATES AND ALTERNATES
League of California Cities Annual Conference & Expo – September 22-24, 2021**

Cal Cities 2021 Annual Conference & Expo is scheduled for September 22-24, 2021 in Sacramento. An important part of the Annual Conference is the Annual Business Meeting (during General Assembly) on Friday, September 24. At this meeting, Cal Cities membership considers and acts on resolutions that establish Cal Cities policy.

In order to vote at the Annual Business Meeting, your city council must designate a voting delegate. Your city may also appoint up to two alternate voting delegates, one of whom may vote if the designated voting delegate is unable to serve in that capacity.

Please complete the attached Voting Delegate form and return it to Cal Cities office no later than Wednesday, September 15. This will allow us time to establish voting delegate/alternate records prior to the conference.

Please note: Our number one priority will continue to be the health and safety of participants. We are working closely with the Sacramento Convention Center to ensure that important protocols and cleaning procedures continue, and if necessary, are strengthened. Attendees can anticipate updates as the conference approaches.

- **Action by Council Required.** Consistent with Cal Cities bylaws, a city's voting delegate and up to two alternates must be designated by the city council. When completing the attached Voting Delegate form, please attach either a copy of the council resolution that reflects the council action taken, or have your city clerk or mayor sign the form affirming that the names provided are those selected by the city council. Please note that designating the voting delegate and alternates **must** be done by city council action and cannot be accomplished by individual action of the mayor or city manager alone.
- **Conference Registration Required.** The voting delegate and alternates must be registered to attend the conference. They need not register for the entire conference; they may register for Friday only. Conference registration will open mid-June at www.cacities.org. In order to cast a vote, at least one voter must be present at the Business Meeting and in possession of the voting delegate card. Voting delegates and alternates need to pick up their conference badges before signing in and picking up the voting delegate card at the Voting Delegate Desk. This will enable them to receive the special sticker on their name badges that will admit them into the voting area during the Business Meeting.
- **Transferring Voting Card to Non-Designated Individuals Not Allowed.** The voting delegate card may be transferred freely between the voting delegate and alternates, but

only between the voting delegate and alternates. If the voting delegate and alternates find themselves unable to attend the Business Meeting, they may *not* transfer the voting card to another city official.

- **Seating Protocol during General Assembly.** At the Business Meeting, individuals with the voting card will sit in a separate area. Admission to this area will be limited to those individuals with a special sticker on their name badge identifying them as a voting delegate or alternate. If the voting delegate and alternates wish to sit together, they must sign in at the Voting Delegate Desk and obtain the special sticker on their badges.

The Voting Delegate Desk, located in the conference registration area of the Sacramento Convention Center, will be open at the following times: Wednesday, September 22, 8:00 a.m. – 6:00 p.m.; Thursday, September 23, 7:00 a.m. – 4:00 p.m.; and Friday, September 24, 7:30 a.m.– 11:30 a.m. The Voting Delegate Desk will also be open at the Business Meeting on Friday, but will be closed during roll calls and voting.

The voting procedures that will be used at the conference are attached to this memo. Please share these procedures and this memo with your council and especially with the individuals that your council designates as your city's voting delegate and alternates.

Once again, thank you for completing the voting delegate and alternate form and returning it to the League's office by Wednesday, September 15. If you have questions, please call Darla Yacub at (916) 658-8254.

Attachments:

- Annual Conference Voting Procedures
- Voting Delegate/Alternate Form

Attachment “C”



CITY: _____

**2021 ANNUAL CONFERENCE
VOTING DELEGATE/ALTERNATE FORM**

Please complete this form and return it to Cal Cities office by Wednesday, September 15, 2021. Forms not sent by this deadline may be submitted to the Voting Delegate Desk located in the Annual Conference Registration Area. Your city council may designate one voting delegate and up to two alternates.

To vote at the Annual Business Meeting (General Assembly), voting delegates and alternates must be designated by your city council. Please attach the council resolution as proof of designation. As an alternative, the Mayor or City Clerk may sign this form, affirming that the designation reflects the action taken by the council.

Please note: Voting delegates and alternates will be seated in a separate area at the Annual Business Meeting. Admission to this designated area will be limited to individuals (voting delegates and alternates) who are identified with a special sticker on their conference badge. This sticker can be obtained only at the Voting Delegate Desk.

1. VOTING DELEGATE

Name: _____

Title: _____

2. VOTING DELEGATE - ALTERNATE

Name: _____

Title: _____

3. VOTING DELEGATE - ALTERNATE

Name: _____

Title: _____

PLEASE ATTACH COUNCIL RESOLUTION DESIGNATING VOTING DELEGATE AND ALTERNATES OR

ATTEST: I affirm that the information provided reflects action by the city council to designate the voting delegate and alternate(s).

Name: _____ Email: _____

Mayor or City Clerk _____ Date _____ Phone _____
(circle one) (signature)

Please complete and return by Wednesday, September 15, 2021 to:

Darla Yacub, Assistant to the Administrative Services Director

E-mail: dyacub@cacities.org

Phone: (916) 658-8254

Attachment “D”



Annual Conference Voting Procedures

1. **One City One Vote.** Each member city has a right to cast one vote on matters pertaining to Cal Cities policy.
2. **Designating a City Voting Representative.** Prior to the Annual Conference, each city council may designate a voting delegate and up to two alternates; these individuals are identified on the Voting Delegate Form provided to the Cal Cities Credentials Committee.
3. **Registering with the Credentials Committee.** The voting delegate, or alternates, may pick up the city's voting card at the Voting Delegate Desk in the conference registration area. Voting delegates and alternates must sign in at the Voting Delegate Desk. Here they will receive a special sticker on their name badge and thus be admitted to the voting area at the Business Meeting.
4. **Signing Initiated Resolution Petitions.** Only those individuals who are voting delegates (or alternates), and who have picked up their city's voting card by providing a signature to the Credentials Committee at the Voting Delegate Desk, may sign petitions to initiate a resolution.
5. **Voting.** To cast the city's vote, a city official must have in their possession the city's voting card and be registered with the Credentials Committee. The voting card may be transferred freely between the voting delegate and alternates, but may not be transferred to another city official who is neither a voting delegate or alternate.
6. **Voting Area at Business Meeting.** At the Business Meeting, individuals with a voting card will sit in a designated area. Admission will be limited to those individuals with a special sticker on their name badge identifying them as a voting delegate or alternate.
7. **Resolving Disputes.** In case of dispute, the Credentials Committee will determine the validity of signatures on petitioned resolutions and the right of a city official to vote at the Business Meeting.

Attachment “E”



Annual Conference Resolutions Packet

2021 Annual Conference Resolutions



September 22 - 24, 2021

INFORMATION AND PROCEDURES

RESOLUTIONS CONTAINED IN THIS PACKET: The League of California Cities (Cal Cities) bylaws provide that resolutions shall be referred by the president to an appropriate policy committee for review and recommendation. Resolutions with committee recommendations shall then be considered by the General Resolutions Committee at the Annual Conference.

This year, two resolutions have been introduced for consideration at the Annual Conference and referred to Cal Cities policy committees.

POLICY COMMITTEES: Three policy committees will meet virtually one week prior to the Annual Conference to consider and take action on the resolutions. The sponsors of the resolutions have been notified of the time and location of the meetings.

GENERAL RESOLUTIONS COMMITTEE: This committee will meet at 1:00 p.m. on Thursday, September 23, to consider the reports of the policy committees regarding the resolutions. This committee includes one representative from each of Cal Cities regional divisions, functional departments, and standing policy committees, as well as other individuals appointed by the Cal Cities president. Please check in at the registration desk for room location.

CLOSING LUNCHEON AND GENERAL ASSEMBLY: This meeting will be held at 12:30 p.m. on Friday, September 24, at the SAFE Credit Union Convention Center.

PETITIONED RESOLUTIONS: For those issues that develop after the normal 60-day deadline, a petition resolution may be introduced at the Annual Conference with a petition signed by designated voting delegates of 10 percent of all member cities (48 valid signatures required) and presented to the Voting Delegates Desk at least 24 hours prior to the time set for convening the Closing Luncheon & General Assembly. This year, that deadline is 12:30 p.m., Thursday, September 23. Resolutions can be viewed on Cal Cities Web site: www.cacities.org/resolutions.

Any questions concerning the resolutions procedures may be directed to Meg Desmond mdesmond@calcities.org.

GUIDELINES FOR ANNUAL CONFERENCE RESOLUTIONS

Policy development is a vital and ongoing process within Cal Cities. The principal means for deciding policy on the important issues facing cities is through Cal Cities seven standing policy committees and the board of directors. The process allows for timely consideration of issues in a changing environment and assures city officials the opportunity to both initiate and influence policy decisions.

Annual conference resolutions constitute an additional way to develop Cal Cities policy. Resolutions should adhere to the following criteria.

Guidelines for Annual Conference Resolutions

1. Only issues that have a direct bearing on municipal affairs should be considered or adopted at the Annual Conference.
2. The issue is not of a purely local or regional concern.
3. The recommended policy should not simply restate existing Cal Cities policy.
4. The resolution should be directed at achieving one of the following objectives:
 - (a) Focus public or media attention on an issue of major importance to cities.
 - (b) Establish a new direction for Cal Cities policy by establishing general principals around which more detailed policies may be developed by policy committees and the board of directors.
 - (c) Consider important issues not adequately addressed by the policy committees and board of directors.

KEY TO ACTIONS TAKEN ON RESOLUTIONS

Resolutions have been grouped by policy committees to which they have been assigned.

Number	Key Word Index	Reviewing Body Action		
		1	2	3
		1 - Policy Committee Recommendation to General Resolutions Committee		
		2 - General Resolutions Committee		
		3 - General Assembly		

HOUSING, COMMUNITY & ECONOMIC DEVELOPMENT POLICY COMMITTEE

		1	2	3
2	Securing Railroad Property Maintenance			

REVENUE & TAXATION POLICY COMMITTEE

		1	2	3
1	Online Sales Tax Equity			

TRANSPORTATION, COMMUNICATION & PUBLIC WORKS POLICY COMMITTEE

		1	2	3
2	Securing Railroad Property Maintenance			

KEY TO ACTIONS TAKEN ON RESOLUTIONS (Continued)

Resolutions have been grouped by policy committees to which they have been assigned.

KEY TO REVIEWING BODIES

1. Policy Committee
2. General Resolutions Committee
3. General Assembly

KEY TO ACTIONS TAKEN

A	Approve
D	Disapprove
N	No Action
R	Refer to appropriate policy committee for study
a	Amend+
Aa	Approve as amended+
Aaa	Approve with additional amendment(s)+
Ra	Refer as amended to appropriate policy committee for study+
Raa	Additional amendments and refer+
Da	Amend (for clarity or brevity) and Disapprove+
Na	Amend (for clarity or brevity) and take No Action+
W	Withdrawn by Sponsor

ACTION FOOTNOTES

* Subject matter covered in another resolution

** Existing League policy

*** Local authority presently exists

Procedural Note:

The League of California Cities resolution process at the Annual Conference is guided by the Cal Cities Bylaws.

- 1. RESOLUTION OF THE LEAGUE OF CALIFORNIA CITIES ("CAL CITIES") CALLING ON THE STATE LEGISLATURE TO PASS LEGISLATION THAT PROVIDES FOR A FAIR AND EQUITABLE DISTRIBUTION OF THE BRADLEY BURNS 1% LOCAL SALES TAX FROM IN-STATE ONLINE PURCHASES, BASED ON DATA WHERE PRODUCTS ARE SHIPPED TO, AND THAT RIGHTFULLY TAKES INTO CONSIDERATION THE IMPACTS THAT FULFILLMENT CENTERS HAVE ON HOST CITIES BUT ALSO PROVIDES A FAIR SHARE TO CALIFORNIA CITIES THAT DO NOT AND/OR CANNOT HAVE A FULFILLMENT CENTER WITHIN THEIR JURISDICTION**

Source: City of Rancho Cucamonga

Concurrence of five or more cities/city officials:

Cities: Town of Apple Valley; City of El Cerrito; City of La Canada Flintridge; City of La Verne; City of Lakewood; City of Moorpark; City of Placentia; City of Sacramento

Referred to: Revenue and Taxation Policy Committee

WHEREAS, the 2018 U.S. Supreme Court decision in *Wayfair v. South Dakota* clarified that states could charge and collect tax on purchases even if the seller does not have a physical presence in the state; and

WHEREAS, California cities and counties collect 1% in Bradley Burns sales and use tax from the purchase of tangible personal property and rely on this revenue to provide critical public services such as police and fire protection; and

WHEREAS, in terms of "siting" the place of sale and determining which jurisdiction receives the 1% Bradley Burns local taxes for online sales, the California Department of Tax and Fee Administration (CDTFA) determines "out-of-state" online retailers as those with no presence in California that ship property from outside the state and are therefore subject to use tax, not sales tax, which is collected in a countywide pool of the jurisdiction where the property is shipped from; and

WHEREAS, for online retailers that have a presence in California and have a stock of goods in the state from which it fulfills orders, CDTFA considers the place of sale ("situs") as the location from which the goods were shipped such as a fulfillment center; and

WHEREAS, in early 2021, one of the state's largest online retailers shifted its ownership structure so that it is now considered both an in-state and out-of-state retailer, resulting in the sales tax this retailer generates from in-state sales now being entirely allocated to the specific city where the warehouse fulfillment center is located as opposed to going into a countywide pool that is shared with all jurisdictions in that County, as was done previously; and

WHEREAS, this all-or-nothing change for the allocation of in-state sales tax has created winners and losers amongst cities as the online sales tax revenue from the retailer that was once spread amongst all cities in countywide pools is now concentrated in select cities that host a fulfillment center; and

WHEREAS, this has created a tremendous inequity amongst cities, in particular for cities that are built out, do not have space for siting a 1 million square foot fulfillment center, are not located along a major travel corridor, or otherwise not ideally suited to host a fulfillment center; and

WHEREAS, this inequity affects cities statewide, but in particular those with specific circumstances such as no/low property tax cities that are extremely reliant on sales tax revenue as well as cities struggling to meet their RHNA obligations that are being compelled by the State to rezone precious commercial parcels to residential; and

WHEREAS, the inequity produced by allocating in-state online sales tax revenue exclusively to cities with fulfillment centers is exasperated even more by, in addition to already reducing the amount of revenue going into the countywide pools, the cities with fulfillment centers are also receiving a larger share of the dwindling countywide pool as it is allocated based on cities' proportional share of sales tax collected; and

WHEREAS, while it is important to acknowledge that those cities that have fulfillment centers experience impacts from these activities and deserve equitable supplementary compensation, it should also be recognized that the neighboring cities whose residents are ordering product from that center now receive no revenue from the center's sales activity despite also experiencing the impacts created by the center, such as increased traffic and air pollution; and

WHEREAS, the COVID-19 pandemic greatly accelerated the public's shift towards online purchases, a trend that is unlikely to be reversed to pre-pandemic levels; and

NOW, THEREFORE, BE IT RESOLVED that Cal Cities calls on the State Legislature to pass legislation that provides for a fair and equitable distribution of the Bradley Burns 1% local sales tax from in-state online purchases, based on data where products are shipped to, and that rightfully takes into consideration the impacts that fulfillment centers have on host cities but also provides a fair share to California cities that do not and/or cannot have a fulfillment center within their jurisdiction.

Background Information to Resolution

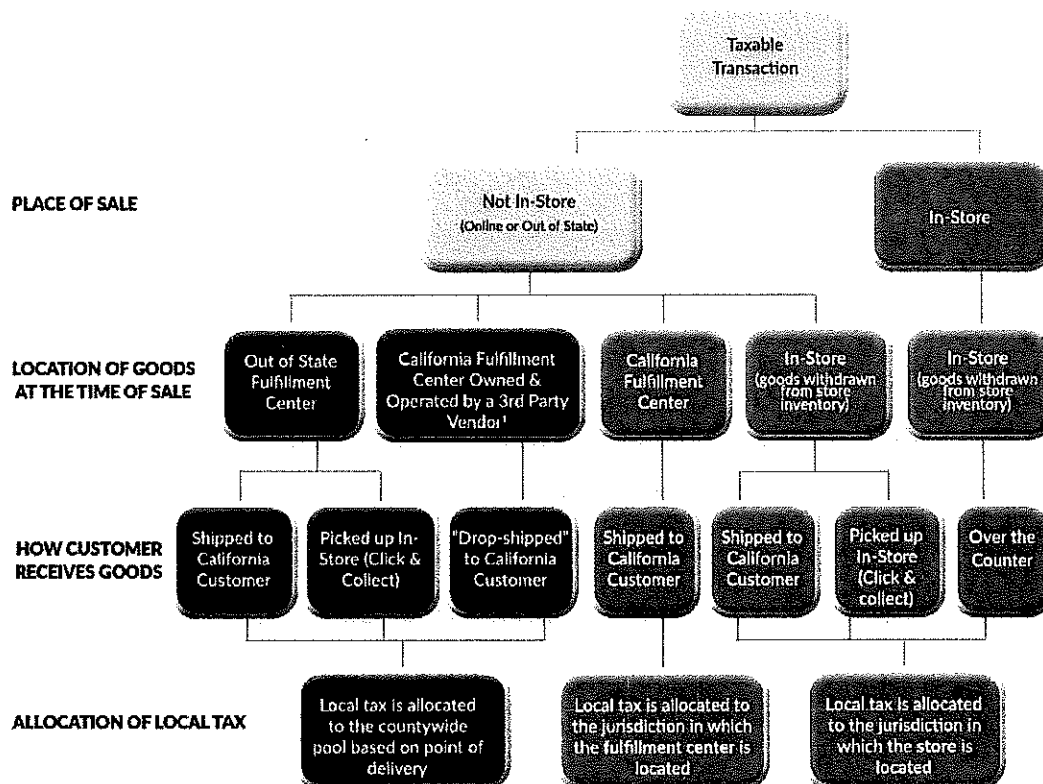
Source: City of Rancho Cucamonga

Background:

Sales tax is a major revenue source for most California cities. Commonly known as the local 1% Bradley-Burns tax, since the 1950's, cities have traditionally received 1 cent on every dollar of a sale made at the store, restaurant, car dealer, or other location within a jurisdiction's boundaries.

Over the years, however, this simple tax structure has evolved into a much more complex set of laws and allocation rules. Many of these rules relate to whether or not a given transaction is subject to sales tax, or to use tax – both have the same 1% value, but each applies in separate circumstances. The California Department of Tax and Fee Administration (CDTFA) is responsible for administering this system and issuing rules regarding how it is applied in our state.

The following chart created by HdL Companies, the leading provider of California sales tax consulting, illustrates the complex structure of how sales and use tax allocation is done in California, depending on where the transaction starts, where the goods are located, and how the customer receives the goods:



¹ In this scenario the retailer does not own a stock of goods in California and sales orders are negotiated/processed out of state. An out of state company is not required to hold a seller's permit for an in-state third party warehouse if they do not own a stock of goods at the time of sale.

With the exponential growth of online sales and the corresponding lack of growth, and even decline, of shopping at brick and mortar locations, cities are seeing much of their sales tax

growth coming from the countywide sales tax pools, since much of the sales tax is now funneled to the pools.

Recently, one of the world's largest online retailers changed the legal ownership of its fulfillment centers. Instead of having its fulfillment centers owned and operated by a third-party vendor, they are now directly owned by the company. This subtle change has major impacts to how the 1% local tax is allocated. Following the chart above, previously much of the sales tax would have followed the green boxes on the chart and been allocated to the countywide pool based on point of delivery. Now, much of the tax is following the blue path through the chart and is allocated to the jurisdiction in which the fulfillment center is located. (It should be noted that some of the tax is still flowing to the pools, in those situations where the fulfillment center is shipping goods for another seller that is out of state.)

This change has created a situation where most cities in California – more than 90%, in fact – are experiencing a sales tax revenue loss that began in the fourth quarter of calendar year 2021. Many cities may not be aware of this impact, as the fluctuations in sales tax following the pandemic shutdowns have masked the issue. But this change will have long-term impacts on revenues for all California cities as all these revenues benefiting all cities have shifted to just a handful of cities and counties that are home to this retailer's fulfillment centers.

This has brought to light again the need to address the issues in how sales and use taxes are distributed in the 21st century. Many, if not most cities will never have the opportunity have a warehouse fulfillment center due to lack of space or not being situated along a major travel corridor. These policies especially favor retailers who may leverage current policy in order to negotiate favorable sales tax sharing agreements, providing more money back to the retailer at the expense of funding critical public services.

With that stated, it is important to note the many impacts to the jurisdictions home to the fulfillment centers. These centers do support the ecommerce most of us as individuals have come to rely on, including heavy wear and tear on streets – one truck is equal to about 8,000 cars when it comes to impact on pavement – and increased air pollution due to the truck traffic and idling diesel engines dropping off large loads. However, it is equally important that State policies acknowledge that entities without fulfillment centers also experience impacts from ecommerce and increased deliveries. Cities whose residents are ordering products that are delivered to their doorstep also experience impacts from traffic, air quality and compromised safety, as well as the negative impact on brick-and-mortar businesses struggling to compete with the sharp increase in online shopping. These cities are rightfully entitled to compensation in an equitable share of sales and use tax. We do not believe that online sales tax distribution between fulfillment center cities and other cities should be an all or nothing endeavor, and not necessarily a fifty-fifty split, either. But we need to find an equitable split that balances the impacts to each jurisdiction involved in the distribution of products purchased online.

Over the years, Cal Cities has had numerous discussions about the issues surrounding sales tax in the modern era, and how state law and policy should be revisited to address these issues. It is a heavy lift, as all of our cities are impacted a bit differently, making consensus difficult. We believe that by once again starting the conversation and moving toward the development of laws and policies that can result in seeing all cities benefit from the growth taxes generated through online sales, our state will be stronger.

It is for these reasons, that we should all aspire to develop an equitable sales tax distribution for online sales.

LETTERS OF CONCURRENCE
Resolution No. 1

July 19, 2021

Cheryl Viegas Walker, President
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

Dear President Walker:

The Town of Apple Valley strongly supports the City of Rancho Cucamonga's effort to submit a resolution for consideration by the General Assembly at Cal Cities 2021 Annual Conference in Sacramento.

Current policies by the California Department of Tax and Fees (CDTFA) require that the one percent Bradley Burns local tax revenue from in-state online retailers be allocated to the jurisdiction from which the package was shipped from, as opposed to going into a countywide pool as is the practice with out-of-state online retailers. Earlier this year, one of the largest online retailers shifted its ownership structure and now operates as an in-state online retailer as well as out-of-state online retailer. Whereas, all sales tax revenue generated by this retailer's sales previously went into a countywide pool and was distributed amongst the jurisdictions in the pool. Now the revenue from in-state sales goes entirely to the city where the fulfillment center is located, and the packages shipped from. Cities that do not have a fulfillment center now receive no revenue from this retailer's online in-state sales transactions, even when the packages are delivered to locations within the cities' borders and paid for by residents in those locations. Cities that border jurisdictions with fulfillment centers also experience its impacts such as increased truck traffic, air pollution and declining road conditions.

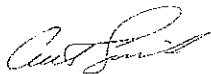
This all-or-nothing practice has created clear winners and losers amongst cities as the online sales tax revenue from large online retailers that was once spread amongst all cities in countywide pools is now concentrated in select cities fortunate enough to host a fulfillment center. This has created a growing inequity amongst California cities, which only benefits some and is particularly unfair to cities who have no chance of ever obtaining a fulfillment center, such as those that are built out or are not situated along major travel corridors. No/low property tax cities that rely on sales tax revenue are especially impacted as well as cities struggling to meet their RHNA allocations that are being pressured by Sacramento to rezone precious commercial parcels to residential.

The current online sales tax distribution policies are inherently unfair and exasperate the divide between the winners and losers. Ultimately, the real winners may be the retailers, who leverage these policies to negotiate favorable sales tax sharing agreements from a small group of select cities understandably wanting to host fulfillment centers. The current online sales tax distribution policies unfairly divide local agencies, exacerbate already difficult municipal finances, and in the end result in a net loss of local government sales tax proceeds that simply serve to make private sector businesses even more profitable at the expense of everyone's residents.

We can do better than this. And we should all aspire to develop an equitable sales tax distribution of online sales that addresses the concerns noted above.

For these reasons, the Town of Apple Valley concurs that the resolution should go before the General Assembly. If you have any questions regarding the Town's position in this matter, please do not hesitate to contact the Town Manager at 760-240-7000 x 7051.

Sincerely,

A handwritten signature in black ink, appearing to read "Curt Emick", with a stylized flourish at the end.

Curt Emick
Mayor

July 21, 2021

Cheryl Viegas Walker, President
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

RE: Letter of Support for the City of Rancho Cucamonga's Resolution for Fair and Equitable Distribution of the Bradley Burns 1% Local Sales Tax

Dear President Walker:

The City of El Cerrito supports the City of Rancho Cucamonga's effort to submit a resolution for consideration by the General Assembly at the Cal Cities 2021 Annual Conference in Sacramento.

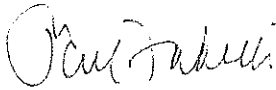
Current policies by the California Department of Tax and Fees (CDTFA) require that the 1 percent Bradley Burns local tax revenue from in-state online retailers be allocated to the jurisdiction from which the package was shipped from, as opposed to going into a countywide pool as is the practice with out-of-state online retailers. Earlier this year, one of the largest online retailers shifted its ownership structure and now operates as an in-state online retailer as well as out-of-state online retailer. Previously, all sales tax revenue generated by this retailer's sales went into a countywide pool and was distributed amongst the jurisdictions in the pool; now the revenue from in-state sales goes entirely to the city where the fulfillment center is located and the packages are shipped from. Cities that do not have a fulfillment center now receive no revenue from this retailer's online in-state sales transactions, even when the packages are delivered to locations within the cities' borders and paid for by residents in those locations. Cities that border jurisdictions with fulfillment centers also experience its impacts such as increased truck traffic, air pollution, and declining road conditions.

This all-or-nothing practice has created clear winners and losers amongst cities as the online sales tax revenue from large online retailers that was once spread amongst all cities in countywide pools is now concentrated in select cities fortunate enough to host a fulfillment center. This has created a growing inequity amongst California cities, which only benefits some and is particularly unfair to cities such as El Cerrito who have no chance of ever obtaining a fulfillment center as we are a built out, four square mile, small city. Additionally, cities not situated along major travel corridors and no/low property tax cities that rely on sales tax revenue are especially impacted, as well as cities struggling to build much needed affordable housing that may require rezoning commercial parcels in order to meet their RHNA allocations.

The current online sales tax distribution policies are inherently unfair and exasperate the divide between the winners and losers. Ultimately, the real winners may be the retailers, who leverage these policies to negotiate favorable sales tax sharing agreements from a small group of select cities understandably wanting to host fulfillment centers. The current online sales tax distribution policies serve to divide local agencies, exacerbate already difficult municipal finances, and in the end results in a net loss of local government sales tax proceeds that simply serve to make private sector businesses even more profitable at the expense of everyone's residents. We can do better, and we should all aspire to develop an equitable sales tax distribution of online sales that addresses the concerns noted above.

For these reasons, the City of El Cerrito concurs that the resolution should go before the General Assembly.

Sincerely,

A handwritten signature in dark ink, appearing to read "Paul Fadelli". The signature is fluid and cursive, with the first name "Paul" being more prominent than the last name "Fadelli".

Paul Fadelli, Mayor
City of El Cerrito

cc: El Cerrito City Council
City of Rancho Cucamonga

City Council
Terry Walker, Mayor
Keith Eich, Mayor Pro Tem
Jonathan C. Curtis
Michael T. Davitt
Richard B. Gunter III



July 14, 2021

Ms. Cheryl Viegas Walker, President
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

Dear President Walker:

The City of La Cañada Flintridge strongly supports the City of Rancho Cucamonga's effort to introduce a resolution for consideration by the General Assembly at CalCITIES' 2021 Annual Conference in Sacramento.

Current policies by the California Department of Tax and Fees (CDTFA) require that the 1% Bradley Burns local tax revenue (sales tax) from in-state online retailers be allocated to the jurisdiction from which the package was shipped, as opposed to going into a countywide pool, as is the practice with out-of-state online retailers. Earlier this year, one of the largest online retailers shifted its ownership structure and now operates as an in-state online retailer as well as an out-of-state online retailer. Whereas all sales tax revenue generated by this retailer's sales previously went into a countywide pool and was distributed amongst the jurisdictions in the pool, now the revenue from in-state sales goes entirely to the jurisdiction where the fulfillment center is located and the packages shipped from. Cities that do not have a fulfillment center now receive no revenue from this retailer's online in-state transactions even though their packages are delivered to locations within those cities' borders and paid for by residents in those locations. Cities that abut jurisdictions with fulfillment centers experience fulfillment centers' impacts just as much, such as increased truck traffic, air pollution and declining road conditions.

This all-or-nothing practice has created clear winners and losers amongst cities as the online sales tax revenue from large online retailers, that was once spread amongst all cities in countywide pools, is now concentrated in select cities fortunate enough to host a fulfillment center. This benefits only those few hosting jurisdictions and is particularly unfair to cities who have no chance of ever hosting a fulfillment center, such as those that are built out or are not situated along major travel corridors. No/low property tax cities that rely heavily on sales tax revenue are especially impacted as well as cities struggling to meet their RHNA allocations that are being pressured by Sacramento to rezone precious commercial parcels to residential.

The current online sales tax distribution policies are inherently unfair and exasperate the divide between the winners and losers. Ultimately, the real winners may be the retailers who leverage these policies to negotiate favorable sales tax sharing agreements from a small group of select cities understandably eager to host fulfillment centers. The current online sales tax distribution policies unfairly divide local agencies, exacerbate already difficult municipal finances and, in the end, result in a net loss of local government sales tax proceeds that simply serve to make private

Ms. Cheryl Viegas Walker, President

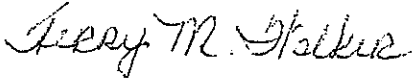
July 14, 2021

Page 2

sector businesses even more profitable at the expense of cities' residents. We should all aspire to develop an equitable sales tax distribution of online sales that addresses the concerns noted above.

For these reasons, the City of La Cañada Flintridge concurs that the proposed resolution should go before the General Assembly.

Sincerely,

A handwritten signature in cursive script that reads "Terry M. Walker".

Terry Walker

Mayor



CITY OF LA VERNE CITY HALL

3660 "D" Street, La Verne, California 91750-3599

www.cityoflaverne.org

July 19, 2021

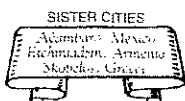
Cheryl Viegas Walker, President
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

Dear President Walker:

The City of La Verne strongly supports the City of Rancho Cucamonga's effort to submit a resolution for consideration by the General Assembly at the League's 2021 Annual Conference in Sacramento.

Current policies by the California Department of Tax and Fees (CDTFA) require that the 1 percent Bradley Burns local tax revenue from in-state online retailers be allocated to the jurisdiction from which the package was shipped from, as opposed to going into a countywide pool as is the practice with out-of-state online retailers. Earlier this year, one of the largest online retailers shifted its ownership structure and now operates as an in-state online retailer as well as out-of-state online retailer. Whereas all sales tax revenue generated by this retailer's sales previously went into a countywide pool and was distributed amongst the jurisdictions in the pool, now the revenue from in-state sales goes entirely to the city where the fulfillment center is located, and the packages shipped from. Cities that do not have a fulfillment center now receive no revenue from this retailer's online in-state sales transactions, even when the packages are delivered to locations within the cities' borders and paid for by residents in those locations. Cities that border jurisdictions with fulfillment centers also experience its impacts such as increased truck traffic, air pollution, and declining road conditions.

This all-or-nothing practice has created clear winners and losers amongst cities as the online sales tax revenue from large online retailers that was once spread amongst all cities in countywide pools is now concentrated in select cities fortunate enough to host a fulfillment center. This has created a growing inequity amongst California cities, which only benefits some and is particularly unfair to cities which have no chance of ever obtaining a fulfillment center, such as those that are built out or are not situated along major travel corridors. No/low property tax cities that rely on sales tax revenue are



General Administration 909/596-8726 • Water Customer Service 909/596-8744 • Community Services 909/596-8700
Public Works 909/596-8741 • Finance 909/596-8716 • Community Development 909/596-8706 • Building 909/596-8713
Police Department 909/596-1913 • Fire Department 909/596-5991 • General Fax 909/596-8737

July 19, 2021
Re: Online Sales Tax Equity Support
Page 2

especially impacted as well as cities struggling to meet their RHNA allocations that are being pressured by Sacramento to rezone precious commercial parcels to residential.

The current online sales tax distribution policies are inherently unfair and exacerbate the divide between the winners and losers. Ultimately, the real winners may be the retailers, who leverage these policies to negotiate favorable sales tax sharing agreements from a small group of select cities understandably wanting to host fulfillment centers. The current online sales tax distribution policies unfairly divide local agencies, exacerbate already difficult municipal finances, and in the end, result in a net loss of local government sales tax proceeds that simply serve to make private sector businesses even more profitable at the expense of everyone's residents. We can do better than this. And we should all aspire to develop an equitable sales tax distribution of online sales that addresses the concerns noted above.

For these reasons, the City of La Verne concurs that the resolution should go before the General Assembly.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bob Russi', with a stylized flourish at the end.

Bob Russi
City Manager
City of La Verne

Steve Croft
Vice Mayor

Ariel P.
Council Member



Jeff Wood
Mayor

Vicki L. Stuckey
Council Member

Todd Rogers
Council Member

July 15, 2021

Cheryl Viegas Walker, President
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

Dear President Walker:

The City of Lakewood strongly supports the City of Rancho Cucamonga's effort to submit a resolution for consideration by the General Assembly at the League's 2021 Annual Conference in Sacramento.

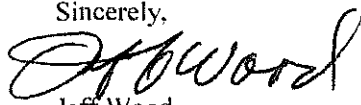
Current policies by the California Department of Tax and Fees (CDTFA) require that the 1 percent Bradley Burns local tax revenue from in-state online retailers be allocated to the jurisdiction from which the package was shipped from, as opposed to going into a countywide pool as is the practice with out-of-state online retailers. Earlier this year, one of the largest online retailers shifted its ownership structure and now operates as an in-state online retailer as well as out-of-state online retailer. Whereas, all sales tax revenue generated by this retailer's sales previously went into a countywide pool and was distributed amongst the jurisdictions in the pool, now the revenue from in-state sales goes entirely to the city where the fulfillment center is located, and the packages shipped from. Cities that do not have a fulfillment center now receive no revenue from this retailer's online in-state sales transactions, even when the packages are delivered to locations within the cities' borders and paid for by residents in those locations. Cities that border jurisdictions with fulfillment centers also experience its impacts such as increased truck traffic, air pollution and declining road conditions.

This all-or-nothing practice has created clear winners and losers amongst cities as the online sales tax revenue from large online retailers that was once spread amongst all cities in countywide pools is now concentrated in select cities fortunate enough to host a fulfillment center. This has created a growing inequity amongst California cities, which only benefits some and is particularly unfair to cities that have no chance of ever obtaining a fulfillment center, such as those that are built out or are not situated along major travel corridors. No/low property tax cities that rely on sales tax revenue are especially impacted as well as cities struggling to meet their RHNA allocations that are being pressured by Sacramento to rezone precious commercial parcels to residential.

The current online sales tax distribution policies are inherently unfair and exasperate the divide between the winners and losers. Ultimately, the real winners may be the retailers, who leverage these policies to negotiate favorable sales tax sharing agreements from a small group of select cities understandably wanting to host fulfillment centers. The current online sales tax distribution policies unfairly divide local agencies, exacerbate already difficult municipal finances, and in the end result in a net loss of local government sales tax proceeds that simply serve to make private sector businesses even more profitable at the expense of everyone's residents. We can do better than this. And we should all aspire to develop an equitable sales tax distribution of online sales that addresses the concerns noted above.

For these reasons, the City of Lakewood concurs that the resolution should go before the General Assembly.

Sincerely,


Jeff Wood
Mayor

Lakewood



CITY OF MOORPARK

799 Moorpark Avenue, Moorpark, California 93021

Main City Phone Number (805) 517-6200 | Fax (805) 532-2205 | moorpark@moorparkca.gov

July 14, 2021

TRANSMITTED ELECTRONICALLY

Cheryl Viegas-Walker, President
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

Dear President Walker:

The City of Moorpark strongly supports the City of Rancho Cucamonga's effort to submit a resolution for consideration by the General Assembly at the League's 2021 Annual Conference in Sacramento.

Current policies of the California Department of Tax and Fees (CDTFA) require that the one percent Bradley Burnis local tax revenue from in-state online retailers be allocated to the jurisdiction from which the package was shipped, as opposed to going into a countywide pool as is the practice with out-of-state online retailers. Earlier this year, one of the largest online retailers shifted its ownership structure and now operates both as an in-state online retailer and as an out-of-state online retailer. Whereas all sales tax revenues generated by this retailer's sales previously went into countywide pools and were distributed amongst the jurisdictions in the pool, sales tax revenues from in-state sales now go entirely to the city where the fulfillment center is located and the package is shipped from. Cities that do not have a fulfillment center now receive no sales tax revenue from this retailer's online in-state sales transactions, even when the packages are delivered to locations within the cities' borders and paid for by residents in those locations. Cities that border jurisdictions with fulfillment centers also experience its impacts such as increased truck traffic, air pollution, and deteriorating road conditions.

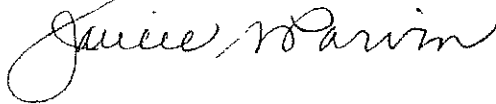
This all-or-nothing practice has created clear winners and losers amongst cities as the online sales tax revenues from large online retailers that were once spread amongst all cities in countywide pools are now concentrated in select cities fortunate enough to host a fulfillment center. This has created a growing inequity amongst California cities, which only benefits some and is particularly unfair to cities who have no chance of ever obtaining a fulfillment center, such as those that are built out or are not situated along major travel corridors. No/low property tax cities that rely on sales tax revenue are especially impacted, as well as

cities struggling to meet their RHNA allocations that are being pressured by Sacramento to rezone limited commercial properties for residential land uses.

The current online sales tax distribution policies are inherently unfair and exasperate the divide between the winners and losers. Ultimately, the real winners may be the retailers, who leverage these policies to negotiate favorable sales tax sharing agreements from a small group of select cities understandably wanting to host fulfillment centers. The current online sales tax distribution policies unfairly divide local agencies, exacerbate already difficult municipal finances, and ultimately result in a net loss of local government sales tax proceeds that simply serve to make private sector businesses more profitable at the expense of everyone's residents. We can do better than this, and we should all aspire to develop an equitable sales tax distribution of online sales that addresses the concerns noted above.

For these reasons, the City of Moorpark concurs that the resolution should go before the General Assembly at the 2021 Annual Conference in Sacramento.

Sincerely,

A handwritten signature in cursive script, reading "Janice S. Parvin".

Janice S. Parvin
Mayor

cc: City Council
City Manager

The People are the City

Mayor

CRAIG S. GREEN

Mayor Pro Tem

CHAD P. WANKE

Councilmembers:

RHONDA SHADER

WARD L. SMITH

JEREMY B. YAMAGUCHI



City Clerk:

ROBERT S. MCKINNELL

City Treasurer

KEVIN A. LARSON

City Administrator

DAMIEN R. ARRULA

401 East Chapman Avenue – Placentia, California 92870

July 14, 2021

Cheryl Viegas Walker, President
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

Dear President Walker:

The City of Placentia strongly supports the City of Rancho Cucamonga's effort to submit a resolution for consideration by the General Assembly at the League's 2021 Annual Conference in Sacramento.

Current policies by the California Department of Tax and Fees (CDTFA) require that the 1 percent (1%) Bradley Burns local tax revenue from in-state online retailers be allocated to the jurisdiction from which the package was shipped from, as opposed to going into a countywide pool as is the practice with out-of-state online retailers. Earlier this year, one of the largest online retailers shifted its ownership structure and now operates as an in-state online retailer as well as out-of-state online retailer. Whereas, all sales tax revenue generated by this retailer's sales previously went into a countywide pool and was distributed amongst the jurisdictions in the pool, now the revenue from in-state sales goes entirely to the city where the fulfillment center is located, and the packages shipped from. Cities that do not have a fulfillment center now receive no revenue from this retailer's online in-state sales transactions, even when the packages are delivered to locations within the cities' borders and paid for by residents in those locations. Cities that border jurisdictions with fulfillment centers also experience its impacts such as increased truck traffic, air pollution and declining road conditions.

This all-or-nothing practice has created clear winners and losers amongst cities as the online sales tax revenue from large online retailers that was once spread amongst all cities in countywide pools is now concentrated in select cities fortunate enough to host a fulfillment center. This has created a growing inequity amongst California cities, which only benefits some and is particularly unfair to cities who have no chance of ever obtaining a fulfillment center, such as those that are built out or are not situated along major travel corridors. No/low property tax cities that rely on sales tax revenue are especially impacted as well as cities struggling to meet their RHNA allocations that are being pressured by Sacramento to rezone precious commercial parcels to residential.

The current online sales tax distribution policies are inherently unfair and exasperate the divide between the winners and losers. Ultimately, the real winners may be the retailers, who leverage these policies to negotiate favorable sales tax sharing agreements from a small group of select cities understandably wanting to host fulfillment centers. The

Letter of Support: City of Rancho Cucamonga
July 14, 2021
Page 2 of 2

current online sales tax distribution policies unfairly divide local agencies, exacerbate already difficult municipal finances, and in the end result in a net loss of local government sales tax proceeds that simply serve to make private sector businesses even more profitable at the expense of everyone's residents. We can do better than this. And we should all aspire to develop an equitable sales tax distribution of online sales that addresses the concerns noted above.

For these reasons, the City of Placentia concurs that the resolution should go before the General Assembly. Should you have any questions regarding this letter, please contact me at (714) 993-8117 or via email at administration@placentia.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Damien R. Arrula', with a large, stylized flourish extending from the end of the signature.

Damien R. Arrula
City Administrator

SACRAMENTO
Office of the City Manager

Leyne Milstein
Assistant City Manager

City Hall
915 I Street, Fifth Floor
Sacramento, CA 95814-2604
916-808-5704

July 19, 2021

Cheryl Viegas Walker, President
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

Dear President Walker:

The City of Sacramento strongly supports the City of Rancho Cucamonga's effort to submit a resolution for consideration by the General Assembly at the League's 2021 Annual Conference in Sacramento.

Current policies by the California Department of Tax and Fees (CDTFA) require that the one percent Bradley Burns local tax revenue from in-state online retailers be allocated to the jurisdiction from which the package was shipped from, as opposed to going into a countywide pool as is the practice with out-of-state online retailers. Earlier this year, one of the largest online retailers shifted its ownership structure and now operates as an in-state online retailer as well as out-of-state online retailer. Whereas all sales tax revenue generated by this retailer's sales previously went into a countywide pool and was distributed amongst the jurisdictions in the pool, now the revenue from in-state sales goes entirely to the city where the fulfillment center is located, and the packages shipped from. Cities that do not have a fulfillment center now receive no revenue from this retailer's online in-state sales transactions, even when the packages are delivered to locations within the cities' borders and paid for by residents in those locations. Cities that border jurisdictions with fulfillment centers also experience its impacts such as increased truck traffic, air pollution and declining road conditions.

This all-or-nothing practice has created clear winners and losers amongst cities as the online sales tax revenue from large online retailers that was once spread amongst all cities in countywide pools is now concentrated in select cities fortunate enough to host a fulfillment center. This has created a growing inequity amongst California cities, which only benefits some and is particularly unfair to cities who have no chance of ever obtaining a fulfillment

SACRAMENTO
Office of the City Manager

Leyne Milstein
Assistant City Manager

City Hall
915 I Street, Fifth Floor
Sacramento, CA 95814-2604
916-808-5704

center, such as those that are built out or are not situated along major travel corridors. No/low property tax cities that rely on sales tax revenue are especially impacted as well as cities struggling to meet their Regional Housing Needs Allocation (RHNA) that are being pressured by Sacramento to rezone precious commercial parcels to residential.

The current online sales tax distribution policies are inherently unfair and exasperate the divide between the winners and losers. Ultimately, the real winners may be the retailers, who leverage these policies to negotiate favorable sales tax sharing agreements from a small group of select cities understandably wanting to host fulfillment centers. The current online sales tax distribution policies unfairly divide local agencies, exacerbate already difficult municipal finances, and in the end, result in a net loss of local government sales tax proceeds that simply serve to make private sector businesses even more profitable at the expense of everyone's residents. We can do better than this. And we should all aspire to develop an equitable sales tax distribution of online sales that addresses the concerns noted above.

For these reasons, the City of Sacramento concurs that the resolution should go before the General Assembly.

Sincerely,


Leyne Milstein (Jul 15, 2021 14:48 PDT)

Leyne Milstein
Assistant City Manager

League of California Cities Staff Analysis on Resolution No. 1

Staff: Nicholas Romo, Legislative Affairs, Lobbyist

Committee: Revenue and Taxation

Summary:

This Resolution calls on the League of California Cities (Cal Cities) to request the Legislature to pass legislation that provides for a fair and equitable distribution of the Bradley Burns 1% local sales tax from in-state online purchases, based on data where products are shipped to, and that rightfully takes into consideration the impacts that fulfillment centers have on host cities but also provides a fair share to California cities that do not and/or cannot have a fulfillment center within their jurisdiction.

Background:

The City of Rancho Cucamonga is sponsoring this resolution to *"address the issues in how sales and use taxes are distributed in the 21st century."*

The City notes that *"sales tax is a major revenue source for most California cities. Commonly known as the local 1% Bradley-Burns tax, since the 1950's, cities have traditionally received 1 cent on every dollar of a sale made at the store, restaurant, car dealer, or other location within a jurisdiction's boundaries. Over the years, however, this simple tax structure has evolved into a much more complex set of laws and allocation rules. Many of these rules relate to whether or not a given transaction is subject to sales tax, or to use tax – both have the same 1% value, but each applies in separate circumstances."*

Recently, one of the world's largest online retailers changed the legal ownership of its fulfillment centers. Instead of having its fulfillment centers owned and operated by a third-party vendor, they are now directly owned by the company. This subtle change has major impacts to how the 1% local tax is allocated.

This change has created a situation where most cities in California – more than 90%, in fact – are experiencing a sales tax revenue loss that began in the fourth quarter of calendar year 2021. Many cities may not be aware of this impact, as the fluctuations in sales tax following the pandemic shutdowns have masked the issue. But this change will have long-term impacts on revenues for all California cities as all these revenues benefiting all cities have shifted to just a handful of cities and counties that are home to this retailer's fulfillment centers."

The City's resolution calls for action on an unspecified solution that *"rightfully takes into consideration the impacts that fulfillment centers have on host cities but also provides a fair share to California cities that do not and/or cannot have a fulfillment center within their jurisdiction,"* which aims to acknowledge the actions taken by cities to alleviate poverty, catalyze economic development, and improve financial stability within their communities through existing tax sharing and zoning powers.

Ultimately, sponsoring cities believe *“that by once again starting the conversation and moving toward the development of laws and policies that can result in seeing all cities benefit from the growth taxes generated through online sales, our state will be stronger.”*

Sales and Use Tax in California

The Bradley-Burns Uniform Sales Tax Act allows all local agencies to apply its own sales and use tax on the same base of tangible personal property (taxable goods). This tax rate currently is fixed at 1.25% of the sales price of taxable goods sold at retail locations in a local jurisdiction, or purchased outside the jurisdiction for use within the jurisdiction. Cities and counties use this 1% of the tax to support general operations, while the remaining 0.25% is used for county transportation purposes.

In California, all cities and counties impose Bradley-Burns sales taxes. California imposes the sales tax on every retailer engaged in business in this state that sells taxable goods. The law requires businesses to collect the appropriate tax from the purchaser and remit the amount to the California Department of Tax and Fee Administration (CDTFA). Sales tax applies whenever a retail sale is made, which is basically any sale other than one for resale in the regular course of business. Unless the person pays the sales tax to the retailer, they are liable for the use tax, which is imposed on any person consuming taxable goods in the state. The use tax rate is the same rate as the sales tax rate.

Generally, CDTFA distributes Bradley-Burns tax revenue based on where a sale took place, known as a *situs-based system*. A retailer's physical place of business—such as a retail store or restaurant—is generally the place of sale. “Sourcing” is the term used by tax practitioners to describe the rules used to determine the place of sale, and therefore, which tax rates are applied to a given purchase and which jurisdictions are entitled to the local and district taxes generated from a particular transaction.

California is primarily an origin-based sourcing state – meaning tax revenues go to the jurisdiction in which a transaction physically occurs if that can be determined. However, California also uses a form of destination sourcing for the local use tax and for district taxes (also known as “transactions and use taxes” or “add-on sale and use taxes”). That is, for cities with local add-on taxes, they receive their add-on rate amount from remote and online transactions.

Generally, allocations are based on the following rules:

- The sale is sourced to the place of business of the seller - whether the product is received by the purchaser at the seller's business location or not.
- If the retailer maintains inventory in California and has no other in state location, the source is the jurisdiction where the warehouse is situated. *This resolution is concerned with the growing amount of online retail activity being sourced to cities with warehouse/fulfillment center locations.*
- If the business' sales office is located in California but the merchandise is shipped from out of state, the tax from transactions under \$500,000 is allocated

via the county pools. The tax from transactions over \$500,000 is allocated to the jurisdiction where the merchandise is delivered.

- When a sale cannot be identified with a permanent place of business in the state, the sale is sourced to the allocation pool of the county where the merchandise was delivered and then distributed among all jurisdictions in that county in proportion to ratio of sales. *For many large online retailers, this has been the traditional path.*

Online Sales and Countywide Pools

While the growth of e-commerce has been occurring for more than two decades, led by some of the largest and most popular retailers in the world, the dramatic increase in online shopping during the COVID-19 pandemic has provided significant revenue to California cities as well as a clearer picture on which governments enjoy even greater benefits.

In the backdrop of booming internet sales has been the steady decline of brick-and-mortar retail and shopping malls. For cities with heavy reliance on in-person retail shopping, the value of the current allocation system has been diminished as their residents prefer to shop online or are incentivized to do so by retailers (during the COVID-19 pandemic, consumers have had no other option but to shop online for certain goods). All the while, the demands and costs of city services continue to grow for cities across the state.

As noted above, the allocation of sales tax revenue to local governments depends on the location of the transaction (or where the location is ultimately determined). For in-person retail, the sales tax goes to the city in which the product and store are located - a customer purchasing at a register. For online sales, the Bradley Burns sales tax generally goes to a location other than the one where the customer lives – either to the city or county where an in-state warehouse or fulfillment center is located, the location of in-state sales office (ex. headquarters) or shared as use tax proceeds amongst all local governments within a county based on their proportionate share of taxable sales.

Under current CDTFA regulations, a substantial portion of local use tax collections are allocated through a countywide pool to the local jurisdictions in the county where the property is put to its first functional use. The state and county pools constitute over 15% of local sales and use tax revenues. Under the pool system, the tax is reported by the taxpayer to the countywide pool of use and then distributed to each jurisdiction in that county on a pro-rata share of taxable sales. If the county of use cannot be identified, the revenues are distributed to the state pool for pro-rata distribution on a statewide basis.

Concentration of Online Sales Tax Revenue and Modernization

Sales tax modernization has been a policy goal of federal, state, and local government leaders for decades to meet the rapidly changing landscape of commercial activity and ensure that all communities can sustainably provide critical services.

For as long as remote and internet shopping has existed, policy makers have been concerned about their potential to disrupt sales and use tax allocation procedures that underpin the funding of local government services. The system was designed in the early twentieth century to ensure that customers were paying sales taxes to support local government services within the community where the transactions occurred whether they resided there or not. This structure provides benefit to and recoupment for the public resources necessary to ensure the health and safety of the community broadly.

City leaders have for as long been concerned about the loosening of the nexus between what their residents purchase and the revenues they receive. Growing online shopping, under existing sourcing rules, has led to a growing concentration of sales tax revenue being distributed to a smaller number of cities and counties. As more medium and large online retailers take title to fulfillment centers or determine specific sales locations in California as a result of tax sharing agreements in specific cities, online sales tax revenue will be ever more concentrated in a few cities at the control of these companies. Furthermore, local governments are already experiencing the declining power of the sales tax to support services as more money is being spent on non-taxable goods and services.

For more on sales and use tax sourcing please see Attachment A.

State Auditor Recommendations

In 2017, the California State Auditor issued a report titled, "The Bradley-Burns Tax and Local Transportation Funds, noting that:

"Retailers generally allocate Bradley Burns tax revenue based on the place of sale, which they identify according to their business structure. However, retailers that make sales over the Internet may allocate sales to various locations, including their warehouses, distribution center, or sales offices. This approach tends to concentrate Bradley Burns tax revenue into the warehouses' or sales offices' respective jurisdictions. Consequently, counties with a relatively large amount of industrial space may receive disproportionately larger amounts of Bradley Burns tax, and therefore Local Transportation Fund, revenue.

The State could make its distribution of Bradley Burns tax revenue derived from online sales more equitable if it based allocations of the tax on the destinations to which goods are shipped rather than on place of sale."

The Auditor's report makes the following recommendation:

"To ensure that Bradley-Burns tax revenue is more evenly distributed, the Legislature should amend the Bradley-Burns tax law to allocate revenues from Internet sales based on the destination of sold goods rather than their place of sale."

In acknowledgement of the growing attention from outside groups on this issue, Cal Cities has been engaged in its own study and convening of city officials to ensure pursued solutions account for the circumstances of all cities and local control is best protected. These efforts are explored in subsequent sections.

Cal Cities Revenue and Taxation Committee and City Manager Working Group

In 2015 and 2016, Cal Cities' Revenue and Taxation Policy Committee held extensive discussions on potential modernization of tax policy affecting cities, with a special emphasis on the sales tax. The issues had been identified by Cal Cities leadership as a strategic priority given concerns in the membership about the eroding sales tax base and the desire for Cal Cities to take a leadership role in addressing the associated issues. The policy committee ultimately adopted a series of policies that were approved by the Cal Cities board of directors. Among its changes were a recommended change to existing sales tax sourcing (determining where a sale occurs) rules, so that the point of sale (situs) is where the customer receives the product. The policy also clarifies that specific proposals in this area should be carefully reviewed so that the impacts of any changes are fully understood. See "Existing Cal Cities Policy" section below.

Cal Cities City Manager Sales Tax Working Group Recommendations

In the Fall of 2017, the Cal Cities City Managers Department convened a working group (Group) of city managers representing a diverse array of cities to review and consider options for addressing issues affecting the local sales tax.

The working group of city managers helped Cal Cities identify internal common ground on rapidly evolving e-commerce trends and their effects on the allocation of local sales and use tax revenue. After meeting extensively throughout 2018, the Group made several recommendations that were endorsed unanimously by Cal Cities' Revenue and Taxation Committee at its January, 2019 meeting and by the board of directors at its subsequent meeting.

The Group recommended the following actions in response to the evolving issues associated with e-commerce and sales and use tax:

Further Limiting Rebate Agreements: The consensus of the Group was that:

- Sales tax rebate agreements involving online retailers should be prohibited *going forward*. They are inappropriate because they have the effect of encouraging revenue to be shifted away from numerous communities and concentrated to the benefit of one.
- Any type of agreement that seeks to lure a retailer from one community to another within a market area should also be prohibited *going forward*. Existing law already prohibits such agreements for auto dealers and big box stores.

Shift Use Tax from Online Sales, including from the South Dakota v. Wayfair Decision
Out of County Pools: The Group's recommendation is based first on the principle of "situs" and that revenue should be allocated to the jurisdiction where the use occurs. Each city and county in California imposed a Bradley Burns sales and use tax rate

under state law in the 1950s. The use tax on a transaction is the rate imposed where the purchaser resides (the destination). These use tax dollars, including new revenue from the South Dakota v. Wayfair decision, should be allocated to the destination jurisdiction whose Bradley Burns tax applies and not throughout the entire county.

- Shift of these revenues, from purchases from out of state retailers including transactions captured by the South Dakota v. Wayfair decision, out of county pools to full destination allocation on and after January 1, 2020.
- Allow more direct reporting of use taxes related to construction projects to jurisdiction where the construction activity is located by reducing existing regulatory threshold from \$5 million to \$100,000.

Request/Require CDTFA Analysis on Impacts of Sales Tax Destination Shifts: After discussion of numerous phase-in options for destination sourcing and allocation for sales taxes, the Group ultimately decided that a more complete analysis was needed to sufficiently determine impacts. Since the two companies most cities rely on for sales tax analysis, HdL and MuniServices, were constrained to modeling with transaction and use tax (district tax) data, concerns centered on the problem of making decisions without adequate information. Since the CDTFA administers the allocation of local sales and use taxes, it is in the best position to produce an analysis that examines:

- The impacts on individual agencies of a change in sourcing rules. This would likely be accomplished by developing a model to examine 100% destination sourcing with a report to the Legislature in early 2020.
- The model should also attempt to distinguish between business-to-consumer transactions versus business-to-business transactions.
- The model should analyze the current number and financial effects of city and county sales tax rebate agreements with online retailers and how destination sourcing might affect revenues under these agreements.

Conditions for considering a Constitutional Amendment that moves toward destination allocation: Absent better data on the impacts on individual agencies associated with a shift to destination allocation of sales taxes from CDTFA, the Group declined to prescribe if/how a transition to destination would be accomplished; the sentiment was that the issue was better revisited once better data was available. In anticipation that the data would reveal significant negative impacts on some agencies, the Group desired that any such shift should be accompanied by legislation broadening of the base of sales taxes, including as supported by existing Cal Cities policy including:

- Broadening the tax base on goods, which includes reviewing existing exemptions on certain goods and expanding to digital forms of goods that are otherwise taxed; and
- Expanding the sales tax base to services, such as those commonly taxed in other states.

This Resolution builds upon previous work that accounts for the impacts that distribution networks have on host cities and further calls on the organization to advocate for changes to sales tax distribution rules.

The Resolution places further demands on data collected by CDTFA to establish a “fair and equitable distribution of the Bradley Burns 1% local sales tax from in-state online purchases.” Such data is proposed to be collected by SB 792 (Glazer, 2021). More discussion on this topic can be found in the “Staff Comments” section.

Staff Comments:

Proposed Resolution Affixes Equity Based, Data Driven Approach to Existing Cal Cities Policy on Sales Tax Sourcing

The actions resulting from this resolution, if approved, would align with existing policy and efforts to-date to modernize sales tax rules. While not formalized in existing Cal Cities policy or recommendations, city managers and tax practitioners generally have favored proposals that establish a sharing of online sales tax revenues rather than a full destination shift. City leaders and practitioners across the state have acknowledged during Cal Cities Revenue and Taxation and City Manager’s working group meetings that the hosting of fulfillment centers and ancillary infrastructure pose major burdens on local communities including detrimental health and safety impacts. This acknowledgement has moved mainstream proposals such as this one away from full revenue shifts towards an equity-based, data driven approach that favors revenue sharing. This Resolution would concretely affix this approach as Cal Cities policy.

More Data is Needed to Achieve Equity Based Approach

A major challenge is the lack of adequate data to model the results of shifting in-state online sale tax revenues. Local government tax consultants and state departments have limited data to model the effects of changes to sales tax distribution because their information is derived only from cities that have a local transactions and use tax (TUT). Tax experts are able to model proposed tax shifts using TUTs since they are allocated on a destination basis (where a purchaser receives the product; usually a home or business). However, more than half of all cities, including some larger cities, do not have a local TUT therefore modeling is constrained and incomplete.

Efforts to collect relevant sales tax information on the destination of products purchased online are ongoing. The most recent effort is encapsulated in SB 792 (Glazer, 2021), which would require retailers with online sales exceeding \$50 million a year to report to CDTFA the gross receipts from online sales that resulted in a product being shipped or delivered in each city. The availability of this data would allow for a much more complete understanding of online consumer behavior and the impacts of future proposed changes to distribution. SB 792 (Glazer) is supported by Cal Cities following approval by the Revenue and Taxation Committee and board of directors.

Impact of Goods Movement Must Be Considered

As noted above, city leaders and practitioners across the state acknowledge that the hosting of fulfillment centers and goods movement infrastructure pose major burdens on local communities including detrimental health, safety, and infrastructure impacts. Not least of which is the issue of air pollution from diesel exhaust. According to California Environmental Protection Agency (Cal EPA):

“Children and those with existing respiratory disease, particularly asthma, appear to be especially susceptible to the harmful effects of exposure to airborne PM from diesel exhaust, resulting in increased asthma symptoms and attacks along with decreases in lung function (McCreanor et al., 2007; Wargo, 2002). People that live or work near heavily-traveled roadways, ports, railyards, bus yards, or trucking distribution centers may experience a high level of exposure (US EPA, 2002; Krivoshto et al., 2008). People that spend a significant amount of time near heavily-traveled roadways may also experience a high level of exposure. Studies of both men and women demonstrate cardiovascular effects of diesel PM exposure, including coronary vasoconstriction and premature death from cardiovascular disease (Krivoshto et al., 2008). A recent study of diesel exhaust inhalation by healthy non-smoking adults found an increase in blood pressure and other potential triggers of heart attack and stroke (Krishnan et al., 2013). Exposure to diesel PM, especially following periods of severe air pollution, can lead to increased hospital visits and admissions due to worsening asthma and emphysema-related symptoms (Krivoshto et al., 2008). Diesel exposure may also lead to reduced lung function in children living in close proximity to roadways (Brunekreef et al., 1997).”

The founded health impacts of the ubiquitous presence of medium and heavy-duty diesel trucks used to transport goods to and from fulfillment centers and warehouses require host cities to meet increased needs of their residents including the building and maintenance of buffer zones, parks, and open space. While pollution impacts may decline with the introduction of zero-emission vehicles, wide scale adoption by large distribution fleets is still in its infancy. Furthermore, the impacts of heavy road use necessitate increased spending on local streets and roads upgrades and maintenance. In addition, many cities have utilized the siting of warehouses, fulfillment centers, and other heavy industrial uses for goods movements as key components of local revenue generation and economic development strategies. These communities have also foregone other land uses in favor of siting sales offices and fulfillment networks.

All said, however, it is important to acknowledge that disadvantaged communities (DACs) whether measured along poverty, health, environmental or education indices exist in cities across the state. For one example, see: California Office of Environmental Health Hazard Assessment (OEHHA) CalEnviroScreen. City officials may consider how cities without fulfillment and warehouse center revenues are to fund efforts to combat social and economic issues, particularly in areas with low property tax and tourism-based revenues.

The Resolution aims to acknowledge these impacts broadly (this analysis does not provide an exhaustive review of related impacts) and requests Cal Cities to account for them in a revised distribution formula of the Bradley Burns 1% local sales tax from in-state online purchases. The Resolution does not prescribe the proportions.

Clarifying Amendments

Upon review of the Resolution, Cal Cities staff recommends technical amendments to provide greater clarity. *To review the proposed changes, please see Attachment B.*

Fiscal Impact:

Significant but unknown. The Resolution on its own does not shift sales tax revenues. In anticipation and mitigation of impacts, the Resolution requests Cal Cities to utilize online sales tax data to identify a fair and equitable distribution formula that accounts for the broad impacts fulfillment centers involved in online retail have on the cities that host them. The Resolution does not prescribe the revenue distribution split nor does it prescribe the impacts, positive and negative, of distribution networks.

Existing Cal Cities Policy:

- Tax proceeds collected from internet sales should be allocated to the location where the product is received by the purchaser.
- Support as Cal Cities policy that point of sale (situs) is where the customer receives the product. Specific proposals in this area should be carefully reviewed so that the impacts of any changes are fully understood.
- Revenue from new regional or state taxes or from increased sales tax rates should be distributed in a way that reduces competition for situs-based revenue. (Revenue from the existing sales tax rate and base, including future growth from increased sales or the opening of new retail centers, should continue to be returned to the point of sale.)
- The existing situs-based sales tax under the Bradley Burns 1% baseline should be preserved and protected.
- Restrictions should be implemented and enforced to prohibit the enactment of agreements designed to circumvent the principle of situs-based sales and redirect or divert sales tax revenues from other communities, when the physical location of the affected businesses does not change. Sales tax rebate agreements involving online retailers are inappropriate because they have the effect of encouraging revenue to be shifted away from numerous communities and concentrated to the benefit of one. Any type of agreement that seeks to lure a retailer from one community to another within a market area should also be prohibited going forward.
- Support Cal Cities working with the state California Department of Tax and Fee Administration (CDTFA) to update the county pool allocation process to ensure that more revenues are allocated to the jurisdiction where the purchase or first use of a product occurs (usually where the product is delivered). Use Tax collections from online sales, including from the South Dakota v Wayfair Decision, should be shifted out of county pools and allocated to the destination jurisdiction whose Bradley Burns tax applies and not throughout the entire county.

Support:

The following letters of concurrence were received:

Town of Apple Valley
City of El Cerrito
City of La Canada Flintridge
City of La Verne
City of Lakewood

City of Moorpark
City of Placentia
City of Sacramento

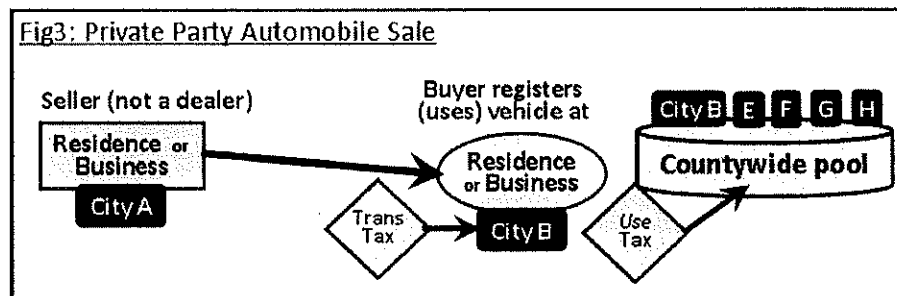
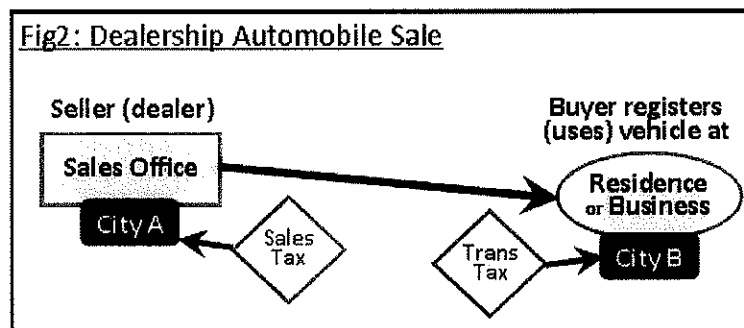
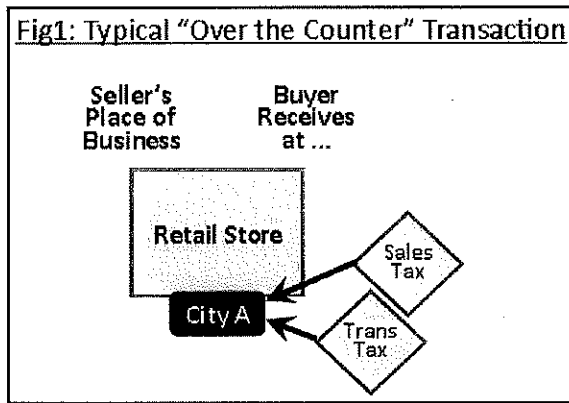
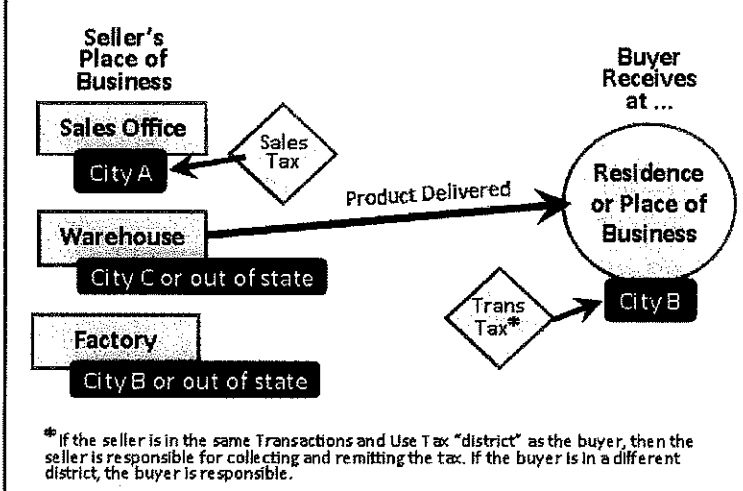
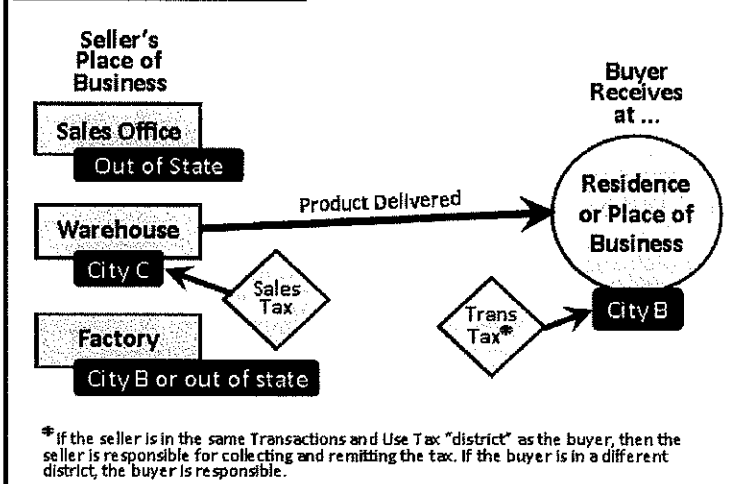
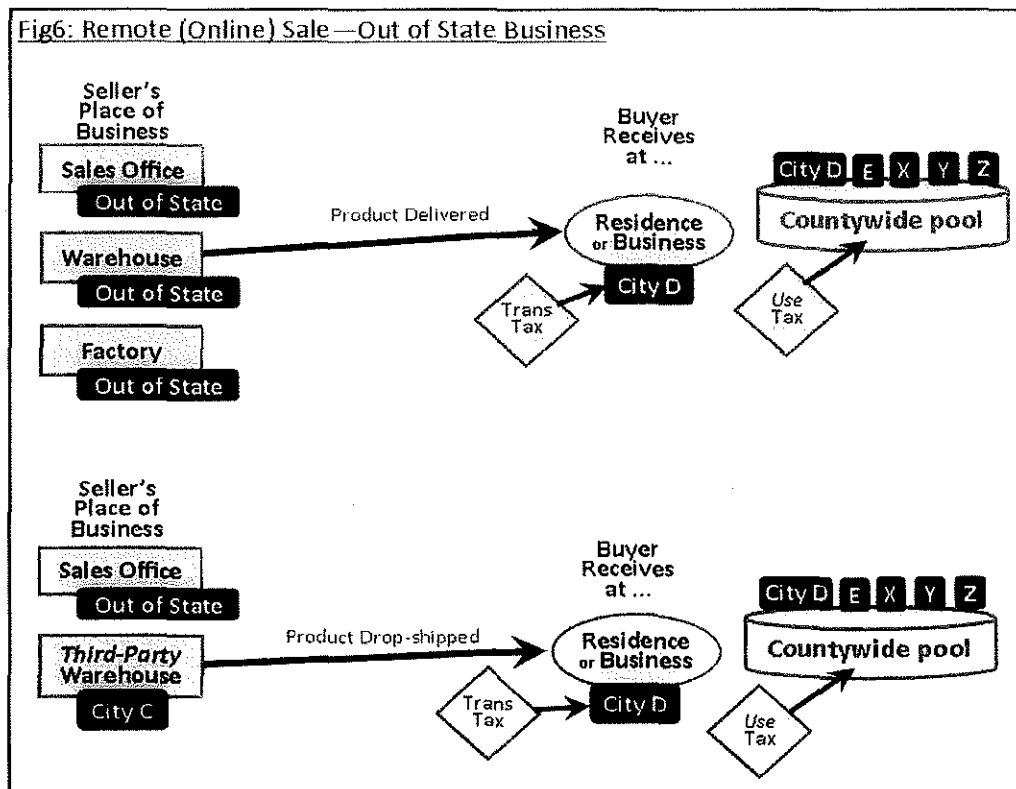


Fig4: Remote (Online) Sale—In-State Business Office**Fig5: Remote (Online) Sale—In-State Warehouse, Out-of-State Sales Office**



GUIDELINES FOR ALLOCATION OF LOCAL TAX - ONLINE AND IN-STORE			
Place of Sale	Location of Goods at the Time of Sale	How Customer Receives Goods	Allocation of Tax
Online - Order is placed or downloaded outside California	California Fulfillment Center	Shipped to California Customer	Local tax is allocated to the jurisdiction in which the fulfillment center is located
Online - Order is placed or downloaded in California	California Fulfillment Center	Shipped to California Customer	Per CDTFA Regulation 1802, local tax is allocated to the jurisdiction where the order is placed
Online	Out of State Fulfillment Center	Shipped to California Customer	Local tax is allocated to the countywide pool based on point of delivery
Online	Out of State Fulfillment Center	Picked Up In-Store (Click & Collect)	Local tax is allocated to the countywide pool based on point of delivery
Online	California Fulfillment Center Owned and Operated by Third Party Vendor	Drop-Shipped to California Customer	Local tax is allocated to the countywide pool based on point of delivery
Online	In-Store (Goods withdrawn from store inventory)	Shipped to California Customer	Local Tax is allocated to the jurisdiction where the store is located
Online	In-Store (Goods withdrawn from store inventory)	Picked Up In-Store (Click & Collect)	Local Tax is allocated to the jurisdiction where the store is located
In-Store	In-Store (Goods withdrawn from store inventory)	Over the Counter	Local Tax is allocated to the jurisdiction where the store is located

Courtesy of HdL Companies

CaliforniaCityFinance.com

Tax Incentive Programs, Sales Tax Sharing Agreements

In recent years, especially since Proposition 13 in 1978, local discretionary (general purpose revenues) have become more scarce. At the same time, options and procedures for increasing revenues have become more limited. One outcome of this in many areas has been a greater competition for sales and use tax revenues. This has brought a rise in arrangements to encourage certain land use development with rebates and incentives which exploit California's odd origin sales tax sourcing rules.

The typical arrangement is a sales tax sharing agreement in which a city provides tax rebates to a company that agrees to expand their operations in the jurisdiction of the city. Under such an arrangement, the company generally agrees to make a specified amount of capital investment and create a specific number of jobs over a period of years in exchange for specified tax breaks, often property tax abatement or some sort of tax credit. In some cases, this has simply taken the form of a sales office, while customers and warehouses and the related economic activity are disbursed elsewhere in the state. In some cases the development takes the form of warehouses, in which the sales inventory, owned by the company, is housed.⁶

Current sales tax incentive agreements in California rebate amounts ranging from 50% to 85% of sales tax revenues back to the corporations.

Today, experts familiar with the industry believe that between 20% to 30% of local Bradley-Burns sales taxes paid by California consumers is diverted from local general funds back to corporations; over \$1 billion per year.

The Source of Origin Based Sourcing Problems

Where other than over-the-counter sales are concerned origin sourcing often causes a concentration of large amounts of tax revenue in one location, despite the fact that the economic activity and service impacts are also occurring in other locations.

The large amounts of revenue concentrated in a few locations by California's "warehouse rule" origin sourcing causes a concentration of revenue far in excess of the service costs associated with the development.

In order to lure jobs and tax revenues to their communities, some cities have entered into rebate agreements with corporations. This has grown to such a problem, that 20% to 30% of total local taxes paid statewide are being rebated back to corporations rather than funding public services.

Moving to Destination Sourcing: The Concept⁷

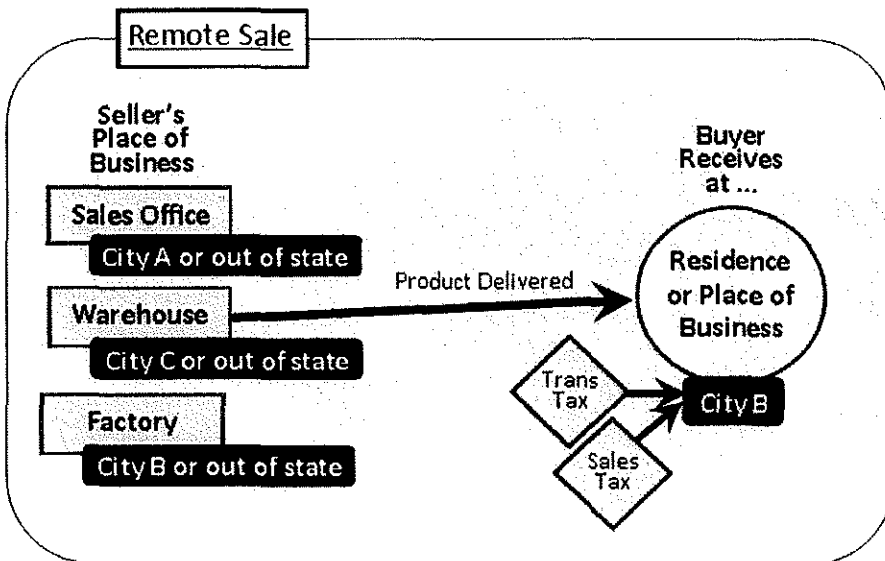
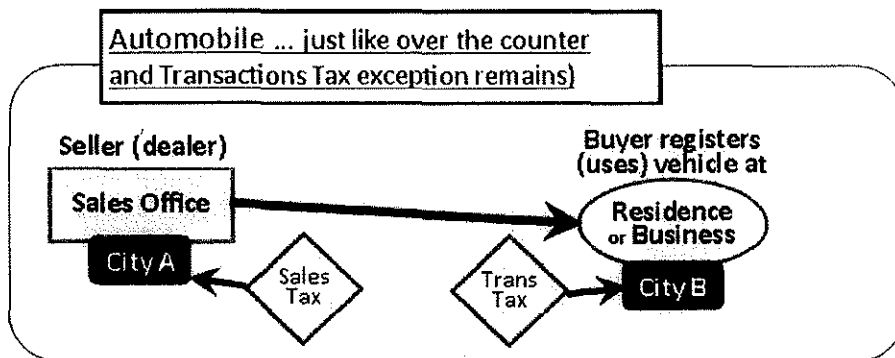
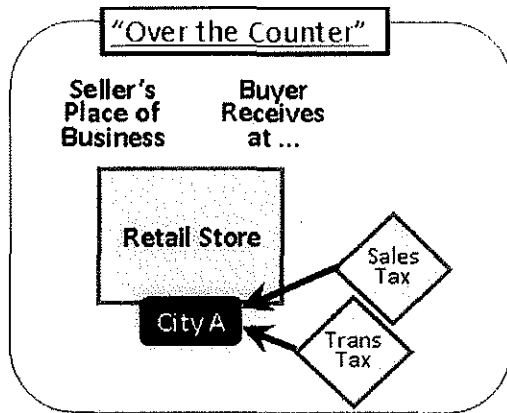
A change from origin sourcing rules to destination sourcing rules for the local tax component of California's sales tax would improve overall revenue collections and distribute these revenues more equitably among all of the areas involved in these transactions.

A change from origin based sourcing to destination based sourcing would have no effect on state tax collections. However, it would alter the allocations of local sales and use tax revenues among local agencies. Most retail transactions including dining, motor fuel purchases, and in-store purchases would not be affected. But in cases where the property is received by the purchaser in a different jurisdiction than where the sales agreement was negotiated, there would be a different allocation than under the current rules.

⁶ See Jennifer Carr, "Origin Sourcing and Tax Incentive Programs: An Unholy Alliance" Sales Tax Notes; May 27, 2013.

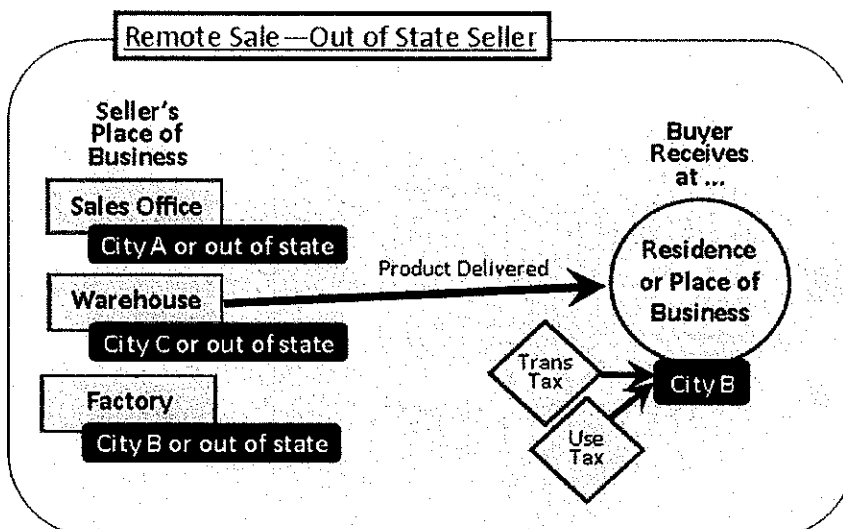
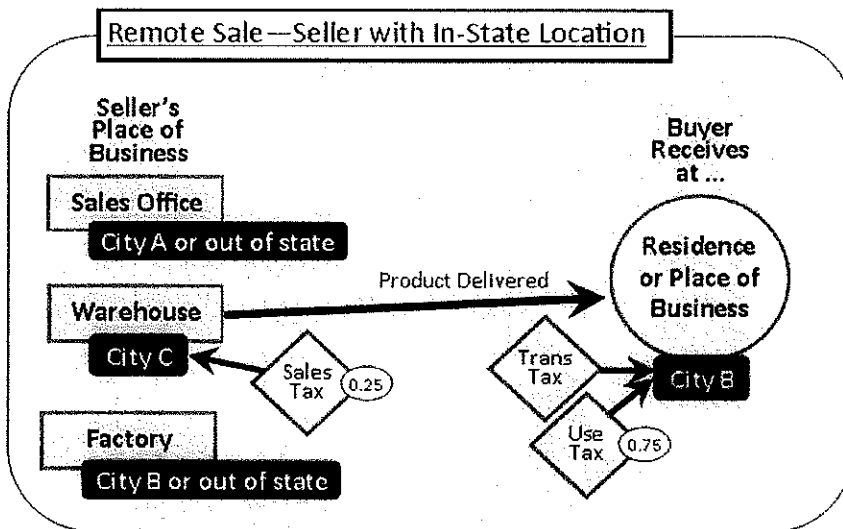
⁷ The same issues that are of concern regarding the local sales tax do not apply to California's Transactions and Use Taxes ("Add-on sales taxes") as these transactions, when not over the counter, are generally allocated to the location of use or, as in the case of vehicles, product registration. There is no need to alter the sourcing rules for transactions and use taxes.

Destination Sourcing Scenario 1: Full-On



Destination Sourcing Scenario 2: Split Source

- Same as now for “over the counter” and automobile.
- Leave 0.25% on current seller if instate (origin)
- Could be phased in.



mjgc

RESOLUTION OF THE LEAGUE OF CALIFORNIA CITIES ("CAL CITIES")
CALLING ON THE STATE LEGISLATURE TO PASS LEGISLATION THAT PROVIDES
FOR A FAIR AND EQUITABLE DISTRIBUTION OF THE BRADLEY BURNS 1% LOCAL
SALES TAX FROM IN-STATE ONLINE PURCHASES, BASED ON DATA WHERE
PRODUCTS ARE SHIPPED TO, AND THAT RIGHTFULLY TAKES INTO
CONSIDERATION THE IMPACTS THAT FULFILLMENT CENTERS HAVE ON HOST
CITIES BUT ALSO PROVIDES A FAIR SHARE TO CALIFORNIA CITIES THAT DO NOT
AND/OR CANNOT HAVE A FULFILLMENT CENTER WITHIN THEIR JURISDICTION

WHEREAS, the 2018 U.S. Supreme Court decision in *Wayfair v. South Dakota* clarified that states could charge and collect tax on purchases even if the seller does not have a physical presence in the state; and

WHEREAS, California cities and counties collect 1% in Bradley Burns sales and use tax from the purchase of tangible personal property and rely on this revenue to provide critical public services such as police and fire protection; and

WHEREAS, in terms of "siting" the place of sale and determining which jurisdiction receives the 1% Bradley Burns local taxes for online sales, the California Department of Tax and Fee Administration (CDTFA) determines "out-of-state" online retailers as those with no presence in California that ship property from outside the state and are therefore subject to use tax, not sales tax, which is collected in a countywide pool of the jurisdiction where the property is shipped from; and

WHEREAS, for online retailers that have a presence in California and have a stock of goods in the state from which it fulfills orders, CDTFA considers the place of sale ("situs") as the location from which the goods were shipped such as a fulfillment center; and

WHEREAS, in early 2021, one of the state's largest online retailers shifted its ownership structure so that it is now considered both an in-state and out-of-state retailer, resulting in the sales tax this retailer generates from in-state sales now being ~~entirely~~ allocated to ~~the specific city~~ cities where the warehouse fulfillment centers ~~is are~~ located as opposed to going into a countywide pools that ~~is are~~ shared with all jurisdictions in ~~those counties that County~~, as was done previously; and

WHEREAS, this all-or-nothing change for the allocation of in-state sales tax has created winners and losers amongst cities as the online sales tax revenue ~~from the retailer~~ that was once spread amongst all cities in countywide pools is now concentrated in select cities that host a fulfillment centers; and

WHEREAS, this has created a tremendous inequity amongst cities, in particular for cities that are built out, do not have space for siting ~~a 1 million square foot~~ fulfillment centers, are not located along a major travel corridor, or otherwise not ideally suited to host a fulfillment center; and

WHEREAS, this inequity affects cities statewide, but in particular those with specific circumstances such as no/low property tax cities that are extremely reliant on sales tax revenue as well as cities struggling to meet their Regional Housing Needs Allocation (RHNA) obligations that are being compelled by the State to rezone precious commercial parcels to residential; and

WHEREAS, the inequity produced by allocating in-state online sales tax revenue exclusively to cities with fulfillment centers is exasperated even more by, in addition to already reducing the amount of revenue going into the countywide pools, the cities with fulfillment centers are also receiving a larger share of the dwindling countywide pool as it is allocated based on cities' proportional share of sales tax collected; and

WHEREAS, while it is important to acknowledge that those cities that have fulfillment centers experience impacts from these activities and deserve equitable supplementary compensation, it should also be recognized that the neighboring cities whose residents are ordering products from ~~those that~~ centers now receive no Bradley Burns revenue ~~from the center's sales activity~~ despite also experiencing the impacts created by ~~them~~ center, such as increased traffic and air pollution; and

WHEREAS, the COVID-19 pandemic greatly accelerated the public's shift towards online purchases, a trend that is unlikely to be reversed to pre-pandemic levels; and

NOW, THEREFORE, BE IT RESOLVED that Cal Cities calls on the State Legislature to pass legislation that provides for a fair and equitable distribution of the Bradley Burns 1% local sales tax from in-state online purchases, based on data where products are shipped to, and that rightfully takes into consideration the impacts that fulfillment centers have on host cities but also provides a fair share to California cities that do not and/or cannot have a fulfillment center within their jurisdiction.

2. **A RESOLUTION CALLING UPON THE GOVERNOR AND THE LEGISLATURE TO PROVIDE NECESSARY FUNDING FOR CUPC TO FULFILL ITS OBLIGATION TO INSPECT RAILROAD LINES TO ENSURE THAT OPERATORS ARE REMOVING ILLEGAL DUMPING, GRAFFITI AND HOMELESS ENCAMPMENTS THAT DEGRADE THE QUALITY OF LIFE AND RESULTS IN INCREASED PUBLIC SAFETY CONCERNS FOR COMMUNITIES AND NEIGHBORHOODS THAT ADJACENT TO THE RAILROAD RIGHT-OF-WAY.**

Source: City of South Gate

Concurrence of five or more cities/city officials:

Cities: City of Bell Gardens; City of Bell; City of Commerce; City of Cudahy; City of El Segundo; City of Glendora; City of Huntington Park; City of La Mirada; City of Long Beach; City of Lynwood; City of Montebello; City of Paramount; City of Pico Rivera

Referred to: Housing, Community and Economic Development; and Transportation, Communications and Public Works

WHEREAS, ensuring the quality of life for communities falls upon every local government including that blight and other health impacting activities are addressed in a timely manner by private property owners within its jurisdictional boundaries for their citizens, businesses and institutions; and

WHEREAS, Railroad Operators own nearly 6,000 miles of rail right-of-way throughout the State of California which is regulated by the Federal Railroad Administration and/or the California Public Utilities Commission for operational safety and maintenance; and

WHEREAS, the California Public Utilities Commission (CPUC) is the enforcing agency for railroad safety in the State of California and has 41 inspectors assigned throughout the entire State to inspect and enforce regulatory compliance over thousands of miles of rail line; and

WHEREAS, areas with rail line right-of-way within cities and unincorporated areas are generally located in economically disadvantaged zones and/or disadvantaged communities of color where the impact of blight further lowers property values and increases the likelihood of unsound sanitary conditions and environmental impacts upon them; and

WHEREAS, many communities are seeing an increase in illegal dumping, graffiti upon infrastructure and homeless encampments due to the lax and inadequate oversight by regulatory agencies; and

WHEREAS, local governments have no oversight or regulatory authority to require operators to better maintain and clean their properties as it would with any other private property owner within its jurisdictional boundaries. Thus such local communities often resort to spending their local tax dollars on cleanup activities or are forced to accept the delayed and untimely response by operators to cleaning up specific sites, and;

WHEREAS, that railroad operators should be able to provide local communities with a fixed schedule in which their property will be inspected and cleaned up on a reasonable and regular schedule or provide for a mechanism where they partner with and reimburse local governments for an agreed upon work program where the local government is enabled to remove items like illegal dumping, graffiti and encampments; and

WHEREAS, the State has made it a priority to deal with homeless individuals and the impacts illegal encampments have upon those communities and has a budgetary surplus that can help fund the CPUC in better dealing with this situation in both a humane manner as well a betterment to rail safety.

RESOLVED, at the League of California Cities, General Assembly, assembled at the League Annual Conference on September 24, 2021, in Sacramento, that the League calls for the Governor and the Legislature to work with the League and other stakeholders to provide adequate regulatory authority and necessary funding to assist cities with these railroad right-of-way areas so as to adequately deal with illegal dumping, graffiti and homeless encampments that proliferate along the rail lines and result in public safety issues. The League will work with its member cities to educate federal and state officials to the quality of life and health impacts this challenge has upon local communities, especially those of color and/or environmental and economic hardships.

Background Information to Resolution

Source: City of South Gate

Background:

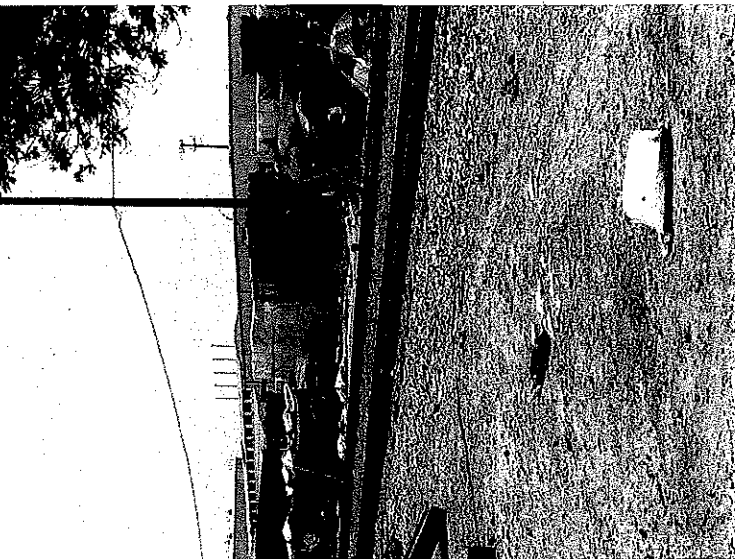
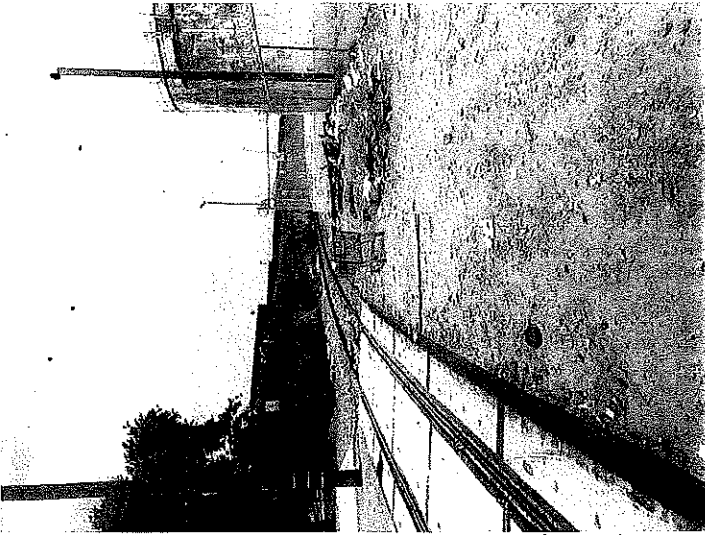
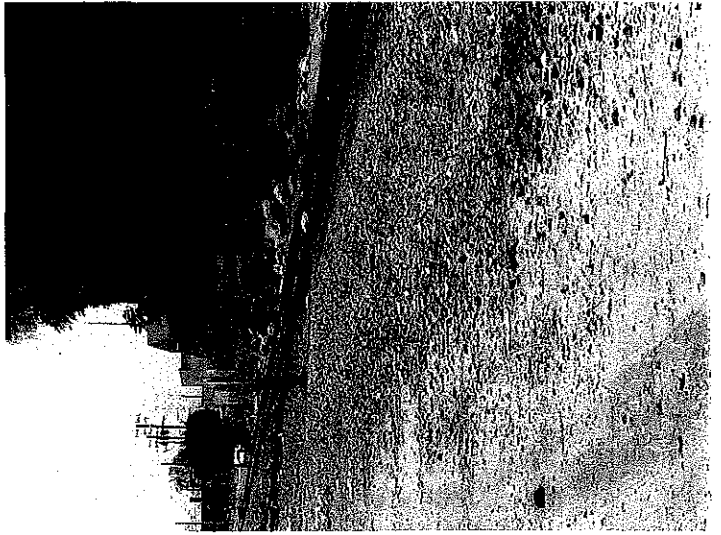
The State of California has over 6,000 miles of rail lines, with significant amount running through communities that are either economically disadvantaged and/or disadvantaged communities of color. While the Federal Railroad Administration (FRA) has primary oversight of rail operations, they delegate that obligation to the State of California for lines within our State. The administration of that oversight falls under the California Public Utilities Commission (CPUC). The CPUC has only 41 inspectors covering those 6,000 miles of railroad lines in the State of California. Their primary task is ensuring equipment, bridges and rail lines are operationally safe.

The right-of-way areas along the rail lines are becoming increasingly used for illegal dumping, graffiti and homeless encampments. Rail operators have admitted that they have insufficient funds set aside to clean up or sufficiently police these right-of-way areas, despite reporting a net income of over \$13 billion in 2020. CPUC budget does not provide the resources to oversee whether rail operators are properly managing the right-of-way itself.

The City of South Gate has three rail lines traversing through its city limits covering about 4 miles. These lines are open and inviting to individuals to conduct illegal dumping, graffiti buildings and structures along with inviting dozens of homeless encampments. As private property, Cities like ourselves cannot just go upon them to remove bulky items, trash, clean graffiti or remove encampments. We must call and arrange for either our staff to access the site or have the rail operator schedule a cleanup. This can take weeks to accomplish, in the meantime residents or businesses that are within a few hundred feet of the line must endure the blight and smell. Trash is often blown from the right-of-way into residential homes or into the streets. Encampments can be seen from the front doors of homes and businesses.

South Gate is a proud city of hard working-class residents, yet with a median household income of just \$50,246 or 65% of AMI for Los Angeles County, it does not have the financial resources to direct towards property maintenance of any commercial private property. The quality of life of communities like ours should not be degraded by the inactions or lack of funding by others. Cities such as South Gate receive no direct revenue from the rail operators, yet we deal with environmental impacts on a daily basis, whether by emissions, illegal dumping, graffiti or homeless encampments.

The State of California has record revenues to provide CPUC with funding nor only for safety oversight but ensuring right-of-way maintenance by operators is being managed properly. Rail Operators should be required to set aside sufficient annual funds to provide a regular cleanup of their right-of-way through the cities of California.



LETTERS OF CONCURRENCE

Resolution No. 2



City of
BELL GARDENS

7100 Garfield Avenue • Bell Gardens, CA 90201 • 562-806-7700 • www.bellgardens.org

CITY OF SOUTH GATE ANNUAL CONFERENCE RESOLUTION

July 21, 2021

Cheryl Viegas Walker
President
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

RE: City of South Gate Annual Conference Resolution

President Walker:

The City of Bell Gardens supports the City of South Gate's effort to submit a resolution for consideration by the General Assembly at the League's 2021 Annual Conference in Sacramento.

The City's resolution seeks to address a critical issue within communities, especially those of economic disadvantage and disadvantage communities of color that are home to the State's freight rail lines. While supportive of the economic base the industry serves to the State, their rail lines have often become places where illegal dumping is a constant problem and our growing homeless population call home. These impact of these activities further erode the quality of life for our communities, increase blight, increase unhealthy sanitation issues and negatively impact our ability to meet State water quality standards under the MS4 permits.

As members of the League our city values the policy development process provided to the General Assembly. We appreciate your time on this issue. Please feel free to contact Marco Barcena at 562-7761 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Marco Barcena".

Marco Barcena
Mayor

CC: Blanca Pacheco, President, Los Angeles County Division c/o
Jennifer Quan, Executive Director, Los Angeles County Division, jquan@cacities.org



City of
BELL GARDENS

7100 Garfield Avenue • Bell Gardens, CA 90201 • 562-806-7700 • www.bellgardens.org

CITY OF SOUTH GATE ANNUAL CONFERENCE RESOLUTION

July 20, 2021

Cheryl Viegas Walker
President
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

RE: City of South Gate Annual Conference Resolution

President Walker:

As a Councilwoman with the City of Bell Gardens, I support the City of South Gate's effort to submit a resolution for consideration by the General Assembly at the League's 2021 Annual Conference in Sacramento.

The City of South Gate's resolution seeks to address a critical issue within communities, especially those of economic disadvantage and disadvantage communities of color that are home to the State's freight rail lines. While supportive of the economic base the industry serves to the State, their rail lines have often become places where illegal dumping is a constant problem and our growing homeless population call home. These impact of these activities further erode the quality of life for our communities, increase blight, increase unhealthy sanitation issues and negatively impact our ability to meet State water quality standards under the MS4 permits.

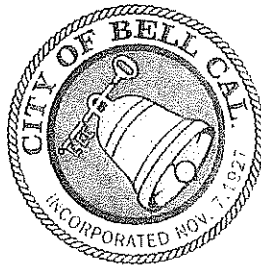
As members of the League our city values the policy development process provided to the General Assembly. We appreciate your time on this issue. Please feel free to contact Lisseth Flores at (562) 806-7763 if you have any questions.

Sincerely,

Lisseth Flores

Lisseth Flores
Councilwoman

CC: Blanca Pacheco, President, Los Angeles County Division c/o
Jennifer Quan, Executive Director, Los Angeles County Division, jquan@cacities.org



CITY OF SOUTH GATE ANNUAL CONFERENCE RESOLUTION

July 15, 2021

Cheryl Viegas Walker
President
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

RE: City of South Gate Annual Conference Resolution

President Walker:

The city of Bell supports the City of South Gate's effort to submit a resolution for consideration by the General Assembly at the League's 2021 Annual Conference in Sacramento.

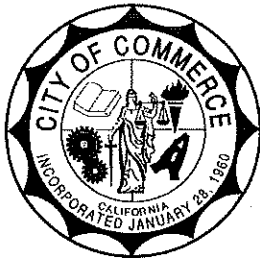
The City's resolution seeks to address a critical issue within communities, especially those of economic disadvantage and disadvantage communities of color that are home to the State's freight rail lines. While supportive of the economic base the industry serves to the State, their rail lines have often become places where illegal dumping is a constant problem and our growing homeless population call home. These impact of these activities further erode the quality of life for our communities, increase blight, increase unhealthy sanitation issues and negatively impact our ability to meet State water quality standards under the MS4 permits.

As members of the League our city values the policy development process provided to the General Assembly. We appreciate your time on this issue. Please feel free to contact Paul Philips, City Manager at 323-588-6211, if you have any questions.

Sincerely,

Alicia Romero
Mayor

CC: Blanca Pacheco, President, Los Angeles County Division c/o
Jennifer Quan, Executive Director, Los Angeles County Division,



CITY OF COMMERCE

July 20, 2021

Cheryl Viegas Walker
President
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

RE: Railroad Oversight Annual Conference Resolution

President Walker:

The City of Commerce supports the City of South Gate's effort to submit a resolution for consideration by the General Assembly at the League of California Cities' ("League") 2021 Annual Conference in Sacramento.

The City's resolution seeks to address a critical issue within communities, especially disadvantaged communities of color that are home to the State's freight rail lines. While I am supportive of the economic base the railroad industry serves to the State, their rail lines have often become places where illegal dumping is a constant problem and our growing homeless population call home. The impact of these activities further erode the quality of life for our communities, increase blight, increase unhealthy sanitation issues and negatively impact our ability to meet State water quality standards under the MS4 permits.

As members of the League, our City values the policy development process provided to the General Assembly. We appreciate your time on this issue. Please feel free to contact Edgar Cisneros, City Manager, via email at ecisneros@ci.commerce.ca.us or at 323-722-4805, should you have any questions.

Sincerely,



Mayor Leonard Mendoza

CC: Blanca Pacheco, President, Los Angeles County Division c/o
Jennifer Quan, Executive Director, Los Angeles County Division, jquan@cacities.org



CITY OF CUDAHY CALIFORNIA

Incorporated November 10, 1960

5220 Santa Ana Street
Cudahy, California 90201
(323)773-5143

July 21, 2021

Cheryl Viegas Walker
President
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

RE: City of South Gate Annual Conference Resolution

Dear President Walker:

The City of Cudahy supports the City of South Gate's effort to submit a resolution for consideration by the General Assembly at the League's 2021 Annual Conference in Sacramento.

The City of South Gate's resolution seeks to address a critical issue within communities, especially those of economic disadvantage and disadvantage communities of color that are home to the State's freight rail lines. While supportive of the economic base the industry serves to the State; their rail lines have often become places where illegal dumping is a constant problem and our growing homeless population call home. These impacts of these activities further erode the quality of life for our communities, increase blight, increase unhealthy sanitation issues and negatively impact our ability to meet State water quality standards under the MS4 permits.

As members of the League our city values the policy development process provided to the General Assembly. We appreciate your time on this issue. If you have any questions, please do not hesitate to call my office at 323-773-5143.

Sincerely,



Jose Gonzalez
Mayor

CC: Chris Jeffers, City Manager, City of South Gate



City of El Segundo

Office of the Mayor

July 16, 2021

Elected Officials:

Drew Boyles,
Mayor
Chris Pimentel
Mayor Pro Tem
Carol Pirezluk,
Council Member
Scott Nicol,
Council Member
Lance Ghroux,
Council Member
Tracy Weaver,
City Clerk
Matthew Robinson,
City Treasurer

Appointed Officials:

Scott Milinko,
City Manager
Mark D. Hensley,
City Attorney

Department Directors:

Barbara Voss
Deputy City Manager
Joseph Lillo,
Finance
Chris Donovan,
Fire Chief
Charles Mallory,
Information Technology
Services
Melissa McCollum,
Community Services
Rebecca Redyk,
Human Resources
Denis Cook,
Interim Development Services
Jamie Bermudez,
Interim Police Chief
Elias Sassoon,
Public Works

www.elsegundo.org
www.elsegundobusiness.com
www.elsegundo100.org

Cheryl Viegas Walker
President
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

RE: City of South Gate Annual Conference Resolution

President Walker:

The City of El Segundo supports the Los Angeles County Division's City of South Gate's effort to submit a resolution for consideration by the General Assembly at the League's 2021 Annual Conference in Sacramento.

The City's resolution seeks to address a critical issue within communities, especially those of economic disadvantage and disadvantage communities of color that are home to the State's freight rail lines. While supportive of the economic base the industry serves to the State, their rail lines have often become places where illegal dumping is a constant problem and our growing homeless population call home. The impact of these activities further erodes the quality of life for our communities, increases blight, increases unhealthy sanitation issues, and negatively impacts our ability to meet State water quality standards under the MS4 permits.

As members of the League, our City values the policy development process provided to the General Assembly. We appreciate your time on this issue. Please feel free to contact El Segundo Public Works Director Elias Sassoon at 310-524-2356, if you have any questions.

Sincerely,

Drew Boyles
Mayor of El Segundo

CC: City Council, City of El Segundo
Blanca Pacheco, President, Los Angeles County Division c/o
Jennifer Quan, Executive Director, Los Angeles County Division, jquan@cacities.org
Jeff Kiernan, League Regional Public Affairs Manager (via email)

350 Main Street, El Segundo, California 90245-3813
Phone (310) 524-2302 Fax (310) 322-7137



CITY OF GLENDORA CITY HALL

(626) 914-8200

116 East Foothill Blvd., Glendora, California 91741
www.ci.glendora.ca.us

July 14, 2021

Cheryl Viegas Walker, President
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

**SUBJECT: SUPPORT FOR THE CITY OF SOUTH GATE'S ANNUAL
CONFERENCE RESOLUTION**

Dear President Walker:

The City of Glendora is pleased to support the City of South Gate's effort to submit a resolution for consideration by the General Assembly at the League of California Cities' 2021 Annual Conference in Sacramento.

The City of South Gate's resolution seeks to address a critical issue that many communities, small and large, are experiencing along active transportation corridors, particularly rail lines. Given the importance and growth of the ports and logistics sector, and the economic support they provide, we need to do more to ensure that conflicts are appropriately addressed and mitigated to ensure they do not become attractive nuisances. Our cities are experiencing increasing amounts of illegal dumping (trash and debris) and the establishment of encampments by individuals experiencing homelessness along roadways, highways and rail lines. Such situations create unsafe conditions – safety, health and sanitation – that impact quality of life even as we collectively work to address this challenge in a coordinated and responsible manner.

As members of the League of California Cities, Glendora values the policy development process provided to the General Assembly and strongly support consideration of this issue. Your attention to this matter is greatly appreciated. Should you have any questions, please feel free to contact Adam Raymond, City Manager, at araymond@cityofglendora.org or (626) 914-8201.

Sincerely,

Karen K. Davis
Mayor

C: Blanca Pacheco, President, Los Angeles County Division c/o
Jennifer Quan, Executive Director, Los Angeles County Division, jquan@cacities.org

PRIDE OF THE FOOTHILLS



Office of the Mayor

July 21, 2021

Cheryl Viegas Walker
President
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

Re: Resolution No. 2021-18 Supporting City of South Gate Annual Conference Resolution

President Walker:

The City of Huntington Park (City) supports the City of South Gate's effort to submit a resolution for consideration by the General Assembly at the League's 2021 Annual Conference in Sacramento. Enclosed is Resolution No. 2021-18 adopted by the City Council of the City of Huntington Park.

The City's resolution seeks to address a critical issue within communities, especially those of economic disadvantage and disadvantage communities of color that are home to the State's freight rail lines. While supportive of the economic base the industry serves to the State, their rail lines have often become places where illegal dumping is a constant problem and our growing homeless population call home. These impacts of these activities further erode the quality of life for our communities, increase blight, increase unhealthy sanitation issues and negatively affect our ability to meet State water quality standards under the MS4 permits.

As members of the League, our City values the policy development process provided to the General Assembly. We appreciate your time on this issue. Please feel free to contact our City Manager, Ricardo Reyes, at 323-582-6161, if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Graciela Ortiz".

Graciela Ortiz
Mayor, City of Huntington Park

CC: Blanca Pacheco, President, Los Angeles County Division c/o
Jennifer Quan, Executive Director, Los Angeles County Division, jquan@cacities.org

Enclosure(s)



CITY OF LA MIRADA
DEDICATED TO SERVICE

13700 La Mirada Boulevard
La Mirada, California 90638
P.O. Box 828
La Mirada, California 90637-0828
Phone: (562) 943-0131 Fax: (562) 943-1464
www.cityoflamirada.org

July 19, 2021

Cheryl Viegas Walker
President
League of California Cities
1400 K Street, Suite 400
Sacramento, California 95814

**SUBJECT: LETTER OF SUPPORT FOR CITY OF SOUTH GATE'S PROPOSED
RESOLUTION AT CALCITIES ANNUAL CONFERENCE**

President Walker:

The City of La Mirada supports the City of South Gate's effort to submit a resolution for consideration by the General Assembly at the League's 2021 Annual Conference in Sacramento.

The City of South Gate's resolution seeks to address a critical issue within communities that are home to the State's freight rail lines. While the City of La Mirada is supportive of the economic base the railroad industry serves to the State, the rail lines have become places where illegal dumping and a growing homeless population are significant problems. The negative impact of these illegal activities decreases the quality of life for the La Mirada community, increases blight and unhealthy sanitation issues, and negatively impacts the City's ability to meet State water quality standards under the MS4 permits.

As members of the League, the City of La Mirada values the policy development process provided to the General Assembly. We appreciate your consideration on this issue. Please feel free to contact Assistant City Manager Anne Haraksin at (562) 943-0131 if you have any questions.

Sincerely,

CITY OF LA MIRADA



Ed Eng
Mayor

cc: Blanca Pacheco, President, Los Angeles County Division c/o
Jennifer Quan, Executive Director, Los Angeles County Division, jquan@cacities.org

Ed Eng, EdD
Mayor

Anthony A. Otero, DPPD
Mayor Pro Tem

Steve De Ruse, D. Min.
Councilmember 6

John Lewis, Esq.
Councilmember

Andrew Sarega
Councilmember

Jeff Boynton
City Manager

July 22, 2021

Cheryl Viegas Walker
President
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

RE: Support for City of South Gate Resolution—Cleanup Activities on Rail Operator Properties

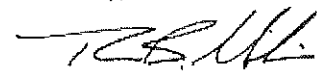
Dear President Walker,

On behalf of the City of Long Beach, I write to support the City of South Gate's proposed resolution for the League of California Cities' (League) 2021 Annual Conference. This resolution seeks to direct the League to adopt a policy urging State and federal governments to increase oversight of rail operators' land maintenance. The City is a proponent of increased maintenance along railways and believes a League advocacy strategy would help expedite regional responses.

The COVID-19 pandemic has exacerbated the public health and safety concerns on rail rights-of-way, as trash, debris, and encampments have increased exponentially. These challenges erode the quality of life for our communities, increase blight, and contribute to public health and sanitation issues. To address these concerns, the City has engaged directly with regional partners to prioritize ongoing maintenance and cleanups, and has invested \$4 million in the Clean Long Beach Initiative as part of the City's Long Beach Recovery Act to advance economic recovery and public health in response to the COVID-19 pandemic.

The City of South Gate's proposed resolution would further advance these efforts for interjurisdictional coordination. The increased oversight proposed by the resolution will help support better coordination and additional resources to address illegal dumping and encampments along private rail operator property. This is a critical measure to advance public health and uplift our most vulnerable communities. For these reasons, the City supports the proposed League resolution.

Sincerely,



THOMAS B. MODICA
City Manager

cc: Blanca Pacheco, President, Los Angeles County Division c/o
Jennifer Quan, Executive Director, Los Angeles County Division, jquan@cacities.org



OFFICE OF THE
MAYOR
MARISELA SANTANA

City of
LYNWOOD

Incorporated 1921

11330 Bullis Road, Lynwood, CA 90262
(310) 603-0220 x 200



CITY OF SOUTH GATE ANNUAL CONFERENCE RESOLUTION

July 20, 2021

Cheryl Viegas Walker
President
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

RE: City of South Gate Annual Conference Resolution

President Walker:

The City of Lynwood supports the City of South Gate's effort to submit a resolution for consideration by the General Assembly at the League's 2021 Annual Conference in Sacramento.

The City's resolution seeks to address a critical issue within communities, especially those of economic disadvantage and disadvantage communities of color that are home to the State's freight rail lines. While supportive of the economic base the industry serves to the State, their rail lines have often become places where illegal dumping is a constant problem and our growing homeless population call home. These impact of these activities further erode the quality of life for our communities, increase blight, increase unhealthy sanitation issues and negatively impact our ability to meet State water quality standards under the MS4 permits.

As members of the League our city values the policy development process provided to the General Assembly. We appreciate your time on this issue. Please feel free to contact Ernie Hernández at (310) 603-0220 ext. 200, if you have any questions.

Sincerely,

Marisela Santana, Mayor

CC: Blanca Pacheco, President, Los Angeles County Division c/o
Jennifer Quan, Executive Director, Los Angeles County Division, jquan@cacities.org



July 19, 2021

Cheryl Viegas Walker
President
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

RE: Resolution in Support of City of South Gate Annual Conference Resolution

President Walker:

The City of Montebello (City) supports the City of South Gate's effort to submit a resolution for consideration by the General Assembly at the League's 2021 Annual Conference in Sacramento. Attached is the Resolution to be considered for adoption by the City Council of the City of Montebello at our July 28, 2021, City Council meeting.

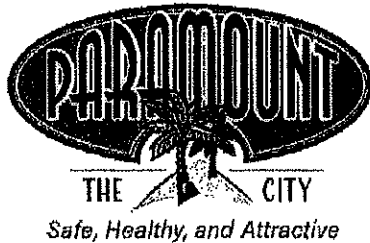
The City's resolution seeks to address a critical issue within communities, especially those of economic disadvantage and disadvantage communities of color that are home to the State's freight rail lines. While supportive of the economic base the industry serves to the State, their rail lines have often become places where illegal dumping is a constant problem and our growing homeless population call home. The impact of these activities further erodes the quality of life for our communities, increase blight, increase unhealthy sanitation issues and negatively impact our ability to meet State water quality standards under the MS4 permits.

As members of the League, our City values the policy development process provided to the General Assembly. We appreciate your time on this issue. Please feel free to contact our City Manager, René Bobadilla, at 323-887-1200, if you have any questions.

Sincerely,

Kimberly Cobos-Cawthorne
Mayor, City of Montebello

CC: Blanca Pacheco, President, Los Angeles County Division c/o
Jennifer Quan, Executive Director, Los Angeles County Division, jquan@cacities.org



BRENDA OLMOS
Mayor

VILMA CUELLAR STALLINGS
Vice Mayor

ISABEL AGUAYO
Councilmember

LAURIE GUILLEN
Councilmember

PEGGY LEMONS
Councilmember

July 19, 2021

Cheryl Viegas Walker
President
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

**RE: SUPPORT FOR ANNUAL LEAGUE OF CITIES CONFERENCE GENERAL
ASSEMBLY RESOLUTION**

President Walker:

The City of Paramount supports the City of South Gate's effort to submit a resolution for consideration by the General Assembly at the League's 2021 Annual Conference in Sacramento. The proposed resolution is attached

South Gate's resolution seeks to address a critical issue within communities, especially those of economic disadvantage and disadvantage communities of color that are home to the State's freight rail lines. While supportive of the economic boon the freight industry serves to the State, their rail line rights of way have often become places where illegal dumping is a constant problem and where our growing homeless populations reside. The impact of these activities further erode the quality of life for our communities, increase blight, increase unhealthy sanitation issues and negatively impact our ability to meet State water quality standards under the MS4 permits.

As a member of the California League of Cities, the City of Paramount values the policy development process provided to the General Assembly. We appreciate your time on this issue. Please feel free to contact City Manager John Moreno at (562) 220-2222 if you have any questions.

Dedicated to providing fiscally responsible services that maintain a vibrant community.

16400 Colorado Avenue • Paramount, CA 90723-5012 • Ph: 562-220-2000 • paramountcity.com
Facebook: [facebook.com/CityofParamount](https://www.facebook.com/CityofParamount) | Instagram: [instagram.com/paramount_posts](https://www.instagram.com/paramount_posts) | YouTube: [youtube.com/CityofParamount](https://www.youtube.com/CityofParamount)



Steve Carmona
City Manager

City of Pico Rivera
OFFICE OF THE CITY MANAGER
6615 Passons Boulevard · Pico Rivera, California 90660
(562) 801-4371

Web: www.pico-rivera.org e-mail: scastro@pico-rivera.org

City Council

Raul Elias
Mayor
Dr. Monica Sánchez
Mayor Pro Tem
Gustavo V. Camacho
Councilmember
Andrew C. Lara
Councilmember
Erik Lutz
Councilmember

CITY OF SOUTH GATE ANNUAL CONFERENCE RESOLUTION

July 14, 2021

Cheryl Viegas Walker
President
League of California Cities
1400 K Street, Suite 400
Sacramento, CA 95814

RE: City of South Gate Annual Conference Resolution

President Walker:

The City of Pico Rivera supports the City of South Gate's effort to submit a resolution for consideration by the General Assembly at the League's 2021 Annual Conference in Sacramento.

The City's resolution seeks to address a critical issue within communities, especially those of economic disadvantage and disadvantaged communities of color that are home to the State's freight rail lines. While supportive of the economic base the industry serves to the State; their rail lines have often become places where illegal dumping is a constant problem and our growing homeless population call home. The impact of these activities further erodes the quality of life for our communities, increases blight, increases unhealthy sanitation issues, and negatively impacts our ability to meet State water quality standards under the MS4 permits.

As members of the League, our City values the policy development process provided to the General Assembly. We appreciate your time on this issue. Please feel free to contact Steve Carmona at (562) 801-4405 if you have any questions.

Sincerely,

City Manager
City of Pico Rivera

CC: Blanca Pacheco, President, Los Angeles County Division c/o
Jennifer Quan, Executive Director, Los Angeles County Division, jquan@cacities.org

League of California Cities Staff Analysis on Resolution No. 2

Staff: Damon Conklin, Legislative Affairs, Lobbyist
Jason Rhine, Assistant Director, Legislative Affairs
Caroline Cirrincione, Policy Analyst

Committees: Transportation, Communications, and Public Works
Housing, Community, and Economic Development

Summary:

The City of South Gate submits this resolution, which states the League of California Cities should urge the Governor and the Legislature to provide adequate regulatory authority and necessary funding to assist cities with railroad right-of-way areas to address illegal dumping, graffiti, and homeless encampments that proliferate along the rail lines and result in public safety issues.

Background:

California Public Utilities Commission (CPUC) Railroad Oversight

The CPUC's statewide railroad safety responsibilities are carried out through its Rail Safety Division (RSD). The Railroad Operations and Safety Branch (ROSB), a unit of RSD, enforces state and federal railroad safety laws and regulations governing freight and passenger rail in California.

The ROSB protects California communities and railroad employees from unsafe practices on freight and passenger railroads by enforcing rail safety laws, rules, and regulations. The ROSB also performs inspections to identify and mitigate risks and potential safety hazards before they create dangerous conditions. ROSB rail safety inspectors investigate rail accidents and safety-related complaints and recommend safety improvements to the CPUC, railroads, and the federal government as appropriate.

Within the ROSB, the CPUC employs 41 inspectors who are federally certified in the five Federal Railroad Administration (FRA) railroad disciplines, including hazardous materials, motive power and equipment, operations, signal and train control, and track. These inspectors perform regular inspections, focused inspections, accident investigations, security inspections, and complaint investigations. In addition, the inspectors address safety risks that, while not violations of regulatory requirements, pose potential risks to public or railroad employee safety.

CPUC's Ability to Address Homelessness on Railroads

Homeless individuals and encampments have occupied many locations in California near railroad tracks. This poses an increased safety risk to these homeless individuals of being struck by trains. Also, homeless encampments often create unsafe work environments for railroad and agency personnel.

While CPUC cannot compel homeless individuals to vacate railroad rights-of-way or create shelter for homeless individuals, it has the regulatory authority to enforce measures that can reduce some safety issues created by homeless encampments. The disposal of waste materials or other disturbances of walkways by homeless individuals can create tripping hazards in the vicinity of railroad rights-of-way. This would cause violations of Commission GO 118-A, which sets standards for walkway surfaces alongside railroad tracks. Similarly, tents, wooden structures, and miscellaneous debris in homeless encampments can create violations of

Commission GO 26-D, which sets clearance standards between railroad tracks, and structures and obstructions adjacent to tracks.

Homelessness in California

According to the 2020 Annual Homeless Assessment Report (AHAR) to Congress, there has been an increase in unsheltered individuals since 2019. More than half (51 percent or 113,660 people) of all unsheltered homeless people in the United States are found in California, about four times as high as their share of the overall United States population.

Many metro areas in California lack an adequate supply of affordable housing. This housing shortage has contributed to an increase in homelessness that has spread to railroad rights-of-way. Homeless encampments along railroad right-of-way increase the incidents of illegal dumping and unauthorized access and trespassing activities. Other impacts include train service reliability with debris strikes, near-misses, and trespasser injuries/fatalities. As of April 2021, there have been 136 deaths and 117 injuries reported by the Federal Railroad Administration over the past year. These casualties are directly associated with individuals who trespassed on the railroad.

Cities across the state are expending resources reacting to service disruptions located on the railroad's private property. It can be argued that an increase in investments and services to manage and maintain the railroad's right-of-way will reduce incidents, thus enhancing public safety, environmental quality, and impacts on the local community.

State Budget Allocations – Homelessness

The approved State Budget includes a homelessness package of \$12 billion. This consists of a commitment of \$1 billion per year for direct and flexible funding to cities and counties to address homelessness. While some details related to funding allocations and reporting requirements remain unclear, Governor Newsom signed AB 140 in July, which details key budget allocations, such as:

- \$2 billion in aid to counties, large cities, and Continuums of Care through the Homeless Housing, Assistance and Prevention grant program (HHAP);
- \$50 million for Encampment Resolution Grants, which will help local governments resolve critical encampments and transitioning individuals into permanent housing; and
- \$2.7 million in onetime funding for Caltrans Encampment Coordinators to mitigate safety risks at encampments on state property and to coordinate with local partners to connect these individuals to services and housing.

The Legislature additionally provided \$2.2 billion specifically for Homekey with \$1 billion available immediately. This funding will help local governments transition individuals from Project Roomkey sites into permanent housing to minimize the number of occupants who exit into unsheltered homelessness.

With regards to this resolution, the State Budget also included \$1.1 billion to clean trash and graffiti from highways, roads, and other public spaces by partnering with local governments to pick up trash and beautify downtowns, freeways, and neighborhoods across California. The program is expected to generate up to 11,000 jobs over three years.

Cities Railroad Authority

A city must receive authorization from the railroad operator before addressing the impacts made by homeless encampments because of the location on the private property. Additionally, the city

must coordinate with the railroad company to get a flagman to oversee the safety of the work crews, social workers, and police while on the railroad tracks.

A city may elect to declare the encampment as a public nuisance area, which would allow the city to clean up the areas at the railroad company's expense for failing to maintain the tracks and right-of-way. Some cities are looking to increase pressure on railroad operators for not addressing the various homeless encampments, which are presenting public safety and health concerns.

Courts have looked to compel railroad companies to increase their efforts to address homeless encampments on their railroads or grant a local authority's application for an Inspection and Abatement Warrant, which would allow city staff to legally enter private property and abate a public nuisance or dangerous conditions.

In limited circumstances, some cities have negotiated Memoranda of Understandings (MOU) with railroad companies to provide graffiti abatement, trash, and debris removal located in the right-of-way, and clean-ups of homeless encampments. These MOUs also include local law enforcement agencies to enforce illegally parked vehicles and trespassing in the railroad's right-of-way. MOUs also detailed shared responsibility and costs of providing security and trash clean-up. In cases where trespassing or encampments are observed, the local public works agency and law enforcement agency are notified and take the appropriate measures to remove the trespassers or provide clean-up with the railroad covering expenses outlined in the MOU.

Absent an MOU detailing shared maintenance, enforcement, and expenses, cities do not have the authority to unilaterally abate graffiti or clean-up trash on a railroad's right-of-way.

Fiscal Impact:

If the League of California Cities were to secure funding from the state for railroad clean-up activities, cities could potentially save money in addressing these issues themselves or through an MOU, as detailed above. This funding could also save railroad operators money in addressing concerns raised by municipalities about illegal dumping, graffiti, and homeless encampments along railroads.

Conversely, if the League of California Cities is unable to secure this funding through the Legislature or the Governor, cities may need to consider alternative methods, as detailed above, which may include significant costs.

Existing League Policy:

Public Safety:

Graffiti

The League supports increased authority and resources devoted to cities for abatement of graffiti and other acts of public vandalism.

Transportation, Communications, and Public Works

Transportation

The League supports efforts to improve the California Public Utilities Commission's ability to respond to and investigate significant transportation accidents in a public and timely manner to improve rail shipment, railroad, aviation, marine, highway, and pipeline safety

Housing, Community, and Economic Development

Housing for Homeless

Homelessness is a statewide problem that disproportionately impacts specific communities. The state should make funding and other resources, including enriched services, and outreach and case managers, available to help assure that local governments have the capacity to address the needs of the homeless in their communities, including resources for regional collaborations.

Homeless housing is an issue that eludes a statewide, one-size-fits-all solution, and collaboration between local jurisdictions should be encouraged.

Staff Comments:

Clarifying Amendments

Upon review of the Resolution, Cal Cities staff recommends technical amendments to provide greater clarity. To review the proposed changes, please see Attachment A.

The committee may also wish to consider clarifying language around regulatory authority and funding to assist cities with these efforts. The resolution asks that new investments from the state be sent to the CPUC to increase their role in managing and maintaining railroad rights-of-ways and potentially to cities to expand their new responsibility.

The committee may wish to specify MOUs as an existing mechanism for cities to collaborate and agree with railroad operators and the CPUC on shared responsibilities and costs.

Support:

The following letters of concurrence were received:

City of Bell Gardens
City of Bell
City of Commerce
City of Cudahy
City of El Segundo
City of Glendora
City of La Mirada
City of Paramount
City of Pico Rivera
City of Huntington Park
City of Long Beach
City of Lynwood
City of Montebello

ATTACHMENT A

2. **A RESOLUTION CALLING UPON THE GOVERNOR AND THE LEGISLATURE TO PROVIDE ~~NECCESARY~~ NECESSARY FUNDING FOR ~~CPUC~~ THE CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC) TO FUFILL ITS OBLIGATION TO INSPECT RAILROAD LINES TO ENSURE THAT OPERATORS ARE REMOVING ILLEGAL DUMPING, GRAFFITI AND HOMELESS ENCAMPMENTS THAT DEGRADE THE ~~QAULITY~~ QUALITY OF LIFE AND RESULTS IN INCREASED PUBLIC ~~SAFETLY~~ SAFETY CONCERNS FOR COMMUNITIES AND NEIGHBORHOODS THAT ABUT THE RAILROAD RIGHT-OF-WAY.**

Source: City of South Gate

Concurrence of five or more cities/city officials

Cities: City of Bell Gardens; City of Bell; City of Commerce; City of Cudahy; City of El Segundo; City of Glendora; City of Huntington Park; City of La Mirada; City of Long Beach; City of Lynwood; City of Montebello; City of Paramount; City of Pico Rivera

Referred to: Housing, Community and Economic Development; and Transportation, Communications and Public Works

WHEREAS, ensuring the quality of life for communities falls upon every local government including that blight and other health impacting activities are addressed in a timely manner by private property owners within its jurisdictional boundaries for their citizens, businesses and institutions; and

WHEREAS, Railroad Operators own nearly 6,000 miles of rail right-of-way throughout the State of California which is regulated by the Federal Railroad Administration and/or the ~~California Public Utilities Commission~~ CPUC for operational safety and maintenance; and

WHEREAS, the ~~California Public Utilities Commission~~ (CPUC) is the enforcing agency for railroad safety in the State of California and has 41 inspectors assigned throughout the entire State to inspect and enforce regulatory compliance over thousands of miles of rail line; and

WHEREAS, areas with rail line right-of-way within cities and unincorporated areas are generally located in economically disadvantaged zones and/or disadvantaged communities of color where the impact of blight further lowers property values and increases the likelihood of unsound sanitary conditions and environmental impacts upon them; and

WHEREAS, many communities are seeing an increase in illegal dumping, graffiti upon infrastructure and homeless encampments due to the lax and inadequate oversight by regulatory agencies; and

WHEREAS, local governments have no oversight or regulatory authority to require operators to better maintain and clean their properties as it would with any other private property owner within its jurisdictional boundaries. Thus such local communities often resort to spending their local tax dollars on cleanup activities or are forced to accept the delayed and untimely response by operators to cleaning up specific sites, and;

WHEREAS, that railroad operators should be able to provide local communities with a fixed schedule in which their property will be inspected and cleaned up on a reasonable and regular schedule or provide for a mechanism where they partner with and reimburse local governments for an agreed upon work program where the local government is enabled to remove items like illegal dumping, graffiti and encampments; and

WHEREAS, the State has made it a priority to deal with homeless individuals and the impacts illegal encampments have upon those communities and has a budgetary surplus that can help fund the CPUC in better dealing with this situation in both a humane manner as well as a betterment to rail safety.

RESOLVED, at the League of California Cities, General Assembly, assembled at the League Cal Cities Annual Conference on September 24, 2021, in Sacramento, that ~~the~~ Cal Cities League calls for the Governor and the Legislature to work with ~~the~~ Cal Cities League and other stakeholders to provide adequate regulatory authority and necessary funding to assist cities with these railroad right-of-way areas so as to adequately deal with illegal dumping, graffiti and homeless encampments that proliferate along the rail lines and result in public safety issues. ~~The~~ Cal Cities League will work with its member cities to educate federal and state officials to the quality of life and health impacts this challenge has upon local communities, especially those of color and/or environmental and economic hardships.

- ☒ City Council
☐ Successor Agency
☐ Housing Authority
☐ Reclamation Authority
☐ Joint Powers Authority

City of
IRWINDALE
AGENDA REPORT

Date: September 22, 2021
To: Honorable Mayor and Members of the City Council
From: William K. Tam, City Manager
Issue: Approve the Purchase of an Alternative Recreation Vehicle, Waive Formal Bidding Procedure and Appropriate Additional Funds

City Manager's Recommendation:

That the City Council (1) adopt Resolution No. 2021-77-3289, entitled: "A Resolution of the City Council of the City of Irwindale Waiving Formal Bidding Procedures Pursuant to Irwindale Municipal Code Section 3.44.080(E), Authorizing the Issuance of a Purchase Order and Authorizing the City Manager to Enter into a Purchase Agreement for a Chevrolet Suburban for the Recreation Division, and Appropriating Additional Funds."

Administrative Action:

Submitted & Prepared by:

Elizabeth Rodriguez, Public Services Director



Reviewed by:

Adrian R. Guerra, City Attorney

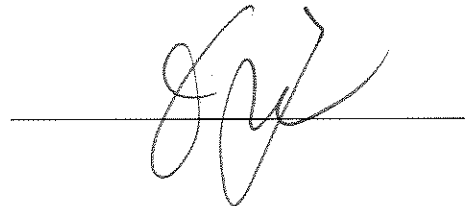
Electronically Approved

Eva Carreon, Finance Director / City Treasurer



Approved by:

William Tam, City Manager



Background and Analysis:

1. On July 28, 2021, the City Council approved the purchase of a Chevrolet Tahoe for the Recreation Division in order to replace its current 2004 Ford Excursion, a vehicle Ford no longer manufactures. The Ford Excursion is 17 years old and is costing more in repairs as the year's progress.

2. Staff was recently informed by National Auto Fleet Group that Chevrolet unexpectedly announced that non-police Tahoe's have been cut from its production line and will no longer be available for purchase. National Auto Fleet Group is able to order a Chevrolet Suburban, which is larger than the Tahoe but similar in size to the existing Ford Excursion. Staff is requesting the purchase of a Suburban in lieu of the Tahoe as it will provide the proper cargo space and seating needed to accommodate the division's needs.
3. Irwindale Municipal Code Section 3.44.080(E) states that the city council can dispense with bidding when "through cooperative purchasing with the state, the county, and other public agencies, the advantages of large-scale buying may be obtained." Here, staff proposes to purchase this vehicle by a cooperative purchase through Sourcewell, a service cooperative created by the Minnesota legislature as a local unit of government (Minn. Const. art. XII, sec. 3). All education and government entities, as well as nonpublic schools and nonprofit organizations, may participate with Sourcewell as a participating agency for cooperative purchases.
4. The selection of National Auto Fleet Group was made based on the quote provided to staff and the award of contract 120716-NAF from Sourcewell on January 17, 2017, with an expiration date of January 17, 2022. For these reasons, waiving the formal bidding process is in the best interest to the city.
5. Upon approval by the City Council, a standard purchase agreement and purchase order will be prepared by the City's Purchasing Office and signed by the City Manager in order to complete the purchase of this vehicle.
6. The existing vehicle will be placed on the City's Surplus list, which will be presented to city council for approval of disposition on another date per the City's Property Transfer/Disposition of Surplus Equipment procedures.

Fiscal Impact:

Originally, Staff budgeted \$48,000 to purchase the 2022 Chevrolet Tahoe. The cost of the Chevrolet Suburban LS 4x2 is \$50,509.97. An appropriation of \$3,000.00 is required in order to purchase the Suburban and for the required City logo decals.

Attachment(s): (1) Proposals from National Auto Fleet Group
(2) Resolution No. 2021-77-3289

RESOLUTION NO. 2021-77-3289

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRWINDALE WAIVING FORMAL BIDDING PROCEDURES PURSUANT TO IRWINDALE MUNICIPAL CODE SECTION 3.44.080(E), AUTHORIZING THE ISSUANCE OF A PURCHASE ORDER AND AUTHORIZING THE CITY MANAGER TO ENTER INTO A PURCHASE AGREEMENT FOR A CHEVROLET SUBURBAN FOR THE RECREATION DIVISION, AND APPROPRIATING ADDITIONAL FUNDS

WHEREAS, on July 28, 2021, the City Council approved the purchase of a Chevrolet Tahoe for the Recreation Division in order to replace its current 2004 Ford Excursion, a vehicle Ford no longer manufactures, and is costing more in repairs as the year's progress; and

WHEREAS, staff was recently informed by National Auto Fleet Group that Chevrolet unexpectedly announced the non-police Tahoe's have been cut from its production line and they will no longer be available for purchase; and

WHEREAS, National Auto Fleet Group is able to order a Chevrolet Suburban LS 4x2, which is larger than the Tahoe but similar in size to the existing Ford Excursion and will provide the proper cargo space and seating needed to accommodate the division's needs; and

WHEREAS, the increased cost to purchase the Suburban and required City logo decals is an additional \$3,000 and an appropriation of funds is required; and

WHEREAS, Irwindale Municipal Code ("IMC") Section 3.44.080(E) states that the City Council can dispense with bidding when "through cooperative purchasing with the state, the county, and other public agencies, the advantages of large-scale buying may be obtained"; and

WHEREAS, staff proposes to purchase the vehicle by a cooperative purchase through Sourcewell, a service cooperative created by the Minnesota legislature as a local unit of government (Minn. Const. art. XII, sec. 3); and

WHEREAS, education and government entities, as well as nonpublic schools and nonprofit organizations, may participate with Sourcewell as a participating agency for cooperative purchases; and

WHEREAS, the selection of National Auto Fleet Group was made based on its award of contract 120716-NAF from Sourcewell on January 17, 2017 and a quote obtained by staff; and

WHEREAS, the City Council now desires to authorize the issuance of a purchase order to, and execution of a purchase agreement with National Auto Fleet Group for the purchase of a Chevrolet Suburban LS 4x2 for the City's Recreation Division, dispense

with formal bidding procedures pursuant to IMC section 3.44.080(E), and appropriate an additional \$3,000 for the purchase.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF IRWINDALE
DOES HEREBY RESOLVE AS FOLLOWS:**

SECTION 1. The City Council hereby finds the Recitals above true and correct and incorporates them herein by this reference.

SECTION 2. The City Council hereby finds that a cooperative purchase through Sourcewell, a service cooperative created by the Minnesota legislature as a local unit of government (Minn. Const. art. XII, sec. 3), is authorized pursuant to Irwindale Municipal Code Section 3.44.080(E).

SECTION 3. The City Council of the City of Irwindale hereby waives the formal bidding process for the purchase of one (1) 2022 Chevrolet Suburban LS 4x2 pursuant to Irwindale Municipal Code Section 3.44.080(E) and authorizes the issuance of a purchase order.

SECTION 4. The City Council of the City of Irwindale hereby authorizes and appropriates additional funding in the amount of \$3,000 from the City's General Fund to purchase the 2022 Chevrolet Suburban LS 4x2 and City logo decals.

SECTION 5. The City Council of the City of Irwindale hereby authorizes the City Manager to enter into a purchase agreement with National Auto Fleet Group, in the amount of \$50,509.97, to purchase the 2022 Chevrolet Suburban LS 4x2.

SECTION 6. If any section, subsection, sentence, clause, phrase, or portion of this Resolution, or the application thereof to any person or circumstances, is, for any reason, held invalid or unconstitutional by any court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the application of any other section, subsection, sentence, clause, phrase, or portion of this Resolution, and to this end the invalid or unconstitutional section, subsection, sentence, clause, phrase of this Resolution are declared to be severable. The City Council hereby declares that it would have adopted this Resolution and each section, subsection, sentence, clause, phrase, part or portion thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases, parts or portions thereof be declared invalid or unconstitutional.

SECTION 7. The Chief Deputy City Clerk shall certify the adoption of this Resolution which shall, in turn, have immediate effect.

PASSED, APPROVED and ADOPTED this 22nd day of September 2021.

H. Manuel Ortiz, Mayor

ATTEST:

Laura M. Nieto, MMC
Chief Deputy City Clerk

STATE OF CALIFORNIA }
COUNTY OF LOS ANGELES } ss.
CITY OF IRWINDALE }

I, Laura M. Nieto, Chief Deputy City Clerk of the City of Irwindale, do hereby certify that the foregoing Resolution No. 2021-77-3289 duly adopted by the City Council of the City of Irwindale, at a regular meeting held on the 22nd day of September 2021, by the following vote:

AYES: Councilmembers:

NOES: Councilmembers:

ABSENT: Councilmembers:

ABSTAIN: Councilmembers:

Laura M. Nieto, MMC
Chief Deputy City Clerk

National Auto Fleet Group

A division of Chevrolet of Watsonville
490 Auto Center Drive, Watsonville, CA 95076
855 BUY-NJPA 626-457-5590
855 289-6572 626-457-5593

September 12, 2021

Ms. Pricilla Zepeda
City of Irwindale
5050 North Irwindale Ave
Irwindale, CA 91706
Delivery Via Email

Dear Ms. Zepeda,

In response to your inquiry, we are pleased to submit the following for your consideration:

National Auto Fleet Group will sell, service and deliver at Irwindale, new/unused 2022 Chevrolet Suburban LS 4X2 responding to your requirement with the attached specifications for \$ 45,229.00 plus State Sales Tax, and \$8.75 tire tax (non-taxable). These vehicles are available under the Sourcewell (Formerly Known as NJPA) master vehicle contract# 120716-NAF.

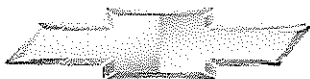
	One Unit MSRP	One Unit	Total Savings	Total Savings
2022 Chevy Suburban LS				
2WD	54,590.00	45,229.00	17.15%	9,361.00
2 Extra Keys		500.00		
Sub Total		45,729.00		
Sales Tax		4,687.22		
Transportation		85.00		
Tire Tax		8.75		
Total		50,509.97		

Terms are net 30 days.

Delivery 120-180 Days

National Auto Fleet Group welcomes the opportunity to assist you in your vehicle requirements.

Kevin Buzzard
National Law Enforcement Sales Manager
National Auto Fleet Group
Wondries Fleet Group
626-457-5590 O
714-264-1867 C
626-457-5593 F
Buzzard5150@gmail.com



Vehicle: [Fleet] 2022 Chevrolet Suburban (CC10906) 2WD 4dr LS

Image Not Available

Wondries Fleet Group / National Auto Fleet Group

Prepared By:

Kevin Buzzard

Wondries Fleet Group / National Auto Fleet Group

626-457-5590 OFC

Buzzard5150@gmail.com

Vehicle: [Fleet] 2022 Chevrolet Suburban (CC10906) 2WD 4dr LS ( Complete)

Selected Model and Options

MODEL

CODE	MODEL
CC10906	2022 Chevrolet Suburban 2WD 4dr LS

COLORS

CODE	DESCRIPTION
GAZ	Summit White

EMISSIONS

CODE	DESCRIPTION
YF5	Emissions, California state requirements

ENGINE

CODE	DESCRIPTION
L84	Engine, 5.3L EcoTec3 V8 with Dynamic Fuel Management, Direct Injection and Variable Valve Timing, includes aluminum block construction (355 hp [265 kW] @ 5600 rpm, 383 lb-ft of torque [518 Nm] @ 4100 rpm) (STD)

TRANSMISSION

CODE	DESCRIPTION
MHS	Transmission, 10-speed automatic electronically controlled with overdrive, includes Traction Select System including tow/haul (Standard with (L84) 5.3L EcoTec3 V8 engine only.) (STD)

GVWR

CODE	DESCRIPTION
C6H	GVWR, 7500 lbs. (3402 kg) (2WD models only with (L84) 5.3L EcoTec3 V8 engine or (L87) 6.2L EcoTec3 V8 engine.) (STD)

AXLE

CODE	DESCRIPTION
GU5	Rear axle, 3.23 ratio

PREFERRED EQUIPMENT GROUP

CODE	DESCRIPTION
1LS	LS Preferred Equipment Group includes standard equipment

Vehicle: [Fleet] 2022 Chevrolet Suburban (CC10906) 2WD 4dr LS (✔ Complete)

WHEEL TYPE

CODE	DESCRIPTION
PZX	Wheels, 18" x 8.5" (45.7 cm x 21.6 cm) Bright Silver painted aluminum (STD)

TIRES

CODE	DESCRIPTION
QDF	Tires, 265/65R18SL all-season, blackwall (Standard with (PZX) 18" Bright Silver painted aluminum wheels only.) (STD)

PAINT

CODE	DESCRIPTION
GAZ	Summit White

SEAT TYPE

CODE	DESCRIPTION
A50	Seats, front bucket (STD)

SEAT TRIM

CODE	DESCRIPTION
H0U	Jet Black, Premium cloth seat trim

RADIO

CODE	DESCRIPTION
IOR	Audio system, Chevrolet Infotainment 3 system, 8" diagonal color touchscreen AM/FM stereo. Additional features for compatible phones include: Bluetooth audio streaming for 2 active devices, voice command pass-through to phone, Apple CarPlay and Android Auto capable. (STD)

ADDITIONAL EQUIPMENT - PACKAGE

CODE	DESCRIPTION
WPD	Driver Alert Package includes (UKC) Lane Change Alert with Side Blind Zone Alert and (UFG) Rear Cross Traffic Alert

ADDITIONAL EQUIPMENT - EXTERIOR

CODE	DESCRIPTION
VK3	License plate front mounting package (Included on orders with ship-to-states that require a front license plate.)

Vehicle: [Fleet] 2022 Chevrolet Suburban (CC10906) 2WD 4dr LS (✔ Complete)

ADDITIONAL EQUIPMENT - SAFETY-INTERIOR

CODE	DESCRIPTION

UFG	Rear Cross Traffic Alert (Included and only available with (WPD) Driver Alert Package.)

UKC	Lane Change Alert with Side Blind Zone Alert (Included and only available with (WPD) Driver Alert Package.)

Options Total

Vehicle: [Fleet] 2022 Chevrolet Suburban (CC10906) 2WD 4dr LS (👍 Complete)

Standard Equipment

Mechanical

Suspension, Premium Smooth Ride

Engine, 5.3L EcoTec3 V8 with Dynamic Fuel Management, Direct Injection and Variable Valve Timing, includes aluminum block construction (355 hp [265 kW] @ 5600 rpm, 383 lb-ft of torque [518 Nm] @ 4100 rpm) (STD)

Transmission, 10-speed automatic electronically controlled with overdrive, includes Traction Select System including tow/haul (Standard with (L84) 5.3L EcoTec3 V8 engine only.) (STD)

Rear axle, 3.23 ratio

GVWR, 7500 lbs. (3402 kg) (2WD models only with (L84) 5.3L EcoTec3 V8 engine or (L87) 6.2L EcoTec3 V8 engine.) (STD)

Automatic Stop/Start (Vehicles built with a V8 engine will have (NSS) Not Equipped with Automatic Stop/Start, which removes Automatic Stop/Start, Engine control stop/start disable button and its content. See dealer for details.)

Engine control, stop/start system disable button, non-latching (Vehicles built with a V8 engine will have (NSS) Not Equipped with Automatic Stop/Start, which removes Automatic Stop/Start, Engine control stop/start disable button and its content. See dealer for details.)

Engine air filtration monitor

Fuel, gasoline, E15 (Standard with (L84) 5.3L EcoTec3 V8 engine only.)

Differential, mechanical limited-slip

Rear wheel drive

Cooling, external engine oil cooler, heavy-duty air-to-oil integral to driver side of radiator (Deleted when (LM2) Duramax 3.0L Turbo-Diesel I6 engine is ordered.)

Cooling, auxiliary transmission oil cooler, heavy-duty air-to-oil

Battery, 800 cold-cranking amps with 80 amp hour rating (Standard with (L84) 5.3L EcoTec3 V8 engine only.)

Alternator, 220 amps (Standard with (L84) 5.3L EcoTec3 V8 engine only.)

Trailer equipment includes trailering hitch platform, 7-wire harness with independent fused trailering circuits mated to a 7-way connector and 2" trailering receiver

Trailer sway control

Hitch Guidance

Suspension, front coil-over-shock with stabilizer bar

Suspension, rear multi-link with coil springs

Steering, power

Brakes, 4-wheel antilock, 4-wheel disc with DURALIFE rotors

Exhaust, single system, single-outlet

Mechanical Jack with tools

Vehicle: [Fleet] 2022 Chevrolet Suburban (CC10906) 2WD 4dr LS (✔ Complete)

Exterior

Wheels, 18" x 8.5" (45.7 cm x 21.6 cm) Bright Silver painted aluminum (STD)

Tires, 265/65R18SL all-season, blackwall (Standard with (PZX) 18" Bright Silver painted aluminum wheels only.) (STD)

Wheel, full-size spare, 17" (43.2 cm)

Tire, spare P265/70R17 all-season, blackwall

Tire carrier, lockable outside spare, winch-type mounted under frame at rear

Active aero shutters, upper (Standard with (L84) 5.3L EcoTec3 V8 engine only.)

Fascia, front

Luggage rack side rails, roof-mounted, bright

Assist steps, Black with chrome accent strip

Headlamps, LED

IntelliBeam, automatic high beam on/off

Lamps, stop and tail, LED

Mirrors, outside heated power-adjustable, manual-folding, body-color

Mirror caps, body-color

Glass, deep-tinted (all windows, except light-tinted glass on windshield and driver- and front passenger-side glass)

Glass, acoustic, laminated

Glass, windshield shade band

Wipers, front intermittent, Rainsense

Wiper, rear intermittent with washer

Door handles, body-color

Liftgate, rear manual

Entertainment

Audio system, Chevrolet Infotainment 3 system, 8" diagonal color touchscreen AM/FM stereo. Additional features for compatible phones include: Bluetooth audio streaming for 2 active devices, voice command pass-through to phone, Apple CarPlay and Android Auto capable. (STD)

Audio system feature, 6-speaker system

Infotainment display, 10.2" diagonal multi-color touchscreen

Vehicle: [Fleet] 2022 Chevrolet Suburban (CC10906) 2WD 4dr LS (✔ Complete)

Entertainment

SiriusXM with 360L Equipped with SiriusXM with 360L. Enjoy a trial subscription of the All Access package for the full 360L experience, with a greater variety of SiriusXM content, a more personalized experience and easier navigation. With the All Access package, you can also enjoy your favorites everywhere you go, with the SiriusXM app, online and at home on compatible connected devices. (IMPORTANT: The SiriusXM radio trial package is not provided on vehicles that are ordered for Fleet Daily Rental ("FDR") use. If you decide to continue service after your trial, the subscription plan you choose will automatically renew thereafter and you will be charged according to your chosen payment method at then-current rates. Fees and taxes apply. See the SiriusXM Customer Agreement at www.siriusxm.com for complete terms and how to cancel. All fees, content, features, and availability are subject to change. GM connected vehicle services vary by vehicle model and require active service plan, working electrical system, cell reception and GPS signal. See onstar.com for details and limitations.)

Bluetooth for phone personal cell phone connectivity to vehicle audio system

Wireless Apple CarPlay/Wireless Android Auto

Wi-Fi Hotspot capable (Terms and limitations apply. See onstar.com or dealer for details.)

Interior

Seats, front bucket (STD)

Keyless start, push button

Seat trim, cloth

Seat adjusters, 8-way power includes 6-way power front passenger seat with 2-way power lumbar

Seat adjusters, 10-way power includes 8-way power driver seat with 2-way power lumbar

Seats, second row 60/40 split-folding bench, manual

Seats, third row 60/40 split-folding bench, manual

Console, floor with storage area and removable storage tray (Deleted when (AZ3) 40/20/40 split-bench front seats are ordered.)

Floor covering, color-keyed carpeting

Floor mats, color-keyed carpeted first and second row, removable (Deleted when LPO floor mats or LPO floor liners are ordered.)

Electronic Precision Shift

Steering column, lock control, electrical

Steering column, manual tilt and telescopic

Steering wheel, leather-wrapped

Steering wheel controls, mounted audio, Driver Information Center, cruise control, Forward Collision Alert following gap button and heated steering wheel (when equipped)

Driver Information Center, 4.2" diagonal color display includes driver personalization

Rear Seat Reminder

Door locks, power programmable with lockout protection and delayed locking

Keyless Open includes extended range Remote Keyless Entry

Vehicle: [Fleet] 2022 Chevrolet Suburban (CC10906) 2WD 4dr LS (✔ Complete)

Interior

Remote start

Cruise control, electronic with set and resume speed

Theft-deterrent system, electrical, unauthorized entry

USB data ports, 2, one type-A and one type-C, located within center console

USB charging-only ports, 4, (2) located on rear of center console and (2) in 3rd row

Window, power with driver Express-Up/Down

Window, power with front passenger Express-Up/Down

Windows, power with rear Express-Down

Air conditioning, tri-zone automatic climate control with individual climate settings for driver, right front passenger and rear seat occupants

Air conditioning, rear

Defogger, rear-window electric

Power outlets, 2, 120-volt, located on the rear of the center console and rear cargo area

Power outlet, front auxiliary, 12-volt, located in the center stack of instrument panel

Mirror, inside rearview manual day/night

Visors, driver and front passenger illuminated vanity mirrors, sliding

Assist handles, overhead, driver and front passenger, located in headliner

Assist handles, front passenger A-pillar and second row outboard B-pillar

Lighting, interior with dome light, driver- and passenger-side door switch with delayed entry feature, cargo lights, door handle or Remote Keyless Entry-activated illuminated entry and map lights in front and second seat positions

Cargo management system

Chevrolet Connected Access capable (Subject to terms. See onstar.com or dealer for details.)

Safety-Mechanical

Automatic Emergency Braking

Hill Start Assist

StabiliTrak, stability control system with brake assist, includes traction control

Safety-Exterior

Daytime Running Lamps, LED

Safety-Interior

Teen Driver a configurable feature that lets you activate customizable vehicle settings associated with a key fob, to help encourage safe driving behavior. It can limit certain available vehicle features, and it prevents certain safety systems from being turned off. An invehicle report card gives you information on driving habits and helps you to continue to coach your new driver

Vehicle: [Fleet] 2022 Chevrolet Suburban (CC10906) 2WD 4dr LS (✔ Complete)

Safety-Interior

Airbags, Frontal airbags for driver and front outboard passenger; Seat-mounted side-impact airbags for driver and front outboard passenger; Driver inboard seat-mounted side-impact airbag; Head-curtain airbags for all rows in outboard seating positions (Deleted when (AZ3) front 40/20/40 split-bench seat is ordered. Always use seat belts and child restraints. Children are safer when properly secured in a rear seat in the appropriate child restraint. See the Owner's Manual for more information.)

Front outboard Passenger Sensing System for frontal outboard passenger airbag (Always use seat belts and child restraints. Children are safer when properly secured in a rear seat in the appropriate child restraint. See the Owner's Manual for more information.)

OnStar and Chevrolet connected services capable (Terms and limitations apply. See onstar.com or dealer for details.)

Chevy Safety Assist includes (UHY) Automatic Emergency Braking, (UEU) Forward Collision Alert, (UHX) Lane Keep Assist with Lane Departure Warning, (UE4) Following Distance Indicator, (UKJ) Front Pedestrian Braking and (TQ5) IntelliBeam headlamps

Front and Rear Park Assist

Following Distance Indicator

HD Rear Vision Camera

Front Pedestrian Braking

Lane Keep Assist with Lane Departure Warning

Forward Collision Alert

Buckle to Drive prevents vehicle from being shifted out of Park until driver seat belt is fastened; times out after 20 seconds and encourages seat belt use, can be turned on and off in Settings or Teen Driver menu

Door locks, rear child security, manual

LATCH system (Lower Anchors and Tethers for CHildren), for child restraint seats lower anchors and top tethers located in all second-row seating positions, top tethers located in third row seating positions

Tire Pressure Monitoring System auto learn, includes Tire Fill Alert (does not apply to spare tire)

Warning tones headlamp on, driver and right-front passenger seat belt unfasten and turn signal on

Vehicle: [Fleet] 2022 Chevrolet Suburban (CC10906) 2WD 4dr LS (✔ Complete)

Window Sticker

SUMMARY

[Fleet] 2022 Chevrolet Suburban (CC10906) 2WD 4dr LS

MSRP:\$52,400.00

Interior:Jet Black, Premium cloth seat trim

Exterior 1:Summit White

Exterior 2:No color has been selected.

Engine, 5.3L EcoTec3 V8

Transmission, 10-speed automatic

OPTIONS

CODE	MODEL	MSRP
CC10906	[Fleet] 2022 Chevrolet Suburban (CC10906) 2WD 4dr LS	\$52,400.00
OPTIONS		
1LS	LS Preferred Equipment Group	\$0.00
A50	Seats, front bucket	\$0.00
C6H	GVWR, 7500 lbs. (3402 kg)	\$0.00
GAZ	Summit White	\$0.00
GU5	Rear axle, 3.23 ratio	\$0.00
H0U	Jet Black, Premium cloth seat trim	\$0.00
IOR	Audio system, Chevrolet Infotainment 3 system, 8" diagonal color touchscreen	\$0.00
L84	Engine, 5.3L EcoTec3 V8	\$0.00
MHS	Transmission, 10-speed automatic	\$0.00
PZX	Wheels, 18" x 8.5" (45.7 cm x 21.6 cm) Bright Silver painted aluminum	\$0.00
QDF	Tires, 265/65R18SL all-season, blackwall	\$0.00
UFG	Rear Cross Traffic Alert	Inc.
UKC	Lane Change Alert with Side Blind Zone Alert	Inc.
VK3	License plate front mounting package	\$0.00
WPD	Driver Alert Package	\$495.00
YF5	Emissions, California state requirements	\$0.00
SUBTOTAL		\$52,895.00
Adjustments Total		\$0.00
Destination Charge		\$1,695.00

Prices, specifications, and availability are subject to change without notice, and do not include certain fees, taxes and charges that may be required by law or vary by manufacturer or region. Performance figures are guidelines only, and actual performance may vary. Photos may not represent actual vehicles or exact configurations. Content based on report preparer's input is subject to the accuracy of the input provided. Data Version: 14679, Data updated Sep 12, 2021 4:15:00 AM PDT

Vehicle: [Fleet] 2022 Chevrolet Suburban (CC10906) 2WD 4dr LS (✔ Complete)

TOTAL PRICE

\$54,590.00

FUEL ECONOMY

Est City:16 (2021) MPG

Est Highway:20 (2021) MPG

Est Highway Cruising Range:560.00 mi

- ☒ City Council
- ☐ Successor Agency
- ☐ Housing Authority
- ☐ Reclamation Authority
- ☐ Joint Powers Authority

City of
IRWINDALE
AGENDA REPORT

Date: September 22, 2021

To: Honorable Mayor and Members of the City Council

From: William K. Tam, City Manager

Issue: Regional Food Recovery Program Memorandum of Agreement between the City of Irwindale and the San Gabriel Valley Council of Government.

City Manager's Recommendation:

- 1) Adopt Resolution No. 2021-78-3290, entitled, "A Resolution of the City Council of the City of Irwindale Approving the Memorandum of Agreement Between the San Gabriel Valley Council of Governments and the City of Irwindale for Participation in the San Gabriel Valley Regional Food Recovery Program, Authorizing the City Manager to Execute the Memorandum of Agreement, and Appropriating Funds for the Regional Food Recovery Program as Required by Senate Bill 1383 (Lara) and CalRecycle Regulations."

Administrative Action:

Submitted & Prepared by:

Elizabeth Rodriguez, Public Services Director



Reviewed by:

Adrian R. Guerra, City Attorney

Electronically Approved

Eva Carreon, Finance Director / City Treasurer



Approved by:

William Tam, City Manager



Background and Analysis:

1. Senate Bill No. 1383 ("SB 1383"), the Short-lived Climate Pollutant Reduction Act of 2016, focuses on monitoring and regulating the sources of emissions contributing to greenhouse gases. The bill is a statewide effort to reduce emissions of short-lived climate pollutants (SLCP) and sets the following two targets:
 - a. Reduce 50% of organic waste disposal by January 1, 2020 and 75% by January 1, 2025 (based on 2014 levels); and
 - b. Rescue at least 20% of currently disposed edible food for human consumption by 2025.

SB 1383 was approved by Governor Edmund (Jerry) Brown, Jr. on September 19, 2016, and the California Department of Resources Recycling and Recovery (CalRecycle) finalized and adopted SB 1383 guidelines in November 2020 with the approval of the Office of Administrative Law.

2. CalRecycle guidelines for SB 1383 require jurisdictions to conduct education and outreach on organics recycling to all residents, businesses, haulers, solid waste facilities, and local food banks and other food recovery organizations. Jurisdictions are also required to (1) update its City Ordinances to include Mandatory Organic Waste Disposal Reduction; (2) Revise its Franchise Agreement and Exhibits with Waste Haulers to include Mandatory Organic Waste Disposal Reduction; (3) Adopt a Procurement Policy; and (4) Create and Implement an Edible Food Recovery Program.
3. Due to the extensive guidelines set forth by CalRecycle, the San Gabriel Valley Council of Government (SGVCOG), in February 2021, reconvened the Solid Waste Working Group to provide a platform for San Gabriel Valley cities and agencies to discuss solid waste issues. Specifically, the Solid Waste Working Group focuses on providing support and resources for cities to strategize and plan efforts to comply with upcoming SB 1383 mandates, especially since local jurisdictions may be required, by CalRecycle, to impose penalties for noncompliance on regulated entities starting January 1, 2024
4. At the March 25, 2021 Solid Waste Working Group meeting, several cities expressed an interest in participating in a regional effort to comply with SB 1383's edible food recovery regulations. This effort included the hiring of an external consultant that could create and implement a Regional Food Recovery Program based on guidelines adopted by CalRecycle in order to meet statewide organics reduction and food recovery requirements by the January 1, 2022 deadline. The program would require an assessment of potential food recovery agencies and their capacities for cities to utilize for SB 1383 requirements, identifying Tier 1 and Tier 2 generators and assessing their current compliance with SB 1383's food recovery regulations, preparing guidance, assisting with education and outreach efforts, and implementing inspection and enforcement programs. Fifteen San Gabriel Valley Cities formalized their interest in this program, including Irwindale.

5. After the SGVCOG presented and received recommendations from the City Managers' Steering Committee and the Public Works Technical Advisory Committee to proceed with the proposed Regional Food Recovery Program, a Request-for-Proposals (RFP) was released by the SGVCOG on July 20, 2021.

The Finalized Scope of Work outlined in the RFP was divided into two categories: Tasks 1-4 and an optional Tasks 5-6. Tasks 1-4 includes food recovery capacity and compliance assessments and public outreach efforts that are required by SB 1383 and general project management activities with a completion set for January 17, 2022. Tasks 5-6 are optional, and would direct the consultant to develop and implement a food recovery inspection program, required by SB 1383, to begin January 1, 2022 and will extend participating cities timeline for this Program until August 1, 2024.

6. The RFPs were due on August 19, 2021 with Virtual Interviews held on August 30, 2021. Based on the proposals and interviews, SGVCOG has awarded the contract to SCS Engineers in the amount of \$226,108.00 for completing Tasks 1-4. The cost for Task 5 is \$32,835.00; however, the total cost of the optional Task 6 is not available at this time. The SGVCOG is charging participating cities a 5% administrative fee to cover the SGVCOG's staff time to manage the Regional Food Recovery Program.
7. The City Attorney has reviewed and approved the Memorandum of Agreement. Tasks 5-6 are not included in the Memorandum of Agreement between the City of Irwindale and the SGVCOG. An amendment will be brought back to city council for their review and approval of these tasks at a later date.

Fiscal Impact:

The cost for participating in Tasks 1-4 of the Regional Food Recovery Program is \$19,785. This amount includes the SGVCOG's 5% administration fee and allows for three of the 15 participating cities to drop from the program. Staff is requesting to appropriate \$20,000 from the AB 939 reserves to fund this program.

Attachment(s):

1. Regional Food Recovery Program Memorandum of Agreement between the City of Irwindale and the San Gabriel Valley Council of Government.
2. Resolution No. 2021-78-3290

RESOLUTION NO. 2021-78-3290

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRWINDALE
APPROVING THE MEMORANDUM OF AGREEMENT BETWEEN THE SAN
GABRIEL VALLEY COUNCIL OF GOVERNMENTS AND THE CITY OF IRWINDALE
FOR PARTICIPATION IN THE SAN GABRIEL VALLEY REGIONAL FOOD
RECOVERY PROGRAM, AUTHORIZING THE CITY MANAGER TO EXECUTE THE
MEMORANDUM OF AGREEMENT, AND APPROPRIATING FUNDS FOR THE
REGIONAL FOOD RECOVERY PROGRAM AS REQUIRED BY SENATE BILL 1383
(LARA) AND CALRECYCLE REGULATIONS**

WHEREAS, Senate Bill No. 1383 ("SB 1383"), the Short-lived Climate Pollutant Reduction Act of 2016, focuses on monitoring and regulating the sources of emissions contributing to greenhouse gases;

WHEREAS, SB 1383 is a statewide effort to reduce emissions of short-lived climate pollutants ("SLCP") and sets the following two targets: (1) Reduce 50% of organic waste disposal by January 1, 2020 and 75% by January 1, 2025 (based on 2014 levels); and (2) Rescue at least 20% of currently disposed edible food for human consumption by 2025; and

WHEREAS, SB 1383 was approved by Governor Edmund (Jerry) Brown, Jr. on September 19, 2016, and the California Department of Resources Recycling and Recovery ("CalRecycle") finalized and adopted SB 1383 guidelines in November 2020 with the approval of the Office of Administrative Law; and

WHEREAS, CalRecycle guidelines for SB 1383 require jurisdictions to conduct education and outreach on organics recycling to all residents, businesses, haulers, solid waste facilities, and local food banks and other food recovery organizations. Jurisdictions are also required to (1) update City Ordinances to include Mandatory Organic Waste Disposal Reduction; (2) Revise Franchise Agreements and Exhibits with Waste Haulers to include Mandatory Organic Waste Disposal Reduction; (3) Adopt a Procurement Policy; and (4) Create and Implement an Edible Food Recovery Program; and

WHEREAS, the San Gabriel Valley Council of Government (SGVCOG) reconvened its Solid Waste Working Group meetings for cities to discuss and collaborate on SB 1383 regulations, which resulted in a Regional Food Recovery Program organized through the SGVCOG; and

WHEREAS, the City of Irwindale will be participating in the Regional Food Recovery Program with a cost not to exceed \$19,785; and

WHEREAS, the Regional Food Recovery Program includes food recovery capacity and compliance assessments and public outreach efforts that are required by SB 1383 and general project management activities with a completion set for January 17, 2022 for Cities to utilize in order to reach SB 1383 compliance; and

WHEREAS, an appropriation of funds from the AB 939 reserves is required to fund the Regional Food Recovery Program; and

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF IRWINDALE DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The City Council hereby adopts the Recitals above as true and correct and incorporates them herein by reference.

SECTION 2. The City Council hereby approves and authorizes the City of Irwindale's participation in the Regional Food Recovery Program as presented by the San Gabriel Valley Council of Government.

SECTION 3. The City Council of the City of Irwindale hereby appropriates additional funding in the amount of \$20,000 from the AB 939 Fund Reserves to fund the Regional Food Recovery Program.

SECTION 4. That the City Council of the City of Irwindale hereby approves the Memorandum of Agreement Between the San Gabriel Valley Council of Governments and the City of Irwindale for Participation in the San Gabriel Valley Regional Food Recovery Program and authorizes the City Manager to execute the Memorandum of Agreement.

SECTION 5. If any section, subsection, sentence, clause, phrase, or portion of this Resolution, or the application thereof to any person or circumstances, is, for any reason, held invalid or unconstitutional by any court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the application of any other section, subsection, sentence, clause, phrase, or portion of this Resolution, and to this end the invalid or unconstitutional section, subsection, sentence, clause, phrase of this Resolution are declared to be severable. The City Council hereby declares that it would have adopted this Resolution and each section, subsection, sentence, clause, phrase, part or portion thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses, phrases, parts or portions thereof be declared invalid or unconstitutional.

SECTION 6. The Chief Deputy City Clerk shall certify the adoption of this Resolution which shall, in turn, have immediate effect.

PASSED, APPROVED and ADOPTED this 22nd day of September 2021.

H. Manuel Ortiz, Mayor

ATTEST:

Laura M. Nieto, MMC
Chief Deputy City Clerk

STATE OF CALIFORNIA }
COUNTY OF LOS ANGELES } ss.
CITY OF IRWINDALE }

I, Laura M. Nieto, Chief Deputy City Clerk of the City of Irwindale, do hereby certify that the foregoing Resolution No. 2021-78-3290 duly adopted by the City Council of the City of Irwindale, at a regular meeting held on the 22nd day of September 2021, by the following vote:

AYES: Councilmembers:

NOES: Councilmembers:

ABSENT: Councilmembers:

ABSTAIN: Councilmembers:

Laura M. Nieto, MMC
Chief Deputy City Clerk

**MEMORANDUM OF AGREEMENT
BETWEEN THE SAN GABRIEL VALLEY COUNCIL OF
GOVERNMENTS AND THE CITY OF IRWINDALE FOR
PARTICIPATION IN THE SAN GABRIEL VALLEY REGIONAL FOOD
RECOVERY PROGRAM**

This Memorandum of Agreement (“MOA”) is dated for identification purposes as of September 22, 2021 by and between the City of Irwindale, a municipal corporation (“City”), and the San Gabriel Valley Council of Governments, a California joint powers authority (“SGVCOG”). City and SGVCOG may be referred to herein collectively as the “Parties” or individually as a “Party.”

RECITALS:

- A. The passage of SB 1383 (Lara, 2016) implemented statewide targets to reduce statewide disposal of organic waste and increase recovery of currently disposed edible food for human consumption. Specifically, SB 1383 aims to recover at least 20% of currently disposed edible food for human consumption by 2025. The California Department of Resources Recycling and Recovery (CalRecycle) has developed regulations entitled “Short-lived Climate Pollutants: Organic Waste Reductions” (hereafter “SLCP Regulations”), which regulations are codified at Chapter 12 of Division 7 of Title 14 of the California Code of Regulations, sections 18981.1 et seq.¹
- B. To recover 20% of edible food that would otherwise be sent to landfills by 2025, SB 1383 requires local jurisdictions to establish food recovery programs and strengthen their existing food recovery networks.
- C. The SGVCOG was established to have a unified voice to maximize resources and advocate for regional and member interests to improve the quality of life in the San Gabriel Valley by the member cities and other local governmental agencies and has established and is administering a Regional Food Recovery Program (the “Program”).
- D. City seeks to participate in the Program and join a regional approach toward compliance with SB 1383’s food recovery components. Specifically, the Program will support City in complying with the food recovery components of Sections 18985.2, 18985.3, 18991.1, 18991.2, 18992.2, 18994.1, 18994.2, and 18995.2.
- E. City will remain responsible for maintaining an Implementation Record pursuant to Section 18995.2, to include all necessary information from the Program in the City’s Implementation Record and to report the necessary information to CalRecycle based on the reporting timelines and reporting request procedures set forth in Sections 18994.1, 18994.2, and 18995.2.
- F. Pursuant to Section 18985.2, the City will remain responsible for updating and

¹ All Section references herein are to Title 14 of the California Code of Regulations unless otherwise stated.

maintaining a list of food recovery organizations and food recovery services on an annual basis. Such list must be annually updated to include each food recovery organization and each food recovery service's name, physical address, contact information, collection service area, and the types of food they accept. Such information must be posted on the City's website and shared with the City's commercial edible food generators on an annual basis. It is also the City's responsibility to share information about the City's edible food recovery programs, information about the commercial edible food generator requirements, information about food recovery organizations and food recovery services operating within its jurisdictions, where a list of those food recovery organizations and food recovery services can be found, and information about actions that commercial edible food generators can take to prevent the creation of food waste on an annual basis.

- G. City acknowledges the need to adopt a SB 1383 ordinance prior to January 1, 2022 to ensure effective implementation of the Program.
- H. The Schedule of Work and Scope of Work are outlined in Attachment A.
- I. City and SGVCOG desire to set forth the terms of their ongoing collaboration with respect to this effort in this MOA and further agree as follows:

I. RECITALS

The above Recitals are made a substantive part of this MOA.

II. TERM:

The term of this MOA shall commence on September 23, 2021 and shall continue through the completion of all work completed under this MOA. The term of this MOA may be extended by mutual written MOA of the Parties.

III. RESPONSIBILITIES OF THE PARTIES:

A. SGVCOG Responsibilities:

1. Undertake procurement and management of consultant(s) to complete the Program set forth in the Program's Scope of Work (Attachment A), including the execution of a contract with the consultant for the development of the Program.
2. Manage all invoicing and make payments to the consultant for all properly submitted and reviewed invoices.
3. Review draft deliverables prepared by the consultant for accuracy.
4. Coordinate with the consultant to ensure consultant's participation in calls and meetings.
5. Manage ongoing coordination of calls with the Parties and the consultant throughout the development of the Program.
6. Review and provide comments on draft communications and documents related to the Program.

7. Submit one invoice to the City within thirty (30) days of this MOA's execution, in the amount not to exceed \$19,785.00, which includes both the consultant fee for Tasks 1 – 4 and a 5% administrative fee for the San Gabriel Valley Council of Government, and represents City's total cost for participation in the Program.

B. City Responsibilities:

1. Designate a point-of-contact with name, title, and contact information who will serve as the City's technical representative throughout the development of the Program. If the point-of-contact is reassigned or no longer with the City, a new point-of-contact will be designated within fourteen (14) calendar days.
2. Actively engage in the development of the Program including, but not limited to, promptly responding to all correspondence (phone calls and e-mail communications), responding to data requests, and attending any necessary meetings.
3. Review and provide comments to consultant on deliverables as necessary.
4. Participate in check-in calls and/or meetings with the consultant and with all Parties, as necessary.
5. Approve within five (5) business days any deliverables that can be approved by staff or ten (10) business days any items that need to be approved by city attorney or city manager.
6. Pay the invoice referenced in III.A.7 above within forty-five (45) days.

IV. PROJECT MANAGEMENT:

A. Project Managers.

1. For the purposes of this MOA, SGVCOG designates the following individual as its Project Manager: Alexander Fung, Senior Management Analyst, whose contact information is set forth below.
2. For the purposes of this MOA, the City designates the following individual as its representative: Elizabeth Rodriguez, Public Services Director, whose contact information is set forth below.

Either Party may change the designations set forth herein upon written notice to the other Party.

V. DEFAULT; REMEDIES:

- A. Default. A "Default" under this MOA is defined as any one or more of the following: (i) failure of either Party to comply with the terms and conditions contained in this MOA; and/or (ii) failure of either Party to perform its obligations set forth herein satisfactorily or make sufficient progress towards completion of the Regional Food Recovery Program.

- B. Remedies. In the event of a Default by either Party, the non-defaulting Party

will provide a written notice of such Default and thirty (30) days to cure the Default. In the event that the defaulting Party fails to cure the Default, or commit to cure the Default and commence the same within such 30-day period and to the satisfaction of the non-defaulting Party, the non-defaulting Party may terminate this MOA. Such termination shall be effective immediately upon the provision of written notice by the non-defaulting Party to the defaulting Party. The remedies described herein are non-exclusive. In the event of a Default by either Party, the non-defaulting Party shall have the right to seek any and all remedies available at law or in equity.

VI. INDEMNIFICATION:

- A. City agrees to defend, indemnify, and hold free and harmless the SGVCOG, its elected and appointed boards, officials, officers, agents, employees, members, and volunteers, at City's sole expense, from and against any and all claims, actions, suits, or other legal proceedings brought against the SGVCOG, its elected and appointed boards, officials, officers, agents, employee members, and volunteers arising out of or relating to the acts or omissions of City in connection with this MOA.
- B. SGVCOG agrees to defend, indemnify, and hold free and harmless the City, its elected officials, officers, agents, employees, and volunteers, at SGVCOG's sole expense, from and against any and all claims, actions, suits, or other legal proceedings brought against the City, its elected officials, officers, agents, employees, and volunteers arising out of or relating to the acts or omissions of SGVCOG in connection with this MOA.
- C. To the extent allowed by State law, SGVCOG shall require that the consultant(s) defend and indemnify the City and its elected officials, officers, agents, employees, and volunteers from and against any and all claims, actions, suits, or other legal proceedings (collectively, "Claims") brought against the City arising out of or relating to the acts or omissions of the consultant(s) in connection with the Scope of Work, in the agreement between the consultant and SGVCOG; provided that SGVCOG shall not be liable to the City and its elected officials, officers, agents, employees, and volunteers by way of agency or any other theory of liability for any such Claims.

VII. INSURANCE:

City and SGVCOG shall maintain and keep in full force and effect during the term of this MOA insurance or a program of self-insurance against claims for injuries to persons or damages to property which may arise in connection with City's or SGVCOG's performance of its obligations hereunder.

VIII. OTHER TERMS AND CONDITIONS:

- A. Notices. All notices required or permitted to be given under this MOA shall be in

writing and shall be personally delivered, or sent by electronic mail or certified mail, postage prepaid and return receipt requested, addressed as follows:

To SGVCOG: Alexander Fung
Senior Management Analyst
1000 S. Fremont Avenue, Unit 42
Building A-10N, Suite 10-210
Alhambra, CA 91803
(626) 457-1800
afung@sgvcog.org

with a copy to: Marisa Creter
Executive Director
1000 S. Fremont Avenue, Unit 42
Building A-10N, Suite 10-210
Alhambra, CA 91803
(626) 457-1800
mcreter@sgvcog.org

To City: Elizabeth Rodriguez
Public Services Director
5050 N. Irwindale Avenue
Irwindale, CA 91706
(626) 430-2211
erodriguez@irwindaleca.gov

with a copy to: Adrian R. Guerra
City Attorney
Aleshire & Wynder, LLP
18881 Von Karman Avenue, Suite 1700
Irvine, CA 92612
(949) 223-1170
aguerra@awttorneys.com

- B. No Partnership. This MOA is not intended to be, and shall not be construed as, an agreement to form a partnership, agency relationship, or a joint venture between the Parties. Except as otherwise specifically provided in the MOA, neither Party shall be authorized to act as an agent of or otherwise to represent the other Party.
- C. Entire MOA. This MOA constitutes the entire understanding between the Parties with respect to the subject matter herein and supersedes any and all other prior writings and oral negotiations. This MOA may be modified only in writing and signed by the Parties in interest at the time of such modification.
- D. Governing Law. This MOA shall be governed by and construed under California law and any applicable federal law without giving effect to that body of laws pertaining to conflict of laws. In the event of any legal action to enforce or interpret this MOA,

the Parties hereto agree that the sole and exclusive venue shall be a court of competent jurisdiction located in Los Angeles County, California.

- E. Excusable Delays. Neither Party shall be considered in default in the performance of its obligations hereunder to the extent that the performance of any such obligation is prevented or delayed by unforeseen causes including acts of God, floods, earthquakes, fires, acts of a public enemy, pandemic, epidemic, and government acts beyond the control and without fault or negligence of the affected Party. Each Party hereto shall give notice promptly to the other of the nature and extent of any such circumstances claimed to delay, hinder, or prevent performance of any obligations under this MOA.
- F. Waiver. Waiver by any Party to this MOA of any term, condition, or covenant of this MOA shall not constitute a waiver of any other term, condition, or covenant. No waiver of any provision of this MOA shall be effective unless in writing and signed by a duly authorized representative of the Party against whom enforcement of a waiver is sought.
- G. Headings. The section headings contained in this MOA are for convenience and identification only and shall not be deemed to limit or define the contents to which they relate.
- H. Assignment. Neither Party may assign its interest in this MOA, or any part thereof, without the prior written consent of the other Party. Any assignment without consent shall be void and unenforceable.
- I. Severability. If any provision of this MOA is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.
- J. Authority to Execute. The person executing this MOA on behalf of a Party warrant that they are duly authorized to execute this MOA on behalf of said Party, and that by doing so said Party is formally bound to the provisions of this MOA.
- K. Counterparts. This MOA may be executed in multiple counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.
- L. Electronic Signatures. This MOA may be executed with electronic signatures in accordance with Government Code Section 16.5. Such electronic signatures will be treated in all respects as having the same effect as an original signature.

IN WITNESS WHEREOF, the Parties hereto have caused this MOA to be executed and to be effective on the date it has been fully executed by the Parties as set forth below.

FOR THE CITY OF IRWINDALE:

By: _____
William K. Tam
City Manager

Date: _____

ATTEST:

Laura M. Nieto, MMC
Chief Deputy City Clerk

APPROVED AS TO FORM:

Adrian R. Guerra
City Attorney

FOR THE SAN GABRIEL VALLEY
COUNCIL OF GOVERNMENTS:

By: _____
Marisa Creter
Executive Director

Date: _____

APPROVED AS TO FORM:

David DeBerry
General Counsel

ATTACHMENT “A”

Schedule of Work

Based on mandates set forth by the adopted guidelines, the SGVCOG is seeking a completed project (Tasks 1-4 indicated in the scope of work without the optional add-ons in the Scope of Work) **by January 17, 2022**. The Schedule of Work may be extended until August 1, 2024 for the purpose of adding Tasks 5 and 6. These additional tasks are envisioned to be annual MOA amendments with annual options to extend through August 1, 2024.

Scope of Work*

Task 1 Project Management

Task 1.1 Kickoff Meeting

The Consultant shall conduct a kickoff meeting with the SGVCOG and CalRecycle staff. The primary objectives will be to review scope, schedule, project goals, and key issues. The SGVCOG will be responsible for inviting CalRecycle staff to participate in the Kickoff Meeting.

Deliverables: Meeting notes and materials for kickoff meeting.

Task 1.2 Project Team Coordination

Biweekly project team meetings, regular phone and e-mail correspondence, and other communications with the SGVCOG to ensure that the tasks listed in this SOW stay on schedule and within budget.

Deliverables: Meeting notifications, agendas, and notes.

Task 1.3 Project Management Update Meetings

The Consultant shall facilitate approximately 6-8 meetings with the SGVCOG and representatives of participating cities to solicit feedback on draft deliverables.

Deliverables: Meeting notifications, agendas, notes, and other relevant drafts and documents.

Task 2 Capacity and Compliance Assessments

Task 2.1 Food Recovery Agencies and Organizations Capacity Assessment

The Consultant shall assess potential edible food recovery agencies and organizations in and around the participating cities' city limits, identify and evaluate the processing capacity of such agencies and organizations, identify and evaluate whether these agencies and organizations have existing contracts and written agreements with participating cities' commercial edible food waste generators, and provide a detailed report. Additionally, the Consultant shall calculate if additional capacity is needed for participating cities to recover the required amount of edible food, identify the infrastructure needed to operate an edible food recovery program in the San Gabriel Valley, and identify opportunities for participating cities to fund such infrastructure.

Deliverables: A detailed report containing a list of edible food recovery agencies and organizations in and around the participating cities' city limits to provide for participating cities' edible food waste generators that comply with SB 1383, and an assessment of the requirements associated with the collected edible food or expand collection of edible food. Additionally, the report should

include information on the processing capacity of the food recovery agencies and organizations in and around the participating cities' city limits and whether these agencies and organizations have existing contracts and written agreements with the participating cities' commercial edible food waste generators. The report must also include details on whether additional capacity is needed for participating cities to recover the required amount of edible food, the infrastructure needed to operate an edible food recovery program in the San Gabriel Valley and opportunities for participating cities to fund such infrastructure. The report shall be compiled in the form of one regional document, with the information on each participating city formatted by sections.

Task 2.2 Tier 1 and Tier 2 Edible Food Waste Generators Compliance Assessment

The Consultant shall identify participating cities' Tier 1 and Tier 2 edible food waste generators and assess the generators for their existing food recovery capacity and their current compliance statuses, including whether or not the generators have existing contracts or written agreements with food recovery services or organizations, with SB 1383's edible food recovery regulations.

Deliverables: A detailed report providing details on participating cities' Tier 1 and Tier 2 edible food waste generators, their statuses on their participation in edible food donation programs, and their SB 1383 food recovery compliance statuses of such edible food donation programs. The report shall be compiled in the form of one regional document, with the information on each participating city formatted by sections.

Task 3 Public Outreach

Task 3.1 Develop Outreach and Education Plan

The Consultant shall develop and propose an outreach and education plan and timeline for participating cities' Tier 1 and Tier 2 edible food waste generators and stakeholder groups and specify plans to incorporate communication, marketing, and outreach/education efforts. Please note that all outreach efforts must be conducted, by law, before February 1, 2022. The plan shall include email notifications to participating cities' Tier 1 and Tier 2 edible food waste generators, social media and website postings, and five (5) regional educational workshops (with recording available). The Consultant shall also create materials for the outreach and education plan based on resources provided by CalRecycle and the Los Angeles County Department of Public Works, including flyers, brochures, presentations, and website and social media templates. All materials must be provided in traditional Chinese, English, and Spanish.

Deliverables: Multilingual outreach and education materials and a detailed plan on comprehensive outreach and education efforts for participating cities' Tier 1 and Tier 2 edible food waste generators and stakeholder groups.

Task 3.2 Implement Outreach and Education Plan

Upon approval by the SGVCOG, the Consultant shall implement the proposed outreach and education plan. The Consultant shall provide records of all outreach and education efforts, along with copies of the utilized marketing materials, that were conducted. The records shall include the date and to whom the information was disseminated or direct contact made.

Deliverables: Weekly reports and updates on conducted outreach and education efforts, including emails, presentations, individuals/entities outreached, outcomes/relevant documents, and copies of the utilized marketing materials.

Task 4 Final Report

Task 4.1 Final Report Deliverable

The Consultant shall compile a Final Report that includes details on the outreach efforts that were conducted, the assessments that were performed under Task 2, the food recovery needs and operations of participating cities' Tier 1 and Tier 2 waste generators, the food recovery needs and operations of food recovery agencies and organizations in and around the San Gabriel Valley, and recommendations on the necessary steps that participating cities should consider to ensure SB 1383 compliance.

Deliverables: Final report detailing the outreach efforts that were conducted, the assessments that were performed under Task 2, the food recovery needs and operations of participating cities' Tier 1 and Tier 2 waste generators, the food recovery needs and operations of food recovery agencies and organizations in and around the San Gabriel Valley, and recommendations on the necessary steps that participating cities should consider to ensure SB 1383 compliance.

- ☒ City Council
☐ Successor Agency
☐ Housing Authority
☐ Reclamation Authority
☐ Joint Powers Authority

City of
IRWINDALE
AGENDA REPORT

Date: September 22, 2021
To: Honorable Mayor and Members of the City Council
From: William K. Tam, City Manager
Issue: Caltrans Landscape Maintenance Agreement

City Manager's Recommendation:

- 1) Authorize the Mayor and City Manager to execute a Landscape Maintenance Agreement between the City of Irwindale and the California Department of Transportation (Caltrans).

Administrative Action:

Submitted & Prepared by:

Elizabeth Rodriguez, Public Services Director



Reviewed by:

Adrian R. Guerra, City Attorney

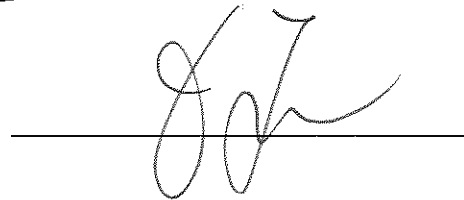
Electronically Approved

Eva Carreon, Finance Director / City Treasurer



Approved by:

William Tam, City Manager



Background and Analysis:

- 1) The Park at Live Oak Project, located immediately south of Arrow Highway, west of Interstate 605 (I-605), and northwest of Live Oak Avenue, proposes the development of a 78.3-acre site over 10 years. The project will be fully funded by the Developer, including all off-site improvements. On December 18, 2019, the City of Irwindale Planning Commission adopted various resolutions recommending the City Council certify the Environmental Impact Report, Zoning Code, Zoning

Designations, Tentative Parcel Map, and the Development Agreement for the Park at Live Oak Project.

- 2) The Park at Live Oak Specific Plan was introduced for the first reading at the February 12, 2020 City Council Meeting to certify the Environmental Impact Report, MMRP, Statement of Overriding Considerations, the Tentative Parcel Map, and introduce various ordinances adopting the Zoning Codes, Zoning Designations/Map, and the Development Agreement.
- 3) On February 26, 2020, the City Council adopted the required ordinances for the Park at Live Oak Specific Plan, amendments to the zoning designations and the zoning map, and approved the development agreement for this project.
- 4) As part of the process and included in Exhibit "C" of the Development Agreement, the Developer is required to construct a 10-foot wide meandering sidewalk/landscaped parkway along the Project's frontage of Live Oak Avenue and Arrow Highway. Approximately 400' of the meandering sidewalk and landscaped area on Arrow Highway is located in the California Department of Transportation's (Caltrans) jurisdiction. Additionally, a portion of the median island on Live Oak Avenue just west of the I-605 Freeway is also located in Caltrans' jurisdiction. This area will be constructed with concrete and a strip of cobblestone surrounding the concrete. As such, the City of Irwindale is required to enter into a Landscape Maintenance Agreement with Caltrans identifying these improvements and commit to maintaining these areas in the future.

Fiscal Impact:

There is a cost associated with maintaining these areas, which Staff is unable to determine at this time. The areas will be added to the Public Services Department budget under street maintenance for Fiscal Year 2022/2023.

Attachment(s):

1. Landscape Maintenance Agreement between the City of Irwindale and the California Department of Transportation, including the Landscape Plans Identifying Caltrans Jurisdiction (Exhibit A)

**LANDSCAPE MAINTENANCE AGREEMENT BETWEEN THE
CITY OF IRWINDALE AND THE CALIFORNIA DEPARTMENT OF TRANSPORTATION**

THIS AGREEMENT is made effective this 23rd day of September 2021, by and between the State of California, acting by and through the Department of Transportation, hereinafter referred to as "STATE" and the City of Irwindale hereinafter referred to as "CITY", and collectively referred to as "PARTIES".

1. The PARTIES hereto mutually desire to identify the maintenance responsibilities of CITY for newly constructed or revised improvements within STATE's right of way by Encroachment Permit _____ dated _____.
2. This Agreement addresses CITY responsibility for the landscaping, planting, irrigation systems, hardscaping including cobblestone and concrete, mulch, control, litter, weed abatement, sidewalks, and signage (collectively the "LANDSCAPING") placed within State Highway right of way on State Route I-605, as shown on Exhibit A, attached to and made a part of this Agreement.
3. Maintenance responsibilities include, but are not limited to, inspection, providing emergency repair, replacement, and maintenance, (collectively hereinafter "MAINTAIN/MAINTENANCE") of LANDSCAPING as shown on said Exhibit "A."
4. The degree or extent of MAINTENANCE to be performed, and the standards, therefore, shall be in accordance with the provisions of Section 27 of the Streets and Highways Code and the then current edition of the State Maintenance Manual.
5. When a planned future improvement is constructed and/or a minor revision has been effected with STATE's consent or initiation within the limits of the STATE's right of way herein described which affects PARTIES' division of MAINTENANCE responsibility as described herein, PARTIES will agree upon and execute a new dated and revised Exhibit "A" which will be made a part hereof and will thereafter supersede the attached original Exhibit "A" to thereafter become a part of this Agreement.
 - 5.1. The new exhibit can be executed only upon written consent of the PARTIES hereto acting by and through their authorized representatives. No formal amendment to this Agreement will be required.
6. CITY agrees, at CITY expense, to do the following:
 - 6.1. CITY may install, or contract with a licensed contractor with appropriate class of license in the State of California to install, and thereafter MAINTAIN

LANDSCAPING conforming to those plans and specifications (PS&E) pre-approved by STATE.

6.2. CITY will submit the final form of the PS&E, prepared, stamped and signed by a licensed landscape architect, for LANDSCAPING to STATE's District Permit Engineer for review and approval and will obtain and have in place a valid necessary encroachment permit prior to the start of any work within STATE'S right of way. All proposed LANDSCAPING must meet STATE's applicable standards.

6.2.1. CITY contractors will be required to obtain an Encroachment Permit prior to the start of any work within STATE's right of way.

6.2.2. An Encroachment Permit may be required prior to the start of any work within STATE's right of way.

6.3. CITY shall ensure that LANDSCAPED areas designated on Exhibit "A" are provided with adequate scheduled routine MAINTENANCE necessary to MAINTAIN a neat and attractive appearance including providing for water and fertilizer necessary to sustain healthy plant growth during the entire life of this Agreement.

6.3.1. To prune shrubs, tree plantings, and trees to control extraneous growth and ensure STATE standard lines of sight to signs and corner sight distances are always maintained for the safety of the public.

6.3.2. To replace unhealthy or dead plantings when observed or within 30 days when notified in writing by STATE that plant replacement is required.

6.3.3. To expeditiously MAINTAIN, replace, repair or remove from service any LANDSCAPING system component that has become unsafe or unsightly.

6.4. To furnish electricity for irrigation system controls, and lighting system controls for all street lighting systems installed by CITY.

6.5. To MAINTAIN, repair and operate the irrigation systems in a manner that prevents water from flooding or spraying onto STATE highway, spraying parked and moving automobiles, spraying pedestrians on public sidewalks/bike paths, or leaving surface water that becomes a hazard to vehicular or pedestrian/bicyclist travel.

6.6. To control weeds at a level acceptable to the STATE. Any weed control performed by chemical weed sprays (herbicides) shall comply with all laws, rules, and regulations established by the California Department of Food and Agriculture. All chemical spray operations shall be reported quarterly (Form LA17) to the STATE to: District 7 Maintenance Office at 120 South Spring Street, Los Angeles, CA 90012.

- 6.7. To ensure LANDSCAPING provides an acceptable walking and riding surface, and provide for the repair and removal of dirt, debris, graffiti, weeds, and any deleterious item or material on or about the LANDSCAPING in an expeditious manner.
- 6.8. To MAINTAIN all parking or use restrictions signs encompassed within the area of the LANDSCAPING.
- 6.9. To remove LANDSCAPING and appurtenances and restore STATE owned areas to a safe and attractive condition acceptable to STATE in the event this Agreement is terminated as set forth herein.
7. STATE may provide CITY with a minimum 30 days' notice of unsatisfactory conditions that require correction by the CITY. However, the non-receipt of notice does not excuse CITY/County from maintenance responsibilities assumed under this Agreement.
8. STATE shall Issue encroachment permits to CITY and CITY'S contractors at no cost to them.
9. LEGAL RELATIONS AND RESPONSIBILITIES:
 - 9.1. Nothing in this Agreement is intended to create duties or obligations to or rights in third parties not party to this Agreement, or affect the legal liability of either PARTY to this Agreement by imposing any standard of care respecting the design, construction and maintenance of these STATE highway improvements or CITY facilities different from the standard of care imposed by law.
 - 9.2. If during the term of this Agreement, CITY should cease to MAINTAIN the LANDSCAPING to the satisfaction of STATE as provided by this Agreement, STATE may either undertake to perform that MAINTENANCE on behalf of CITY at CITY's expense or direct CITY to remove or itself remove LANDSCAPING at CITY's sole expense and restore STATE's right of way to its prior or a safe operable condition. CITY hereby agrees to pay said STATE expenses, within thirty (30) days of receipt of billing by STATE. However, prior to STATE performing any MAINTENANCE or removing LANDSCAPING, STATE will provide written notice to CITY to cure the default and CITY will have thirty (30) days within which to affect that cure.
 - 9.3. Neither CITY nor any officer or employee thereof is responsible for any injury, damage or liability occurring by reason of anything done or omitted to be done by STATE under or in connection with any work, authority or jurisdiction arising under this Agreement. It is understood and agreed that STATE shall fully defend, indemnify and save harmless CITY and all of its officers and employees from all claims, suits or actions of every name, kind and description brought forth under, including, but not limited to, tortious, contractual, inverse condemnation and other theories or assertions of liability occurring by reason

of anything done or omitted to be done by STATE under this Agreement with the exception of those actions of STATE necessary to cure a noticed default on the part of CITY.

9.4. Neither STATE nor any officer or employee thereof is responsible for any injury, damage or liability occurring by reason of anything done or omitted to be done by CITY under or in connection with any work, authority or jurisdiction arising under this Agreement. It is understood and agreed that CITY shall fully defend, indemnify and save harmless STATE and all of its officers and employees from all claims, suits or actions of every name, kind and description brought forth under, including, but not limited to, tortious, contractual, inverse condemnation or other theories or assertions of liability occurring by reason of anything done or omitted to be done by CITY under this Agreement.

9.5. PREVAILING WAGES:

9.5.1. Labor Code Compliance- If the work performed under this Agreement is done under contract and falls within the Labor Code section 1720(a)(1) definition of a "public works" in that it is construction, alteration, demolition, installation, or repair; or maintenance work under Labor Code section 1771. CITY must conform to the provisions of Labor Code sections 1720 through 1815, and all applicable provisions of California Code of Regulations found in Title 8, Chapter 8, Subchapter 3, Articles 1-7. CITY agrees to include prevailing wage requirements in its contracts for public works. Work performed by CITY'S own forces is exempt from the Labor Code's Prevailing Wage requirements.

9.5.2. Requirements in Subcontracts - CITY shall require its contractors to include prevailing wage requirements in all subcontracts when the work to be performed by the subcontractor under this Agreement is a "public works" as defined in Labor Code Section 1720(a)(1) and Labor Code Section 1771. Subcontracts shall include all prevailing wage requirements set forth in CITY's contracts.

10. INSURANCE - SELF-INSURED - CITY is self-insured. CITY agrees to deliver evidence of self-insured coverage providing general liability insurance, coverage of bodily injury liability and property damage liability, naming STATE, its officers, agents and employees as the additional insured in an amount of \$1 million per occurrence and \$2 million in aggregate and \$5 million in excess. Coverage shall be evidenced by a certification of self- insurance letter ("Letter of Self-Insurance"), satisfactory to STATE, certifying that CITY meets the coverage requirements of this section. This Letter of Self-Insurance shall also identify the location as depicted in EXHIBIT A. CITY/COUNTY shall deliver to STATE the Letter of Self- Insurance with a signed copy of this AGREEMENT. A copy of the executed Letter of Self-Insurance shall be attached hereto and incorporate as Exhibit B.

10.1. SELF-INSURED using Contractor - If the work performed under this AGREEMENT is done by CITY/COUNTY's contractor(s), CITY/COUNTY shall

require its contractor(s) to maintain insurance in force, during the term of this AGREEMENT, a policy of general liability insurance, including coverage of bodily injury liability and property damage liability, naming STATE, its officers, agents and employees as the additional insured in an amount of \$1 million per occurrence and \$2 million in aggregate and \$5 million in excess. Coverage shall be evidenced by a certificate of insurance in a form satisfactory to the STATE that shall be delivered to the STATE with a signed copy of this Agreement.

11.TERMINATION - This Agreement may be terminated by timely mutual written consent by PARTIES, and CITY's failure to comply with the provisions of this Agreement may be grounds for a Notice of Termination by STATE.

12.TERM OF AGREEMENT -This Agreement shall become effective on the date first shown on its face sheet and shall remain in full force and effect until amended or terminated at any time upon mutual consent of the PARTIES or until terminated by STATE for cause.

PARTIES are empowered by Streets and Highways Code Section 114 & 130 to enter into this Agreement and have delegated to the undersigned the authority to execute this Agreement on behalf of the respective agencies and covenants to have followed all the necessary legal requirements to validly execute this Agreement.

SIGNATURES ON NEXT PAGE

IN WITNESS WHEREOF, the PARTIES hereto have set their hands and seals the day and year first above written.

THE CITY OF IRWINDALE

By: _____
Mayor H. Manuel Ortiz

Initiated and Approved

By: _____
William K. Tam, City Manager

ATTEST:

By: _____
Laura M. Nieto, MMC Chief
Deputy City Clerk

By: _____
Adrian R. Guerra, City Attorney

STATE OF CALIFORNIA
DEPARTMENT OF TRANSPORTATION

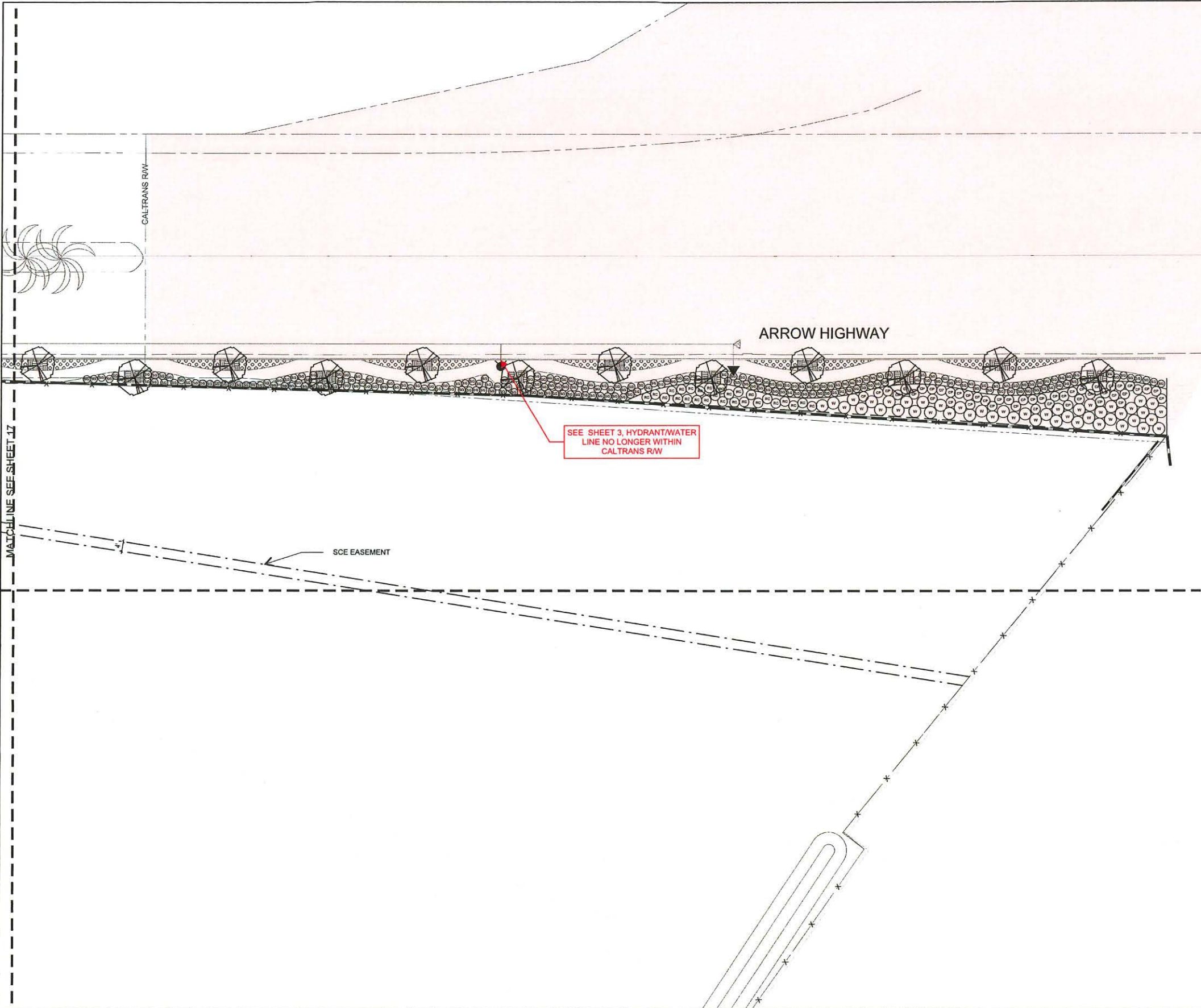
By: _____
TOKS OMISHAKIN
Director of Transportation

By: _____
Deputy District Director
Maintenance District

EXHIBIT A

(Plan map identifying the applicable STATE Routes (Freeway proper) and
CITY road(s) and facilities)

EXHIBIT A



PLANTING LEGEND

TREES					
SYMBOL	BOTANICAL/COMMON NAME	SIZE	QTY	WUCOLS	REMARKS
	Chitalpa tashkentensis	36" Box	21	L	Standard
	Chitalpa				
	Lagerstroemia 'Muskogee'	24" Box	60	M	Standard
	Crape Myrtle				
	Tristania conferta	24" Box	70	M	Standard
	Brisbane Box				

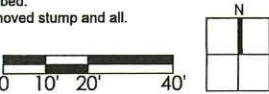
SHRUBS					
SYMBOL	BOTANICAL/COMMON NAME	SIZE	QTY	WUCOLS	REMARKS
	Agave attenuata	5 Gal	115	L	
	Agave				
	Callistemon 'Little John'	5 Gal	294	M	
	Dwarf Bottle Brush				
	Cassia phyllodenia	5 Gal	46	L	
	Silverleaf Cassia				
	Hesperaloe parviflora	5 Gal	0	L	
	Red Yucca				
	Rhamnus californica	5 Gal	27	L	
	Coffeeberry				
	Rosmarinus o. 'Tuscan Blue'	5 Gal	258	L	
	Rosemary				
	Salvia greggii	5 Gal	1231	L	
	Autumn Sage				
	Westringia fruticosa	5 Gal	46	L	
	Coast Rosemary				

GROUND COVER					
SYMBOL	BOTANICAL/COMMON NAME	SIZE	SPACING	WUCOLS	REMARKS
	Acacia redolens 'Low Boy'	1 Gal	8" O.C.	L	
	Dwarf Acacia				
	Carlisa m. 'Green Carpet'	1 Gal	36" O.C.	M	
	Prostrate Natal Plum				
	Lantana montevidensis	1 Gal	36" O.C.	L	
	Trailing Lavender Lantana				

Concrete curb @ property line, see Planting Detail sheet

GENERAL NOTES:

- All Trees within 5' of hardscape to have a 12" deep linear root barrier. See Planting Detail sheet.
- Contractor to install concrete curb between planters, rock and turf areas. See planting detail sheet.
- All planter areas to receive a 2" layer of shredding organic mulch.
- All backflows and above ground equipment to be placed at least 5' from hardscape on flat area. All equipment to be screened with plants.
- Tall shrubs are to be provided at screen walls for protection from graffiti.
- Soil compaction to be no greater than 85% on landscape areas.
- All finish grades to be 1 1/2" below finish surface paving.
- All existing palms are to remain protected in place.
- Tipuana tipu trees are to remain protected in place.
- All existing shrubs and groundcover is to be cleared and grubbed.
- All existing trees other than those noted above are to be removed stump and all.
- Contractor to replace any damaged plants by construction.



Underground Service Alert

Call: TOLL FREE 1-800 227-2600

TWO WORKING DAYS BEFORE YOU DIG

MARK	REVISIONS	APPR. DATE
DESIGNED BY: TH	DRAWN BY: TH	CHECKED BY: TH

CITY OF IRWINDALE

APPROVED BY: *[Signature]* 8/19/21

DEPARTMENT OF PUBLIC WORKS SERVICES DATE 8/24/21

DEPARTMENT OF PUBLIC WORKS SERVICES DATE

SEAL-DESIGN ARCHITECT

PLANS PREPARED UNDER THE SUPERVISION OF:

Thomas K. Hayes, RLA NO. 3681, EXP. 01/31/2023 8/19/21 DATE

SCALE: 1"=20'

DATE: August 19, 2021

BENCH MARK:

Planting Plan

CITY OF IRWINDALE

The Park @ Live Oak

Arrow Highway & Live Oak Ave.

STREET IMPROVEMENT PLANS

FOR: Irwindale Partners, LP.

CITY FILE No. P-000

18 OF 26 SHEETS

YELLOW IRON IRWINDALE 20-004

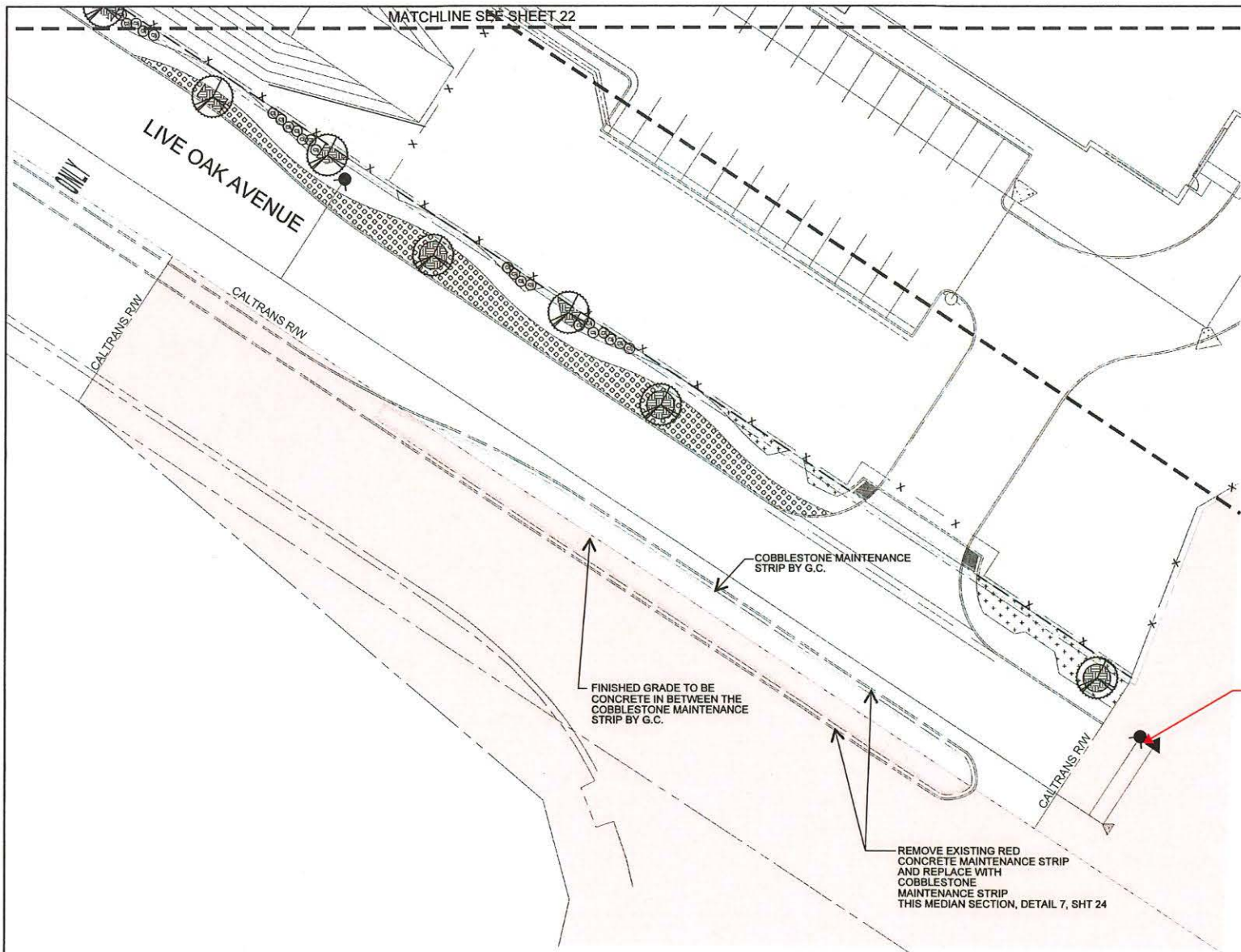


EXHIBIT A CON'T

PLANTING LEGEND

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	Rhamnus californica Coffeeberry	5 Gal	27	L	
	Rosmarinus o. 'Tuscan Blue' Rosemary	5 Gal	258	L	
	Salvia greggii Autumn Sage	5 Gal	1231	L	
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Concrete curb @ property line, see Planting Detail sheet

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- Contractor to replace any damaged plants by construction.



Underground Service Alert Call: TOLL FREE 1-800 227-2600 TWO WORKING DAYS BEFORE YOU DIG	DESIGNED BY: TH DRAWN BY: TH CHECKED BY: TH	CITY OF IRWINDALE APPROVED BY: DATE: 8/19/21 DEPARTMENT OF PUBLIC WORKS SERVICES DATE: 8/27/21	SEAL-DESIGN ARCHITECT PLANS PREPARED UNDER THE SUPERVISION OF: Thomas K. Hayes, RLA NO. 3681, EXP. 01/31/2023 DATE: 8/19/21	Planting Plan SCALE: 1"=20' DATE: August 19, 2021 BENCH MARK:	CITY OF IRWINDALE The Park @ Live Oak Arrow Highway & Live Oak Ave. STREET IMPROVEMENT PLANS FOR: Irwindale Partners, LP. CITY FILE No. P-000	23 OF 26 SHEETS

EXHIBIT B – LETTER OF CERTIFICATE
CITY OF IRWINDALE STATEMENT OF SELF INSURANCE

CALTRANS DISTRICT 7
DIVISION OF TRAFFIC OPERATIONS
OFFICE OF PERMITS
ATTN: DARA LOEUNG, PE

JULY 29, 2021

CITY OF IRWINDALE
Department of Finance

RE: Statement of Self Insurance for CITY OF IRWINDALE Related to Landscape Maintenance Agreement with State of California Department of Transportation ("STATE") for the Live Oak Avenue and Arrow Highway along Highway I-605 Freeway in the City of Irwindale

Dear Caltrans Representative:

The purpose of this letter is to certify that the CITY is self-insured and self-funded covering third-party claims arising out of its general operations (for example, commercial general liability and automobile liability insurance). Further the CITY is self-insured covering workers' compensation claims and has received the consent of the State Department of Industrial Relations to do so.

Each fiscal year, as a part of its budgetary process, the CITY appropriates funds specifically to satisfy valid third-party claims and workers' compensation claims, which may be brought against the CITY.

The CITY certifies its self-insured, general liability coverage for bodily injury liability and property damage liability, meets the required coverage amounts in section 10.1 (INSURANCE) of the Maintenance Agreement, specifically general liability insurance, coverage of bodily injury liability and property damage liability in an amount of \$1 million per occurrence and \$2 million in aggregate and \$5 million in excess. The CITY further represents that regarding any claims made in connection with the Maintenance Agreement by the STATE, the STATE will be first-in-line regarding the reserved, self-insured amounts.

If you need any additional information regarding this letter, please direct those inquiries through my office.

Sincerely,

Eva Carreon
Finance Director

EXHIBIT C

TRAFFIC SIGNAL AND LIGHTING
Caltrans and CITY OF IRWINDALE
JULY 29, 2021

BASIS OF COST DISTRIBUTION
State-Owned and
Maintained Billed by the State

<u>Route and PM</u>	<u>Location</u>	<u>Type of Facility</u>	Cost Distribution	
			<u>State</u>	<u>CITY</u>

Utility-Owned and Maintained
Billed by the State

<u>Route and PM</u>	<u>Location</u>	<u>Type of Facility</u>	Cost Distribution	
			<u>State</u>	<u>CITY</u>

EXHIBIT D

(Individual maintenance items that are not provided for in the body of the Agreement.)

N/A

- ☒ City Council
- ☐ Successor Agency
- ☐ Housing Authority
- ☐ Reclamation Authority
- ☐ Joint Powers Authority

City of
IRWINDALE
AGENDA REPORT

Date: September 22, 2021
To: Honorable Mayor and Members of the City Council
From: William K. Tam, City Manager
Issue: Acceptance of the 2020-2021 Resurfacing Project; P-1026

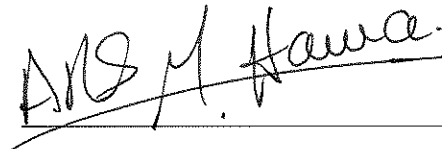
City Manager's Recommendation:

That the City Council (1) ratify changes to the original scope of work and accept the improvements and maintenance responsibilities for the constructed improvements of the 2020-2021 Resurfacing Project, which includes Buena Vista Street from Avenida Barbosa to City limits and Avenida Barbosa; (2) approve the final construction project amount of \$544,311.93 under the construction contract with Hardy and Harper; (3) approve final construction management and inspection services contract with SA Associates in the amount of \$43,920.38; (4) authorize the City Clerk to record the Notice of Completion; and (5) authorize the Finance Director to release the 5% retention amount for the construction project.

Administrative Action:

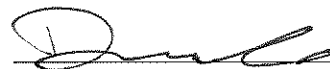
Submitted by:

Arsanious Hanna,
Director of Engineering/ Building Official



Prepared by:

Daniel Co, Assistant City Engineer
(626) 430-2296

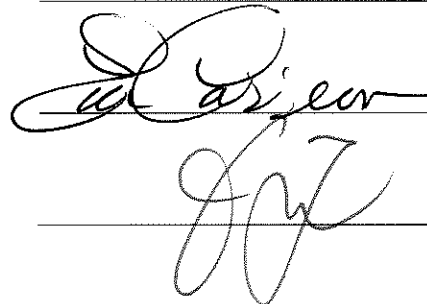


Reviewed by:

Adrian Guerra, City Attorney

Electronically Approved by
City Attorney

Eva Carreon, Finance Director / City Treasurer



Approved by:

William Tam, City Manager

Background and Analysis:

On March 10, 2021, the City Council awarded the 2020-2021 Resurfacing Project to Hardy and Harper in the amount of \$492,055.00, plus a 20% contingency in the amount of \$98,411 for a total of \$590,466.00.

Two (2) change orders totaling \$52,256.93 were issued for this project. The change orders consisted of adjustments to line item quantities on the original contract costs, the removal and replacement of an ADA curb ramp at the corner of Buena Vista Street and Miguel Miranda Avenue and additional concrete to repair the already defective cross gutter next to the ADA ramp. This project has been completed per the approved plans and specifications.

The final construction cost of the 2020-2021 Resurfacing Project, which includes the two change orders, is \$544,311.93, which is \$46,154.07 less than the authorized amount. Staff recommends that the City Council ratify the changes in the contract amount due to the additional work.

The City Council awarded the contract for construction management and inspection services to SA Associates for \$64,000.00, plus a 20% contingency in the amount of \$12,800.00, for a total amount of \$76,800.00. The final amount of the services provided is \$43,920.38, which is \$32,879.62 less than the authorized amount.

Ratification of the changes in the work and acceptance of the work by the City Council complies with the acceptance and prompt payment provisions of the Public Contract Code.

The total cost of the project is \$591,236.99. This includes the design, advertisement, bidding, inspection, construction, and all other associated costs for this project as shown below:

Construction	\$ 544,311.93
Construction Management & Inspection	\$ 43,920.38
Other Costs (Advertisement, PS&E Reproduction, etc.)	\$ 3,004.68
Total Cost of Project	\$ 591,236.99

The total cost of the project is \$591,236.99, which is \$104,298.28 less than the total budget of \$695,535.27.

Fiscal Impact:

Funding for this Project was budgeted in the FY 2020/2021 CIP Budget as the 2020-2021 Resurfacing Program in the amount of \$510,000. Resolution 2021-27-3239 was adopted by City Council at the March 10, 2021 meeting authorizing the balance transfer from the 2019-2020 Resurfacing Project of \$185,535.27 to the 2020-2021 Resurfacing Project. The Project is funded by the Mining Impact Fund, Gas Tax, Prop C, TDA, Measure R and Measure M funds, and accounted for in the Capital Projects Fund 48 (Account Number 48-80-800-45300-8343). There is sufficient funding budgeted to cover the total value of both the construction and construction management and inspection contracts, including the additional change orders to the project.

- ☒ City Council
- ☐ Successor Agency
- ☐ Housing Authority
- ☐ Reclamation Authority
- ☐ Joint Powers Authority

City of
IRWINDALE
AGENDA REPORT

CC Item 1K

Date: September 22, 2021
To: Honorable Mayor and Members of the City Council
From: William K. Tam, City Manager
Issue: Consideration of Settlement Agreement and Mutual Release between Bador Construction Company, Inc. and City of Irwindale, Los Angeles Superior Court Case No. 21STCV14867

City Manager's Recommendation:

Staff recommends City Council (1) Approve the Settlement Agreement and Mutual Release between Bador Construction Company, Inc. and the City of Irwindale; and (2) Authorize the City Manager to execute the same.

Administrative Action:

Submitted by:

William K. Tam, City Manager

Prepared by:

Adrian R. Guerra, City Attorney

Reviewed by:

Adrian R. Guerra, City Attorney

Eva Carreon, Finance Director / City Treasurer

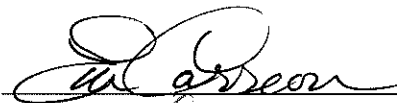
Approved by:

William K. Tam, City Manager



Electronically Approved

Electronically Approved



Background and Analysis:

This case involves a work of improvement commonly known as I-605 Live Oak Avenue Interchange Project, City Project No.P-974 ("Project"). Beador Construction Company, Inc. ("BCCI") was the general contractor. The City of Irwindale ("City") is the owner of the project.

On or about September 12, 2018, BCCI and the City contracted to build the Project. Thereafter, disputes arose between the parties concerning the work performed, timing, completion, and payment.

On or around September 29, 2020, BCCI submitted its Notice of Claim for damages to the City in accordance with the parties' contract. On or around October 26, 2020, the City mailed BCCI a written Notice of Rejection of Claims.

On April 20, 2021, BCCI filed a lawsuit against the City in Los Angeles Superior Court as case number 21STCV14867 seeking \$188,819.76 for costs which the City contends did not meet the project's specifications under the Agreement.

On August 23, 2021, the Parties conducted voluntary mediation and agreed to settle the dispute based on the following terms:

- (1) City staff recommends to City Council settling for \$40,000;
- (2) City council will consider the settlement at either the September 8 or 21, 2021 Regular Meeting;
- (3) Settlement payment to be made within 14 days of approval by the City Council;
- (4) Mutual releases of all claims against each party; and
- (5) Each side bears its own attorneys' fees.

It is recommended that the City Council approve the settlement of this case and authorize the City Manager to execute the Settlement and Mutual Release Agreement. Payment of \$40,000 to BCCI would completely settle the dispute and will save the City the expense of litigation which could double or triple that amount.

Fiscal Impact:

The approval of the settlement of the dispute will require the City to pay BCCI \$40,000. This Project was accounted for in the Capital Projects Fund, and was funded 58% by a federal grant and 42% by the Mining Impact Fund. This Project came in under budget, so there is sufficient budget remaining to cover the cost of this settlement. The federal grant

funds were fully utilized for the project, therefore the remaining budget that will cover the settlement cost is from the Mining Impact Fund.

Attachment:

Settlement and Mutual Release Agreement

SETTLEMENT AGREEMENT AND MUTUAL RELEASE

This Settlement Agreement and Mutual Release ("Agreement") is entered into by and between Beador Construction Company, Inc. ("BCCI") on the one hand and The City of Irwindale ("Irwindale") on the other hand. BCCI and Irwindale are collectively referred to as the "Parties."

RECITALS

A. This case involves a work of improvement commonly known as I-605 Live Oak Avenue Interchange Project, City Project No.P-974 ("Project"). BCCI was the general contractor. Irwindale is the owner of the project.

B. On or about September 12, 2018, BCCI and Irwindale contracted to build the Project. Thereafter, disputes arose between the parties concerning the work performed, timing, completion, and payment.

C. On or around September 29, 2020, Beador submitted its Notice of Claim for damages to Irwindale in accordance with the parties' contract. On or around October 26, 2020, Irwindale mailed Beador a written Notice of Rejection of Claims.

D. On April 20, 2021, BCCI filed a lawsuit against Irwindale in Los Angeles Superior Court as case number 21STCV14867 alleging claims for 1) Breach of Contract, 2) Work, Labor and Services/Agreed Price, 3) Open-Book Account, 4) Account Stated, 5) Violation of Prompt Payment Statute (the "BCCI Action").

E. On August 23, 2021, the Parties conducted voluntary mediation before Robert Mann, Esq. and agreed to the settlement terms discussed and described herein.

F. The Parties hereto desire to resolve and settle all existing disputes and controversies between and amongst them now and forever.

AGREEMENT

1. Settlement Terms:

a. Irwindale shall pay Forty Thousand Dollars (\$40,000) to BCCI, via its attorney of record, Lanak & Hanna, P.C. located at 625 The City Drive South Suite 190 Orange, CA 92868. Said Settlement

Payment shall be paid by a check from Irwindale made payable to "Lanak & Hanna Attorney Client Trust Account" ("Settlement Payment").

b. City Council has approved the Settlement Payment and will put the review and execution of this Settlement Agreement on the agenda for the September 8, 2021 council session. If for some reason the matter cannot be placed on the agenda for September 8, 2021, it will be placed on the agenda for the next City Council meeting which is September 22, 2021.

c. Settlement to be made within 14 days of approval by City Council.

d. City of Irwindale may need updated W9 forms which will be supplied.

e. As soon as practical after payment is received, BCCI shall dismiss the BCCI Action with prejudice.

2. **Mutual Release.** In consideration of the mutual promises and obligations set forth herein, the Parties hereby forever release, acquit and discharge each other and their respective affiliates, agents, associates, assigns, assignors, attorneys, collection agents, directors, divisions, employees and de facto employees, holding companies, insurers (past, present, and future), joint venturers, members, officers, parents, partners, predecessors, representatives, servants, shareholders, stockholders, subsidiaries, successors, and trustees ("Released Parties") from any and all rights, claims, causes of action, suits and liabilities of every kind or nature whatsoever, whether known or unknown, suspected or unsuspected, that they may have against each other.

3. **Waiver of Civil Code Section 1542.** In furtherance of the releases contained herein, the parties hereby waive, to the extent allowed by law, any and all such rights as might otherwise exist under Section 1542 of the California Civil Code, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

4. **Authority.** Each of the Parties hereby represents and warrants to each of the other Party that it has full power and authority by and from its board of directors to enter into this Agreement; and each of

the undersigned represents and warrants that he/she has been duly authorized to enter into this Agreement by the Party on whose behalf the undersigned signs. The Parties further represent and warrant that they have not heretofore assigned or transferred to any other person whomsoever any claim, debt, liability, demand, obligation, cost, expense, damage, action or cause of action herein released.

5. **Voluntary Settlement.** Each of the Parties acknowledges that they have carefully read the foregoing and understand that this is the full settlement agreement, and, further, that each Party and its directors has reviewed and discussed the same with their counsel and know the contents herein and have discussed the legal effect hereof and sign the same of their own free act.

6. **Entire Agreement.** This Agreement constitutes the entire agreement and understanding between the Parties relating to the subject matter hereof and supersedes and replaces all prior agreements, representations and promises, oral, written, or otherwise. No amendment, waiver or modification of any provision of this Agreement shall be effective unless the same shall be in writing and signed by the Parties hereto.

7. **No Admission of Liability.** This settlement constitutes the resolution of the Actions. The Parties deny any wrongdoing or liability of any nature whatsoever, and acknowledge and agree that neither the execution and delivery of this Agreement, nor the performance of any acts pursuant thereto, shall constitute or be construed as an admission of any liability or wrongdoing of any nature whatsoever on the part of any Party hereto.

8. **Attorneys' Fees.** The Parties hereby agree that each Party shall bear their own litigation expenses, including attorneys' fees, expert fees, and costs pertaining to these Actions and the negotiation and preparation of this Agreement. However, this settlement may be enforced pursuant to California Code of Civil Procedure Section 664.6 in the Superior Court of Los Angeles County and the party seeking to enforce this Agreement shall be entitled to recover reasonable attorneys' fees and costs.

9. **Time is of the Essence.** Time is of the essence in the performance of each and every obligation to be performed by the Parties as set forth in this Agreement.

10. **Interpretation.** The provisions of this Agreement shall be interpreted as to their fair meaning, without regard to who drafted this Agreement. Both of the Parties have participated in the

preparation of this Agreement, and, in the event there exists any ambiguity, both Parties have equally contributed to the creation of such ambiguity and there shall be no presumption against, or in favor of, any particular party. This Agreement shall in all respects be interpreted, enforced and governed by and under the laws of the State of California.

11. **Choice of Law.** This Agreement shall be governed by, and construed in, accordance with, the laws of the State of California without regard to conflicts of laws jurisprudence.

12. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same agreement. An executed signature page transmitted by facsimile shall have the same legal force and effect as if it were an original.

WHEREFORE, each of the Parties agrees to the foregoing terms, and evidenced by their authorized signatures below.

Date: September 2, 2021

Beador Construction Company, Inc.

By: 

Name: David Beador

Title: President

Date: September 9, 2021

The City of Irwindale

By:

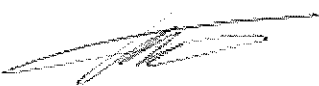
Name: William Tam

Title: City Manager

APPROVED AS TO FORM AND CONTENT:

Date: September 2, 2021

Lanak & Hanna, P.C.

By: 

Name: Mac W. Cabal, Attorney

Date: September __, 2021

City of Irwindale

By:

Name: Adrian Guerra, City Attorney

- ☒ City Council
☐ Successor Agency
☐ Housing Authority
☐ Reclamation Authority
☐ Joint Powers Authority

City of
IRWINDALE
AGENDA REPORT

CC Item 1L

Date: September 22, 2021
To: Honorable Mayor and Members of the City Council
From: William K. Tam, City Manager
Issue: JANUARY 3, 2006 HANSON AGGREGATES WEST, INC. DEVELOPMENT AGREEMENT – LETTER OF CONSENT

City Manager's Recommendation:

It is recommended that the City Council authorize the Mayor to execute the Letter of Consent.

Administrative Action:

Submitted by:

William Tam, City Manager

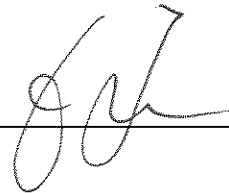
Reviewed by:

Adrian R. Guerra, City Attorney

Eva Carreon, Finance Director / City Treasurer

Approved by:

William K. Tam, City Manager



Electronically Approved

_____
_____

Background and Analysis:

- 1) On January 6, 2006, the City and Hanson Aggregates West, Inc. entered into a Development Agreement ("**Agreement**") for the mining and reclamation of the 492 acres Hanson Quarry located to the west of the 605 Freeway and south of Arrow Highway and the Irwindale Speedway.
- 2) On December 15, 2008, Hanson Aggregates West, Inc. converted to Hanson Aggregates West LLC, a limited liability company in Delaware. And on December 29, 2008, Hanson Aggregates West LLC changed its name to Hanson Aggregates LLC.

- 3) In Section 12.0 of the Agreement, which section is entitled "Restriction and Transfer", the Parties agreed that neither Party shall assign or transfer its interests, rights, or obligations under the Agreement without the prior consent of the other, which consent shall not be unreasonably withheld or delayed.
- 4) On August 17, 2021, Erika Guerra, on behalf of Hanson Aggregates LLC, is requesting the City's consent to its selling and transfer of all its equity ownership interests to Martin Marietta Materials, Inc.
- 5) In accordance with the Agreement, this consent will not, in any way, modify, waive or otherwise affect any provisions of the Agreement. Further, the new ownership, Martin Marietta Materials, Inc., shall be and remain liable for, the performance and observance of any of and all of its obligations, and all of the provisions applicable to it, under this agreement.
- 6) A copy of Hanson Aggregates LLC assignment letter to the City Clerk is attached with the staff report.
- 7) Section 12.0 of the Agreement lists three factors that the City should consider when determining whether to grant approval of any transfer, as follows:
 - a. Whether the completion of the project is delayed or jeopardized;
 - b. The financial strength and capability of the transferee to perform the obligations; and
 - c. The transferee's experience in doing these types of projects.
- 8) City Staff has reviewed the three factors listed in Section 12.0 of the Agreement, and has determined that the transferee meets the criteria listed in the three factors. Therefore, City Staff is recommending approval of this transfer and execution of the Letter of Consent.

Fiscal Impact:

There is no fiscal impact at this time in executing this Letter of Consent.

Attachment: Letter of Consent from Hanson Aggregates LLC dated August 17, 2021
Martin Marietta 2020 Annual Report
Hanson Development Agreement dated January 3, 2006

Lehigh Hanson
HEIDELBERGCEMENT Group

Erika Guerra
Director of Environmental and Land
24001 Stevens Creek Blvd.
Cupertino, CA 95014
Phone Number: 734-383-1010
Email: erika.guerra@lehighhanson.com

VIA FEDEX

August 17, 2021

City of Irwindale
5050 N. Irwindale Avenue
Irwindale, CA 91706
Attn: City Clerk

RE: Development Agreement, dated January 3, 2006 (the "**Agreement**"), between The City of Irwindale ("**you**") and Hanson Aggregates LLC (as assignee of Hanson Aggregates West, Inc.) (the "**Company**").

Ladies and Gentlemen:

This letter is being delivered to you in connection with an agreement between Lehigh Cement Company LLC, HBMA Holdings LLC, and Lehigh Southwest Cement Company (collectively, "**Lehigh Seller**") and Martin Marietta Materials, Inc. ("**Buyer**") pursuant to which Lehigh Seller has agreed to sell to Buyer all of its equity ownership interests in the Company (the "**Transaction**").

In anticipation of the consummation of the Transaction (the "**Closing**"), the Company is providing notice of and requesting written consent from you with respect to the Transaction because the Transaction will result in a change of control of the Company for purposes of the Agreement. By signing this letter below, you consent to the Transaction and the resulting change of control for purposes of the Agreement and agree that (a) the Transaction and the resulting change of control will not constitute a breach or violation of, result in any default under, or give you any termination right with respect to, the Agreement; and (b) upon the Closing, the Agreement will continue in full force and effect under its existing terms with the Company continuing as the party to the Agreement in the same capacity as immediately prior to the Closing.

Notwithstanding any provision in this letter: (a) this letter shall not be construed in any manner to modify, waive or otherwise affect any of the provisions of the Agreement; and (b) the Company shall not be released from, and the Company shall be and remain liable for, the performance and observance of any and all of its obligations, and all of the provisions applicable to it, under the Agreement.

The Closing is expected to occur in the fourth quarter of 2021. Prior to the Closing, you agree not to, and to instruct your employees and advisors that are involved in your review and execution of this letter not to, discuss or disclose to any other person the contents of this letter. If the Transaction is abandoned, or the Closing does not otherwise occur, this letter will be deemed null and void and of no further legal effect.

If you agree to the foregoing, please execute this letter and return it to me via email or mail at the addresses noted above at your earliest convenience. If you have any questions or require additional information, please feel free to contact me at the phone number noted above.

Your prompt attention to this matter is greatly appreciated, and the Company thanks you in advance for your cooperation.

HANSON AGGREGATES LLC

By: 

Erika Guerra
Director of Environmental and Land

AGREED TO AND ACCEPTED
THIS _____ DAY OF _____, 2021:

THE CITY OF IRWINDALE

By: _____

Name: _____

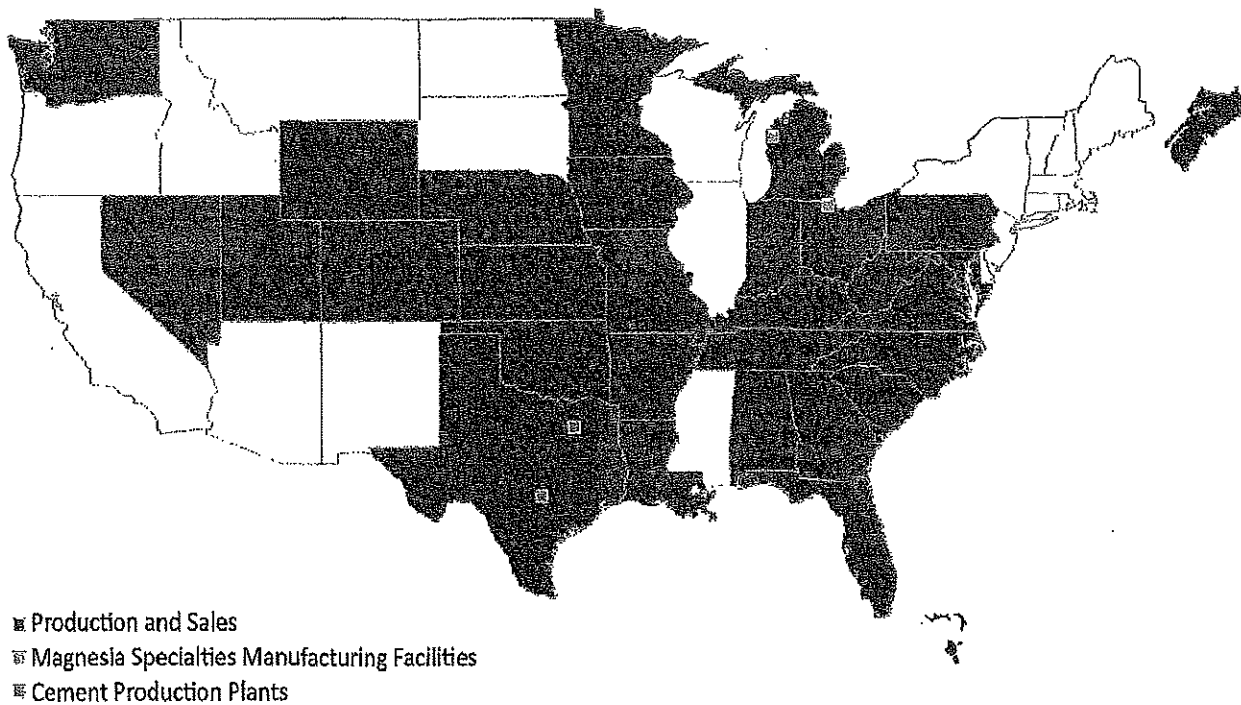
Title: _____

 Martin
Marietta
2020 ANNUAL
REPORT

A World-Class Organization Built for Success



Martin Marietta, a member of the S&P 500 Index, is an American-based company and a leading supplier of building materials, including aggregates, cement, ready mixed concrete and asphalt. Through a network of operations spanning 27 states, Canada and The Bahamas, dedicated Martin Marietta teams supply the resources necessary for building the solid foundations on which our communities thrive. Martin Marietta's Magnesia Specialties business produces high-purity magnesia and dolomitic lime products used worldwide in environmental, industrial, agricultural and specialty applications.





Mission. Vision. Values.

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LETTER TO SHAREHOLDERS

A World-Class Organization Purposefully Built for Enduring Success

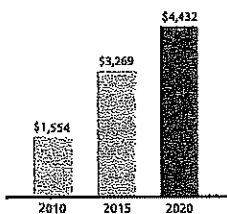
Dear Fellow Shareholders and Stakeholders:

For Martin Marietta, 2020 underscored the resilience and durability of our Company, thanks to the solid foundation we have worked so hard to build and refine. Over the past decade, we have executed against a clear and thoughtful vision: to build a world-class organization committed to the long-term success of our employees, communities and shareholders. While the course was set years ago, it's the work we have undertaken in the years since that enabled our team to deliver Martin Marietta's most profitable year and best safety performance in our history.

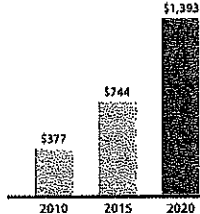
Financial Metrics

(In millions, except per share data)

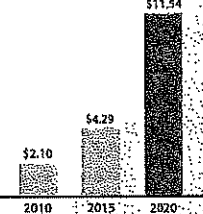
Products and Services Revenues



Adjusted EBITDA

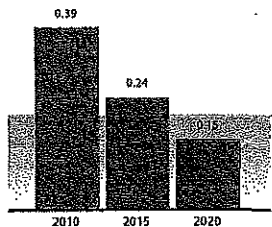


Earnings Per Diluted Share

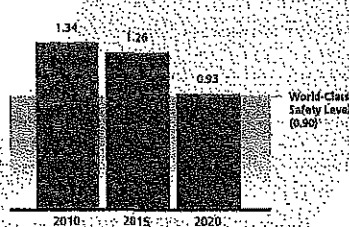


Safety Measures

Lost-Time Incident Rate (LTIR)



Total Injury Incident Rate (TIIR)



In 2020, we acknowledged the aspects of our business that were beyond our control and focused on those that we do control, or at least heavily influence. The result was extraordinary. We are both proud and thankful that our workforce, operations and supply chains swiftly navigated challenging circumstances and saw little disruption. This was largely due to our ongoing work to enhance our processes and operational efficiency, but also because of the timely and decisive actions we took to proactively address the pandemic. Using our Values as a guide, we carefully monitored and managed our approaches to sourcing supplies and materials, reallocating resources and adjusting safety and health procedures. Doing so allowed us to deliver uninterrupted service to our customers while steadfastly protecting our employees, their families and the organizational health of the Company.

C. Howard Nye

Chairman, President and Chief Executive Officer



LETTER TO SHAREHOLDERS

World-Class Performance in the COVID-19 World

We extended our track record of financial, operational and safety excellence in a year filled with unprecedented and largely unpredictable events. We achieved full-year consolidated total revenues of \$4.7 billion, record gross profit and record Adjusted Earnings Before Interest, Income Taxes, Depreciation, Depletion and Amortization, or Adjusted EBITDA. Notably, 2020 marked our ninth consecutive year of growth for consolidated products and services revenues, consolidated gross profit, Adjusted EBITDA, and earnings per diluted share.

Our record-setting performance demonstrates the successful ongoing execution of our Strategic Operating Analysis and Review (SOAR), our five-year strategic plans. Our actions reinforced Martin Marietta as an aggregates leader in attractive high-growth geographies, aligned our product offerings to leverage strategic cement and targeted downstream opportunities, strengthened our balance sheet, enhanced our talented management team and Board of Directors, and positioned us for continued attractive growth.

As an aggregates-led company, this single product line represents nearly 70% of Martin Marietta's consolidated gross profit and drives our operating results throughout the Building Materials business. In 2020, mix-adjusted aggregates pricing improved across all divisions. Such broad and durable enterprise-wide pricing strength reflects the disciplined execution of our locally-driven commercial strategy and our leading market positions in attractive geographies. Not surprisingly, COVID-19-related headwinds resulted in shipment reductions in all divisions except the West Division, which increased nearly 5% driven by strong underlying market demand and more favorable year-over-year weather conditions. That said, our aggregates operations generated record product gross margin and an 8% improvement in unit profitability, with all divisions contributing to these results.

Our strategic and leading Texas cement business established another record for shipments, which increased 2% to nearly 4 million tons. Strong underlying market demand, coupled with incremental volume from large public and private projects, an expanded distribution network, and a small downstream acquisition in August 2020, contributed to this growth in our largest revenue-generating state.

Importantly, they also enhanced our aggregates and cement throughput to drive incremental upstream value. Notably, average selling prices for core cement products increased, demonstrating the resiliency of cement price fundamentals in the state of Texas. The cement business achieved record gross profit and margin, driven by increased shipments, pricing gains, reliability improvements, reduced fuel costs and lower kiln maintenance expenses.

Ready mixed concrete shipments increased 3%, excluding shipments from acquired operations and certain non-strategic concrete operations in Arkansas, Louisiana and East Texas (ArkLaTex) that we divested in January 2020. Concrete pricing increased 2%, with solid gains in Colorado offsetting relatively flat pricing in Texas; the latter affected by a higher mix of lower-specification and, resultingly, lower-priced residential sales as well as local market pricing dynamics. Product gross profit grew \$1 million on a \$4 million revenue increase, with production efficiencies and lower fuel costs offsetting increases in raw materials.

2020 Record Performance Summary

- ✓ Products and services revenues of \$4.4 billion
- ✓ Net earnings attributable to Martin Marietta increased 18% to \$721 million
- ✓ Adjusted EBITDA increased 11% to \$1.39 billion*
- ✓ Adjusted EBITDA margin as a percentage of total revenues improved 290 basis points to 29.4%
- ✓ Diluted earnings per share increased 18% to \$11.54*
- ✓ Cash flow from operations increased 9% to \$1.05 billion
- ✓ Reduced debt by \$261 million; year-end leverage ratio at 1.9x**

*Adjusted EBITDA and earnings per diluted share included \$70 million and \$0.87 per diluted share, respectively, of nonrecurring gains on nonoperating land sales and divested assets.

**Included \$149 million in external debt repayments and \$112 million in COPI loans redeemed.



LETTER TO SHAREHOLDERS

Our Colorado-based asphalt and paving business achieved shipment growth compared with 2019, driven by strong underlying market demand along the Front Range of the Rocky Mountains – home to over 85% of Colorado's rapidly growing population. Increased shipments, combined with higher average selling prices, more than offset expected increases in raw materials and added 100 basis points to products and services gross margin.

Lastly, in our Magnesia Specialties business, dolomitic lime shipments to domestic steel customers slowed as a result of COVID-19-induced manufacturing shutdowns in the automotive industry, as well as ongoing inventory rationalization by international customers related to a global cobalt supply and demand imbalance. In response to the slowdown, our teams quickly took decisive actions and reduced costs, minimizing the impact of declining revenues. Impressively, product gross margin increased 80 basis points to 40.6%. Despite these short-term headwinds, we believe the long-term market trend of increasing demand for lithium ion batteries with cobalt components (i.e., smart phones, electric vehicles) will continue to support the growth of our Magnesia Specialties business.

Notably, we made significant progress in our management of non-strategic assets and nonoperating land, resulting in net sale proceeds of \$138 million. In the largest of these strategic divestitures, we sold a depleted sand and gravel location in Austin, Texas, for nearly \$100 million. That site is now being developed into a massive automotive manufacturing facility which is intended to be operational by the end of 2021 – and we're supplying the heavy-side building materials.

As you might expect from our strong performance and disciplined strategy, Martin Marietta's record-setting results continue to meaningfully benefit our shareholders. We returned \$190 million to shareholders through dividends and share repurchases in 2020 and more than \$1.8 billion since announcing a 20 million share repurchase authorization in February 2015. In August 2020, our Board of Directors approved a 4% increase in our quarterly cash dividend paid, underscoring its continued confidence in our future performance and cash generation and continuing Martin Marietta's track record of dividend growth.

"While the course was set years ago, it's the work we have undertaken in the years since that enabled our team to deliver Martin Marietta's most profitable year and best safety performance in our history."

World-Class Safety and Sustainability – Our Commitment

A foundational component of the Company's long-term strategy is our commitment to health, safety and sustainability. At Martin Marietta, we believe that corporate success depends on our ability to integrate that objective into our long-term strategy, annual planning process, day-to-day operations, and most importantly, our culture. We understand that we have a responsibility to our employees, customers, communities and stakeholders, and the ability to positively impact our world. Indeed, it's part of our broader purpose.

For us, that starts with safety. Through the Company's internally branded Guardian Angel program, we continually enhance and strengthen our safety-focused enterprise culture. We are proud that our nearly 9,000 employees look after each other, with a fidelity to our goals of zero incidents and continuous improvement. In fact, 99.8% of our employees returned home at the end of their shifts without a lost time incident and we reduced total reportable incidents by 25% in 2020. For the fourth consecutive year, we also achieved world-class Lost-Time Incident Rate (LTIR) performance. These superior results are directly attributable to our dedicated and talented employees who have clearly heightened their focus on safety excellence through challenging times. While impressive, we know we can – and plan to – do even better.

A complete understanding of Martin Marietta is best accomplished through an appreciation of not only our financial, operating and safety performance, but also our steadfastness in creating a brighter future through a robust focus on sustainability and environmental responsibility, enhanced diversity and stronger governance.



LETTER TO SHAREHOLDERS

We believe sustainability is most attainable when viewed as foundational to our industry and business, and embedded in our organization as a part of four vital pillars:



Safe Operations: We are committed to protecting all who come in contact with our products and operations, and creating a culture of responsible leadership. We launched our Why I Work Safely campaign, a company-wide effort to continuously engage our employees in our Guardian Angel safety culture. Employee efforts such as these led to the best safety performance in Martin Marietta's history.



Environmental Stewardship: We remain committed to protecting the Earth's resources and reducing our environmental impact. As we promised Investors, Martin Marietta expanded its Environmental Stewardship discussion in our 2019 Sustainability Report, which was published in April 2020 before the Annual Meeting of Shareholders. In addition to disclosing company-wide scope 1 emissions, we introduced long-term goals to reduce Martin Marietta's carbon footprint. The report also described a host of relevant topics including: (i) the sustainable aspects of the life cycle of cement and concrete building materials for a better understanding by our shareholders; (ii) our continued planned installation of pollution control devices at our Magnesia Specialties plant in Manistee, Michigan; and (iii) our increased important work to preserve clean water, manage waste, and improve our interrelationships with biodiversity.



Employee Well-Being: We are devoted to supporting and investing in our employees and to providing programs and resources that enrich their lives personally and professionally. This support extends past an employee's retirement with a fully funded qualified defined benefit pension plan in addition to a 401(k) plan with Company matching funds. We took important steps to adapt our policies and systems to ensure employees could work remotely when possible. We also introduced a new paid time off (PTO) policy and health insurance options to our employees.



Community Well-Being: We are deeply committed to always acting responsibly while supporting the more than 400 communities that our employees and their families call home. To that end, in a difficult year for our communities, we continued to make meaningful charitable contributions, including supplying timely aid and supplies to healthcare workers, first responders and school-aged children.

In 2020, we engaged with a larger number of investors and Environmental, Social and Governance (ESG) organizations than in previous years about our sustainability achievements, corporate governance, long-term performance and goals. Investors have expressed appreciation for the expanded disclosures in our Sustainability Report and public filings. This positive feedback has allowed us to build and enhance mutual understanding with our key stakeholders about our strategy, performance, business practices and their interests. Thank you to those who participated and for your valuable insights. Our 2020 Sustainability Report will be issued in April 2021 and will include additional carbon footprint reporting related to our scope 2 emissions.

A World-Class Board for a World-Class Organization

Finally, it's important to highlight recent appointments to the Martin Marietta Board of Directors. In 2020, we appointed two new directors:

- Anthony R. Foxx, currently Chief Policy Officer and Advisor to the President and Chief Executive Officer of Lyft and former seventeenth United States Secretary of Transportation; and
- David C. Wajsgas, retired President of the Intelligence, Information and Services business of the former Raytheon Company, now part of Raytheon Technologies Corporation.

These highly-qualified independent directors are outstanding additions to the Board. They bring diverse skillsets and backgrounds, as well as extensive experience in finance, operations, technology transformation, executive management, corporate governance and knowledge in both the public and private sectors. With their appointments, the Martin Marietta Board is now comprised of 11 members, 10 of whom are independent and six of whom have joined since 2016. Martin Marietta



LETTER TO SHAREHOLDERS

is committed to strong corporate governance and regularly evaluating the Board's composition, with the goal of assembling the right mix of skills and experience to continue building on our long track record of success. Importantly, it's our belief that our performance is enhanced and greater stakeholder value is derived from a Board reflecting diversity in its broadest sense, including across skillsets, expertise, gender, ethnicity and geography.

A World-Class Foundation Built for Growth

Our team's collective commitment to Martin Marietta's vision and strategic priorities has built a resilient, efficient and cash flow generative business that consistently drives superior shareholder value creation.

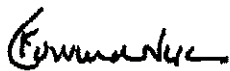
With this strong foundation in place, we recently introduced the newest iteration of our long-term strategic plan: SOAR 2025 – Expanding the Platform. This plan builds on the important and intentional work we have done in the past and positions us to capture opportunities for attractive growth and expansion.

With our attractive underlying fundamentals, strategic priorities and best-in-class teams, we are excited about our prospects for driving sustainable growth and superior shareholder value in 2021 and beyond. As market conditions improve, we will continue to prudently balance inorganic growth opportunities with our longstanding, disciplined capital allocation priorities. Having built a robust balance sheet and with a debt-to-EBITDA ratio of 1.9x (as of December 31, 2020), we have significant financial flexibility and ample liquidity to drive accretive organic and external growth, while simultaneously maintaining our financial strength and extending our long track record of returning capital to shareholders.

As we move forward, our steadfast commitment to our Mission, Vision and Values, coupled with the hard work of our industry-leading team of employees and the advice and counsel of our Board of Directors, will continue to be the foundation that drives our success. Our team's sense of duty, hard work, discipline, commitment to innovation, and purpose enable us to strengthen our world-class performance and reputation. Above all, it is the hardworking women and men of Martin Marietta who are capitalizing on our strong position to continue enhancing the short- and long-term value of your investment.

On behalf of all of us at Martin Marietta, we look forward to updating you throughout 2021. Thank you for your continued support. We never take it for granted.

Respectfully yours,



C. Howard Nye
Chairman, President and Chief Executive Officer

February 19, 2021

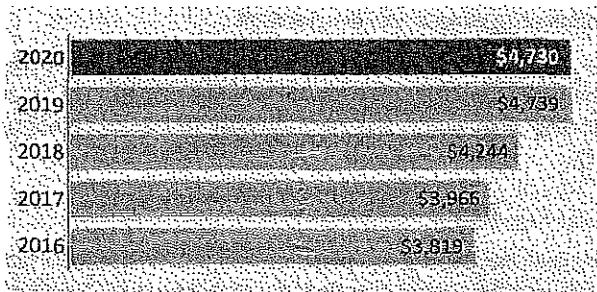


FINANCIAL HIGHLIGHTS

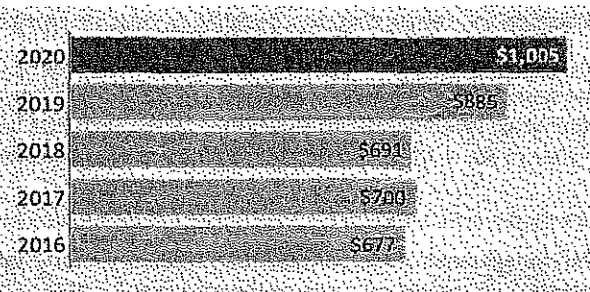
(in millions, except per share data)

	2020	2019
Total revenues	\$ 4,729.9	\$ 4,739.1
Earnings from operations ¹	\$ 1,005.4	\$ 884.9
Net earnings attributable to Martin Marietta	\$ 721.0	\$ 611.9
Diluted earnings per common share	\$ 11.54	\$ 9.74
Cash dividends per common share	\$ 2.24	\$ 2.06
Common shares outstanding at December 31	62.3	62.4

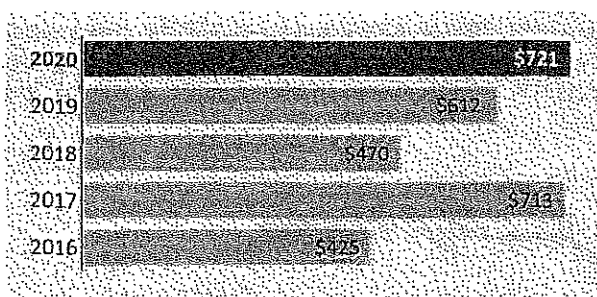
TOTAL REVENUES (in millions)



EARNINGS FROM OPERATIONS (in millions)



NET EARNINGS ATTRIBUTABLE TO MARTIN MARIETTA² (in millions)



TOTAL RETURN (INCLUSIVE OF DIVIDENDS) (as of December 31, 2020)

	Martin Marietta Common Stock	S&P 500 Index	S&P 500 Materials Index
1 Yr.	2.6%	18.4%	20.7%
3 Yr.	32.2%	48.9%	28.3%
5 Yr.	117.5%	103.0%	85.4%
10 Yr.	248.9%	267.0%	137.6%

¹ Amount for 2016 may not equal amounts reported in prior years as amounts have been reclassified to reflect the adoption of the Accounting Standards Update 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*.

² Amount for 2017 reflects a \$258.1 million income tax benefit as a result of the impact of the Tax Cuts and Jobs Act of 2017.



STATEMENT OF RESPONSIBILITY AND MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management's Statement of Responsibility

The management of Martin Marietta Materials, Inc. (the Company or Martin Marietta) is responsible for the consolidated financial statements, the related financial information contained in this Form 10-K and the establishment and maintenance of adequate internal control over financial reporting. The consolidated balance sheets for Martin Marietta, at December 31, 2020 and 2019, and the related consolidated statements of earnings, comprehensive earnings, total equity and cash flows for each of the three years in the period ended December 31, 2020, include amounts based on estimates and judgments and have been prepared in accordance with accounting principles generally accepted in the United States applied on a consistent basis.

A system of internal control over financial reporting is designed to provide reasonable assurance, in a cost-effective manner, that assets are safeguarded, transactions are executed and recorded in accordance with management's authorization, accountability for assets is maintained and financial statements are prepared and presented fairly in accordance with accounting principles generally accepted in the United States. Internal control systems over financial reporting have inherent limitations and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company operates in an environment that establishes an appropriate system of internal control over financial reporting and ensures that the system is maintained, assessed and monitored on a periodic basis. This internal control system includes examinations by internal audit staff and oversight by the Audit Committee of the Board of Directors.

The Company's management recognizes its responsibility to foster a strong ethical climate. Management has issued written policy statements that document the Company's business code of ethics. The importance of ethical behavior is regularly communicated to all employees through the distribution of the *Code of Ethical Business Conduct* and through ongoing education and review programs designed to create a strong commitment to ethical business practices.

The Audit Committee of the Board of Directors, which consists of four independent, nonemployee directors, meets periodically and separately with management, the independent auditors and the internal auditors to review the activities of each. The Audit Committee meets standards established by the Securities and Exchange Commission (SEC) and the New York Stock Exchange as they relate to the composition and practices of audit committees.

Management's Report on Internal Control over Financial Reporting

The management of Martin Marietta is responsible for establishing and maintaining adequate internal control over financial reporting. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on management's assessment under the 2013 framework, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2020.

The consolidated financial statements of the Company as of December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and the effectiveness of the Company's internal control over financial reporting as of December 31, 2020, have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, whose report appears on the following page.



C. Howard Nye, Chairman, President and Chief Executive Officer



James A. J. Nickolas, Senior Vice President and Chief Financial Officer

February 19, 2021



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Martin Marietta Materials, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Martin Marietta Materials, Inc. and its subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of earnings, comprehensive earnings, total equity and cash flows for each of the three years in the period ended December 31, 2020, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2020 appearing under Item 15(c) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note A to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of the Projected Benefit Obligation

As described in Note K to the consolidated financial statements, the Company's net projected benefit obligation for all defined benefit pension plans was \$1,111.9 million as of December 31, 2020. As disclosed by management, annually, as of December 31, management remeasures the defined benefit plans' projected benefit obligation based on the present value of projected future benefit payments to all participants for services rendered to date, reflecting expected future pay increases through the participants' expected retirement dates. The key assumptions are the discount rate, the expected long-term rate of return on pension plan assets, the mortality table and mortality improvement scale, and the rate of increase in future compensation levels. The discount rate is generally the most volatile and sensitive estimate. Accordingly, a change in this assumption has the most significant impact on the projected benefit obligation.

The principal considerations for our determination that performing procedures relating to the valuation of the projected benefit obligation is a critical audit matter are (i) the significant judgment by management to determine the projected benefit obligation; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating the discount rate assumption; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the valuation of the projected benefit obligation, including controls over the discount rate assumption. These procedures also included, among others, testing the completeness and accuracy of underlying data used in the valuation of the projected benefit obligation and the involvement of professionals with specialized skill and knowledge to assist in (i) testing management's process for determining the projected benefit obligation, (ii) evaluating the appropriateness of the actuarial method, and (iii) evaluating the reasonableness of the discount rate assumption.

/s/ PricewaterhouseCoopers LLP
Raleigh, North Carolina
February 19, 2021

We have served as the Company's auditor since 2016.



MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

years ended December 31

(in millions, except per share data)

	2020	2019	2018
Products and services revenues	\$ 4,432.1	\$ 4,422.3	\$ 3,980.4
Freight revenues	297.8	316.8	263.9
Total revenues	4,729.9	4,739.1	4,244.3
Cost of revenues – products and services	3,175.6	3,239.1	3,009.8
Cost of revenues – freight	301.5	321.0	267.9
Total cost of revenues	3,477.1	3,560.1	3,277.7
Gross Profit	1,252.8	1,179.0	966.6
Selling, general and administrative expenses	305.9	302.7	280.6
Acquisition-related expenses, net	1.3	0.5	13.5
Other operating income, net	(59.8)	(9.1)	(18.2)
Earnings from Operations	1,005.4	884.9	690.7
Interest expense	118.1	129.3	137.1
Other nonoperating (income) and expenses, net	(2.0)	7.3	(22.5)
Earnings before income tax expense	889.3	748.3	576.1
Income tax expense	168.2	136.3	105.7
Consolidated net earnings	721.1	612.0	470.4
Less: Net earnings attributable to noncontrolling interests	0.1	0.1	0.4
Net Earnings Attributable to Martin Marietta	\$ 721.0	\$ 611.9	\$ 470.0
Net Earnings Attributable to Martin Marietta			
Per Common Share (see Note A)			
– Basic attributable to common shareholders	\$ 11.56	\$ 9.77	\$ 7.46
– Diluted attributable to common shareholders	\$ 11.54	\$ 9.74	\$ 7.43
Weighted-Average Common Shares Outstanding			
– Basic	62.3	62.5	62.9
– Diluted	62.4	62.7	63.1

The accompanying Notes to the Financial Statements are an integral part of these statements.



MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

years ended December 31
(in millions)

	2020	2019	2018
Consolidated Net Earnings	\$ 721.1	\$ 612.0	\$ 470.4
Other comprehensive (loss) earnings, net of tax:			
Defined benefit pension and postretirement plans:			
Net loss arising during period, net of tax of \$(8.7), \$(4.8) and \$(7.6), respectively	(26.6)	(14.5)	(22.9)
Amortization of prior service credit, net of tax of \$0.0, \$(0.2) and \$(0.5), respectively	(0.1)	(0.6)	(1.5)
Amortization of actuarial loss, net of tax of \$3.6, \$3.8 and \$3.2, respectively	10.7	11.7	9.5
Amount recognized in net periodic pension cost due to settlement, net of tax of \$0.9, \$0.0 and \$0.7, respectively	2.8	—	2.2
	(13.2)	(3.4)	(12.7)
Foreign currency translation gain (loss)	0.6	1.2	(2.1)
Amortization of terminated value of forward starting interest rate swap agreements into interest expense, net of tax of \$0.0, \$0.0 and \$0.2, respectively	—	—	0.3
	(12.6)	(2.2)	(14.5)
Consolidated comprehensive earnings	708.5	609.8	455.9
Less: Comprehensive earnings attributable to noncontrolling interests	0.1	0.1	0.4
Comprehensive Earnings Attributable to Martin Marietta	\$ 708.4	\$ 609.7	\$ 455.5

The accompanying Notes to the Financial Statements are an integral part of these statements.



MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

December 31

(In millions, except par value data)

Assets	2020	2019
Current Assets:		
Cash and cash equivalents	\$ 207.3	\$ 21.0
Restricted cash	97.1	—
Accounts receivable, net	575.1	573.7
Inventories, net	709.0	690.8
Other current assets	79.8	141.2
Total Current Assets	1,668.3	1,426.7
Property, plant and equipment, net	5,242.3	5,206.0
Goodwill	2,414.0	2,396.8
Other intangibles, net	508.0	486.8
Operating lease right-of-use assets, net	453.0	481.9
Other noncurrent assets	295.2	133.4
Total Assets	\$ 10,580.8	\$ 10,131.6
Liabilities and Equity		
Current Liabilities:		
Accounts payable	\$ 207.8	\$ 229.6
Accrued salaries, benefits and payroll taxes	82.6	56.7
Accrued other taxes	43.5	43.6
Current maturities of long-term debt	—	340.0
Operating lease liabilities	48.6	52.7
Other current liabilities	116.8	115.9
Total Current Liabilities	499.3	838.5
Long-term debt	2,625.8	2,433.6
Deferred income taxes, net	781.5	733.0
Noncurrent operating lease liabilities	410.4	433.9
Other noncurrent liabilities	370.5	339.3
Total Liabilities	4,687.5	4,778.3
Equity:		
Common stock (\$0.01 par value; 100.0 shares authorized; 62.3 and 62.4 shares outstanding at December 31, 2020 and 2019, respectively)	0.6	0.6
Preferred stock (\$0.01 par value; 10.0 shares authorized; no shares outstanding)	—	—
Additional paid-in capital	3,440.8	3,418.8
Accumulated other comprehensive loss	(158.4)	(145.8)
Retained earnings	2,607.7	2,077.2
Total Shareholders' Equity	5,890.7	5,350.8
Noncontrolling interests	2.6	2.5
Total Equity	5,893.3	5,353.3
Total Liabilities and Equity	\$ 10,580.8	\$ 10,131.6

The accompanying Notes to the Financial Statements are an integral part of these statements.



MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

years ended December 31

(in millions)

	2020	2019	2018
Cash Flows from Operating Activities:			
Consolidated net earnings	\$ 721.1	\$ 612.0	\$ 470.4
Adjustments to reconcile consolidated net earnings to net cash provided by operating activities:			
Depreciation, depletion and amortization	393.5	371.5	344.0
Stock-based compensation expense	30.0	34.1	29.3
Gains on divestitures and sales of assets	(73.0)	(3.1)	(39.3)
Deferred income taxes, net	43.8	29.4	85.1
Noncash portion of asset and portfolio rationalization charge	—	—	17.0
Other items, net	2.1	8.6	(9.0)
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:			
Accounts receivable, net	6.1	(50.4)	(10.6)
Inventories, net	(19.3)	(27.7)	(22.0)
Accounts payable	(34.0)	25.9	20.1
Other assets and liabilities, net	(20.2)	(34.2)	(179.9)
Net Cash Provided by Operating Activities	1,050.1	966.1	705.1
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	(359.7)	(393.5)	(376.0)
Acquisitions, net of cash acquired	(65.1)	—	(1,642.1)
Proceeds from divestitures and sales of assets	142.3	8.4	69.1
Payment of railcar construction advances	—	—	(79.4)
Reimbursement of railcar construction advances	—	—	79.4
Investments in life insurance contracts, net	(111.2)	0.6	0.8
Other investing activities, net	(16.0)	(1.4)	—
Net Cash Used for Investing Activities	(409.7)	(385.9)	(1,948.2)
Cash Flows from Financing Activities:			
Borrowings of long-term debt	628.1	625.0	1,000.0
Repayments of long-term debt	(777.1)	(975.1)	(910.1)
Debt issuance costs	(2.0)	—	(3.9)
Payments on finance lease obligations	(3.5)	(11.0)	—
Payments on capital lease obligations	—	—	(3.5)
Dividends paid	(140.3)	(129.8)	(116.4)
Repurchases of common stock	(50.0)	(98.2)	(100.4)
Payments of deferred acquisition consideration	—	—	(6.7)
Purchase of the noncontrolling interest in the existing joint venture	—	—	(12.8)
Distributions to owners of noncontrolling interest	—	(0.6)	—
Proceeds from exercise of stock options	2.3	13.7	7.3
Shares withheld for employees' income tax obligations	(14.5)	(28.1)	(11.9)
Net Cash Used for Financing Activities	(357.0)	(604.1)	(158.4)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	283.4	(23.9)	(1,401.5)
Cash, Cash Equivalents and Restricted Cash, beginning of year	21.0	44.9	1,446.4
Cash, Cash Equivalents and Restricted Cash, end of year	\$ 304.4	\$ 21.0	\$ 44.9

The accompanying Notes to the Financial Statements are an integral part of these statements.



MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF TOTAL EQUITY

(in millions, except per share data)	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity	Non- controlling Interests	Total Equity
Balance at December 31, 2017	62.9	\$ 0.6	\$ 3,368.1	\$ (129.1)	\$ 1,440.1	\$ 4,679.7	\$ 2.8	\$ 4,682.5
Consolidated net earnings	—	—	—	—	470.0	470.0	0.4	470.4
Other comprehensive loss	—	—	—	(14.5)	—	(14.5)	—	(14.5)
Dividends declared (\$1.84 per common share)	—	—	—	—	(116.4)	(116.4)	—	(116.4)
Issuances of common stock for stock award plans	0.1	—	14.2	—	—	14.2	—	14.2
Shares withheld for employees' income tax obligations	—	—	(11.9)	—	—	(11.9)	—	(11.9)
Repurchases of common stock	(0.5)	—	—	—	(100.4)	(100.4)	—	(100.4)
Stock-based compensation expense	—	—	29.3	—	—	29.3	—	29.3
Noncontrolling Interest acquired in business combination	—	—	—	—	—	—	9.0	9.0
Purchase of the noncontrolling interest in the existing joint venture	—	—	(3.6)	—	—	(3.6)	(9.2)	(12.8)
Balance at December 31, 2018	62.5	0.6	3,396.1	(143.6)	1,693.3	4,946.4	3.0	4,949.4
Consolidated net earnings	—	—	—	—	611.9	611.9	0.1	612.0
Other comprehensive loss	—	—	—	(2.2)	—	(2.2)	—	(2.2)
Dividends declared (\$2.06 per common share)	—	—	—	—	(129.8)	(129.8)	—	(129.8)
Issuances of common stock for stock award plans	0.3	—	16.7	—	—	16.7	—	16.7
Shares withheld for employees' income tax obligations	—	—	(28.1)	—	—	(28.1)	—	(28.1)
Repurchases of common stock	(0.4)	—	—	—	(98.2)	(98.2)	—	(98.2)
Stock-based compensation expense	—	—	34.1	—	—	34.1	—	34.1
Distribution to owners of noncontrolling interest	—	—	—	—	—	—	(0.6)	(0.6)
Balance at December 31, 2019	62.4	0.6	3,418.8	(145.8)	2,077.2	5,350.8	2.5	5,353.3
Consolidated net earnings	—	—	—	—	721.0	721.0	0.1	721.1
Other comprehensive loss	—	—	—	(12.6)	—	(12.6)	—	(12.6)
Dividends declared (\$2.24 per common share)	—	—	—	—	(140.5)	(140.5)	—	(140.5)
Issuances of common stock for stock award plans	0.1	—	6.8	—	—	6.8	—	6.8
Shares withheld for employees' income tax obligations	—	—	(14.8)	—	—	(14.8)	—	(14.8)
Repurchases of common stock	(0.2)	—	—	—	(50.0)	(50.0)	—	(50.0)
Stock-based compensation expense	—	—	30.0	—	—	30.0	—	30.0
Balance at December 31, 2020	62.3	\$ 0.6	\$ 3,440.8	\$ (158.4)	\$ 2,607.7	\$ 5,890.7	\$ 2.6	\$ 5,893.3

The accompanying Notes to the Financial Statements are an integral part of these statements.



NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

Note A: Accounting Policies

Organization. Martin Marietta is a natural resource-based building materials company. The Company supplies aggregates (crushed stone, sand and gravel) through its network of approximately 300 quarries, mines and distribution yards in 27 states, Canada and The Bahamas. In the western United States, Martin Marietta also provides cement and downstream products, namely, ready mixed concrete, asphalt and paving services, in markets where the Company also has a leading aggregates position. Specifically, the Company has two cement plants and several cement distribution facilities in Texas and Louisiana, and 120 ready mixed concrete plants and eight asphalt plants in Texas, Colorado and Wyoming. Asphalt operations and paving services are exclusively in Colorado. The Company's heavy-side building materials are used in infrastructure, nonresidential and residential construction projects. Aggregates are also used in agricultural, utility and environmental applications and as railroad ballast. The aggregates, cement, ready mixed concrete and asphalt and paving product lines are reported collectively as the Building Materials business.

Effective July 1, 2020, the Company made organizational changes, consolidating its operational management and operating divisions in connection with the retirement of two senior executives as of the end of the second quarter. The Mid-Atlantic Division and Southeast Division were combined to form the East Division. Additionally, the Southwest Aggregates Division and the Cement and Southwest Ready Mix Division were combined to form the Southwest Division. Subsequent to these changes, the Building Materials business consists of four divisions: East, Central, Southwest and West. Each division, as well as the Magnesia Specialties business, represents an operating segment.

As of December 31, 2020, the Building Materials business contains the following reportable segments: East Group and West Group. The East Group, whose operations were previously reported in the Mid-America and Southeast Groups, consists of the East and Central Divisions and operates in Alabama, Florida, Georgia, Indiana, Iowa, Kansas, Kentucky, Maryland, Minnesota, Missouri, eastern Nebraska, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, West Virginia, Nova Scotia and The Bahamas. The West Group is comprised of the Southwest and West Divisions and operates in Arkansas, Colorado, Louisiana, western Nebraska, Nevada, Oklahoma, Texas, Utah, Washington and Wyoming. In addition to these states, the Company sells to customers in New York, Delaware, New Mexico and Mississippi. The following states accounted for 71% of the Building Materials business' 2020 total revenues: Texas, Colorado, North Carolina, Georgia and Iowa. Effective January 1, 2020, the Company moved the management of its one quarry in the state of Washington from the East Group to the West Group, resulting in an immaterial change to its reportable segments. Prior-year segment disclosures have been reclassified to conform to current-year presentation.

The Company also operates a Magnesia Specialties business, which produces magnesia-based chemical products used in industrial, agricultural and environmental applications, and dolomitic lime sold primarily to customers for steel production and land stabilization. Magnesia Specialties' production facilities are located in Ohio and Michigan, and products are shipped to customers worldwide. During 2020, there were no changes to the Magnesia Specialties reportable segment.

Basis of Presentation and Use of Estimates. The Company's consolidated financial statements are presented in conformity with accounting principles generally accepted in the United States, which requires management to make certain estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities and reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, inventories, goodwill, other intangible assets and other long-lived assets as well as assumptions used in the calculation of income tax expense, retirement and postemployment benefits, stock-based compensation, the allocation of the purchase price to the fair values of assets acquired and liabilities assumed as part of business combinations and revenue recognition for service contracts. These estimates and assumptions are based on management's judgment. Management evaluates estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and adjusts such estimates and assumptions when facts and circumstances dictate. Changes in credit, equity and energy markets and changes in construction activity increase the uncertainty inherent in certain estimates and assumptions. As future events and their effects, including the impact of the coronavirus (COVID-19) pandemic and the related responses, cannot be determined with precision, actual results could differ significantly from estimates. Changes in estimates, including those resulting from changes in the economic environment, are reflected in the consolidated financial statements for the period in which the change in estimate occurs. During the year ended December 31, 2019, the Company identified a prior-period error that overstated its earnings from a nonconsolidated equity affiliate. The pretax noncash adjustment was deemed immaterial to prior periods and was therefore corrected as an out-of-period expense of \$15.7 million that was recorded in other nonoperating expenses, consistent with the recurring classification



NOTES TO FINANCIAL STATEMENTS (continued)

of equity earnings from the nonconsolidated affiliate.

Basis of Consolidation. The consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. Partially-owned affiliates are either consolidated or accounted for using the cost method or the equity method, depending on the level of ownership interest or the Company's ability to exercise control over the affiliates' operations. Intercompany balances and transactions between subsidiaries have been eliminated in consolidation.

Revenue Recognition. Total revenues include sales of products and services provided to customers, net of discounts or allowances, if any, and include freight and delivery costs billed to customers. Revenues for product sales are recognized when control of the promised good is transferred to unaffiliated customers, typically when finished products are shipped. Revenues derived from the paving business are recognized using the percentage-of-completion method under the cost-to-cost approach. Under the cost-to-cost approach, recognized contract revenue is determined by multiplying the total estimated contract revenue by the estimated percentage of completion. Contract costs are recognized as incurred. The percentage of completion is determined on a contract-by-contract basis using project costs incurred to date as a percentage of total estimated project costs. The Company believes the cost-to-cost approach is appropriate, as the use of asphalt in a paving contract is relatively consistent with the performance of the related paving services. Paving contracts, notably with governmental entities, may contain performance bonuses based on quality specifications. Given the uncertainty of meeting the criteria until the performance obligation is completed, performance bonuses are recognized as revenues when and if achieved. Performance bonuses were not material to the Company's consolidated results of operations for the years ended December 31, 2020, 2019 and 2018. Freight revenues reflect delivery arranged by the Company using a third party on behalf of the customer and are recognized consistently with the timing of the product revenues.

Freight and Delivery Costs. Freight and delivery costs represent pass-through transportation costs incurred and paid by the Company to third-party carriers to deliver products to customers. These costs are then billed to the customers.

Cash, Cash Equivalents and Restricted Cash. Cash equivalents are comprised of highly-liquid instruments with original maturities of three months or less from the date of purchase.

As of December 31, 2020, the Company had \$97.1 million of restricted cash, which was invested in an account designated for the purchase of like-kind exchange replacement assets under Section 1031 of the Internal Revenue Code (Section 1031). The Company is restricted from utilizing the cash for purposes other than the purchase of the qualified assets for 180 days from receipt of the proceeds from the sale of the exchanged property. Any unused cash at the end of the 180 days will be transferred to unrestricted accounts of the Company and can then be used for general corporate purposes. The Company did not use \$47.2 million within the allowable 180-day period and transferred that amount to unrestricted cash in January 2021. The Company has until March 9, 2021 to utilize the remaining funds to purchase qualified assets under Section 1031.

In connection with Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230)*, the statement of cash flows reflects cash flow changes and balances for cash, cash equivalents and restricted cash on an aggregated basis.

The following table reconciles cash, cash equivalents and restricted cash as reported on the consolidated balance sheets to the aggregated amounts presented on the consolidated statements of cash flows:

December 31 (in millions)	2020	2019	2018
Cash and cash equivalents	\$ 207.3	\$ 21.0	\$ 44.9
Restricted cash	97.1	—	—
Total cash, cash equivalents and restricted cash presented in the consolidated statements of cash flows	\$ 304.4	\$ 21.0	\$ 44.9

Accounts Receivable. Accounts receivable are stated at cost. The Company does not typically charge interest on customer accounts receivable. The Company records an allowance for credit losses, which includes a provision for probable losses based on historical write-offs, adjusted for current conditions as deemed necessary, and a specific reserve for accounts deemed at risk. The allowance is the Company's estimate for receivables as of the balance sheet date that ultimately will not be collected. Any changes in the allowance are reflected in earnings in the period in which the change occurs. The Company writes-off accounts receivable when it becomes probable, based upon customer facts and circumstances, that such amounts will not be collected.

Inventories Valuation. Finished products and in process inventories are stated at the lower of cost or net realizable value using standard costs, which approximate the first-in, first-out method. Carrying value for parts and supplies are determined by the weighted-average cost method. The Company records an allowance for finished product inventories based on an analysis of future demand and inventory on hand in excess of historical sales for a twelve-month period or an annual average for a period of up to five years. The Company also establishes an allowance for parts over five years old and supplies over a year old.



NOTES TO FINANCIAL STATEMENTS (continued)

Post-production stripping costs, which represent costs of removing overburden and waste materials to access mineral deposits, are a component of inventory production costs and recognized as incurred.

Property, Plant and Equipment. Property, plant and equipment are stated at cost.

The estimated service lives for property, plant and equipment are as follows:

Class of Assets	Range of Service Lives
Buildings	5 to 30 years
Machinery & Equipment	2 to 20 years
Land Improvements	5 to 60 years

The Company begins capitalizing quarry development costs at a point when reserves are determined to be proven or probable, economically mineable and when demand supports investment in the market. Capitalization of these costs ceases when production commences. Capitalized quarry development costs are classified as land improvements and depreciated over the life of the reserves.

The Company reviews relevant facts and circumstances to determine whether to capitalize or expense pre-production stripping costs when additional pits are developed at an existing quarry. If the additional pit operates in a separate and distinct area of the quarry, these costs are capitalized as quarry development costs and depreciated over the life of the uncovered reserves. Additionally, a separate asset retirement obligation is created for additional pits when the liability is incurred. Once a pit enters the production phase, all post-production stripping costs are charged to inventory production costs as incurred.

Mineral reserves and mineral interests acquired in connection with a business combination are valued using an income approach for the estimated life of the reserves. The Company's aggregates reserves average approximately 90 years, based on 2020 production levels.

Depreciation is computed based on estimated service lives using the straight-line method. Depletion of mineral reserves is calculated based on proven and probable reserves using the units-of-production method on a quarry-by-quarry basis.

Property, plant and equipment are reviewed for impairment whenever facts and circumstances indicate that the carrying amount of an asset group may not be recoverable. An impairment loss is recognized if expected future undiscounted cash flows over the estimated remaining service life of the related asset group are less than the asset group's carrying value.

Repair and Maintenance Costs. Repair and maintenance costs that do not substantially extend the life of the Company's plant and equipment are expensed as incurred.

Leases. If the Company determines a contract is or contains a lease at inception of the agreement, the Company records right-of-use (ROU) assets, which represent the Company's right to use an underlying leased asset, and lease liabilities, which represent the Company's obligation to make lease payments. The ROU asset and lease liability are recorded on the consolidated balance sheet at the present value of the future lease payments over the lease term at commencement date. The Company determines the present value of lease payments based on the implicit interest rate, which may be explicitly stated in the lease, if available, or may be the Company's estimated collateralized incremental borrowing rate based on the term of the lease. Initial ROU assets also include any lease payments made at or before commencement date and any initial direct costs incurred and are reduced by lease incentives. Certain of the Company's leases contain renewal and/or termination options. The Company recognizes renewal or termination options as part of its ROU assets and lease liabilities when the Company has the unilateral right to renew or terminate and it is reasonably certain these options will be exercised.

Some leases require the Company to pay non-lease components, which may include taxes, maintenance, insurance and certain other expenses applicable to the leased property, and are primarily variable costs. The Company accounts for lease and non-lease components as a single amount, with the exception of railcar and fleet vehicle leases, for which the Company separately accounts for the lease and non-lease components.

Leases are evaluated and determined to be either operating leases or finance leases. The lease is a finance lease if it: transfers ownership to the underlying asset by the end of the lease term; includes a purchase option that is reasonably certain to be exercised; has a lease term for the major part of the remaining economic life of the underlying asset; has a present value of the sum of the lease payments that equals or exceeds substantially all of the fair value of the underlying asset; or is for an underlying asset that is of a specialized nature and is expected to have no alternative use to the lessor at the end of the lease term. If none of these terms exist, the lease is an operating lease.



NOTES TO FINANCIAL STATEMENTS (continued)

Leases with an initial lease term of one year or less are not recorded on the balance sheet. Costs for these leases are expensed as incurred.

In the consolidated statements of earnings, operating lease expense, which is recognized on a straight-line basis over the lease term, and the amortization of finance lease ROU assets are included in cost of revenues or selling, general and administrative expenses. Accretion on the liabilities for finance leases is included in interest expense.

Goodwill and Other Intangible Assets. Goodwill represents the excess purchase price paid for acquired businesses over the estimated fair value of identifiable assets and liabilities. Other intangible assets represent amounts assigned principally to contractual agreements and are either amortized ratably over the useful lives to the Company or not amortized if deemed to have an indefinite useful life.

The Company's reporting units, which represent the level at which goodwill is tested for impairment, are based on the operating segments of the Building Materials business. Goodwill is assigned to the respective reporting unit(s) based on the location of acquisitions at the time of consummation. Goodwill is tested for impairment by comparing each reporting unit's fair value to its carrying value, which represents a Step-1 approach. However, prior to Step 1, the Company may perform a qualitative assessment and evaluate macroeconomic conditions, industry and market conditions, cost factors, overall financial performance and other business or reporting unit-specific events that contribute to the fair value of a reporting unit. If the Company concludes it is more-likely-than-not (i.e., a likelihood of more than 50%) that a reporting unit's fair value is higher than its carrying value, the Company is not required to perform any further goodwill impairment testing for that reporting unit. Otherwise, the Company proceeds to Step 1, and if a reporting unit's fair value exceeds its carrying value, there is no impairment. A reporting unit with a carrying value in excess of its fair value results in an impairment charge equal to the difference.

The carrying values of goodwill and other indefinite-lived intangible assets are reviewed for impairment annually, as of October 1. An interim review is performed between annual tests if facts and circumstances indicate potential impairment. The carrying value of other amortizable intangible assets is reviewed if facts and circumstances indicate potential impairment. If a review indicates the carrying value is impaired, a charge is recorded.

Retirement Plans and Postretirement Benefits. The Company sponsors defined benefit retirement plans and also provides other postretirement benefits. The Company recognizes the funded status, defined as the difference between the fair value of plan assets and the benefit obligation, of its pension plans and other postretirement benefits as an asset or liability on the consolidated balance sheets. Actuarial gains or losses that arise during the year are recognized as a component of accumulated other comprehensive earnings or loss. Those amounts are amortized over the participants' average remaining service period and recognized as a component of net periodic benefit cost. The amount amortized is determined using a corridor approach and represents the excess over 10% of the greater of the projected benefit obligation or pension plan assets.

Insurance Reserves. The Company has insurance coverage with large deductibles for workers' compensation, automobile liability, marine liability and general liability claims, and is also self-insured for health claims. The Company records insurance reserves based on an actuarial-determined analysis, which calculates development factors that are applied to total case reserves within the insurance programs. While the Company believes the assumptions used to calculate these liabilities are appropriate, significant differences in actual experience and/or significant changes in these assumptions may materially affect insurance costs.

Stock-Based Compensation. The Company has stock-based compensation plans for employees and its Board of Directors. The Company recognizes all forms of stock-based awards that vest as compensation expense. The compensation expense is the fair value of the awards at the measurement date and is recognized over the requisite service period. Forfeitures are recognized as they occur.

The fair value of restricted stock awards, incentive compensation stock awards and Board of Directors' fees paid in the form of common stock are based on the closing price of the Company's common stock on the grant dates. The fair value of performance stock awards as of the grant dates is determined using a Monte Carlo simulation methodology.

Environmental Matters. The Company records a liability for an asset retirement obligation at fair value in the period in which it is incurred. The asset retirement obligation is recorded at the acquisition date of a long-lived tangible asset if the fair value can be reasonably estimated. A corresponding amount is capitalized as part of the asset's carrying amount. The fair value is affected by management's assumptions regarding the scope of the work, inflation rates and asset retirement dates.

Further, the Company records an accrual for other environmental remediation liabilities in the period in which it is probable that a liability has been incurred and the appropriate amounts can be estimated reasonably. Such accruals are adjusted as further information develops or circumstances change. Generally, these costs are not discounted to their present value or offset for potential insurance or other claims or potential gains from future alternative uses for a site.



NOTES TO FINANCIAL STATEMENTS (continued)

Income Taxes. Deferred income taxes, net, on the consolidated balance sheets reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, net of valuation allowances. The effect of changes in enacted tax rates on deferred income tax assets and liabilities is charged or credited to income tax expense in the period of enactment.

Uncertain Tax Positions. The Company recognizes a tax benefit when it is more-likely-than-not, based on the technical merits, that a tax position would be sustained upon examination by a taxing authority. The amount to be recognized is measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. The Company's unrecognized tax benefits are recorded in other liabilities on the consolidated balance sheets or as an offset to the deferred tax asset for tax carryforwards where available.

The Company records interest accrued in relation to unrecognized tax benefits as income tax expense. Penalties, if incurred, are recorded as operating expenses in the consolidated statements of earnings.

Sales Taxes. Sales taxes collected from customers are recorded as liabilities until remitted to taxing authorities and therefore are not reflected in the consolidated statements of earnings.

Start-Up Costs. Noncapital start-up costs for new facilities and products are charged to operations as incurred.

Consolidated Comprehensive Earnings and Accumulated Other Comprehensive Loss. Consolidated comprehensive earnings for the Company consist of consolidated net earnings, adjustments for the funded status of pension and postretirement benefit plans, foreign currency translation adjustments and the amortization of the value of terminated forward starting interest rate swap agreements into interest expense, and are presented in the Company's consolidated statements of comprehensive earnings.

Accumulated other comprehensive loss consists of unrecognized gains and losses related to the funded status of the pension and postretirement benefit plans and foreign currency translation, and is presented on the Company's consolidated balance sheets.



NOTES TO FINANCIAL STATEMENTS (continued)

The components of the changes in accumulated other comprehensive loss and related cumulative noncurrent deferred tax assets are as follows:

	Pension and Postretirement Benefit Plans	Foreign Currency	Unamortized Value of Terminated Forward Starting Interest Rate Swap	Total
years ended December 31 (in millions)				
	2020			
Accumulated other comprehensive loss at beginning of period	\$ (144.9)	\$ (0.9)	\$ —	\$ (145.8)
Other comprehensive (loss) earnings before reclassifications, net of tax	(26.6)	0.6	—	(26.0)
Amounts reclassified from accumulated other comprehensive loss, net of tax	13.4	—	—	13.4
Other comprehensive (loss) earnings, net of tax	(13.2)	0.6	—	(12.6)
Accumulated other comprehensive loss at end of period	\$ (158.1)	\$ (0.3)	\$ —	\$ (158.4)
Cumulative noncurrent deferred tax assets at end of period	\$ 89.4	\$ —	\$ —	\$ 89.4
	2019			
Accumulated other comprehensive loss at beginning of period	\$ (141.5)	\$ (2.1)	\$ —	\$ (143.6)
Other comprehensive (loss) earnings before reclassifications, net of tax	(14.5)	1.2	—	(13.3)
Amounts reclassified from accumulated other comprehensive loss, net of tax	11.1	—	—	11.1
Other comprehensive (loss) earnings, net of tax	(3.4)	1.2	—	(2.2)
Accumulated other comprehensive loss at end of period	\$ (144.9)	\$ (0.9)	\$ —	\$ (145.8)
Cumulative noncurrent deferred tax assets at end of period	\$ 85.2	\$ —	\$ —	\$ 85.2
	2018			
Accumulated other comprehensive loss at beginning of period	\$ (128.8)	\$ —	\$ (0.3)	\$ (129.1)
Other comprehensive loss before reclassifications, net of tax	(22.9)	(2.1)	—	(25.0)
Amounts reclassified from accumulated other comprehensive loss, net of tax	10.2	—	0.3	10.5
Other comprehensive (loss) earnings, net of tax	(12.7)	(2.1)	0.3	(14.5)
Accumulated other comprehensive loss at end of period	\$ (141.5)	\$ (2.1)	\$ —	\$ (143.6)
Cumulative noncurrent deferred tax assets at end of period	\$ 84.2	\$ —	\$ —	\$ 84.2



NOTES TO FINANCIAL STATEMENTS (continued)

Reclassifications out of accumulated other comprehensive loss are as follows:

years ended December 31 (in millions)	2020	2019	2018	Affected line items in the consolidated statements of earnings
Pension and postretirement benefit plans:				
Settlement charge	\$ 3.7	\$ —	\$ 2.9	
Amortization of:				
Prior service credit	(0.1)	(0.8)	(2.0)	
Actuarial loss	14.3	15.5	12.7	
	17.9	14.7	13.6	Other nonoperating (income) and expenses, net
Tax effect	(4.5)	(3.6)	(3.4)	Income tax expense
Total	\$ 13.4	\$ 11.1	\$ 10.2	
Unamortized value of terminated forward starting interest rate swap:				
Additional interest expense	\$ —	\$ —	\$ 0.5	Interest expense
Tax effect	—	—	(0.2)	Income tax expense
Total	\$ —	\$ —	\$ 0.3	

Earnings Per Common Share. The Company computes earnings per common share (EPS) pursuant to the two-class method. The two-class method determines EPS for common stock and participating securities according to dividends or dividend equivalents and their respective participation rights in undistributed earnings. The Company paid nonforfeitable dividend equivalents during the vesting period on its restricted stock awards and incentive stock awards made prior to 2016, which results in these being considered participating securities.

The numerator for basic and diluted earnings per common share is net earnings attributable to Martin Marietta, reduced by dividends and undistributed earnings attributable to the Company's participating securities. The denominator for basic earnings per common share is the weighted-average number of common shares outstanding during the period. Diluted earnings per common share is computed assuming that the weighted-average number of common shares is increased by the conversion, using the treasury stock method, of awards issued to employees and nonemployee members of the Company's Board of Directors under certain stock-based compensation arrangements if the conversion is dilutive.

The following table reconciles the numerator and denominator for basic and diluted earnings per common share:

years ended December 31 (in millions)	2020	2019	2018
Net earnings attributable to Martin Marietta	\$ 721.0	\$ 611.9	\$ 470.0
Less: distributed and undistributed earnings attributable to unvested participating securities	0.6	0.9	0.8
Basic and diluted net earnings attributable to common shareholders attributable to Martin Marietta	\$ 720.4	\$ 611.0	\$ 469.2
Basic weighted-average common shares outstanding	62.3	62.5	62.9
Effect of dilutive employee and director awards	0.1	0.2	0.2
Diluted weighted-average common shares outstanding	62.4	62.7	63.1

Reclassifications. Certain reclassifications were made to the comparative years' financial statements and notes to the financial statements to conform to the December 31, 2020 presentation. Such reclassifications had no impact on the Company's previously reported results of operations, financial position or cash flows.



NOTES TO FINANCIAL STATEMENTS (continued)

New Accounting Pronouncements

Credit Losses

Effective January 1, 2020, the Company adopted ASU 2016-13, *Financial Instruments – Credit Losses* (ASU 2016-13), which includes a current expected credit loss (CECL) model that requires an entity to estimate credit losses expected over the life of an exposure or pool of exposures based on historical information, current information and reasonable and supportable forecasts at the time the asset is recognized and is remeasured at each reporting period. ASU 2016-13 primarily relates to the Company's receivables, but the scope also includes retainage and contract assets related to its paving business. The adoption of ASU 2016-13 did not have a material impact on the Company's financial position or statement of earnings and comprehensive earnings, but the Company amended its allowance for credit losses policy for the implementation of ASU 2016-13.

Defined Benefit Plan Disclosures

Effective for the year ended December 31, 2020, the Company adopted ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General* (ASU 2018-14), which simplifies disclosures requirements for defined benefit plans. ASU 2018-14 requires explanations for significant gains and losses related to changes in the benefit obligation; eliminates sensitivity disclosures for a one-percent change in the assumed health care cost trend rate; and eliminates the disclosure of the estimated amounts in accumulated other comprehensive income/loss expected to be recognized in net periodic benefit costs over the next year. Disclosures in Note K have been modified on a retrospective basis for all years presented.

Leases

Effective January 1, 2019, the Company adopted ASC 842, which applies to virtually all leases, excluding mineral interest royalty agreements. ASC 842 requires the modified retrospective transition approach, applying the new standard to all leases existing at the date of initial application. It further states that an entity may use either 1) its effective date or 2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. The Company used the effective date as the date of initial application. As such, financial information and disclosures required under ASC 842 are not provided for dates and periods prior to January 1, 2019.

The lease standard provides a number of practical expedients for transition accounting. The Company elected the "package of practical expedients", which permitted the Company to not reassess its prior conclusions about lease identification, lease classification and initial direct costs. The Company elected the practical expedients pertaining to the use of hindsight and to land easements. Applying the hindsight practical expedient resulted in longer lease terms for many leases.

The adoption of ASC 842 resulted in the recognition of ROU assets and lease liabilities of \$502.5 million and \$501.6 million, respectively, for operating leases and \$10.9 million and \$12.1 million, respectively, for finance leases. The adoption did not have a material impact on the Company's consolidated statement of earnings or consolidated statement of cash flows.

Note B: Revenue Recognition

Performance Obligations. Performance obligations are contractual promises to transfer or provide a distinct good or service for a stated price. The Company's product sales agreements are single-performance obligations that are satisfied at a point in time. Performance obligations within paving service agreements are satisfied over time, primarily ranging from one day to two years. For product revenues and freight revenues, customer payment terms are generally 30 days from invoice date. Customer payments for the paving operations are based on a contractual billing schedule and are due 30 days from invoice date.

Future revenues from unsatisfied performance obligations at December 31, 2020, 2019 and 2018 were \$110.1 million, \$136.1 million and \$78.1 million, respectively, where the remaining periods to complete these obligations ranged from one month to 22 months.

Sales Taxes. The Company is deemed to be an agent when collecting sales taxes from customers. Sales taxes collected are recorded as liabilities until remitted to taxing authorities and are not reflected in the consolidated statements of earnings as revenues and expenses.



NOTES TO FINANCIAL STATEMENTS (continued)

Revenue by Category. The following table presents the Company's total revenues by category for each reportable segment:

years ended December 31 (in millions)	Products and Services		Freight	Total		
	2020					
East Group	\$	1,826.6	\$	122.5	\$	1,949.1
West Group		2,384.6		153.5		2,538.1
Total Building Materials business		4,211.2		276.0		4,487.2
Magnesia Specialties		220.9		21.8		242.7
Total	\$	4,432.1	\$	297.8	\$	4,729.9

2019						
East Group	\$	1,814.5	\$	134.5	\$	1,949.0
West Group		2,357.9		160.9		2,518.8
Total Building Materials business		4,172.4		295.4		4,467.8
Magnesia Specialties		249.9		21.4		271.3
Total	\$	4,422.3	\$	316.8	\$	4,739.1

2018						
East Group	\$	1,539.8	\$	103.3	\$	1,643.1
West Group		2,172.0		141.5		2,313.5
Total Building Materials business		3,711.8		244.8		3,956.6
Magnesia Specialties		268.6		19.1		287.7
Total	\$	3,980.4	\$	263.9	\$	4,244.3

Service revenues, which solely include the paving operations located in Colorado, were \$287.6 million, \$250.6 million and \$219.6 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Contract Balances. Costs in excess of billings relate to the conditional right to consideration for completed contractual performance and are contract assets on the consolidated balance sheets. Costs in excess of billings are reclassified to accounts receivable when the right to consideration becomes unconditional. Billings in excess of costs relate to customers invoiced in advance of contractual performance and are contract liabilities on the consolidated balance sheets. The following table presents information about the Company's contract balances:

December 31 (in millions)	2020		2019	
Costs in excess of billings	\$	2.2	\$	2.8
Billings in excess of costs	\$	14.0	\$	7.8

Revenues recognized from the beginning balance of contract liabilities for the years ended December 31, 2020 and 2019 were \$6.9 million and \$6.6 million, respectively.

Retainage, which primarily relates to the paving services, represents amounts that have been billed to customers but payment withheld until final acceptance of the performance obligation by the customer. Included in *Other current assets* on the Company's consolidated balance sheets, retainage was \$10.6 million and \$10.2 million at December 31, 2020 and 2019, respectively.

Policy Elections. When the Company arranges third-party freight to deliver products to customers, the Company has elected the delivery to be a fulfillment activity rather than a separate performance obligation. Further, the Company acts as a principal in the delivery arrangements and, as required by the revenue standard, the related revenues and costs are presented gross and are included in the consolidated statements of earnings.



NOTES TO FINANCIAL STATEMENTS (continued)

Note C: Goodwill and Other Intangible Assets

The following table shows the changes in goodwill by reportable segment and in total:

<i>December 31</i> (in millions)	East Group	West Group 2020	Total
Balance at beginning of period	\$ 574.3	\$ 1,822.5	\$ 2,396.8
Acquisitions	—	17.3	17.3
Goodwill reclassified from/(allocated to) assets held for sale	0.1	(0.1)	—
Divestitures	—	(0.1)	(0.1)
Transfer of operations from East Group to West Group	(1.9)	1.9	—
Balance at end of period	\$ 572.5	\$ 1,841.5	\$ 2,414.0

	2019		
Balance at beginning of period	\$ 576.1	\$ 1,823.0	\$ 2,399.1
Measurement period adjustments	(1.6)	—	(1.6)
Goodwill allocated to assets held for sale	(0.2)	—	(0.2)
Divestitures	—	(0.5)	(0.5)
Balance at end of period	\$ 574.3	\$ 1,822.5	\$ 2,396.8

Intangible assets subject to amortization consist of the following:

<i>December 31</i> (in millions)	Gross Amount	Accumulated Amortization	Net Balance
	2020		
Noncompetition agreements	\$ 4.2	\$ (4.1)	\$ 0.1
Customer relationships	91.3	(35.6)	55.7
Operating permits	460.8	(48.4)	412.4
Use rights and other	16.3	(13.0)	3.3
Trade names	12.8	(12.3)	0.5
Total	\$ 585.4	\$ (113.4)	\$ 472.0

	2019		
Noncompetition agreements	\$ 6.3	\$ (6.2)	\$ 0.1
Customer relationships	65.6	(30.4)	35.2
Operating permits	459.0	(42.3)	416.7
Use rights and other	16.7	(12.1)	4.6
Trade names	12.8	(10.9)	1.9
Total	\$ 560.4	\$ (101.9)	\$ 458.5



NOTES TO FINANCIAL STATEMENTS (continued)

Intangible assets deemed to have an indefinite life that are therefore not amortized consist of the following:

December 31 (in millions)	Building Materials Business	Magnesia Specialties	Total
	2020		
Operating permits	\$ 6.6	\$ —	\$ 6.6
Use rights	26.7	—	26.7
Trade names	0.2	2.5	2.7
Total	\$ 33.5	\$ 2.5	\$ 36.0

December 31 (in millions)	Building Materials Business	Magnesia Specialties	Total
	2019		
Operating permits	\$ 6.6	\$ —	\$ 6.6
Use rights	19.0	—	19.0
Trade names	0.2	2.5	2.7
Total	\$ 25.8	\$ 2.5	\$ 28.3

During 2020, the Company acquired \$35.2 million of intangible assets, consisting of the following:

(in millions, except year data)	Amount	Weighted-average amortization period
Subject to amortization:		
Customer relationships	\$ 25.8	15 years
Operating permits	1.9	35 years
Total subject to amortization	\$ 27.7	16 years
Not subject to amortization:		
Use Rights	\$ 7.5	N/A
Total	\$ 35.2	

Total amortization expense for intangible assets for the years ended December 31, 2020, 2019 and 2018 was \$13.4 million, \$13.0 million and \$13.9 million, respectively.

The estimated amortization expense for intangible assets for each of the next five years and thereafter is as follows:

(in millions)	
2021	\$ 14.1
2022	12.9
2023	12.5
2024	12.3
2025	12.2
Thereafter	408.0
Total	\$ 472.0

Note D: Business Combinations

In August 2020, the Company acquired certain assets, including a sand and gravel plant and four ready mixed concrete operations. This acquisition provides customer expansion in the Dallas/Fort Worth, Texas market and the ability to internally source ready mixed concrete raw materials from the Company's legacy aggregates and cement operations. The Company determined fair values of the assets acquired and liabilities assumed. As of December 31, 2020, the measurement period is closed. The impact of this acquisition is not material to the Company's operating results; therefore, pro-forma financial information is not included.



NOTES TO FINANCIAL STATEMENTS (continued)

Note E: Accounts Receivable, Net

<i>December 31</i> (in millions)	2020	2019
Customer receivables	\$ 572.6	\$ 564.4
Other current receivables	8.4	14.0
Total accounts receivable	581.0	578.4
Less: allowance for estimated credit losses	(5.9)	(4.7)
Accounts receivable, net	\$ 575.1	\$ 573.7

Of the total accounts receivable, net, balances, \$3.9 million and \$2.9 million at December 31, 2020 and 2019, respectively, were due from unconsolidated affiliates.

Note F: Inventories, Net

<i>December 31</i> (in millions)	2020	2019
Finished products	\$ 667.0	\$ 643.6
Products in process	37.1	41.9
Raw materials	35.3	32.4
Supplies and expendable parts	149.9	141.5
Total inventories	889.3	859.4
Less: allowances	(180.3)	(168.6)
Inventories, net	\$ 709.0	\$ 690.8

Note G: Property, Plant and Equipment, Net

<i>December 31</i> (in millions)	2020	2019
Land and land improvements	\$ 1,231.9	\$ 1,135.0
Mineral reserves and interests	2,529.7	2,509.8
Buildings	164.2	163.4
Machinery and equipment	4,782.0	4,548.6
Construction in progress	209.4	258.4
Finance lease right-of-use assets	37.8	18.3
Total property, plant and equipment	8,955.0	8,633.5
Less: accumulated depreciation, depletion and amortization	(3,712.7)	(3,427.5)
Property, plant and equipment, net	\$ 5,242.3	\$ 5,206.0

Depreciation, depletion and amortization expense related to property, plant and equipment was \$376.3 million, \$354.4 million and \$326.1 million for the years ended December 31, 2020, 2019 and 2018, respectively. Depreciation, depletion and amortization expense for 2020 and 2019 includes amortization of right-of-use assets from finance leases and for 2018 includes amortization of machinery and equipment under capital leases.

Interest expense of \$4.2 million, \$5.1 million and \$3.0 million was capitalized during 2020, 2019 and 2018, respectively.

At December 31, 2020 and 2019, \$46.0 million and \$49.7 million, respectively, of the Building Materials business' property, plant and equipment, net, were located in foreign countries, namely The Bahamas and Canada.



NOTES TO FINANCIAL STATEMENTS (continued)

Note H: Long-Term Debt

December 31 (in millions)	2020	2019
4.25% Senior Notes, due 2024	\$ 397.6	\$ 397.0
7% Debentures, due 2025	124.5	124.4
3.450% Senior Notes, due 2027	297.6	297.3
3.500% Senior Notes, due 2027	495.8	495.3
2.500% Senior Notes, due 2030	490.1	—
6.25% Senior Notes, due 2037	228.2	228.1
4.250% Senior Notes, due 2047	591.9	591.7
Floating Rate Senior Notes, due 2020, interest rate of 2.55% at December 31, 2019	—	299.7
Trade Receivable Facility, interest rate of 2.42% at December 31, 2019	—	340.0
Other notes	0.1	0.1
Total debt	2,625.8	2,773.6
Less: current maturities	—	(340.0)
Long-term debt	\$ 2,625.8	\$ 2,433.6

On March 5, 2020, the Company issued \$500.0 million aggregate principal amount of 2.500% Senior Notes due 2030 (the 2.500% Senior Notes). The 2.500% Senior Notes are carried net of original issue discount, which is being amortized by the effective interest method over the life of the issue. The 2.500% Senior Notes are redeemable prior to December 15, 2029 at their make-whole redemption price at a discount rate of the U.S. Treasury Rate plus 30 basis points, or on or after December 15, 2029 at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest to the date of redemption. The Company used the net proceeds for general corporate purposes, including the repayment of \$300.0 million of Floating Rate Senior Notes at maturity in May 2020. At December 31, 2019, the Floating Rate Senior Notes due May 2020 were classified as noncurrent long-term debt on the consolidated balance sheet as the Company had the intent and ability to refinance the notes on a long-term basis.

The Company's 4.25% Senior Notes due 2024, 7% Debentures due 2025, 3.450% Senior Notes due 2027, 3.500% Senior Notes due 2027, 2.500% Senior Notes due 2030, 6.25% Senior Notes due 2037 and 4.250% Senior Notes due 2047 (collectively, the Senior Notes) are senior unsecured obligations of the Company, ranking equal in right of payment with the Company's existing and future unsubordinated indebtedness. Upon a change-of-control repurchase event and a resulting below-investment-grade credit rating, the Company would be required to make an offer to repurchase all outstanding Senior Notes, with the exception of the 7% Debentures due 2025, at a price in cash equal to 101% of the principal amount of the Senior Notes, plus any accrued and unpaid interest.

The Senior Notes are carried net of original issue discount, which is being amortized by the effective interest method over the life of the issue. The Senior Notes are redeemable prior to their respective maturity dates at a make-whole redemption price. The principal amount, effective interest rate and maturity date for the Senior Notes are as follows:

	Principal Amount (in millions)	Effective Interest Rate	Maturity Date
4.25% Senior Notes	\$ 400.0	4.25%	July 2, 2024
7% Debentures	\$ 125.0	7.12%	December 1, 2025
3.450% Senior Notes	\$ 300.0	3.47%	June 1, 2027
3.500% Senior Notes	\$ 500.0	3.53%	December 15, 2027
2.500% Senior Notes	\$ 500.0	2.71%	March 15, 2030
6.25% Senior Notes	\$ 230.0	6.45%	May 1, 2037
4.250% Senior Notes	\$ 600.0	4.27%	December 15, 2047

The Company has a credit agreement with JPMorgan Chase Bank, N.A., as Administrative Agent, Truist Bank, Deutsche Bank Securities, Inc., and Wells Fargo Bank, N.A., as Co-Syndication Agents, and the lenders party thereto (the Credit Agreement), which provides for a \$700.0 million five-year senior unsecured revolving facility (the Revolving Facility). Borrowings under the



NOTES TO FINANCIAL STATEMENTS (continued)

Revolving Facility bear interest, at the Company's option, at rates based upon the London Inter-bank Offered Rate (LIBOR) or a base rate, plus, for each rate, a margin determined in accordance with a ratings-based pricing grid.

The Credit Agreement requires the Company's ratio of consolidated net debt-to-consolidated earnings before interest, taxes, depreciation, depletion and amortization, as defined, for the trailing-twelve months (the Ratio) to not exceed 3.50x as of the end of any fiscal quarter, provided that the Company may exclude from the Ratio debt incurred in connection with certain acquisitions during the quarter or three preceding quarters so long as the Ratio calculated without such exclusion does not exceed 3.75x. Additionally, if no amounts are outstanding under both the Revolving Facility and the trade receivable securitization facility (discussed later), consolidated debt, including debt for which the Company is a co-borrower (see Note O), shall be reduced by the Company's unrestricted cash and cash equivalents in excess of \$50.0 million, such reduction not to exceed \$200.0 million, for purposes of the covenant calculation. The Company was in compliance with the Ratio at December 31, 2020.

The Revolving Facility expires on December 5, 2024, with any outstanding principal amounts, together with interest accrued thereon, due in full on that date. Available borrowings under the Revolving Facility are reduced by any outstanding letters of credit issued by the Company under the Revolving Facility. At December 31, 2020 and 2019, the Company had \$2.6 million and \$2.3 million, respectively, of outstanding letters of credit issued under the Revolving Facility and \$697.4 million and \$697.7 million, respectively, available for borrowing under the Revolving Facility. The Company paid the bank group an upfront loan commitment fee that is being amortized over the life of the Revolving Facility. The Revolving Facility includes an annual facility fee.

The Company, through a wholly-owned special-purpose subsidiary, has a \$400.0 million trade receivable securitization facility (the Trade Receivable Facility). On September 23, 2020, the Company extended the maturity to September 22, 2021. The Trade Receivable Facility, with Truist Bank, Regions Bank, PNC Bank, N.A., The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, and certain other lenders that may become a party to the facility from time to time, is backed by eligible trade receivables, as defined. Borrowings are limited to the lesser of the facility limit or the borrowing base, as defined. These receivables are originated by the Company and then sold or contributed to the wholly-owned special-purpose subsidiary. The Company continues to be responsible for the servicing and administration of the receivables purchased by the wholly-owned special-purpose subsidiary. Borrowings under the Trade Receivable Facility bear interest at a rate equal to asset-backed commercial paper costs of conduit lenders plus 0.85% for borrowings funded by conduit lenders and one-month LIBOR plus 1.00%, subject to change in the event that this rate no longer reflects the lender's cost of lending, for borrowings funded by all other lenders. The Trade Receivable Facility contains a cross-default provision to the Company's other debt agreements. At December 31, 2020, there were no borrowings outstanding under the Trade Receivable Facility and \$340.0 million of borrowings outstanding at December 31, 2019.

The Company's long-term debt maturities for the five years following December 31, 2020, and thereafter are:

(in millions)	
2021	\$ —
2022	0.1
2023	—
2024	397.6
2025	124.5
Thereafter	2,103.6
Total	\$ 2,625.8

Note I: Financial Instruments

The Company's financial instruments include temporary cash investments, restricted cash, accounts receivable, notes receivable, accounts payable, publicly-registered long-term notes, debentures and other long-term debt.

Temporary cash investments are placed primarily in money market funds, money market demand deposit accounts or offshore time deposit accounts with financial institutions. The Company's cash equivalents have maturities of less than three months. Due to the short maturity of these investments, they are carried on the consolidated balance sheets at cost, which approximates fair value.

Restricted cash is held in a trust account with a third-party intermediary. Due to the short-term nature of this account, the fair value of restricted cash approximates its carrying value.



NOTES TO FINANCIAL STATEMENTS (continued)

Accounts receivable are due from a large number of customers, primarily in the construction industry, and are dispersed across wide geographic and economic regions. However, accounts receivable are more heavily concentrated in certain states, namely Texas, Colorado, North Carolina, Georgia and Iowa. The estimated fair values of accounts receivable approximate their carrying amounts.

Notes receivable are primarily promissory notes with customers and are not publicly traded. Management estimates that the fair value of notes receivable approximates its carrying amount.

Accounts payable represent amounts owed to suppliers and vendors. The estimated fair value of accounts payable approximates its carrying amount due to the short-term nature of the payables.

The carrying values and fair values of the Company's long-term debt were \$2.63 billion and \$3.08 billion, respectively, at December 31, 2020 and \$2.77 billion and \$2.94 billion, respectively, at December 31, 2019. The estimated fair value of the Company's publicly-registered long-term debt was estimated based on Level 2 of the fair value hierarchy using quoted market prices. The estimated fair values of other borrowings, which primarily represent variable-rate debt, approximate their carrying amounts as the interest rates reset periodically.

Note J: Income Taxes

The components of the Company's income tax expense are as follows:

years ended December 31 (in millions)	2020	2019	2018
Federal income taxes:			
Current	\$ 91.9	\$ 83.9	\$ 15.3
Deferred	45.4	31.1	69.6
Total federal income taxes	137.3	115.0	84.9
State income taxes:			
Current	21.0	20.5	6.0
Deferred	8.7	(1.5)	14.1
Total state income taxes	29.7	19.0	20.1
Foreign income taxes:			
Current	1.2	2.8	(1.4)
Deferred	—	(0.5)	2.1
Total foreign income taxes	1.2	2.3	0.7
Income tax expense	\$ 168.2	\$ 136.3	\$ 105.7

For the year ended December 31, 2018, the benefit related to the utilization of federal net operating loss (NOL) carryforwards, reflected in current tax expense, was \$5.8 million. Additionally, for the year ended December 31, 2018, the Company completed the accounting for the impact of the 2017 Tax Cuts and Jobs Act and recorded a net income tax benefit of \$18.9 million, primarily related to the accelerated deductions for pension funding, inventory and insurance prepayments that were claimed on the Company's 2017 income tax returns.

For the years ended December 31, 2020, 2019 and 2018, foreign pretax earnings were \$8.9 million, \$15.1 million and \$5.7 million, respectively.



NOTES TO FINANCIAL STATEMENTS (continued)

The Company's effective income tax rate varied from the statutory United States income tax rate because of the following tax differences:

years ended December 31	2020	2019	2018
Statutory income tax rate	21.0%	21.0%	21.0%
(Reduction) increase resulting from:			
Effect of statutory depletion	(2.8)	(3.4)	(3.4)
State income taxes, net of federal tax benefit	2.6	2.0	2.8
Railroad track maintenance credits	(1.3)	—	—
Change in tax status of subsidiary	—	(1.7)	—
Impact from 2017 Tax Cuts and Jobs Act	—	—	(3.3)
Other items	(0.6)	0.3	1.2
Effective income tax rate	18.9%	18.2%	18.3%

The statutory depletion deduction for all years is calculated as a percentage of sales, subject to certain limitations. Due to these limitations, the impact of changes in the sales volumes and earnings may not proportionately affect the Company's statutory depletion deduction and the corresponding impact on the effective income tax rate.

In 2020, the Company financed third-party railroad track maintenance. In exchange, the Company received a federal income tax credit and deduction.

The Company recognized a net tax benefit from the change in tax status of a subsidiary from a partnership to a corporation in 2019, which reduced income tax expense and increased consolidated net earnings by \$15.2 million, or \$0.24 per diluted share.

The principal components of the Company's deferred tax assets and liabilities are as follows:

December 31 (in millions)	Deferred Assets (Liabilities)	
	2020	2019
Deferred tax assets related to:		
Inventories	\$ 69.6	\$ 62.6
Valuation and other reserves	34.7	22.3
Net operating loss carryforwards	9.0	10.5
Accumulated other comprehensive loss	89.4	85.2
Lease liabilities	105.6	114.7
Other items, net	2.3	2.9
Gross deferred tax assets	310.6	298.2
Valuation allowance on deferred tax assets	(8.1)	(9.0)
Total net deferred tax assets	302.5	289.2
Deferred tax liabilities related to:		
Property, plant and equipment	(743.3)	(700.8)
Goodwill and other intangibles	(154.6)	(151.7)
Right-of-use assets	(111.3)	(112.1)
Partnerships and joint ventures	(27.4)	(27.4)
Employee benefits	(47.4)	(30.2)
Total deferred tax liabilities	(1,084.0)	(1,022.2)
Deferred income taxes, net	\$ (781.5)	\$ (733.0)

The Company had \$3.1 million and \$4.1 million of domestic federal NOL carryforwards at December 31, 2020 and 2019, respectively. The Company had domestic state NOL carryforwards of \$137.1 million and \$161.0 million at December 31, 2020 and 2019, respectively. These carryforwards have various expiration dates through 2040. At December 31, 2020 and 2019, deferred tax assets associated with these carryforwards were \$9.0 million and \$10.5 million, respectively, net of the federal benefit of the state deduction, for which valuation allowances of \$8.1 million and \$9.0 million, respectively, were recorded. The Company also had domestic state tax credit carryforwards of \$1.0 million and \$1.1 million at December 31, 2020 and 2019, respectively, which have various expiration dates through 2040. At December 31, 2020 and 2019, deferred tax assets associated with these carryforwards were \$0.8 million and \$0.9 million, respectively, net of the federal benefit of the state deduction.



NOTES TO FINANCIAL STATEMENTS (continued)

Deferred tax liabilities for property, plant and equipment result from accelerated depreciation methods being used for income tax purposes as compared with the straight-line method for financial reporting purposes.

Deferred tax liabilities related to goodwill and other intangibles reflect the cessation of goodwill amortization for financial reporting purposes, while amortization continues for income tax purposes.

The Company expects to permanently reinvest the earnings from its wholly-owned Canadian and Bahamian subsidiaries, and accordingly, has not provided deferred taxes on the subsidiaries' undistributed net earnings or basis differences. The Company believes that the tax liability that would be incurred upon repatriation is immaterial at December 31, 2020.

The following table summarizes the Company's unrecognized tax benefits, excluding interest and correlative effects of \$0.2 million, \$1.7 million and \$0.6 million for the years ended December 31, 2020, 2019 and 2018 respectively:

years ended December 31 (in millions)	2020	2019	2018
Unrecognized tax benefits at beginning of year	\$ 25.5	\$ 24.1	\$ 22.4
Gross increases – tax positions in prior years	0.2	0.4	0.9
Gross decreases – tax positions in prior years	—	—	—
Gross increases – tax positions in current year	0.1	1.8	1.8
Gross decreases – tax positions in current year	(0.2)	(0.8)	(1.0)
Lapse of statute of limitations	(17.4)	—	—
Unrecognized tax benefits at end of year	\$ 8.2	\$ 25.5	\$ 24.1
Amount that, if recognized, would favorably impact the effective tax rate	\$ 6.4	\$ 15.5	\$ 12.8

Unrecognized tax benefits are reversed as a discrete event if an examination of applicable tax returns is not initiated by a federal or state tax authority within the statute of limitations or upon effective settlement with federal or state tax authorities. For the year ended December 31, 2020, \$9.7 million was reversed into income upon the statute of limitations expiration for the 2016 and all prior open tax years. Management believes its accrual for unrecognized tax benefits is sufficient to cover uncertain tax positions reviewed during audits by taxing authorities.

The Company anticipates that it is reasonably possible that its unrecognized tax benefits may decrease up to \$4.4 million, excluding interest and correlative effects, during the twelve months ending December 31, 2021, due to the expiration of the statutes of limitations for the 2017 tax year.

The Company's tax years subject to federal, state or foreign examinations are 2016 through 2020.

Note K: Retirement Plans, Postretirement and Postemployment Benefits

The Company sponsors defined benefit retirement plans that cover substantially all employees. Additionally, the Company provides other postretirement benefits for certain employees, including medical benefits for retirees and their spouses and retiree life insurance. Employees starting on or after January 1, 2002 are not eligible for postretirement welfare plans. The Company also provides certain benefits, such as disability benefits, to former or inactive employees after employment but before retirement.

The measurement date for the Company's defined benefit plans, postretirement benefit plans and postemployment benefit plans is December 31.

Defined Benefit Retirement Plans. Retirement plan assets are invested in listed stocks, bonds, hedge funds, real estate and cash equivalents. Defined retirement benefits for salaried employees are based on each employee's years of service and average compensation for a specified period of time before retirement. Defined retirement benefits for hourly employees are generally stated amounts for specified periods of service.

The Company sponsors a Supplemental Excess Retirement Plan (SERP) that generally provides for the payment of retirement benefits in excess of allowable Internal Revenue Code limits. The SERP generally provides for a lump-sum payment of vested benefits. When these benefit payments exceed the sum of the service and interest costs for the SERP during a year, the Company recognizes a pro rata portion of the SERP's unrecognized actuarial loss as settlement expense.



NOTES TO FINANCIAL STATEMENTS (continued)

The net periodic retirement benefit cost of defined benefit plans includes the following components:

years ended December 31 (in millions)	2020	2019	2018
Service cost	\$ 39.2	\$ 30.8	\$ 31.7
Interest cost	37.1	37.6	33.2
Expected return on assets	(58.4)	(47.9)	(46.0)
Amortization of:			
Prior service cost	0.7	—	0.1
Actuarial loss	14.5	16.0	12.8
Settlement charge	3.7	—	2.9
Net periodic benefit cost	\$ 36.8	\$ 36.5	\$ 34.7

The components of net periodic benefit cost, other than service cost, are included in the line item *Other nonoperating (income) and expenses, net*, in the consolidated statements of earnings. Based on the roles of the employees, service cost is included in *Cost of revenues – products and services* or *Selling, general and administrative expenses* line items in the consolidated statements of earnings.

The expected return on assets is calculated by applying an annually selected expected long-term rate of return assumption to the estimated fair value of the plan assets during the year, giving consideration to contributions and benefits paid.

The Company recognized the following amounts in consolidated comprehensive earnings:

years ended December 31 (in millions)	2020	2019	2018
Actuarial loss	\$ 34.7	\$ 11.7	\$ 32.1
Net prior service cost	—	6.4	—
Amortization of:			
Prior service cost	(0.7)	—	(0.1)
Actuarial loss	(14.5)	(16.0)	(12.8)
Settlement charge	(3.7)	—	(2.9)
Total	\$ 15.8	\$ 2.1	\$ 16.3

Accumulated other comprehensive loss includes the following amounts that have not yet been recognized in net periodic benefit cost:

December 31 (in millions)	2020		2019	
	Gross	Net of tax	Gross	Net of tax
Prior service cost	\$ 5.8	\$ 3.7	\$ 6.4	\$ 4.0
Actuarial loss	245.9	157.1	229.4	144.5
Total	\$ 251.7	\$ 160.8	\$ 235.8	\$ 148.5

The defined benefit plans' change in projected benefit obligation is as follows:

years ended December 31 (in millions)	2020	2019
Net projected benefit obligation at beginning of year	\$ 977.8	\$ 847.9
Service cost	39.2	30.8
Interest cost	37.1	37.6
Actuarial loss	104.0	95.2
Plan amendments	—	6.4
Gross benefits paid	(46.2)	(40.1)
Net projected benefit obligation at end of year	\$ 1,111.9	\$ 977.8



NOTES TO FINANCIAL STATEMENTS (continued)

Actuarial losses in 2020 and 2019 are primarily attributable to lower discount rates compared with the prior year.

The Company's change in plan assets, funded status and amounts recognized on the Company's consolidated balance sheets are as follows:

years ended December 31 (in millions)	2020	2019
Fair value of plan assets at beginning of year	\$ 868.0	\$ 717.9
Actual return on plan assets, net	127.7	131.3
Employer contributions	88.4	58.9
Gross benefits paid	(46.2)	(40.1)
Fair value of plan assets at end of year	\$ 1,037.9	\$ 868.0

December 31 (in millions)	2020	2019
Funded status of the plan at end of year	\$ (74.0)	\$ (109.8)
Accrued benefit cost	\$ (74.0)	\$ (109.8)

December 31 (in millions)	2020	2019
Amounts recognized on consolidated balance sheets consist of:		
Noncurrent asset	\$ 42.0	\$ —
Current liability	(7.2)	(6.4)
Noncurrent liability	(108.8)	(103.4)
Net amount recognized at end of year	\$ (74.0)	\$ (109.8)

The accumulated benefit obligation for all defined benefit pension plans was \$974.0 million and \$878.7 million at December 31, 2020 and 2019, respectively.

Benefit obligations and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets are as follows:

December 31 (in millions)	2020	2019
Projected benefit obligation	\$ 116.6	\$ 107.1
Accumulated benefit obligation	\$ 99.8	\$ 96.4
Fair value of plan assets	\$ 0.6	\$ 0.6

Weighted-average assumptions used to determine benefit obligations as of December 31 are:

	2020	2019
Discount rate	3.16%	3.69%
Rate of increase in future compensation levels	4.50%	4.50%

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31 are:

	2020	2019	2018
Discount rate	3.69%	4.38%	3.76%
Rate of increase in future compensation levels	4.50%	4.50%	4.50%
Expected long-term rate of return on assets	6.75%	6.75%	6.75%

The expected long-term rate of return on assets is based on a building-block approach, whereby the components are weighted based on the allocation of pension plan assets.

As of December 31, 2020 and 2019, the Company estimated the remaining lives of participants in the pension plans using the Pri-2012 Base tables. The no-collar table was used for salaried participants and the blue-collar table was used for hourly



NOTES TO FINANCIAL STATEMENTS (continued)

participants; both tables were adjusted to reflect the experience of the Company's participants. The Company used the MP-2020 and MP-2018 mortality improvement scale for the years 2020 and 2019, respectively.

The target allocation for 2020 and the actual pension plan asset allocation by asset class are as follows:

Asset Class	Percentage of Plan Assets		
	2020	December 31	
	Target Allocation	2020	2019
Equity securities	56%	61%	64%
Debt securities	24%	24%	28%
Real estate	10%	8%	5%
Private infrastructure	6%	5%	0%
Hedge funds	4%	2%	3%
Total	100%	100%	100%

The Company's investment strategy is for approximately 45% of equity securities, excluding hedge funds and real estate, to be invested in mid-sized to large capitalization U.S. funds, with the remaining invested in small capitalization, emerging markets and international funds. Debt securities, or fixed income investments, are invested in funds benchmarked to the Barclays U.S. Aggregate Bond Index.

The fair values of pension plan assets by asset class and fair value hierarchy level are as follows:

December 31 (In millions)	Fair Value Measurements				Net Asset Value	Total Fair Value	
	Quoted Prices In Active Markets for Identical Assets (Level 1)			Significant Observable Inputs (Level 2)			Significant Unobservable Inputs (Level 3)
				2020			
Equity securities ¹ :							
Mid-sized to large cap	\$	—	\$	—	\$	302.3	
Small cap, international and emerging growth funds		—		—		328.4	
Debt securities ¹ :							
Core fixed income		—		—		248.2	
Real estate		—		—		80.4	
Private infrastructure		—		—		50.2	
Hedge funds		—		—		24.9	
Cash equivalents		3.5		—		3.5	
Total	\$	3.5	\$	—	\$	1,034.4	
						1,037.9	

2019					
Equity securities ¹ :					
Mid-sized to large cap	\$	—	\$	—	\$ 262.5
Small cap, international and emerging growth funds		—		—	290.3
Debt securities ¹ :					
Core fixed income		—		—	242.9
Real estate		—		—	42.9
Hedge funds		—		—	26.4
Cash equivalents		3.0		—	3.0
Total	\$	3.0	\$	—	\$ 865.0

¹ These investments are common collective investment trusts valued using the net asset value (NAV) unit price provided by the fund administrator. The NAV is based on the value of the underlying assets owned by the fund.

Real estate investments are stated at estimated fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of real estate



NOTES TO FINANCIAL STATEMENTS (continued)

Investments generally do not reflect transaction costs that may be incurred upon disposition of the real estate investments and do not necessarily represent the prices at which the real estate investments would be sold or repaid, since market prices of real estate investments can only be determined by negotiation between a willing buyer and seller. An independent valuation consultant is employed to determine the fair value of the real estate investments. The value of hedge funds is based on the values of the sub-fund investments. In determining the fair value of each sub-fund's investment, the hedge funds' Board of Trustees uses the values provided by the sub-funds and any other considerations that may, in its judgment, increase or decrease such estimated value. Private infrastructure assets represent investments in a fund that is stated at fair value. For financial assets in the fund that are actively traded in organized financial markets, fair value is based on exchange-quoted market prices. For investments in the fund for which there is no quoted market price, fair value is determined by the Trustees/General Partner based on discounted expected future cash flows prepared by third-party professionals.

In 2020 and 2019, the Company made combined pension plan and SERP contributions of \$88.4 million and \$58.9 million, respectively. The Company currently estimates that it will contribute \$82.6 million to its pension plans in 2021.

The expected benefit payments to be paid from plan assets for each of the next five years and the five-year period thereafter are as follows:

(in millions)	
2021	\$ 43.7
2022	\$ 52.1
2023	\$ 48.5
2024	\$ 52.4
2025	\$ 53.3
Years 2026 - 2030	\$ 288.4

Postretirement Benefits. The net periodic postretirement benefit credit for postretirement plans includes the following components:

years ended December 31 (in millions)	2020	2019	2018
Service cost	\$ —	\$ 0.1	\$ 0.1
Interest cost	0.4	0.6	0.5
Amortization of:			
Prior service credit	(0.8)	(0.8)	(2.1)
Actuarial gain	(0.2)	(0.5)	(0.2)
Total net periodic benefit credit	\$ (0.6)	\$ (0.6)	\$ (1.7)

The components of net periodic benefit credit, other than service cost, are included in the line item *Other nonoperating (income) and expenses, net*, in the consolidated statements of earnings.

The Company recognized the following amounts in consolidated comprehensive earnings:

years ended December 31 (in millions)	2020	2019	2018
Actuarial loss (gain)	\$ 0.5	\$ 1.0	\$ (1.7)
Amortization of:			
Prior service credit	0.8	0.8	2.1
Actuarial gain	0.2	0.5	0.2
Total	\$ 1.5	\$ 2.3	\$ 0.6

Accumulated other comprehensive loss includes the following amounts that have not yet been recognized in net periodic benefit credit:

December 31 (in millions)	2020		2019	
	Gross	Net of tax	Gross	Net of tax
Prior service credit	\$ (2.2)	\$ (1.4)	\$ (3.0)	\$ (1.9)
Actuarial gain	(2.0)	(1.3)	(2.7)	(1.7)
Total	\$ (4.2)	\$ (2.7)	\$ (5.7)	\$ (3.6)



NOTES TO FINANCIAL STATEMENTS (continued)

The postretirement health care plans' change in benefit obligation is as follows:

years ended December 31 (in millions)	2020	2019
Net benefit obligation at beginning of year	\$ 13.0	\$ 13.3
Service cost	—	0.1
Interest cost	0.4	0.6
Participants' contributions	0.7	1.2
Actuarial loss	0.5	1.0
Gross benefits paid	(2.0)	(3.2)
Net benefit obligation at end of year	\$ 12.6	\$ 13.0

The postretirement health care plans' change in plan assets, funded status and amounts recognized on the Company's consolidated balance sheets are as follows:

years ended December 31 (in millions)	2020	2019
Fair value of plan assets at beginning of year	\$ —	\$ —
Employer contributions	1.3	2.0
Participants' contributions	0.7	1.2
Gross benefits paid	(2.0)	(3.2)
Fair value of plan assets at end of year	\$ —	\$ —

December 31 (in millions)	2020	2019
Funded status of the plan at end of year	\$ (12.6)	\$ (13.0)
Accrued benefit cost	\$ (12.6)	\$ (13.0)

December 31 (in millions)	2020	2019
Amounts recognized on consolidated balance sheets consist of:		
Current liability	\$ (1.3)	\$ (2.0)
Noncurrent liability	(11.3)	(11.0)
Net amount recognized at end of year	\$ (12.6)	\$ (13.0)

Weighted-average assumptions used to determine the postretirement benefit obligation as of December 31 are:

	2020	2019
Discount rate	2.48%	3.29%

Weighted-average assumptions used to determine net postretirement benefit credit for the years ended December 31 are:

	2020	2019	2018
Discount rate	3.29%	4.15%	3.47%

As of December 31, 2020 and 2019, the Company estimated the remaining lives of participants in the postretirement benefit plans using the Pri-2012 Base tables. The no-collar table was used for salaried participants and the blue-collar table was used for hourly participants; both tables were adjusted to reflect the experience of the Company's participants. The Company used the MP-2020 and MP-2018 mortality improvement scales for the years 2020 and 2019, respectively.



NOTES TO FINANCIAL STATEMENTS (continued)

Assumed health care cost trend rates at December 31 are:

	2020	2019
Health care cost trend rate assumed for next year	6.50%	6.75%
Rate to which the cost trend rate gradually declines	4.75%	4.75%
Year the rate reaches the ultimate rate	2028	2028

The Company estimates that it will contribute \$1.3 million to its postretirement health care plans in 2021.

The total expected benefit payments to be paid by the Company, net of participant contributions, for each of the next five years and the five-year period thereafter are as follows:

(in millions)	
2021	\$ 1.3
2022	\$ 1.4
2023	\$ 1.3
2024	\$ 1.2
2025	\$ 1.1
Years 2026 - 2030	\$ 4.4

Defined Contribution Plan. The Company maintains a defined contribution plan that covers substantially all employees. This plan, qualified under Section 401(a) of the Internal Revenue Code, is a retirement savings and investment plan for the Company's salaried and hourly employees. Under certain provisions of the plan, the Company matches employees' eligible contributions at established rates. The Company's matching obligations were \$17.9 million in 2020, \$17.6 million in 2019 and \$16.5 million in 2018.

Note L: Stock-Based Compensation

On May 19, 2016, the Company's shareholders approved the Martin Marietta Amended and Restated Stock-Based Award Plan. The Martin Marietta Materials, Inc. Stock-Based Award Plan, as amended from time to time, along with the Amended Omnibus Securities Award Plan, originally approved in 1994 (collectively, the Plans), are still effective for awards made prior to 2017. The Company has been authorized by the Board of Directors to repurchase shares of the Company's common stock for issuance under the stock-based award plans (see Note N).

The Company grants restricted stock awards under the Plans to a group of executive officers, key personnel and nonemployee members of the Board of Directors. The vesting of certain restricted stock awards is based on certain performance criteria over a specified period of time. The number of shares may be increased to the maximum or reduced to the minimum threshold based on the results of those criteria. In addition, certain awards are granted to individuals to encourage retention and motivate key employees. These awards generally vest if the employee is continuously employed over a specified period of time and require no payment from the employee. Awards granted to nonemployee members of the Board of Directors vest immediately.

The fair value of stock-based award grants is expensed over the vesting period. Awards to employees eligible for retirement prior to the award becoming fully vested are expensed over the period through the date that the employee first becomes eligible to retire and is no longer required to provide service to earn the award. Awards granted to nonemployee members of the Board of Directors are expensed immediately.

Additionally, an incentive compensation stock plan has been adopted under the Plans whereby certain participants may elect to use up to 50% of their annual incentive compensation to acquire units representing shares of the Company's common stock at a 20% discount to the market value on the date of the incentive compensation award. Certain executive officers are required to participate in the incentive compensation stock plan at established minimum levels. Participants receive unrestricted shares of common stock in an amount equal to their respective units generally at the end of a 34-month period of additional employment from the date of award or at retirement beginning at age 62. All rights of ownership of the common stock convey to the participants upon the issuance of their respective shares at the end of the ownership-vesting period.



NOTES TO FINANCIAL STATEMENTS (continued)

The following table summarizes information for restricted stock awards and incentive compensation stock awards for 2020:

	Restricted Stock - Service Based		Restricted Stock - Performance Based		Incentive Compensation Stock	
	Number of Awards	Weighted- Average Grant-Date Fair Value	Number of Awards	Weighted- Average Grant-Date Fair Value	Number of Awards	Weighted- Average Grant-Date Fair Value
January 1, 2020	183,939	\$ 185.06	124,221	\$ 204.21	39,584	\$ 198.83
Awarded	92,472	\$ 222.39	38,272	\$ 266.97	21,082	\$ 258.67
Distributed	(66,797)	\$ 194.94	(79,192)	\$ 211.29	(17,354)	\$ 209.99
Forfeited	(2,633)	\$ 206.08	(1,367)	\$ 216.39	(689)	\$ 201.43
Adjustment for performance	—	\$ —	36,642	\$ 211.29	—	\$ —
December 31, 2020	206,981	\$ 198.28	118,576	\$ 228.15	42,623	\$ 223.85

The weighted-average grant-date fair value of service-based restricted stock awards granted during 2020, 2019 and 2018 was \$222.39, \$196.91 and \$211.03, respectively. The weighted-average grant-date fair value of performance-based restricted stock awards granted during 2020, 2019 and 2018 was \$266.97, \$192.27 and \$212.12, respectively. The weighted-average grant-date fair value of incentive compensation stock awards granted during 2020, 2019 and 2018 was \$258.67, \$192.27 and \$212.12, respectively.

The aggregate intrinsic values for unvested restricted stock awards and unvested incentive compensation stock awards at December 31, 2020 were \$92.4 million and \$4.5 million, respectively, and were based on the closing price of the Company's common stock at December 31, 2020, which was \$283.97. The aggregate intrinsic values of restricted stock awards distributed during the years ended December 31, 2020, 2019 and 2018 were \$35.2 million, \$49.8 million and \$23.0 million, respectively. The aggregate intrinsic values of incentive compensation stock awards distributed during the years ended December 31, 2020, 2019 and 2018 were \$1.7 million, \$1.5 million and \$1.7 million, respectively. The aggregate intrinsic values for distributed awards were based on the closing prices of the Company's common stock on the dates of distribution.

Prior to 2016, under the Plans, the Company granted options to employees to purchase its common stock at a price equal to the closing market value at the date of grant. Options become exercisable in four annual installments beginning one year after date of grant. Options granted starting in 2013 expire ten years after the grant date, while outstanding options granted prior to 2013 expire eight years after the grant date.

The following table includes summary information for stock options as of December 31, 2020:

	Number of Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life (years)
Outstanding at January 1, 2020	58,840	\$ 108.93	
Exercised	(27,401)	\$ 86.89	
Terminated	(350)	\$ 51.64	
Outstanding at December 31, 2020	31,089	\$ 129.00	3.5
Exercisable at December 31, 2020	31,089	\$ 129.00	3.5

The aggregate intrinsic values of options exercised during the years ended December 31, 2020, 2019 and 2018 were \$3.3 million, \$21.6 million and \$12.4 million, respectively, and were based on the closing prices of the Company's common stock on the dates of exercise. The aggregate intrinsic values for options outstanding and exercisable at December 31, 2020 were \$4.8 million and were based on the closing price of the Company's common stock at December 31, 2020, which was \$283.97. The excess tax benefits for stock options exercised during the years ended December 31, 2020, 2019 and 2018 were \$0.1 million, \$2.0 million and \$1.7 million, respectively.

At December 31, 2020, there were approximately 0.6 million awards available for grant under the Plans. In 2016, the Company's shareholders approved the issuance of an additional 0.8 million shares of common stock under the Plans. As part of approving



NOTES TO FINANCIAL STATEMENTS (continued)

the shares, the Company agreed to not issue any additional awards under the legacy TXI plan. The awards available for grant under the Plans at December 31, 2020 reflect no awards available under the legacy TXI plan.

In 1996, the Company adopted the Shareholder Value Achievement Plan to award shares of the Company's common stock to key senior employees based on certain common stock performance criteria over a long-term period. Under the terms of this plan, 0.3 million shares of common stock were reserved for issuance. Through December 31, 2020, 42,025 shares have been issued under this plan. No awards have been granted under this plan since 2000.

The Company adopted and the shareholders approved the Common Stock Purchase Plan for Directors in 1996, which provides nonemployee members of the Board of Directors the election to receive all or a portion of their total fees in the form of the Company's common stock. Beginning in 2016, members of the Board of Directors were not required to defer any of their fees in the form of the Company's common stock. Under the terms of this plan, 0.3 million shares of common stock were reserved for issuance. Nonemployee members of the Board of Directors elected to defer portions of their fees representing 3,043, 2,756 and 3,105 shares of the Company's common stock under this plan during 2020, 2019 and 2018, respectively.

The following table summarizes stock-based compensation expense for the years ended December 31, 2020, 2019 and 2018, unrecognized compensation cost for nonvested awards at December 31, 2020 and the weighted-average period over which unrecognized compensation cost will be recognized:

(in millions, except year data)	Stock Options	Restricted Stock	Incentive Compensation Stock	Directors' Awards	Total
Stock-based compensation expense recognized for years ended December 31:					
2020	\$ —	\$ 28.5	\$ 0.8	\$ 0.7	\$ 30.0
2019	\$ 0.1	\$ 32.6	\$ 0.8	\$ 0.6	\$ 34.1
2018	\$ 0.3	\$ 27.7	\$ 0.7	\$ 0.6	\$ 29.3
Unrecognized compensation cost at December 31, 2020	\$ —	\$ 25.6	\$ 0.7	\$ —	\$ 26.3
Weighted-average period over which unrecognized compensation cost will be recognized		2.4 years	1.7 years		

The following presents expected stock-based compensation expense in future periods for outstanding awards as of December 31, 2020:

(in millions)	
2021	\$ 15.8
2022	7.0
2023	1.7
2024	1.3
2025	0.5
Total	\$ 26.3

Stock-based compensation expense is included in *Selling, general and administrative expenses* in the Company's consolidated statements of earnings.

Note M: Leases

The Company has leases, primarily for equipment, railcars, fleet vehicles, office space, land and information technology equipment and software. The Company's leases have remaining lease terms of one year to 99 years, some of which may include options to extend the leases for up to 30 years, and some of which may include options to terminate the leases within one year.

Certain of the Company's lease agreements include payments based upon variable rates, including, but not limited to, hours used, tonnage processed and factors related to indices. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.



NOTES TO FINANCIAL STATEMENTS (continued)

The components of lease cost are as follows:

years ended December 31 (in millions)	2020	2019
Operating lease cost	\$ 79.0	\$ 80.9
Finance lease cost:		
Amortization of right-of-use assets	3.6	3.4
Interest on lease liabilities	0.6	0.5
Variable lease cost	16.9	21.1
Short-term lease cost	31.3	33.0
Total lease cost	\$ 131.4	\$ 138.9

The Company has royalty agreements that are prescriptively excluded from the scope of ASC 842 and generally require royalty payments based on tons produced, tons sold or total sales dollars and also contain minimum payments. Royalty expense was \$60.8 million and \$58.2 million for the years ended December 31, 2020 and 2019, respectively. Royalty expense was \$52.5 million for the year ended December 31, 2018.

The balance sheet classifications of operating and finance leases are as follows:

December 31 (in millions)	2020	2019
Operating Leases:		
Operating lease right-of-use assets	\$ 453.0	\$ 481.9
Current operating lease liabilities	\$ 48.6	\$ 52.7
Noncurrent operating lease liabilities	410.4	433.9
Total operating lease liabilities	\$ 459.0	\$ 486.6
Finance Leases:		
Property, plant and equipment	\$ 37.8	\$ 18.3
Accumulated depreciation	(6.9)	(3.1)
Property, plant and equipment, net	\$ 30.9	\$ 15.2
Other current liabilities	\$ 3.3	\$ 2.8
Other noncurrent liabilities	21.2	5.9
Total finance lease liabilities	\$ 24.5	\$ 8.7

The incremental borrowing rate ranged from 0.7% to 6.0% and 2.1% to 5.5%, for the years ended December 31, 2020 and 2019, respectively. Weighted-average remaining lease terms and discount rates are as follows:

December 31	2020	2019
Weighted-average remaining lease terms (years):		
Operating leases	13.9	14.5
Finance leases	14.3	9.0
Weighted-average discount rates:		
Operating leases	4.2%	4.3%
Finance leases	3.3%	5.2%



NOTES TO FINANCIAL STATEMENTS (continued)

Future lease payments as of December 31, 2020 are as follows:

(in millions)	Operating Leases	Finance Leases
2021	\$ 66.4	\$ 4.0
2022	60.3	2.9
2023	55.4	2.7
2024	45.3	2.3
2025	42.1	1.5
Thereafter	357.0	17.9
Total lease payments	626.5	31.3
Less: imputed interest	(167.5)	(6.8)
Present value of lease payments	459.0	24.5
Less: current lease obligations	(48.6)	(3.3)
Total long-term lease obligations	\$ 410.4	\$ 21.2

The undiscounted fixed-payment commitments of leases entered into but not yet commenced as of December 31, 2020 was \$151.3 million. These commitments include a lease for the Company's corporate headquarters in Raleigh, North Carolina, and assumes the Company will exercise the renewal options in the agreement.

Total lease expense for operating leases was \$122.5 million for the year ended December 31, 2018. The Company also had capital lease obligations for machinery and equipment of \$3.2 million.

Note N: Shareholders' Equity

The authorized capital structure of the Company includes 100.0 million shares of common stock, with a par value of \$0.01 per share. At December 31, 2020, approximately 1.4 million common shares were reserved for issuance under stock-based award plans.

Pursuant to authority granted by its Board of Directors, the Company can repurchase up to 20.0 million shares of common stock. The Company repurchased 0.2 million, 0.4 million and 0.5 million shares of common stock during 2020, 2019 and 2018, respectively. Future share repurchases are at the discretion of management and were temporarily paused in March 2020 in light of the COVID-19 pandemic. Management may resume share repurchases as circumstances dictate. At December 31, 2020, 13.5 million shares of common stock were remaining under the Company's repurchase authorization.

Note O: Commitments and Contingencies

Legal and Administrative Proceedings. The Company is engaged in certain legal and administrative proceedings incidental to its normal business activities. In the opinion of management and counsel, based upon currently-available facts, the likelihood is remote that the ultimate outcome of any litigation and other proceedings, including those pertaining to environmental matters (see Note A), relating to the Company and its subsidiaries, will have a material adverse effect on the overall results of the Company's operations, its cash flows or its financial position.

Asset Retirement Obligations. The Company incurs reclamation and teardown costs as part of its mining and production processes. Estimated future obligations are discounted to their present value and accreted to their projected future obligations via charges to operating expenses. Additionally, the fixed assets recorded concurrently with the liabilities are depreciated over the period until retirement activities are expected to occur. Total accretion and depreciation expenses for 2020, 2019 and 2018 were \$14.5 million, \$9.1 million and \$8.0 million, respectively, and are included in *Other operating income, net*, in the consolidated statements of earnings.



NOTES TO FINANCIAL STATEMENTS (continued)

The following shows the changes in the asset retirement obligations:

years ended December 31 (in millions)	2020	2019
Balance at beginning of year	\$ 143.9	\$ 121.8
Accretion expense	5.9	5.6
Liabilities Incurred and liabilities assumed in business combinations	0.3	0.6
Liabilities settled	(10.3)	(1.2)
Revisions in estimated cash flows	14.0	17.1
Balance at end of year	\$ 153.8	\$ 143.9

Other Environmental Matters. The Company's operations are subject to and affected by federal, state and local laws and regulations relating to the environment, health and safety and other regulatory matters. Certain of the Company's operations may, from time to time, involve the use of substances that are classified as toxic or hazardous within the meaning of these laws and regulations. Environmental operating permits are, or may be, required for certain of the Company's operations, and such permits are subject to modification, renewal and revocation. The Company regularly monitors and reviews its operations, procedures and policies for compliance with these laws and regulations. Despite these compliance efforts, risk of environmental remediation liability is inherent in the operation of the Company's businesses, as it is with other companies engaged in similar businesses. The Company has no material provisions for environmental remediation liabilities and does not believe such liabilities will have a material adverse effect on the Company in the future.

Insurance Reserves. At December 31, 2020 and 2019, reserves of \$37.7 million and \$39.9 million, respectively, were recorded for insurance claims.

Letters of Credit. In the normal course of business, the Company provides certain third parties with standby letter of credit agreements guaranteeing its payment for certain insurance claims, contract performance and permit requirements. At December 31, 2020, the Company was contingently liable for \$32.0 million in letters of credit.

Surety Bonds. At December 31, 2020, the Company was contingently liable for \$390.2 million in surety bonds required by certain states and municipalities and their related agencies. The bonds are provided in the normal course of business and are principally for certain insurance claims, construction contracts, reclamation obligations and mining permits guaranteeing the Company's own performance. The Company has indemnified the underwriting insurance company against any exposure under the surety bonds. In the Company's past experience, no material claims have been made against these financial instruments.

Borrowing Arrangements with Affiliate. The Company is a co-borrower with an unconsolidated affiliate for a \$12.5 million revolving line of credit agreement with Truist Bank, of which \$8.4 million was outstanding as of December 31, 2020. The line of credit matures in March 2022. The affiliate has agreed to reimburse and indemnify the Company for any payments and expenses the Company may incur from this agreement. The Company holds a lien on the affiliate's membership interest in a joint venture as collateral for payment under the revolving line of credit.

At December 31, 2020 and 2019, the Company had a \$6.0 million interest-only note receivable from the unconsolidated affiliate due December 31, 2022.

Purchase Commitments. The Company had purchase commitments for property, plant and equipment of \$102.8 million as of December 31, 2020. The Company also had other purchase obligations related to energy and service contracts of \$122.4 million as of December 31, 2020. The Company's contractual purchase commitments as of December 31, 2020 are as follows:

(in millions)	
2021	\$ 137.0
2022	9.3
2023	7.6
2024	6.5
2025	6.6
Thereafter	58.2
Total	\$ 225.2



NOTES TO FINANCIAL STATEMENTS (continued)

Capital expenditures in 2020, 2019 and 2018 that were purchase commitments as of the prior year end were \$77.0 million, \$106.7 million and \$79.3 million, respectively.

Contracts of Affreightment and Royalty Commitments. Future minimum contracts of affreightment and royalty commitments for all noncancelable agreements that are not accounted for as leases on the Company's consolidated balance sheet as of December 31, 2020 are as follows:

(in millions)	Contracts of Affreightment	Royalty Commitments
2021	\$ 16.4	\$ 18.0
2022	16.6	11.3
2023	16.9	10.4
2024	17.2	9.4
2025	17.4	8.9
Thereafter	35.7	61.7
Total	\$ 120.2	\$ 119.7

Employees. Approximately 10% of the Company's employees are represented by a labor union. All such employees are hourly employees. The Company maintains collective bargaining agreements relating to the union employees within the Building Materials business and Magnesia Specialties segment. All of the hourly employees of the Magnesia Specialties segment, located in Manistee, Michigan and Woodville, Ohio, are represented by labor unions. The Woodville collective bargaining agreement expires in June 2022. The Manistee collective bargaining agreement expires in August 2023.

Note P: Segments

During 2020, the Company made organizational changes to its Building Materials business. As of December 31, 2020, the Building Materials business is comprised of four divisions that represent individual operating segments. These divisions are consolidated into two reportable segments, the East Group and the West Group, for financial reporting purposes as they meet the aggregation criteria. Additional information on reportable segment changes is provided in Note A. Prior-year reportable segment information has been reclassified to conform to the current-year presentation. The Magnesia Specialties business represents an individual operating and reportable segment. The accounting policies used for segment reporting are the same as those described in Note A.

The Chief Operating Decision Maker's evaluation of performance and allocation of resources are based primarily on earnings from operations. Consolidated earnings from operations include total revenues less cost of revenues; selling, general and administrative expenses; acquisition-related expenses, net; other operating income, net; and excludes interest expense; other nonoperating income and expenses, net; and income tax expense. Corporate loss from operations primarily includes depreciation; expenses for corporate administrative functions; acquisition-related expenses, net; and other nonrecurring income and expenses excluded from the Company's evaluation of segment performance and resource allocation. All long-term debt and related interest expense are held at Corporate.

Assets employed by segment include assets directly identified with those operations. Corporate assets consist primarily of cash, cash equivalents and restricted cash; property, plant and equipment for corporate operations; investments and other assets not directly identifiable with a reportable segment.



NOTES TO FINANCIAL STATEMENTS (continued)

The following tables display selected financial data for the Company's reportable segments. Total revenues, as well as the consolidated statements of earnings and comprehensive earnings, reflect the elimination of intersegment revenues.

<i>years ended December 31</i> (in millions)			
Total revenues	2020	2019	2018
East Group	\$ 1,949.1	\$ 1,949.0	\$ 1,643.1
West Group	2,538.1	2,518.8	2,313.5
Total Building Materials business	4,487.2	4,467.8	3,956.6
Magnesia Specialties	242.7	271.3	287.7
Total	\$ 4,729.9	\$ 4,739.1	\$ 4,244.3

Gross profit			
East Group	\$ 619.4	\$ 605.7	\$ 442.9
West Group	540.4	474.9	417.4
Total Building Materials business	1,159.8	1,080.6	860.3
Magnesia Specialties	85.5	95.4	98.7
Corporate	7.5	3.0	7.6
Total	\$ 1,252.8	\$ 1,179.0	\$ 966.6

Selling, general and administrative expenses			
East Group	\$ 99.2	\$ 84.7	\$ 74.5
West Group	135.7	116.3	107.6
Total Building Materials business	234.9	201.0	182.1
Magnesia Specialties	14.1	11.3	10.0
Corporate	56.9	90.4	88.5
Total	\$ 305.9	\$ 302.7	\$ 280.6

Earnings (Loss) from operations			
East Group	\$ 522.1	\$ 527.3	\$ 393.1
West Group	471.3	366.9	297.7
Total Building Materials business	993.4	894.2	690.8
Magnesia Specialties	70.7	83.6	88.1
Corporate	(58.7)	(92.9)	(88.2)
Total	\$ 1,005.4	\$ 884.9	\$ 690.7

Earnings from operations for the West Group include nonrecurring gains on sales of investment land and divested assets of \$69.9 million in 2020 and an asset and portfolio rationalization charge of \$18.8 million in 2018.

<i>December 31</i> (in millions)			
Assets employed	2020	2019	2018
East Group	\$ 4,342.5	\$ 4,320.6	\$ 4,086.8
West Group	5,355.5	5,321.9	4,990.8
Total Building Materials business	9,698.0	9,642.5	9,077.6
Magnesia Specialties	167.9	176.2	156.1
Corporate	714.9	312.9	317.7
Total	\$ 10,580.8	\$ 10,131.6	\$ 9,551.4



NOTES TO FINANCIAL STATEMENTS (continued)

<i>years ended December 31</i> (in millions)			
Depreciation, depletion and amortization	2020	2019	2018
East Group	\$ 167.9	\$ 158.0	\$ 134.8
West Group	196.6	183.3	180.9
Total Building Materials business	364.5	341.3	315.7
Magnesia Specialties	11.5	10.2	10.4
Corporate	17.5	20.0	17.9
Total	\$ 393.5	\$ 371.5	\$ 344.0

Total property additions, including the impact of acquisitions			
East Group	\$ 159.0	\$ 172.9	\$ 1,760.2
West Group	197.9	182.7	148.1
Total Building Materials business	356.9	355.6	1,908.3
Magnesia Specialties	13.5	20.0	12.5
Corporate	16.8	12.0	4.8
Total	\$ 387.2	\$ 387.6	\$ 1,925.6

Property additions through acquisitions			
East Group	\$ —	\$ —	\$ 1,541.8
West Group	20.0	—	1.4
Total Building Materials business	20.0	—	1,543.2
Magnesia Specialties	—	—	—
Corporate	—	—	—
Total	\$ 20.0	\$ —	\$ 1,543.2



NOTES TO FINANCIAL STATEMENTS (continued)

Note Q: Revenues and Gross Profit

The following tables, which are reconciled to consolidated amounts, provide total revenues and gross profit by line of business: Building Materials (further divided by product line) and Magnesia Specialties. Interproduct revenues represent sales from the aggregates product line to the ready mixed concrete and asphalt and paving product lines and sales from the cement product line to the ready mixed concrete product line.

years ended December 31 (in millions)	2020	2019	2018
Total revenues			
Building Materials business:			
Products and services:			
Aggregates	\$ 2,769.3	\$ 2,756.7	\$ 2,365.8
Cement	452.5	439.1	387.8
Ready mixed concrete	952.1	948.1	963.8
Asphalt and paving	331.7	294.0	258.6
Less: interproduct revenues	(294.4)	(265.5)	(264.2)
Products and services	4,211.2	4,172.4	3,711.8
Freight	276.0	295.4	244.8
Total Building Materials business	4,487.2	4,467.8	3,956.6
Magnesia Specialties:			
Products and services	220.9	249.9	268.6
Freight	21.8	21.4	19.1
Total Magnesia Specialties	242.7	271.3	287.7
Consolidated total revenues	\$ 4,729.9	\$ 4,739.1	\$ 4,244.3

Gross profit (loss)			
Building Materials business:			
Products and services:			
Aggregates	\$ 848.5	\$ 807.9	\$ 608.4
Cement	170.9	143.4	126.2
Ready mixed concrete	79.6	78.8	74.2
Asphalt and paving	60.4	50.7	51.3
Products and services	1,159.4	1,080.8	860.1
Freight	0.4	(0.2)	0.2
Total Building Materials business	1,159.8	1,080.6	860.3
Magnesia Specialties:			
Products and services	89.6	99.4	102.9
Freight	(4.1)	(4.0)	(4.2)
Total Magnesia Specialties	85.5	95.4	98.7
Corporate	7.5	3.0	7.6
Consolidated gross profit	\$ 1,252.8	\$ 1,179.0	\$ 966.6

Domestic and foreign total revenues are as follows:

years ended December 31 (in millions)	2020	2019	2018
Domestic	\$ 4,674.4	\$ 4,676.3	\$ 4,166.4
Foreign	55.5	62.8	77.9
Consolidated total revenues	\$ 4,729.9	\$ 4,739.1	\$ 4,244.3



NOTES TO FINANCIAL STATEMENTS (continued)

Note R: Supplemental Cash Flow Information

Noncash investing and financing activities are as follows:

years ended December 31 (in millions)	2020	2019	2018
Accrued liabilities for purchases of property, plant and equipment	\$ 61.5	\$ 54.2	\$ 67.0
Remeasurement of operating lease right-of-use assets	\$ 2.2	\$ 2.0	\$ —
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 31.9	\$ 45.7	\$ —
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 19.4	\$ 0.2	\$ —
Acquisition of assets through asset exchange	\$ —	\$ 2.4	\$ —
Acquisition of assets through capital lease	\$ —	\$ —	\$ 1.1

Supplemental disclosures of cash flow information are as follows:

years ended December 31 (in millions)	2020	2019	2018
Cash paid for interest, net of amount capitalized	\$ 113.8	\$ 127.9	\$ 137.2
Cash paid for income taxes	\$ 114.9	\$ 101.7	\$ 28.9
Cash paid for amounts included in the measurement of lease liabilities ¹ :			
Operating cash flows used for operating leases	\$ 77.7	\$ 76.1	
Operating cash flows used for finance leases	\$ 0.6	\$ 0.5	
Financing cash flows used for finance leases	\$ 3.5	\$ 11.0	

¹ These disclosures are required by ASC 842, which was adopted on January 1, 2019.

During the year ended December 31, 2020, the Company repaid \$112.3 million of loans related to its company-owned life insurance policies. The repayments are included in the *Investments in life insurance contracts, net* line item in the investing activities of the consolidated statement of cash flows. The repayment increased the cash surrender value of the insurance policies, which is included in *Other noncurrent assets* on the consolidated balance sheets.

Note S: Other Operating Income, Net

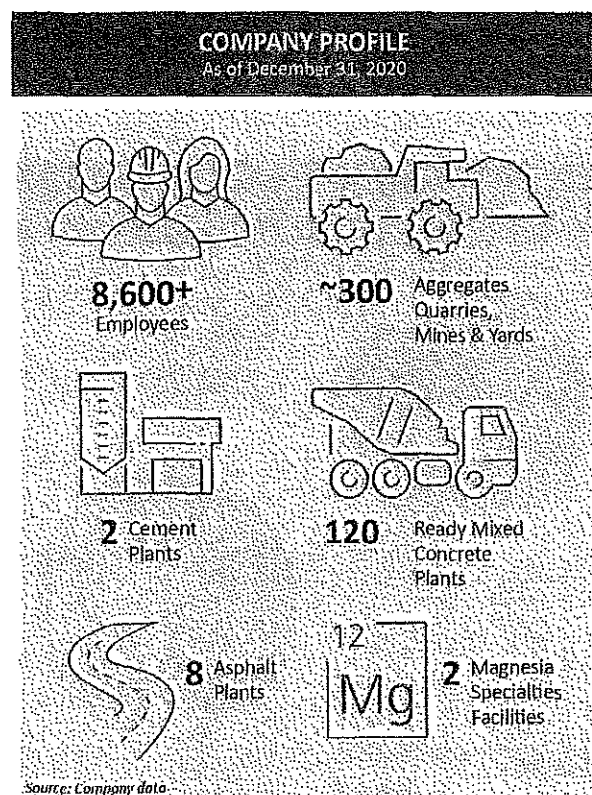
Other operating income, net, is comprised generally of gains and losses on the sale of assets; asset and portfolio rationalization charges; recoveries and losses related to certain customer accounts receivable; rental, royalty and services income; accretion expense, depreciation expense and gains and losses related to asset retirement obligations. These net amounts represented income of \$59.8 million, \$9.1 million and \$18.2 million in 2020, 2019 and 2018, respectively. Other operating income, net for 2020 included \$69.9 million of nonrecurring gains on the sales of investment land and divested assets in Austin, Texas; Riverside, California; and Augusta, Kansas. These asset sales collectively generated net cash proceeds of \$122.8 million. These gains were recorded in the West Group. 2019 income included the reversal of \$6.9 million of accruals for sales tax and unclaimed property contingencies. The 2018 amount reflected \$18.8 million of asset and portfolio rationalization charges, reported in the West Group, related to the Company's evaluation of the recoverability of certain long-lived assets for underperforming ready mixed concrete operations, offset by \$7.7 million in net gains on legal settlements and \$25.3 million in gains on the sale of assets, primarily excess land.

Note T: Other Nonoperating (Income) and Expenses, Net

For the year ended December 31, 2020, other nonoperating (income) and expenses, net, included \$11.4 million of third-party railroad track maintenance expense. Additionally, other nonoperating (income) and expenses, net, for the year ended December 31, 2020 reflects an \$8.1 million reduction in pension expense compared with 2019. For the year ended December 31, 2019, other nonoperating (income) and expenses, net, included a \$15.7 million (\$12.0 million net of tax) out-of-period correction of a Company-identified overstatement of the investment balance for a nonconsolidated equity affiliate.



INTRODUCTORY OVERVIEW



Martin Marietta Materials, Inc. (the Company or Martin Marietta) is a natural resource-based building materials company. The Company supplies aggregates (crushed stone, sand and gravel) through its network of approximately 300 quarries, mines and distribution yards in 27 states, Canada and The Bahamas. In the western United States, Martin Marietta also provides cement and downstream products, namely ready mixed concrete, asphalt and paving services, in markets where the Company has a leading aggregates position. Specifically, the Company has two cement plants in Texas and ready mixed concrete and asphalt operations in Texas, Colorado and Wyoming. Asphalt operations and paving services are exclusively in Colorado. The Company's heavy-side building materials are used in infrastructure, nonresidential and residential construction projects. Aggregates are also used in agricultural, utility and environmental applications and as railroad ballast. The aggregates, cement, ready mixed concrete, asphalt and paving product lines are reported collectively as the "Building Materials" business.

As more fully discussed in the *Consolidated Strategic Objectives* section, geography is critically important for the Building Materials business. The Company conducts its Building Materials business through two reportable segments, organized by geography: East Group and West Group. The East Group, whose operations were previously reported in the Mid-America and Southeast Groups, consists of the East and Central Divisions. The West Group is comprised of the Southwest and West Divisions.

The East Group provides aggregates products only. The West Group provides aggregates, cement and downstream products and services. Further, the following five states accounted for 71% of the Building Materials business 2020 total revenues: Texas, Colorado, North Carolina, Georgia and Iowa.

BUILDING MATERIALS BUSINESS

As of December 31, 2020

Reportable Segments	East Group	West Group
Operating Locations	Alabama, Florida, Georgia, Indiana, Iowa, Kansas, Kentucky, Maryland, Minnesota, Missouri, eastern Nebraska, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, West Virginia, Nova Scotia and The Bahamas	Arkansas, Colorado, Louisiana, western Nebraska, Nevada, Oklahoma, Texas, Utah, Washington and Wyoming
Product Lines	Aggregates	Aggregates, Cement, Ready Mixed Concrete, Asphalt and Paving Services
Facility Types	Quarries, Mines and Distribution Facilities	Quarries, Mines, Upstream and Downstream Plants and Distribution Facilities
Modes of Transportation	Truck, Railcar and Ship	Truck and Railcar



Magnesia Specialties

The Company operates a Magnesia Specialties business with production facilities in Michigan and Ohio. The Magnesia Specialties business produces magnesia-based chemicals products used in industrial, agricultural and environmental applications. It also produces dolomitic lime sold primarily to customers for steel production and land stabilization. Magnesia Specialties' products are shipped to customers worldwide.

Consolidated Strategic Objectives

The Company's strategic planning process, or Strategic Operating Analysis and Review (SOAR), provides the framework for execution of Martin Marietta's long-term strategic plan. Guided by this framework and considering the cyclical nature of the Building Materials business, the Company determines capital allocation priorities to maximize long-term shareholder value creation. The Company's strategy includes ongoing evaluation of aggregates-led opportunities of scale in new domestic markets (i.e., platform acquisitions), expansion through acquisitions that complement existing operations (i.e., bolt-on acquisitions) and divestitures of assets that are not consistent with stated strategic goals. The Company finances such opportunities with the goal of preserving its financial flexibility by having a leverage ratio (consolidated debt-to-consolidated earnings before interest, taxes, depreciation and amortization, or EBITDA) within a range of 2.0 times to 2.5 times within a reasonable time following the completion of a debt-financed transaction.

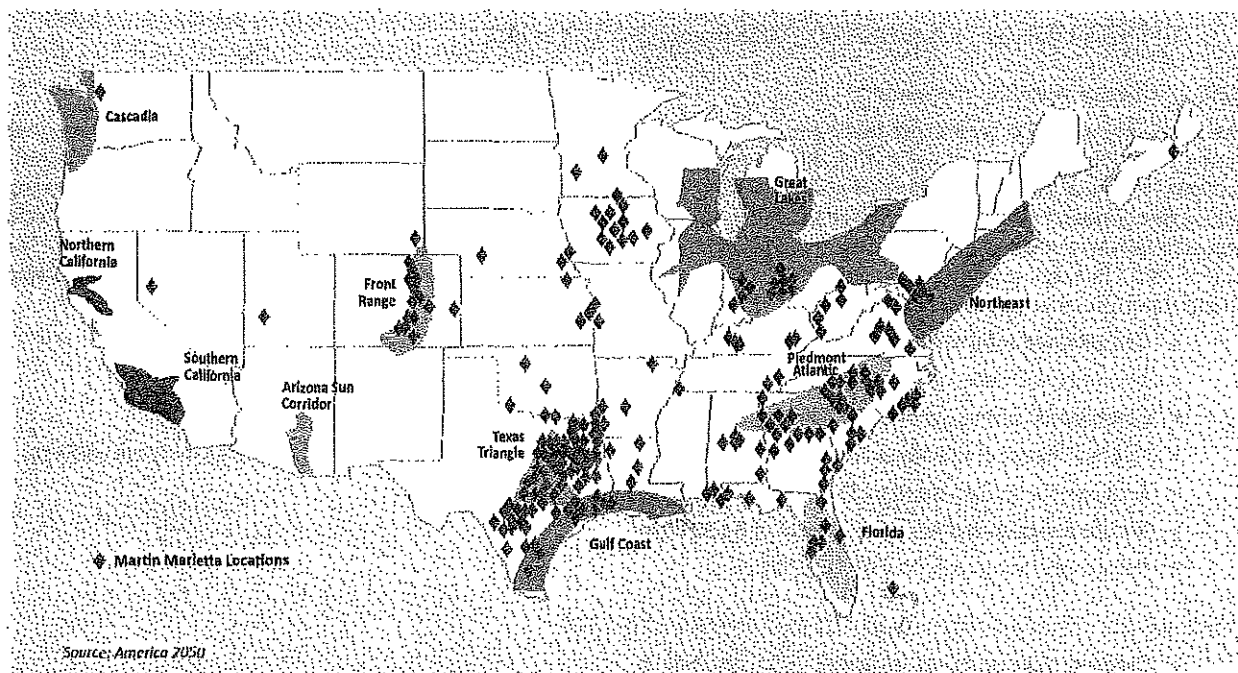
The Company, by purposeful design, will continue to be an aggregates-led business (aggregates product gross profit represented 68% of 2020 total consolidated gross profit) that focuses on markets with strong, underlying growth fundamentals where it can sustain or achieve a leading market position. Driven by this intentional approach, the Company has leading positions, defined as either #1 or #2, in approximately 90% of its markets. As part of its long-term strategic plan, the Company may also pursue strategic cement and targeted downstream opportunities. For Martin Marietta, strategic cement and targeted downstream operations are located in vertically-integrated markets where the Company has, or envisions, a clear path toward a leading aggregates position.

Generally, the Company's building materials products are both sourced and sold locally. As a result, geography is critically important when assessing market attractiveness and growth opportunities. Attractive geographies exhibit (a) population growth and/or population density, both of which are drivers of heavy-side building materials consumption; (b) business and employment diversity, drivers of greater economic stability; and (c) a superior state financial position, a driver of public infrastructure growth and support.

In order to assess population growth and density, the Company focuses on the megaregions of the United States. Megaregions are large networks of metropolitan population centers covering thousands of square miles. According to *America 2050*, a planning and policy program of the Regional Plan Association, a majority of the nation's population and economic growth through 2050 will occur in 11 megaregions. The Company has a presence in most of the megaregions. As evidence of the successful execution of SOAR, the Company's leading positions in the Texas Triangle and Colorado's Front Range megaregions, its growth platform in the southern portion of the Northeast megaregion and its enhanced position in the Piedmont Atlantic megaregion, primarily in the Atlanta area, are the results of acquisitions since 2011. The Company has a legacy presence in the southeastern portion of the Great Lakes megaregion, encompassing operations in Indiana and Ohio. The megaregions and the Company's key states are more fully discussed in the *Building Materials Business' Key Considerations* section.



MEGAREGIONS AND BUILDING MATERIALS BUSINESS LOCATIONS



In considering business and employment diversity, the Company focuses its geographic footprint along significant transportation corridors, particularly where land is readily available for the construction of fulfillment and/or data centers. The retail sector values transportation corridors, as logistics and distribution are critical considerations for construction supporting that industry. In addition, technology companies view these areas as attractive locations for data centers.

Additionally, the Company considers a state's financial position in determining the opportunities and attractiveness of areas for expansion or development. In this assessment, the Company reviews a state's financial health rating, issued by S&P Global Ratings and where AAA is the highest score. The Company's top ten revenue-generating states have been evaluated and scored a financial health rating of AA or AAA. The Company also reviews the state's ability to securing additional Infrastructure funding and financing.

In line with the Company's strategic objectives, management's overall focus includes the following items:

- Upholding the Company's commitment to its mission, vision and values
- Navigating effectively through construction cycles to balance investment and cost decisions against expected shipment volumes
- Tracking shifts in population trends, as well as local, state and national economic conditions, to ensure changing trends are reflected against the execution of the strategic plan
- Integrating acquired businesses efficiently to maximize the return on the investment
- Allocating capital in a manner consistent with the following long-standing priorities while maintaining financial flexibility
 - Acquisitions
 - Organic capital investment
 - Return of cash to shareholders through both meaningful and sustainable dividends as well as share repurchases

2020 Performance Highlights

Achieved Industry-Leading Safety Performance:

- Record company-wide Lost-Time Incident Rate (LTIR) of 0.15, the fourth consecutive year of world-class or better LTIR thresholds
- Total Injury Incident Rate (TIIR) of 0.93, compared with 1.18 in 2019

Achieved Record Financial Performance:

The Company achieved record products and services revenues, consolidated gross profit, earnings from operations, net earnings attributable to Martin Marietta, diluted earnings per share and Adjusted EBITDA (defined in *Results of Operations* section), driven by resilient customer demand and improved pricing and profitability across all product lines of the Building Materials business. The Company achieved its ninth consecutive year of growth for products and services revenues, gross profit, Adjusted EBITDA and earnings per diluted share (excluding the one-time impact of the Tax Cuts and Jobs Act of 2017 (2017 Tax Act) on 2017 financial amounts). The Company's commitment to safety and operational excellence resulted in the following financial performance (comparisons with 2019):

- Consolidated total revenues of \$4.73 billion compared with \$4.74 billion
- Record consolidated gross profit of \$1.25 billion compared with \$1.18 billion, an increase of 6.3%
- Consolidated selling, general and administrative (SG&A) expenses representing 6.5% of total revenues
- Net earnings attributable to Martin Marietta of \$721.0 million compared with \$611.9 million, an increase of 17.8%
- Earnings per diluted share of \$11.54 compared with \$9.74
- Record consolidated Adjusted EBITDA of \$1.39 billion
- Record operating cash flow of \$1.05 billion

Continued Disciplined Execution Against Capital Allocation Priorities:

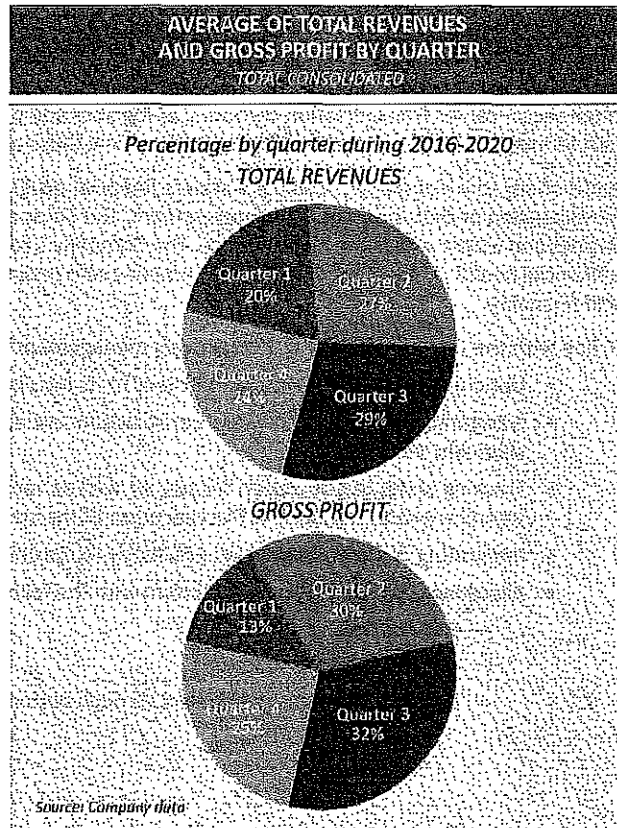
- Dividend increase of 4% in August 2020, resulting in total annual dividends paid of \$140.3 million, or \$2.24 per share
- Repurchased 0.2 million shares of common stock for \$50.0 million
- Capital investments into operations of \$367 million
- Net long-term debt repayment of \$149 million

BUSINESS ENVIRONMENT

Building Materials Business

The Building Materials business serves customers in the construction marketplace. The business' profitability is sensitive to national, regional and local economic conditions and cyclical swings in construction spending, which are affected by fluctuations in levels of public-sector infrastructure funding; interest rates; access to capital markets; and demographic, geographic, employment and population dynamics.

The heavy-side construction business, inclusive of much of the Company's operations, is conducted outdoors. Therefore, erratic weather patterns, precipitation and other weather-related conditions, including flooding, hurricanes, snowstorms, cold temperatures and droughts, can significantly affect production schedules, shipments, costs, efficiencies and profitability. Generally, the financial results for the first and fourth quarters are subject to the impacts of



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

winter weather, while the second and third quarters can be subject to the impacts of heavy precipitation. The impacts of erratic weather patterns are more fully discussed in the *Building Materials Business' Key Considerations* section.

Product Lines

Aggregates are an engineered, granular material consisting of crushed stone and sand and gravel, manufactured to specific sizes, grades and chemistry for use primarily in construction applications. The Company's operations consist primarily of open pit quarries; however, the Company is also the largest operator of underground aggregates mines in the United States, with 14 active underground mines located in the East Group. The Company's aggregates reserves average approximately 90 years at the 2020 annual production level.

Cement is the basic agent used to bind aggregates, sand and water in the production of ready mixed concrete. The Company has a strategic and leading cement position in the state of Texas, with production facilities in Midlothian, Texas, south of Dallas/Fort Worth, and Hunter, Texas, north of San Antonio. These two facilities produce Portland and specialty cements, have a combined annual capacity of approximately 4.5 million tons, and collectively operated at approximately 80% utilization in 2020. The Midlothian plant has a permit that allows for annual capacity expansion of 0.8 million tons. In addition to the two production facilities, the Company operates several cement distribution terminals. Calcium carbonate in the form of limestone is the principal raw material used in the production of cement. The Company owns more than 600 million tons of limestone reserves adjacent to its cement production plants.

Ready mixed concrete, a mixture primarily of cement, sand, aggregates and water, is measured in cubic yards and specifically batched or produced for customers' construction projects and then transported and poured at the project site. The aggregates used for ready mixed concrete are a washed material with limited amounts of fines (i.e., dirt and clay). The Company operates 120 ready mix plants in Texas, Colorado and Wyoming. Asphalt is most commonly used in surfacing roads and parking lots and consists of liquid asphalt, or bitumen, the binding medium, and aggregates. Similar to ready mixed concrete, each asphalt batch is produced to customer specifications. The Company's asphalt operations and paving services are located in Colorado. Market dynamics for these downstream product lines include a highly competitive environment and lower barriers to entry compared with the Company's upstream product lines of aggregates and cement.

End-Use Trends

- According to the U.S. Geological Survey, for the nine months ended September 30, 2020, the latest available governmental data, estimated construction aggregates consumption decreased 3% compared with the nine months ended September 30, 2019, and for the ten months ended October 31, 2020, cement consumption was essentially flat versus the comparable prior-year period.
- National construction spending statistics for the twelve months ended December 31, 2020 versus the twelve months ended December 31, 2019, according to U.S. Census Bureau:
 - ◆ Total value of construction put in place increased 5%
 - ◆ Public construction spending increased 5%
 - ◆ Private nonresidential construction market spending decreased 3%
 - ◆ Private residential construction market spending increased 12%

The principal end-use markets of the Building Materials business are public infrastructure (i.e., highways; streets; roads; bridges; and schools); nonresidential construction (i.e., manufacturing and distribution facilities; industrial complexes; office buildings; large retailers and wholesalers; healthcare, hospitality and energy-related activity); and residential construction (i.e., subdivision development; and single- and multi-family housing). Aggregates are also used in agricultural, utility and environmental applications and as railroad ballast, collectively comprising the ChemRock/Rail market.

Public infrastructure projects can require several years to complete, while residential and nonresidential construction projects are usually completed within one year. Generally, customer purchase orders do not contain firm quantity commitments, regardless of end-use market. Therefore, management does not utilize a Company backlog in managing its business.





The public infrastructure market accounted for 36% of the Company's aggregates shipments in 2020. Anticipated lower shipments in portions of North Carolina, reduced energy-sector activity and COVID-19-driven project delays were primary factors for the 1% shipment decline to this end use. The Company's shipments to this end-use market remain below the most recent five-year average of 38% and ten-year average of 43%.

While construction spending in the public and private market sectors is affected by economic cycles, the historic level of spending on public infrastructure projects has been comparatively more stable due to the predictability of funding from federal, state and local governments, with approximately half of the funding from federal government and half from state and local governments. The *Fixing America's Surface Transportation Act* (FAST Act), signed into law on December 4, 2015, authorized \$305 billion over fiscal years 2016 through 2020 and was subsequently extended for one year, providing an additional \$13.6 billion to the Highway Trust Fund.

Public construction projects, once awarded, are typically seen through to completion. Thus, delays from weather or other factors can serve to extend the duration of the construction cycle. State and local initiatives that support infrastructure funding, including gas tax increases and other ballot initiatives, are increasing in size and number as these governments recognize the need to play an expanded role in public infrastructure funding. In November 2020, 303 state and local ballot initiatives, or 94% of all infrastructure funding measures up for vote, were approved. That set a 20-year approval rating record. The approved infrastructure initiatives are estimated to generate nearly \$14 billion in one-time and recurring revenues, with initiatives in Texas accounting for over \$11 billion of this total.

The nonresidential construction market accounted for 34% of the Company's aggregates shipments in 2020. Following strong activity in 2019, aggregates shipments to this end use decreased 9%, reflecting reduced energy-sector activity from low oil prices and the completion of certain windfarm and a pause in some liquefied natural gas projects. The Dodge Momentum Index, a twelve-month leading indicator of construction spending for nonresidential building compiled by McGraw-Hill Construction and where the year 2000 serves as an index basis of 100, was 134.6 in December 2020. While down 5% compared with December 2019, the index increased 9% from November 2020 to December 2020, suggesting positive momentum in the nonresidential construction sector at the onset of 2021.

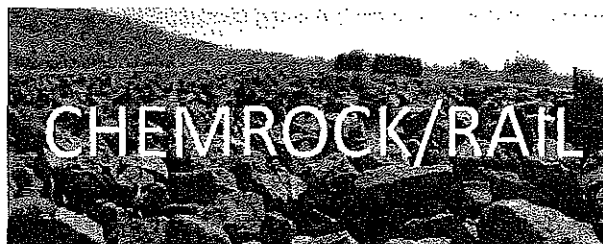


The residential construction market accounted for 24% of the Company's aggregates shipments in 2020, and increased 6% compared with 2019. This end use is interest rate sensitive and typically moves in direct correlation with economic cycles. The Company's exposure to residential construction is split between aggregates used in the construction of subdivisions (including roads, sidewalks, utilities and storm and sewage drainage), aggregates used in new single-family home construction and aggregates used in construction of multi-family units. Construction of both subdivisions and single-family homes is nearly three times more aggregates intensive than construction of multi-family units. Through an economic cycle, multi-family construction generally begins early in the cycle and then transitions to single-family construction. Therefore, the timing of new subdivision starts, as well as new single-family housing permits, are strong indicators of residential volumes. Residential housing starts of 1.4 million units for the year ended December 31, 2020 increased 7% compared with 2019, but remain below the 50-year historical annual average of 1.5 million units. For the year ended December 31, 2020, national housing permits increased 5% versus 2019. The Company expects continued growth in the residential market driven by undersupply, low interest rates, favorable demographics, job growth, deurbanization, land availability and efficient permitting.



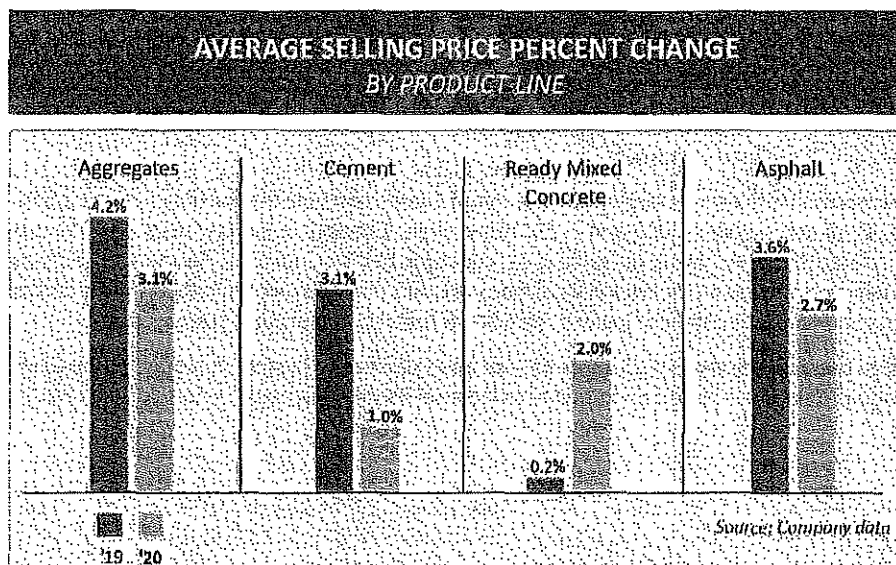
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

The remaining 6% of the Company's 2020 aggregates shipments was to the ChemRock/Rail market, which includes ballast and agricultural limestone. Ballast is an aggregates product used to stabilize railroad track beds and, increasingly, concrete rail ties are being used as a substitute for wooden ties. Agricultural lime, a high-calcium carbonate material, is used as a supplement in animal feed, a soil acidity neutralizer and agricultural growth enhancer. Additionally, ChemRock/Rail includes rip rap, which is used as a stabilizing material to control erosion caused by water runoff at embankments, ocean beaches, inlets, rivers and streams, and high-calcium limestone, which is used as filler in glass, plastic, paint, rubber, adhesives, grease and paper. Chemical-grade, high-calcium limestone is used as a desulfurization material in utility plants.



Pricing Trends

Materials pricing for construction projects is generally based on terms committing to the availability of specified products of a stated quantity at an agreed-upon price during a definitive period. Since infrastructure projects span multiple years, announced price changes can have a lag time before taking effect while the Company sells products under existing price agreements. Pricing escalators included in multi-year infrastructure contracts serve to somewhat mitigate this effect. However, during periods of sharp or rapid increases in production costs, multi-year infrastructure contract pricing may provide only nominal pricing growth. Additionally, the Company may implement mid-year price increases, on a market-by-market basis, where appropriate. Pricing is determined locally and is affected by supply and demand characteristics of the local market.



On a mix-adjusted basis, which is discussed further in the *Results of Operations* section, 2020 aggregates pricing improved by 4.0% and 2020 cement pricing increased 3.2%.

Cost Structure

Direct production costs for the Building Materials business are components of cost of revenues incurred at the quarries, mines, cement plants, ready mixed concrete plants, asphalt plants and paving operations and distribution yards and facilities. Cost of revenues also includes the cost of resale materials, freight expenses to transport materials from a producing quarry or cement plant to a distribution yard or facility and production overhead costs.

Generally, the significant components of direct production costs for the Building Materials business are (1) labor and related benefits; (2) raw materials; (3) depreciation, depletion and amortization (DDA); (4) repairs and maintenance; (5) contract

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

services; (6) supplies; and (7) energy. In 2020, these categories represented 90% of the Building Materials business' total direct production costs.

Production is the key driver in determining the levels of variable costs, as it affects the number of hourly employees and related labor hours. Further, components of energy, supplies and repairs and maintenance costs also increase in connection with higher production volumes. Variable costs are expenses that fluctuate with the level of production volume, while fixed costs are expenses that do not vary based on production or sales volume. Accordingly, the Company's operating leverage can be substantial.

Generally, when the Company invests capital in facilities and equipment, increased capacity and productivity, along with reduced labor and repair costs, can offset increased fixed depreciation costs. However, the increased productivity and related efficiencies may not be fully realized in a lower-demand environment, resulting in under absorption of fixed costs.

Wage and benefit inflation and increases in labor costs may be somewhat mitigated by enhanced productivity in an expanding economy. Further, workforce reductions resulting from process automation and mobile fleet right-sizing, primarily in the aggregates operations, have mitigated rising labor costs. During economic downturns, the Company reviews its operations and, where practical, temporarily idles certain sites. The Company is able to serve these markets with other open facilities that are in close proximity. In certain markets, management can create production "super crews" that work on a rotating basis at various locations within a district. For example, within a market, a crew may work three days per week at one quarry and the other two workdays at another quarry. This has allowed the Company to responsibly manage headcount in periods of lower demand.

The production of ready mixed concrete and asphalt requires the use of cement and liquid asphalt raw materials, respectively. Therefore, fluctuations in prices for these raw materials directly affect the Company's operating results.

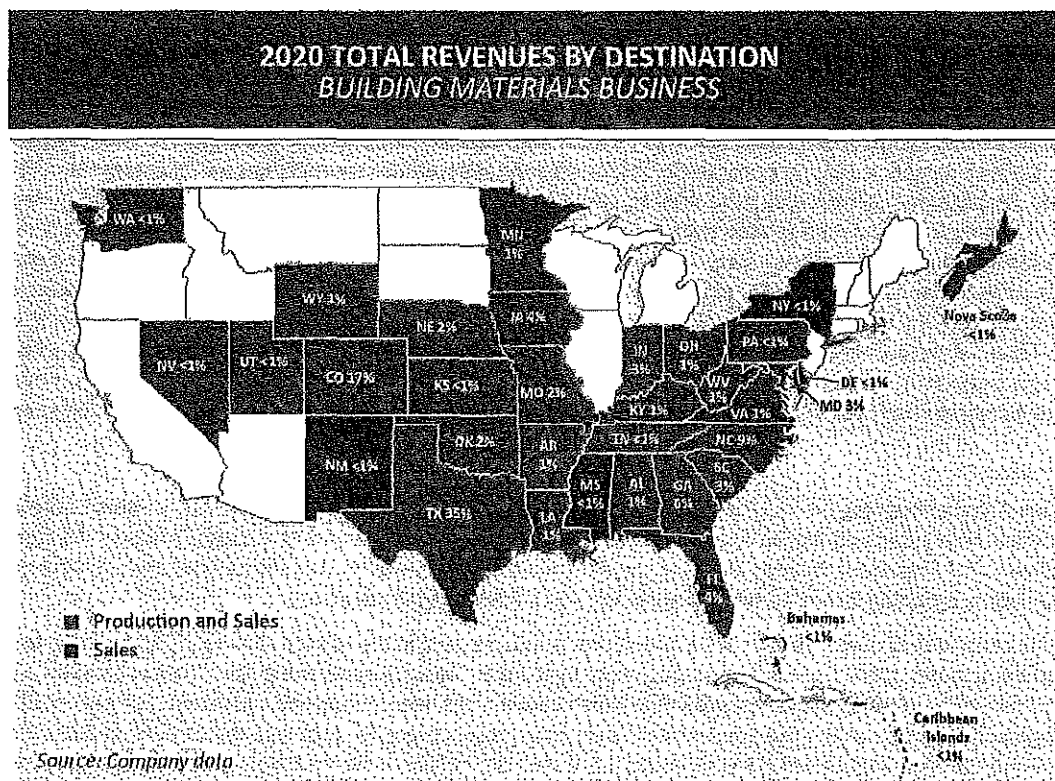
Cement production is a capital-intensive operation with high fixed costs to run plants that operate continuously with the exception of maintenance shutdowns. Kiln and finishing mill maintenance typically requires a plant to be shut down for a period of time as repairs are made. In 2020 and 2019, the cement operations incurred outage costs of \$19.7 million and \$26.3 million, respectively. The decrease in outage costs in 2020 compared with 2019 is primarily attributable to improved kiln reliability resulting from prior-period investments and the timing of planned kiln outages. The Company adjusts production levels in anticipation of planned maintenance shutdowns.

Typically, diesel fuel represents the single largest component of energy costs for the Building Materials business. The average cost per gallon was \$1.49 and \$2.08 in 2020 and 2019, respectively. Changes in energy costs also affect the prices that the Company pays for related supplies, including explosives, conveyor belting and tires. Further, the Company's contracts of affreightment for shipping products on its rail and waterborne distribution network typically include provisions for escalations or reductions in the amounts paid by the Company if the price of fuel moves outside a stated range.

The impact of inflation on the Company's businesses has not been significant. Further, historically, the Company has achieved pricing growth in periods of inflation based on its ability to increase its selling prices in a normal economic environment.



Building Materials Business' Key Considerations

*Geography is critically important as products are sourced and sold locally*

The Company's geographic footprint is primarily in attractive markets with strong, underlying growth characteristics, including population growth and/or population density and business and economic diversity, both of which generate demand for construction and the Company's Building Materials products. The Company has a presence in most of the megaregions of the United States, notably: Texas Triangle, Gulf Coast, Piedmont Atlantic, Front Range and Florida, each of which is discussed below. Additionally, Iowa is discussed below as a top five revenue-generating state and, while not part of a megaregion, is an attractive market with a diversified economy.

Texas Triangle and Gulf Coast

The Texas Triangle is primarily defined by the anchoring metropolises of Dallas/Fort Worth, San Antonio and Houston. Approximately two-thirds of Texans call the Texas Triangle home, and the three anchoring cities had an estimated population of nearly 18 million as of July 1, 2019 as reported by the U.S. Census Bureau. The megaregion's population is expected to exceed 35 million by 2050. The Texas Triangle contains the headquarters of 48 Fortune 500 companies and represents a diverse economy, including the finance, technology, transportation and goods and services sectors.

Uniquely, Houston, which has represented over 25% of Texas' gross domestic product (GDP) for the past nineteen years, is considered part of both the Gulf Coast and the Texas Triangle megaregions. In addition to Houston, cities in the Gulf Coast megaregion include New Orleans and Baton Rouge, Louisiana. The Gulf Coast megaregion's population is expected to exceed 16 million in 2025 and 23 million in 2050. The economy is driven by the energy, chemical and transportation sectors.

The Texas market remains one of the strongest in the United States and, according to the Bureau of Economic Analysis, as of September 30, 2020, the state's GDP comprised 9% of the nation's \$19.1 trillion GDP. In 2019, the latest ranking available, *Forbes* recognized Dallas, Fort Worth and Houston as the second, 20th and 34th best metros for business and careers, respectively. Texas continues to lead the nation in population growth, and its population is estimated to increase 35% from 2020 to 2040. Houston, San Antonio and Dallas are ranked as the fourth, seventh and ninth, respectively, most populous cities in the United States as of July 1, 2019, the latest available information from the U.S. Census Bureau. Over the ten-year period ended November 2020 and as reported by the U.S. Bureau of Labor Statistics, the metropolitan areas of Austin, Dallas,

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

San Antonio and Houston have experienced employment growth of 40%, 27%, 22% and 18%, respectively. Supported by population growth, Texas leads the country in total housing permits for the year ended December 31, 2020.

The state's Department of Transportation (TxDOT) let \$7.5 billion in construction projects in fiscal 2020 and has a letting budget of \$9.5 billion for fiscal 2021 and \$7.7 billion for fiscal 2022. In 2019, TxDOT announced the 2020 Unified Transportation Program, identifying planned investments totaling over \$77 billion of infrastructure projects over the next ten years. Funding for highway construction comes from dedicated sources, including Propositions 1 and 7, as opposed to the use of general funds. Proposition 1, which passed in 2015, takes a portion of the oil and gas severance tax revenues and allocates them to the state highway fund. Proposition 7 is funded by state sales and use taxes and motor vehicle sales and rental taxes and is used for non-toll roads and certain transportation-related debt. For fiscal 2019 and 2020, these propositions provided \$5.4 billion and \$4.2 billion, respectively, to the state highway fund. Additionally, in November 2020, voters approved 100% of ballot measures that will provide an additional \$11.6 billion of infrastructure funding. Though the COVID-19 pandemic slowed economic advancement temporarily, construction activity is recovering, as evidenced by developers and businesses planning expansion throughout Texas. Amazon, Hewlett Packard, Tesla and Dallas/Fort Worth International Airport have announced plans for significant new projects in Austin, Dallas/Fort Worth and Houston. Further, continued federal regulatory approvals should contribute to increased heavy building materials consumption for large energy-sector projects over for the next several years.

Piedmont Atlantic

The Piedmont Atlantic megaregion generally follows the Interstate 85/20 corridor, spanning across North Carolina, South Carolina, Georgia, Tennessee and Alabama, and includes four primary metropolitan areas: Raleigh-Durham, Charlotte, Atlanta and Birmingham. The Piedmont Atlantic is a fast-growing megaregion; however, it is facing challenges that accompany a growing population, including increased traffic congestion and inadequate infrastructure.

North Carolina continues to demonstrate strong population trends, ranking in the top ten states for population growth for the twelve months ended July 1, 2019, the last annual estimate by the U.S. Census Bureau. North Carolina's population is estimated to grow to 14 million by 2050. Employment growth in North Carolina has been steady and consistent. Further, in 2019, *Forbes* ranked Raleigh and Charlotte as the third and seventh best cities, respectively, for business and careers. In 2020, UPS, Grifols Therapeutics and Centene announced plans to invest more than \$1.7 billion in North Carolina. The state continues to make significant infrastructure investment, with a fiscal year 2021 overall spending schedule of \$5.8 billion. Additionally, since 2010, all transportation referendums totaling \$1.8 billion have been approved by voters. In October 2020, the state issued \$700 million of Build NC Bonds to fund transportation initiatives. The state's 2020-2029 Statewide Transportation Improvement Program, or STIP, reflects investment of approximately \$23.7 billion for approximately 1,700 projects. In January 2021, the North Carolina Future Investment Resources for Sustainable Transportation, or NC FIRST, Commission issued an extensive report to the state's transportation secretary, recommending an additional transportation investment need of \$20 billion over the next decade.

South Carolina ranked sixth in the nation for population growth for the twelve months ended July 1, 2019. The state's infrastructure program is supported by Senate Bill 1258, also known as Act No. 275 and enacted in 2016, allowing up to \$4.2 billion to be devoted to highway spending over a ten-year period. South Carolina's ten-year department of transportation (DOT) plan includes 1,000 miles of upgrades to rural roads and improvements to 140 miles of interstate highways. To fund infrastructure needs, the state passed House Bill 3516 in June 2017, which increased the state's gas tax \$0.02 per gallon per year for six years, the state's first gas tax increase in 30 years. The bill is expected to generate an additional \$625 million per year when fully implemented. Additionally, since 2010, voters approved 78% of ballot measures for transportation funding totaling \$3.6 billion. The nonresidential market will benefit from recent announcements by businesses planning to expand their operations in South Carolina, including Continental Tire, Vigilant Labs, Nephron Pharmaceuticals Corporation and Carver Maritime, LLC. Additionally, the South Carolina Port Authority is investing \$2.8 billion for improvements through 2022.

With nearly 3% of the nation's GDP, Georgia continues to be a top-performing state. According to the Georgia Department of Economic Development, the state is headquarters for 18 Fortune 500 companies and has obtained \$4.3 billion in expansions and new project investments since July 1, 2020, creating almost 12,000 jobs. Georgia has consistently ranked as one of the top states for employment and population growth. For all U.S. metropolitan areas with populations greater than one million, Atlanta ranked 18th in employment gains for the ten-year period ended November 2019. Georgia's Major Mobility Investment Program, announced in 2017 and updated in 2019, will invest \$11 billion over a ten-year period in 13 highway projects. Additionally, since 2010, Georgia voters approved more than two-thirds of ballot measures to collectively provide \$7.3 billion for road and transit projects.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Front Range

Through strategic acquisitions since 2011, the Company has built a leading position to serve the Front Range of the Rocky Mountains. Extending from the southern portion of Wyoming near Cheyenne, following Interstate 25 through Colorado into New Mexico, incorporating Santa Fe and Albuquerque, the Front Range megaregion is one of the nation's fastest-growing megaregions. Colorado has ranked in the top eleven states for population growth each year for the ten-year period ended 2020. The Front Range represents 85% of Colorado's population and is estimated to exceed 10 million residents by 2050, nearly double the 2010 population.

The Colorado economy includes a diverse economic base, leading to strong employment and population growth. Denver was ranked fourth by *Forbes* for best cities for business and careers in 2019. Senate Bill 17-267, enacted in 2017, includes a component focused on new lease-purchase agreements of state facilities that allocates \$1.9 billion of its proceeds to Colorado DOT (CDOT) with the remainder of its proceeds to transportation and capital construction projects over a four-year period. CDOT has a spending budget of \$2.3 billion for fiscal year 2020-2021.

Florida

Spanning nearly the entire state, the Florida megaregion is rapidly expanding. Florida is the country's third-most populous state according to the Census Bureau. Further, the state's population is estimated to increase by more than seven million, or 32%, from 2020 to 2040. The state's GDP represents 5% of the nation's GDP.

Florida has a \$9.2 billion DOT budget for fiscal year 2020-2021 and a five-year adopted work plan of \$54.3 billion through 2025.

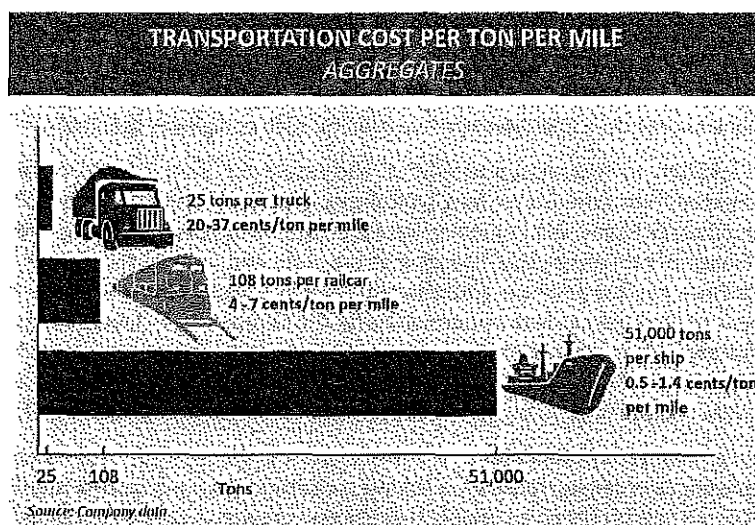
Iowa

Iowa has been a top-five Martin Marletta revenue-generating state for decades and has historically experienced a stable and steady economy. Iowa is the nation's largest corn- and pork-producing state and provides approximately 9% of America's food supply. The Company's agricultural lime shipments are dependent on, among other things, weather, demand for agricultural commodities (including corn and soybeans), commodity prices and farm and land values. The Iowa economy has become consistently more diverse over the past several years, in part due to both its low cost and ease of doing business. The state is attractive for starting and expanding businesses due to enticing tax incentives. Facebook is in process of expanding its data center, estimated to be 3.5 million square feet when complete, and has a projected completion date in late 2022 or early 2023. In 2020, Microsoft Corporation announced plans to build two new data centers at an estimated cost of \$1 billion each, with construction expected to begin in September 2021. Additionally, Apple plans to build a \$1.3 billion data center near Des Moines, with an estimated project completion date of August 2027.

Growth markets with limited supply of indigenous stone must be served via a long-haul distribution network

The U.S. Department of the Interior's geological map of the United States depicts the possible sources of indigenous rock and illustrates its limited supply in certain areas of the United States, including the coastal areas from Virginia to Texas. Further, certain interior United States markets may experience limited availability of locally sourced aggregates resulting from increasingly restrictive zoning, permitting and/or environmental laws and regulations. The Company's long-haul distribution network is used to supplement, or in many cases wholly supply, the local crushed stone needs of these areas.

The long-haul distribution network can diversify market risk for locations that engage in long-haul transportation of aggregates products. This is particularly true where a producing quarry serves a local market and transports products via rail, water and/or truck to be sold in other markets, the risk of a downturn in one market may be somewhat mitigated by other markets served by the location.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Product shipments are moved by rail, water and truck through the Company's long-haul distribution network. The Company's rail network primarily serves its Texas, Florida, Colorado and Gulf Coast markets, while the Company's Bahamas and Nova Scotia locations transport materials via oceangoing ships. The Company's strategic focus includes expanding inland and offshore capacity and acquiring distribution yards and port locations to offload transported material. At December 31, 2020, the distribution network available to the Company consisted of 84 terminals.

The Company's increased rail shipments has made it more reliant on railroad performance issues, including track congestion, crew and availability, the effects of adverse weather conditions and the ability to negotiate favorable railroad shipping contracts. Further, changes in the operating strategy of rail transportation providers can create operational inefficiencies and increased costs from the Company's rail network.

A portion of railcars and all ships of the Company's long-haul distribution network are under short- and long-term leases, some with purchase options, and contracts of affreightment. The limited availability of water and rail transportation providers, coupled with limited distribution sites, can adversely affect lease rates for such services and ultimately the freight rates.

The Company has long-term agreements providing dedicated shipping capacity from its Bahamas and Nova Scotia operations to its coastal ports. These contracts of affreightment are take-or-pay contracts with minimum and maximum shipping requirements. The minimum requirements were met in 2020. The Company's waterborne contracts of affreightment have varying expiration dates ranging from 2023 to 2027 and generally contain renewal options. However, there can be no assurance that such contracts can be renewed upon expiration or that terms will continue without significant increases.

The multiple transportation modes that have been developed with various rail carriers and deep-water ships provide the Company with the flexibility to effectively serve customers primarily in the Southwest and Southeast coastal markets.

Public Infrastructure, the Company's largest end-use market, is funded through a combination of federal, state and local sources

Transportation investments generally boost the national economy by enhancing mobility and access and by creating jobs; priorities of many of the government's economic plans. Public-sector construction related to transportation infrastructure can be aggregates intensive and is funded through a combination of federal, state and local sources. The federal highway bill, currently the FAST Act, provides annual funding for public-sector highway construction projects and includes spending authorizations, which represent the maximum financial obligation that will result from the immediate or future outlays of federal funds for highway and transit programs. The federal government's surface transportation programs are funded mostly through the receipts of highway user taxes placed in the Highway Trust Fund, which is divided into the Highway Account and the Mass Transit Account. Revenues credited to the Highway Trust Fund are primarily derived from a federal gas tax, a federal tax on certain other motor fuels and interest on the accounts' accumulated balances. Of the currently imposed federal gas tax of \$0.184 per gallon, which has been static since 1993, \$0.15 is allocated to the Highway Account of the Highway Trust Fund.

Since most states are required to balance their budgets, reductions in revenues generally require a reduction in states' expenditures. However, the impact of state revenue reductions on highway investment will vary depending on whether the monies come from dedicated revenue sources, such as highway user fees, or whether portions are paid for with general funds.

In addition to federal appropriations, each state funds its infrastructure investment from specifically allocated amounts collected from various user fees, typically gasoline taxes and vehicle fees. Over the past several years, states have assumed a significantly larger role in funding infrastructure investment, including initiating special-purpose taxes and raising gas taxes. Management believes that financing at the state and local levels, such as bond issuances, toll roads and tax initiatives, will continue to grow and have a fundamental role in advancing infrastructure projects. State infrastructure investment generally leads to increased growth opportunities for the Company. The level of state public-works spending is varied across the nation and dependent upon individual state economies. The degree to which the Company could be affected by a reduction or slowdown in infrastructure spending varies by state. The state economies of the Building Materials business' ten largest revenue-generating states may disproportionately affect the Company's financial performance.

Governmental appropriations and expenditures are typically less interest rate-sensitive than private-sector spending. Obligations of federal funds are a leading indicator of highway construction activity in the United States. Before a state or local DOT can solicit bids on an eligible construction project, it enters into an agreement with the Federal Highway Administration to obligate the federal government to pay its portion of the project cost. Federal obligations are subject to annual funding appropriations by Congress.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

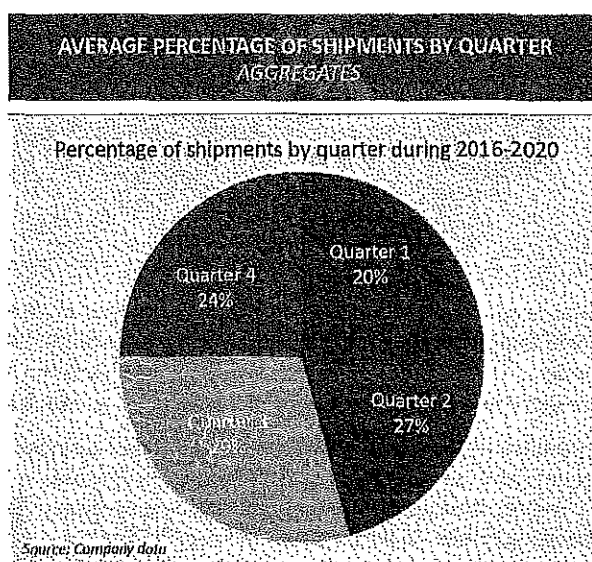
The need for surface transportation improvements continues to significantly outpace the amount of available funding. A large number of roads, highways and bridges built following the establishment of the Interstate Highway System in 1956 are now in need of major repair or reconstruction. According to The Road Information Program (TRIP), a national transportation research group, vehicle travel on United States highways increased 25% from 2000 to 2018, while new lane road mileage increased only 9% over the same period. TRIP also reports that pavement on 11% of the nation's major roads are in poor or mediocre condition and 27% of the nation's interstate bridges are in need of repair or replacement, with 3% of bridges rated poor or structurally deficient. The 2020 TRIP report additionally stated an estimated backlog of \$123 billion of improvements to the nation's highway system exists and an increase of annual investment from \$23 billion to \$57 billion for the next 20 years is needed to address these improvements and meet mobility needs. Management believes infrastructure activity for 2021 and beyond should benefit from the FAST Act extension and its eventual successor bill, additional state and local infrastructure initiatives and the 2017 Tax Act.

In addition to highways and bridges, transportation infrastructure includes aviation, mass transit, and ports and waterways. Railroad construction continues to benefit from economic growth, which ultimately generates a need for additional maintenance and improvements.

Erratic weather can significantly impact operations

Production and shipment levels for the Building Materials business correlate with general construction activity, most of which occurs outdoors and, as a result, is affected by erratic weather, seasonal changes and other climate-related conditions which can significantly affect the business. Typically, due to a general slowdown in construction activity during winter months, the first and fourth quarters experience lower production and shipment activity. As such, temperature plays a significant role in the months of March and November, meaningfully affecting the Company's first- and fourth-quarter results, respectively, where warm and/or moderate temperatures in March and November allow the construction season to start earlier and end later, respectively.

Excessive rainfall jeopardizes production efficiencies, shipments and profitability in all markets served by the Company. In particular, the Company's operations in the southeastern and Gulf Coast regions of the United States and The Bahamas are at risk for hurricane activity, most notably in August, September and October, though the hurricane season formally starts and ends on June 1 and November 1, respectively. The 2020 Atlantic hurricane season set a record with 30 named storms, of which 13 were hurricanes. To put this in perspective, the average hurricane season has 12 named storms, of which six are hurricanes. The Gulf Coast, eastern seaboard, The Bahamas and Nova Scotia were all impacted by storms in 2020.



Capital investment decisions driven by capital intensity of the Building Materials business and focus on land

The Company's organic capital program is designed to leverage construction market growth through investment in both permanent and portable facilities at the Company's operations. Over an economic cycle, the Company typically invests organic capital at an annual level that approximates depreciation expense. At mid-cycle and through cyclical peaks, organic capital investment typically exceeds depreciation expense, as the Company supports current capacity needs and future growth. Conversely, at a cyclical trough, the Company may reduce levels of capital investment. Regardless of cycle, the Company sets a priority of investing capital to ensure safe, environmentally-sound and efficient operations, as well as to provide the highest quality of customer service and establish a foundation for future growth.

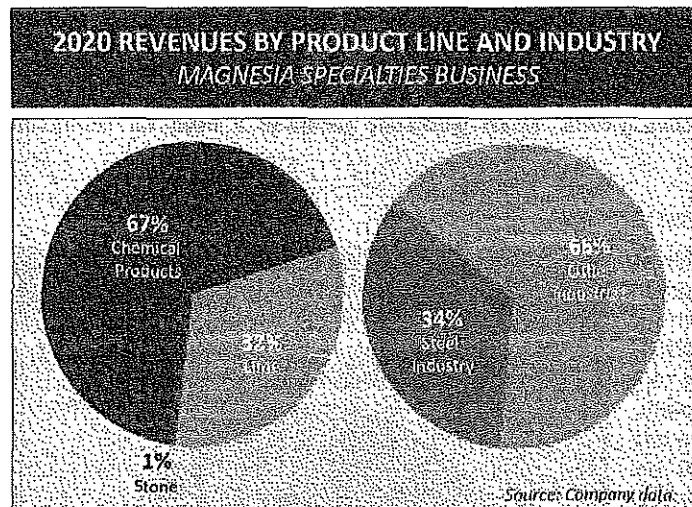
The Company is diligent in its focus on land opportunities, including potential new sites (greensites) and expanding locations. Land purchases are usually opportunistic and can include contiguous property around existing quarry locations. Such property can serve as buffer property or additional mineral reserve capacity, assuming regulatory hurdles can be cleared and the underlying geology supports economical aggregates mining. In either instance, the acquisition of additional property around an existing quarry typically allows the expansion of the quarry footprint and an extension of quarry life.



Magnesia Specialties Business

The Magnesia Specialties business manufactures magnesia-based chemicals products for industrial, agricultural and environmental applications at its Manistee, Michigan facility. The Magnesia Specialties business produces and sells dolomitic lime from its Woodville, Ohio facility. Of 2020 total revenues, 67% were attributable to chemicals products, 32% were attributable to lime and 1% was attributable to stone.

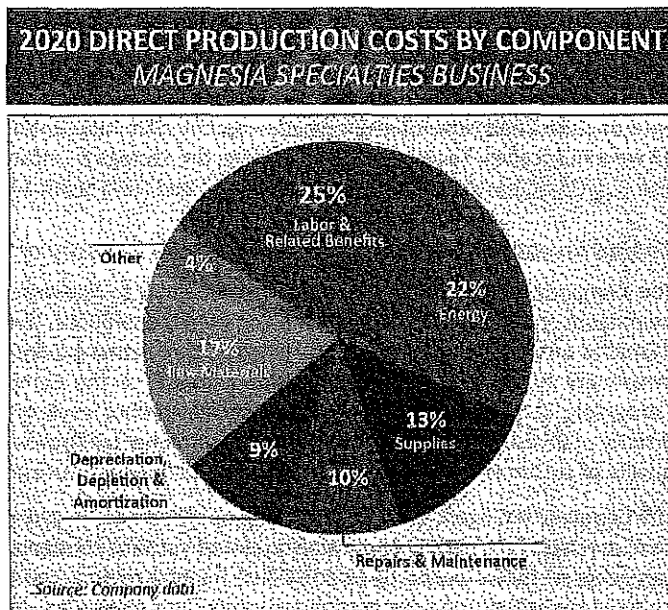
In 2020, 79% of the lime produced was sold to third-party customers, while the remaining 21% was used internally as a raw material for the business' manufacturing of chemicals products. Dolomitic lime products sold to external customers are primarily used by the steel industry, and overall, 34% of Magnesia Specialties' 2020 total revenues related to products used in the steel industry. Accordingly, a portion of the segment's revenues and profits is affected by production and inventory trends within the steel industry, which are guided by the rate of consumer consumption, the flow of offshore imports and other economic factors. Steel production was adversely affected by COVID-19, notably when domestic auto manufacturers shutdown due to the pandemic. Steel capacity utilization decreased dramatically from a high of nearly 81% in January 2020 to just below 50% in April 2020; steel capacity utilization as of December 2020 was 74%. The dolomitic lime business runs most profitably at 70% or greater steel capacity utilization; domestic capacity utilization averaged 65% in 2020. The chemical products business focuses on higher-margin specialty chemicals that can be produced at volumes that support efficient operations.



Total revenues of the Magnesia Specialties business in 2020 were predominantly derived from domestic customers, and no single foreign country accounted for 10% or more of the total revenues for the business. Financial results can be affected by foreign currency exchange rates, increasing transportation costs or weak economic conditions in foreign markets. To mitigate the short-term effect of currency exchange rates, foreign transactions are denominated in United States dollars.

A significant portion of the Magnesia Specialties business' costs is of a fixed or semi-fixed nature. The production process requires the use of natural gas, coal and petroleum coke. Therefore, fluctuations in their pricing directly affect operating results. To help mitigate this risk, the Company has fixed-price agreements for approximately 63% of its 2021 energy needs for coal, natural gas, petroleum coke and electricity. For 2020, the segment's average cost per MCF (thousand cubic feet) of natural gas decreased 9% versus 2019. Given high fixed costs, low capacity utilization can negatively affect the segment's results of operations. Management expects future organic profitability growth to result from increased pricing, rationalization of the current product portfolio and/or further cost reductions.

The Magnesia Specialties business is highly dependent on rail transportation, particularly for movement of dolomitic lime from Woodville to Manistee and direct customer shipments of dolomitic lime and magnesia chemicals products from both Woodville and Manistee. The segment can be affected by the risks mentioned in the long-haul distribution discussion in the *Building Materials Business' Key Considerations* section.



Environmental Regulation and Litigation

The expansion and growth of the aggregates industry is subject to increasing challenges from environmental and political advocates aiming to control the pace and direction of future development. Certain environmental groups have published lists of targeted municipal areas, including areas within the Company's marketplace, for environmental and suburban growth control. The effect of these initiatives on the Company's growth is typically localized. Further challenges are expected as the momentum of these initiatives ebb and flow across the United States. Rail and other transportation alternatives are being heralded by these special-interest groups as solutions to mitigate road traffic congestion and overcrowding.

The Company's operations are subject to and affected by federal, state and local laws and regulations relating to the environment, health and safety and other regulatory matters. Certain of the Company's operations may occasionally use substances classified as toxic or hazardous. The Company regularly monitors and reviews its operations, procedures and policies for compliance with these laws and regulations. Despite these compliance efforts, risk of environmental liability is inherent in the operation of the Company's businesses, as it is with other companies engaged in similar businesses.

Environmental operating permits are, or may be, required for certain of the Company's operations; such permits are subject to modification, renewal and revocation. New permits are generally required for opening new sites or for expansion at existing operations and can take several years to obtain. In the area of land use, rezoning and special or conditional use permits are increasingly difficult to obtain. Once a permit is issued, the location is required to generally operate in accordance with the approved site plan.

The Clean Air Act, originally passed in 1963 and periodically updated by amendments, is the United States' national air pollution control program that granted the Environmental Protection Agency (EPA) authority to set limits on the level of various air pollutants. To be in compliance with National Ambient Air Quality Standards, a defined geographic area must be below established limits for six pollutants. Environmental groups have been successful in lawsuits against the federal and certain state departments of transportation, delaying highway construction in municipal areas not in compliance with the Clean Air Act. The EPA designates geographic areas as nonattainment areas when the level of air pollutants exceeds the national standard. Nonattainment areas receive deadlines to reduce air pollutants by instituting various control strategies or otherwise face fines or control by the EPA. Included as nonattainment areas are several major metropolitan areas in the Company's markets, such as Houston/Brazoria/Galveston, Texas; Dallas/Fort Worth, Texas; Bexar County in San Antonio-New Braunfels, Texas; Denver, Colorado; Boulder, Colorado; Fort Collins/Greeley/Loveland, Colorado; Atlanta, Georgia; and Baltimore, Maryland. Federal transportation funding has been directly tied to compliance with the Clean Air Act.

Large emitters (facilities that emit 25,000 metric tons or more per year) of greenhouse gases (GHG) must report GHG generation to comply with the EPA's Mandatory Greenhouse Gases Reporting Rule (GHG Rule). The Company files annual reports in accordance with the GHG Rule relating to operations at its two cement plants in Texas, as well as its Magnesite Specialties facilities in Woodville, Ohio, and Manistee, Michigan, each of which emit certain GHG, including carbon dioxide, methane and nitrous oxide. If Congress passes legislation on GHG, these operations will likely be subject to the new program. The Company believes that any increased operating costs or taxes related to GHG emission limitations at its cement or Woodville operations would be passed on to its customers. The Manistee facility may have to absorb extra costs due to the regulation of GHG emissions in order to maintain competitive pricing in its markets. The Company cannot reasonably predict how much those increased costs may be.

The Company is engaged in certain legal and administrative proceedings incidental to its normal business activities. In the opinion of management, based upon currently available facts, the likelihood is remote that the ultimate outcome of any litigation or other proceedings, including those pertaining to environmental matters, relating to the Company and its subsidiaries, will have a material adverse effect on the overall results of the Company's operations, cash flows or financial position.



FINANCIAL OVERVIEW

In 2020, the Company achieved record products and services revenues, consolidated gross profit, consolidated earnings from operations, net earnings attributable to Martin Marietta, diluted earnings per share and consolidated Adjusted EBITDA (defined below). The Building Materials business achieved gross margin expansion of 160 basis points, with growth across all product lines. The Magnesia Specialties business experienced a continued decline in chemicals products sales as both domestic and international customer experienced a downturn in economic activity related to COVID-19.

Results of Operations

The discussion and analysis that follow reflect management's assessment of the financial condition and results of operations (MD&A) of the Company and should be read in conjunction with the audited consolidated financial statements. As discussed in more detail, the Company's operating results are highly dependent upon activity within the construction marketplace, economic cycles within the public and private business sectors and seasonal and other weather-related conditions. Though the Company's operations have been considered an essential business during stay-at-home orders in 2020, the continuation of the COVID-19 pandemic has impacted markets in which the Company operates. Accordingly, financial results for any year presented, or year-to-year comparisons of reported results, may not be indicative of future operating results. As permitted by the Securities and Exchange Commission (SEC) under the FAST Act Modernization and Simplification of Regulation S-K, the Company has elected to omit the discussion of the earliest period (2018) presented as it was included in its MD&A in its 2019 Form 10-K filed on February 21, 2020, incorporated by reference from Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" thereto.

The Company's Building Materials business generated the majority of consolidated total revenues and earnings from operations. The following comparative analysis and discussion should be read within this context. Further, sensitivity analysis and certain other data are provided to enhance the reader's understanding of MD&A and are not intended to be indicative of management's judgment of materiality.

The Company's consolidated operating results and operating results as a percentage of total revenues are as follows:

years ended December 31 (in millions, except for % of total revenues)	2020	% of Total revenues	2019	% of Total revenues
Product and services revenues	\$ 4,432.1		\$ 4,422.3	
Freight revenues	297.8		316.8	
Total Revenues	4,729.9	100.0	4,739.1	100.0
Cost of revenues - products and services	3,175.6		3,239.1	
Cost of revenues - freight	301.5		321.0	
Total cost of revenues	3,477.1	73.5	3,560.1	75.1
Gross Profit	1,252.8	26.5	1,179.0	24.9
Selling, general and administrative expenses	305.9	6.5	302.7	6.4
Acquisition-related expenses	1.3		0.5	
Other operating income, net	(59.8)		(9.1)	
Earnings from Operations	1,005.4	21.3	884.9	18.7
Interest expense	118.1		129.3	
Other nonoperating (income) and expenses, net	(2.0)		7.3	
Earnings before income tax expense	889.3		748.3	
Income tax expense	168.2		136.3	
Consolidated net earnings	721.1	15.2	612.0	12.9
Less: Net earnings attributable to noncontrolling interests	0.1		0.1	
Net Earnings Attributable to Martin Marietta	\$ 721.0	15.2	\$ 611.9	12.9

Consolidated Adjusted EBITDA

Earnings before interest; income taxes; depreciation, depletion and amortization; and the earnings/loss from nonconsolidated equity affiliates (Adjusted EBITDA) is an indicator used by the Company and investors to evaluate the Company's operating performance from period to period. Adjusted EBITDA is not defined by generally accepted accounting principles



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

and, as such, should not be construed as an alternative to net earnings attributable to Martin Marietta, earnings from operations or operating cash flow. However, the Company's management believes that Adjusted EBITDA may provide additional information with respect to the Company's performance. Since Adjusted EBITDA excludes some, but not all, items that affect net earnings and may vary among companies, Adjusted EBITDA as presented by the Company may not be comparable to similarly titled measures of other companies.

The following table presents a reconciliation of net earnings attributable to Martin Marietta to consolidated Adjusted EBITDA:

years ended December 31 (in millions)	2020	2019
Net earnings attributable to Martin Marietta	\$ 721.0	\$ 611.9
Add back:		
Interest expense, net of interest income	117.6	128.9
Income tax expense for controlling interests	168.2	136.3
Depreciation, depletion and amortization expense and earnings/loss from nonconsolidated equity affiliates	386.0	377.4
Consolidated Adjusted EBITDA	\$ 1,392.8	\$ 1,254.5

Mixed-Adjusted Average Selling Price

Mix-adjusted average selling price (mix-adjusted ASP) is a non-GAAP measure that excludes the impacts of period-over-period product, geographic and other mix on the average selling price. Mix-adjusted ASP is calculated by comparing current-period shipments to like-for-like shipments in the comparable prior period. Management uses this metric to evaluate the realization of pricing increases and believes this information is useful to investors. The following reconciles reported average selling price to mix-adjusted ASP and corresponding variances.

years ended December 31 (in millions)	2020	2019
West Group - aggregates:		
Reported average selling price	\$13.82	\$13.59
Adjustment for unfavorable impact of product, geographic and other mix	0.30	
Mix-adjusted ASP	\$14.12	
Reported average selling price variance	1.7%	
Mix-adjusted ASP variance	3.9%	
Total aggregates:		
Reported average selling price	\$14.77	\$14.33
Adjustment for unfavorable impact of product, geographic and other mix	0.13	
Mix-adjusted ASP	\$14.90	
Reported average selling price variance	3.1%	
Mix-adjusted ASP variance	4.0%	
Cement:		
Reported average selling price	\$113.88	\$112.75
Adjustment for unfavorable impact of product, geographic and other mix	2.52	
Mix-adjusted ASP	\$116.40	
Reported average selling price variance	1.0%	
Mix-adjusted ASP variance	3.2%	



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Adjusted Ready Mixed Concrete Volume Variance

The following table presents ready mixed concrete shipment data and volume variances excluding four ready mixed concrete operations acquired in the third quarter of 2020 and excluding shipments from the Arkansas, Louisiana and eastern Texas ready mix business (ArkLaTex business) that was divested in January 2020 during the period of Martin Marietta's ownership to provide a more comparable analysis of ready mixed concrete volume variance:

years ended December 31 (in millions)	2020	2019
Shipments (cubic yards)		
Reported ready mixed concrete shipments	8.4	8.5
Less: ready mixed concrete shipments of acquired operations	(0.2)	—
Less: ready mixed concrete shipments for the ArkLaTex business during the period of Martin Marietta ownership	—	(0.6)
Adjusted ready mixed concrete shipments	8.2	7.9
 Reported ready mixed concrete volume variance	 (1.6%)	
 Adjusted ready mixed concrete volume variance	 3.2%	

Total Revenues

The following table presents revenues data for the Company and its reportable segments by product line for the year ended December 31, 2020 and 2019. Prior-year segment information has been reclassified to conform to changes to the reportable segments effective January 1, 2020 and July 1, 2020 (see Note A to the audited consolidated financial statements).

years ended December 31 (in millions)	2020	2019
Building Materials business:		
Products and services		
East Group:		
Aggregates	\$ 1,826.6	\$ 1,814.6
West Group:		
Aggregates	942.7	942.1
Cement	452.5	439.1
Ready mixed concrete	952.1	948.1
Asphalt and paving services	331.7	294.0
Less: interproduct revenues	(294.4)	(265.5)
Products and services	4,211.2	4,172.4
Freight	276.0	295.4
Total Building Materials business	4,487.2	4,467.8
Magnesia Specialties:		
Products	220.9	249.9
Freight	21.8	21.4
Total Magnesia Specialties	242.7	271.3
Total consolidated revenues	\$ 4,729.9	\$ 4,739.1



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Gross Profit

The following table presents gross profit and gross margin data for the Company and its reportable segments by product line for the year ended December 31, 2020 and 2019. Prior-year segment information has been reclassified to conform to changes to the reportable segments effective January 1, 2020 and July 1, 2020 (see Note A to the audited consolidated financial statements).

years ended December 31 (dollars in millions)	2020		2019	
	Amount	% of Revenues	Amount	% of Revenues
Building Materials business:				
East Group:				
Aggregates	\$ 620.0	33.9%	\$ 606.2	33.4%
West Group:				
Aggregates	228.5	24.2%	201.7	21.4%
Cement	170.9	37.8%	143.4	32.7%
Ready mixed concrete	79.6	8.4%	78.8	8.3%
Asphalt and paving services	60.4	18.2%	50.7	17.2%
Products and services	1,159.4	27.5%	1,080.8	25.9%
Freight	0.4		(0.2)	
Total Building Materials business	1,159.8	25.8%	1,080.6	24.2%
Magnesia Specialties:				
Products and services	89.6	40.6%	99.4	39.8%
Freight	(4.1)		(4.0)	
Total Magnesia Specialties	85.5	35.2%	95.4	35.2%
Corporate	7.5		3.0	
Total consolidated gross profit	\$ 1,252.8	26.5%	\$ 1,179.0	24.9%

The following presents a rollforward of the Company's consolidated gross profit:

years ended December 31 (in millions)	2020	2019
Consolidated gross profit, prior year	\$ 1,179.0	\$ 966.6
Aggregates:		
Pricing	81.8	111.5
Volume	(36.8)	139.3
Operational performance ¹	(4.4)	(51.3)
Change in aggregates gross profit	40.6	199.5
Cement and downstream operations products and services	38.0	21.1
Magnesia Specialties products	(9.8)	(3.4)
Corporate	4.5	(4.6)
Freight	0.5	(0.2)
Change in consolidated gross profit	73.8	212.4
Consolidated gross profit, current year	\$ 1,252.8	\$ 1,179.0

¹ Inclusive of cost increases/decreases, product and geographic mix and other operating impacts

The increase in Building Materials business gross profit in 2020 compared with 2019 is primarily attributable to increased pricing, effective cost management, and lower energy and cement maintenance costs. The decline in gross profit in Magnesia Specialties is driven by lower sales due to the impact of COVID-19 on the U.S. steel industry and inventory rationalization by international customers during the first portion of 2020, partially offset by cost reduction actions.

Corporate gross profit includes intercompany royalty and rental revenue and expenses, depreciation and unallocated operational expenses excluded from the Company's evaluation of business segment performance.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Aggregates. The average selling price per ton for aggregates was \$14.77 and \$14.33 for 2020 and 2019, respectively.

Aggregates average selling price increases compared to the prior year are as follows:

years ended December 31	2020	2019
East Group	3.8%	2.5%
West Group	1.7%	7.1%
Total aggregates operations ¹	3.1%	4.2%

¹ Total aggregates operations include acquisitions from the date of acquisition and divestitures through the date of disposal.

The following presents aggregates shipments for each reportable segment of the Building Materials business:

years ended December 31	2020	2019
Tons (in millions)		
East Group	118.7	122.3
West Group	67.8	68.8
Total aggregates operations ¹	186.5	191.1

¹ Total aggregates operations include acquisitions from the date of acquisition and divestitures through the date of disposal.

Aggregates shipments sold to external customers and internal tons used in other product lines are as follows:

years ended December 31	2020	2019
Tons (in millions)		
Tons to external customers	173.9	181.1
Internal tons used in other product lines	12.6	10.0
Aggregates tons	186.5	191.1

Aggregates volume variance compared to the prior year by reportable segment is as follows:

years ended December 31	2020	2019
East Group	(3.0%)	14.9%
West Group	(1.4%)	6.4%
Total aggregates operations ¹	(2.4%)	11.7%

¹ Total aggregates operations include acquisitions from the date of acquisition and divestitures through the date of disposal.

Aggregates pricing improved 3.1% compared with 2019, with the West Group reporting a modest increase of 1.7%, reflecting lower percentage of higher-priced commercial rail-shipped volumes in Texas that offset robust underlying pricing gains. On a mix-adjusted basis, the West Group pricing increase was 3.9%. Aggregates volume declined in 2020, reflecting the broad economic impact from COVID-19, lower anticipated infrastructure shipments in North Carolina and reduced energy-sector shipments resulting from completed projects that were not immediately replaced.

Cement, Ready Mixed Concrete, Asphalt and Paving Services. The Company's cement and downstream operations, namely ready mixed concrete, asphalt and paving services, are located in the West Group.

Average selling prices for cement, ready mixed concrete and asphalt are as follows:

years ended December 31	2020	2019
Cement – per ton	\$ 113.88	\$ 112.75
Ready mixed concrete – per cubic yard	\$ 113.57	\$ 111.32
Asphalt – per ton	\$ 48.00	\$ 46.75



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Unit shipments for cement, ready mixed concrete and asphalt are as follows:

years ended December 31 (in millions)	2020	2019
Cement:		
Tons to external customers	2.7	2.7
Internal tons used in ready mixed concrete	1.3	1.2
Total cement tons	4.0	3.9
Ready mixed concrete – cubic yards¹	8.4	8.5
Asphalt:		
Tons to external customers	0.8	0.9
Internal tons used in paving operations	2.5	2.0
Total asphalt tons	3.3	2.9

¹ Ready mixed concrete operations include acquisitions from the date of acquisition and divestitures through the date of disposal.

Cement shipments increased 2.4% in 2020 versus prior year, reflective of strong demand in North and South Texas, partially offset by reduced energy-sector demand. Cement pricing improved 1.0% compared with the prior year, with strength in North Texas, Houston and portions of Central Texas offset by lower sales of higher-priced oil-well specialty cement products into West Texas. On a mix-adjusted basis, cement pricing increased 3.2%. Cement product gross margin expanded 510 basis points driven by improved kiln reliability resulting from prior-period investments, lower fuel costs and the timing of planned kiln outages.

Ready mixed concrete pricing improved 2.0% and adjusted shipment volume increased 3.2% in 2020, after excluding shipments from ready mixed concrete operations acquired in the third quarter of 2020 and also excluding 2019 shipments from the Southwest Division's ArkLaTex business that was divested in January 2020. In 2020, asphalt pricing increased 2.7% and volumes improved 15.3%, attributable to strong customer demand and favorable weather compared with the prior year.

Magnesia Specialties. In 2020, Magnesia Specialties reported total revenues of \$242.7 million, gross profit of \$85.5 million and earnings from operations of \$70.7 million, representing decreases of 11%, 10% and 15%, respectively, compared with 2019. The declines in 2020 compared with prior year are primarily attributable to lower lime and periclase shipments to the steel industry in response to COVID-19-induced shutdown of domestic auto manufacturers. Additionally, the business experienced a continued decline in chemicals products sales as both domestic and international customers experienced a downturn in economic activity related to COVID-19. Effective cost control contributed to product gross margin expansion of 80 basis points to 40.6%.

Selling, General and Administrative Expenses

SG&A expenses for 2020 and 2019 were 6.5% and 6.4% of total revenues, respectively. The \$3.2 million increase in total expense reflected higher personnel costs and \$6.0 million in COVID-19 related expenses primarily for cleaning and sanitizing protocols across the Company's operations, and were partially offset by reductions in other discretionary costs.

Other Operating Income, Net

Other operating income, net, is comprised generally of gains and losses on the sale of assets; recoveries and losses related to certain customer accounts receivable; rental, royalty and services income; accretion expense, depreciation expense and gains and losses related to asset retirement obligations. These net amounts represented income of \$59.8 million in 2020 and \$9.1 million in 2019. The 2020 amount included \$69.9 million of nonrecurring gains on the sales of investment land and divested assets in Austin, Texas; Riverside, California; and Augusta, Kansas. These asset sales collectively generated net cash proceeds of \$122.8 million. These gains were recorded in the West Group. The 2019 amount included the reversal of \$6.9 million of accruals for sales tax and unclaimed property contingencies.

Earnings from Operations

Consolidated earnings from operations were \$1.0 billion and \$884.9 million in 2020 and 2019, respectively.



Interest Expense

Interest expense was \$118.1 million in 2020 and \$129.3 million in 2019. The decrease reflects lower average outstanding debt during 2020 compared with 2019 and lower interest rates on variable-rate debt.

Other Nonoperating (Income) and Expenses, Net

Other nonoperating income and expenses, net, is comprised generally of interest income; foreign currency transaction gains and losses; pension and postretirement benefit cost (excluding service cost); net equity earnings from nonconsolidated investments and other miscellaneous income and expenses. Consolidated other nonoperating income and expenses, net, was income of \$2.0 million in 2020, and an expense of \$7.3 million in 2019. The 2020 amount reflected lower pension expense of \$8.1 million compared with the prior year and an expense of \$11.4 million to finance third-party railroad track maintenance. 2019 expense included the correction of a prior-period error that overstated equity earnings from a nonconsolidated affiliate. The error was deemed immaterial to any previously-reported period and was corrected as an out-of-period expense of \$15.7 million (\$12.0 million, net of tax). The pretax noncash adjustment was recorded in other nonoperating expenses, net, consistent with the recurring classification of equity earnings from the affiliate.

Income Tax Expense

Variances in the estimated effective income tax rates, when compared with the statutory corporate income tax rate, are due primarily to the statutory depletion deduction for mineral reserves, the effect of state income taxes, stock compensation deductions, and the impact of foreign income or losses for which no tax expense or benefit is recognized. Additionally, certain acquisition-related expenses have limited deductibility for income tax purposes.

The permanent benefit associated with the statutory depletion deduction for mineral reserves is typically the significant driver of the estimated effective income tax rate. The statutory depletion deduction is calculated as a percentage of revenues subject to certain limitations. Due to these limitations, changes in sales volumes and pretax earnings may not proportionately affect the statutory depletion deduction and the corresponding impact on the effective income tax rate. However, the impact of the depletion deduction on the estimated effective tax rate is inversely affected by increases or decreases in pretax earnings.

The Company's estimated effective income tax rate for the years ended December 31, 2020 and 2019 was 18.9% and 18.2%, respectively.

The effective income tax rate for 2020 included a \$14.2 million discrete benefit from financing third-party railroad track maintenance. In exchange, the Company received a federal income tax credit and deduction. The 2019 income tax rate reflected a discrete income tax benefit of \$15.2 million related to a change in tax status of a subsidiary.

Net Earnings Attributable to Martin Marietta and Earnings Per Diluted Share

Net earnings attributable to Martin Marietta were \$721.0 million, or \$11.54 per diluted share, for 2020 and \$611.9 million, or \$9.74 per diluted share, for 2019.

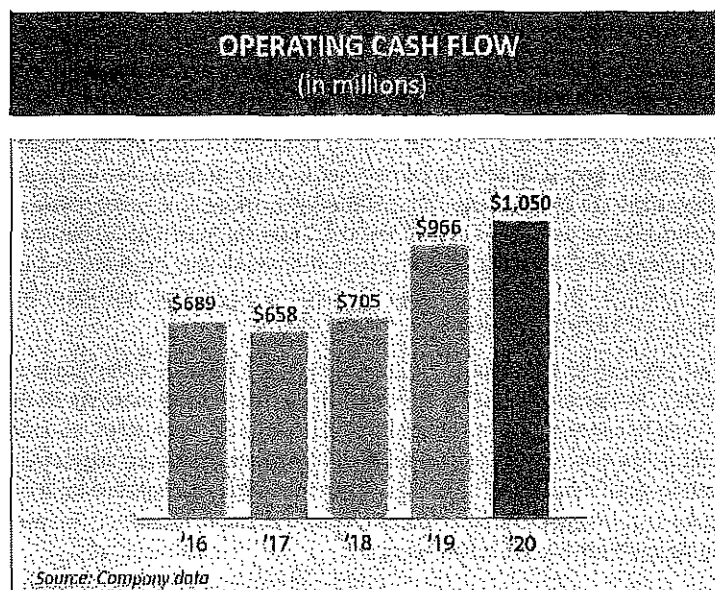
Liquidity and Cash Flows

Operating Activities

Generally, the Company's primary source of liquidity is cash generated from operating activities. Operating cash flow is substantially derived from consolidated net earnings, before deducting depreciation, depletion and amortization, and offset by working capital requirements. Cash provided by operations was \$1.05 billion in 2020 and \$966.1 million in 2019. The primary driver of the increase in cash provided by operations in 2020 is higher earnings.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)



Depreciation, depletion and amortization expense were as follows:

years ended December 31 (In millions)	2020	2019
Depreciation	\$ 336.8	\$ 313.6
Depletion	35.9	37.5
Amortization	17.0	16.4
Total	\$ 389.7	\$ 367.5

Investing Activities

Net cash used for investing activities was \$409.7 million in 2020 and \$385.9 million in 2019.

Cash paid for property, plant and equipment additions was \$359.7 million in 2020 and \$393.5 million in 2019, the reduction reflecting the Company's decision to reduce capital expenditures in light of COVID-19.

The Company paid cash of \$65.1 million for acquisitions in 2020. There were no acquisitions in 2019.

Pretax proceeds from divestitures and sales of nonoperating land and equipment were \$142.3 million in 2020 and \$8.4 million in 2019. In 2020, the amount included the divestitures of investment land and assets in Austin, Texas; Riverside, California; and Augusta, Kansas.

During 2020, the Company repaid \$112.3 million of loans against company-owned life insurance policies.

Financing Activities

The Company used \$357.0 million and \$604.1 million of cash for financing activities during 2020 and 2019, respectively.

Net repayments of long-term debt were \$149.0 million in 2020 and \$350.1 million in 2019.

The Company repurchased 0.2 million shares of its common stock for a total cost of \$50.0 million, or \$237.40 per share, in 2020 and 0.4 million shares of its common stock for a total cost of \$98.2 million, or \$236.04 per share, in 2019.

For the years ended December 31, 2020 and 2019, the Board of Directors approved total cash dividends on the Company's common stock of \$2.24 per share and \$2.06 per share, respectively. Total cash dividends paid were \$140.3 million in 2020 and \$129.8 million in 2019.

Cash provided by issuances of common stock, which represents the exercises of stock options, excluding the impact of shares withheld for taxes, was \$2.3 million and \$13.7 million in 2020 and 2019, respectively.



Capital Structure and Resources

Long-term debt, including current maturities, was \$2.63 billion at December 31, 2020, and was principally in the form of publicly-issued long-term notes and debentures.

On March 5, 2020, the Company issued \$500.0 million aggregate principal amount of 2.500% Senior Notes due 2030 (the 2.500% Senior Notes). The 2.500% Senior Notes are carried net of original issue discount, which is being amortized by the effective interest method over the life of the issue. The 2.500% Senior Notes are redeemable prior to December 15, 2029 at their make-whole redemption price at a discount rate of the U.S. Treasury Rate plus 30 basis points, or on or after December 15, 2029 at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest to the date of redemption. The Company used the net proceeds for general corporate purposes, including the repayment of \$300.0 million of floating rate senior notes at maturity in May 2020.

The Company, through a wholly-owned special-purpose subsidiary, has a \$400.0 million trade receivable securitization facility (the Trade Receivable Facility). In September 2020, the Company extended the maturity of the Trade Receivable Facility to September 22, 2021. The Trade Receivable Facility is backed by eligible trade receivables, as defined. Borrowings are limited to the lesser of the facility limit or the borrowing base, as defined. These receivables are originated by the Company and then sold to the wholly-owned special-purpose subsidiary. The Company continues to be responsible for the servicing and administration of the receivables purchased by the wholly-owned special-purpose subsidiary. The Trade Receivable Facility contains a cross-default provision to the Company's other debt agreements.

The \$700.0 million five-year senior unsecured revolving facility (the Revolving Facility), which matures in December 2024, requires the Company's ratio of consolidated net debt-to-consolidated EBITDA, as defined, for the trailing-twelve month period (the Ratio) to not exceed 3.50x as of the end of any fiscal quarter, provided that the Company may exclude from the Ratio debt incurred in connection with certain acquisitions during the quarter or the three preceding quarters so long as the Ratio calculated without such exclusion does not exceed 3.75x. Additionally, if there are no amounts outstanding under the Revolving Facility and the Trade Receivable Facility, consolidated debt, including debt for which the Company is a co-borrower, shall be reduced by the Company's unrestricted cash and cash equivalents in excess of \$50.0 million, such reduction not to exceed \$200.0 million, for purposes of the covenant calculation.

At December 31, 2020, the Company's ratio of consolidated net debt-to-consolidated EBITDA, as defined in the agreement governing the Revolving Facility (the Credit Agreement), for the trailing twelve-month EBITDA was 1.75 times and was calculated as follows:

(dollars in millions)	Twelve-Month Period January 1, 2020 to December 31, 2020
Net earnings attributable to Martin Marietta	\$ 721.0
Add back:	
Interest expense	118.1
Income tax expense	168.2
Depreciation, depletion and amortization expense	389.6
Stock-based compensation expense	30.0
Deduct:	
Interest income	(0.5)
Consolidated EBITDA, as defined by the Company's Credit Agreement	\$ 1,426.4
Consolidated net debt, as defined and including debt for which the Company is a co-borrower, at December 31, 2020	\$ 2,501.5
Consolidated net debt-to-consolidated EBITDA, as defined by the Company's Credit Agreement, at December 31, 2020 for trailing twelve-month EBITDA	1.75x

Total equity was \$5.89 billion at December 31, 2020. At that date, the Company had an accumulated other comprehensive loss of \$158.4 million, primarily resulting from unrecognized actuarial losses related to pension benefits.

Pursuant to authority granted by its Board of Directors, the Company can repurchase up to 20 million shares of common stock. As of December 31, 2020, the Company had 13.5 million shares remaining under the repurchase authorization. Future



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

share repurchases are at the discretion of management and were temporarily paused in March 2020 in light of the COVID-19 pandemic. Management may resume share repurchases as circumstances dictate.

At December 31, 2020, the Company had \$207.3 million in unrestricted cash and short-term investments that are considered cash equivalents. The Company manages its cash and cash equivalents to ensure short-term operating cash needs are met and excess funds are managed efficiently. The Company funds shortages in operating cash through credit facilities. The Company utilizes excess cash to either pay-down credit facility borrowings or invest in money market funds, money market demand deposit accounts or offshore time deposit accounts. Money market demand deposits and offshore time deposit accounts are exposed to bank solvency risk. Money market demand deposit accounts are FDIC insured up to \$250,000. The Company's investments in bank funds generally exceed the FDIC insurance limit.

As of December 31, 2020, the Company had restricted cash of \$97.1 million for the purchase of like-kind exchange replacement assets under Section 1031 of the Internal Revenue Code (Section 1031). In January 2021, unused funds of \$47.2 million were transferred to unrestricted cash and can subsequently be used for general corporate purposes. The Company has until March 9, 2021 to utilize additional funds for like-kind exchange replacement assets. Any remaining unused funds will be transferred to unrestricted cash at that time.

Cash on hand, along with the Company's projected internal cash flows and availability of financing resources, including its access to debt and equity capital markets, is expected to continue to be sufficient to provide the capital resources necessary to support anticipated operating needs, cover debt service requirements, meet capital expenditures and discretionary investment needs, fund certain acquisition opportunities that may arise and allow for payment of dividends for the foreseeable future. Borrowings under the Revolving Facility are unsecured and may be used for general corporate purposes. The Company's ability to borrow or issue securities is dependent upon, among other things, prevailing economic, financial and market conditions. At December 31, 2020, the Company had \$1.1 billion of unused borrowing capacity under its Revolving Facility and Trade Receivable Facility.

The Company may be required to obtain additional financing in order to fund certain strategic acquisitions or to refinance outstanding debt. Any strategic acquisition of size would likely require an appropriate balance of newly-issued equity with debt in order to maintain a composite investment-grade credit rating. The Company is exposed to credit markets through the interest cost related to borrowings under its Revolving Facility and Trade Receivable Facility.

The Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law in March 2020 and provides liquidity support for businesses. The CARES Act allowed the Company to defer the payment of the 6.2% employer share of Social Security taxes for the period from March 27, 2020 through December 31, 2020. Half of the deferred obligation will be due December 31, 2021 and the remaining half will be due December 31, 2022. There will be no interest assessed on amounts deferred. The Company deferred payment of \$27.6 million under this provision.

Contractual and Off Balance Sheet Obligations

Postretirement medical benefits will be paid from the Company's assets. The obligation, if any, for retiree medical payments is subject to the terms of the plan. At December 31, 2020, the Company's recorded benefit obligation related to these benefits totaled \$12.6 million.

The Company has other retirement benefits related to pension plans. At December 31, 2020, the fair value of the qualified pension plans' assets exceeded the projected benefit obligation by \$41.8 million. The Company estimates that it will make contributions of \$75.1 million to qualified pension plans in 2021. Any contributions beyond 2021 are currently undeterminable and will depend on the investment return on the related pension assets. However, management's practice is to fund at least the service cost annually. At December 31, 2020, the Company had a total obligation of \$115.8 million related to unfunded nonqualified pension plans and expects to make contributions of \$7.5 million to these plans in 2021.

At December 31, 2020, the Company had \$8.4 million accrued for uncertain tax positions, including interest and correlative effects of \$0.2 million. Such liabilities may become payable if the tax positions are not sustained upon examination by a taxing authority.

In connection with normal, ongoing operations, the Company enters into market-rate leases for property, plant and equipment and royalty commitments principally associated with leased land and mineral reserves. Additionally, the Company enters into equipment rentals to meet shorter-term, nonrecurring and intermittent needs. At December 31, 2020, the Company had \$459.0 million in operating lease obligations and \$24.5 million in finance lease obligations, representing the present value of future payments. The imputed interest on operating and finance lease obligations was \$174.3 million. Management anticipates that, in the ordinary course of business, the Company will enter into additional royalty agreements.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

for land and mineral reserves during 2021. As permitted, short-term leases are excluded from ASC 842 requirements and future noncancelable obligations for these leases as of December 31, 2020 are immaterial.

As of December 31, 2020, interest payable on the Company's publicly traded debt through the various maturity dates was \$1.35 billion. The Company has obligations related to contracts of affreightment not accounted for as a lease and royalty agreements totaling \$120.2 million and \$119.7 million, respectively, as of December 31, 2020. The Company has purchase commitments for property, plant and equipment of \$102.8 million as of December 31, 2020. The Company also has other purchase obligations related to energy and service contracts which totaled \$122.4 million as of December 31, 2020.

Contingent Liabilities and Commitments

The Company has entered into standby letter of credit agreements relating to certain insurance claims, contract performance and permit requirements. At December 31, 2020, the Company had contingent liabilities guaranteeing its own performance under these outstanding letters of credit of \$32.0 million.

In the normal course of business, at December 31, 2020, the Company was contingently liable for \$390.2 million in surety bonds, which guarantee its own performance and are required by certain states and municipalities and their related agencies. The Company has indemnified the underwriting insurance companies against any exposure under the surety bonds. In the Company's past experience, no material claims have been made against these financial instruments.

The Company is a co-borrower with an unconsolidated affiliate for a \$12.5 million revolving line of credit agreement with Truist Bank. The affiliate has agreed to reimburse and indemnify the Company for any payments and expenses the Company may incur from this agreement. The Company holds a lien on the affiliate's membership interest in a joint venture as collateral for payment under the revolving line of credit.

OTHER FINANCIAL INFORMATION

Critical Accounting Policies and Estimates

The Company's audited consolidated financial statements include certain critical estimates regarding the effect of matters that are inherently uncertain. These estimates require management's subjective and complex judgments. Amounts reported in the Company's consolidated financial statements could differ materially if management used different assumptions in making these estimates, resulting in actual results differing from those estimates. Methodologies used and assumptions selected by management in making these estimates, as well as the related disclosures, have been reviewed by and discussed with the Company's Audit Committee. Management's determination of the critical nature of accounting estimates and judgments may change from time to time depending on facts and circumstances that management cannot currently predict.

Impairment Review of Goodwill

Goodwill is required to be tested annually for impairment. An interim review is performed between annual tests if facts and circumstances indicate a potential impairment. The impairment review of goodwill is a critical accounting estimate because goodwill represented 23% of the Company's total assets at December 31, 2020; the review requires management to apply judgment and make key assumptions; and an impairment charge could be material to the Company's financial condition and results of operations. The Company performs its impairment evaluation as of October 1, which represents the annual evaluation date.

The Company's reporting units, which represent the level at which goodwill is tested for impairment, are based on the operating segments of the Building Materials business. The Southwest Division is the most significant reporting unit and includes \$1.7 billion of the Company's goodwill. There is no goodwill related to the Magnesia Specialties business.

Certain of the aforementioned reporting units within the Building Materials business meet the aggregation criteria and are consolidated into reportable segments for financial reporting.

Goodwill is assigned to the respective reporting unit(s) based on the location of acquisitions at the time of consummation. If subsequent organizational changes result in operations being transferred to a different reporting unit, a proportionate amount of goodwill is transferred from the former to the new reporting unit. Goodwill is tested for impairment by comparing the reporting unit's fair value to its carrying value, which represents a Step-1 analysis. However, prior to Step 1, the Company may perform an optional qualitative assessment, or Step 0. As part of the qualitative assessment, the Company considers, among other things, the following events and circumstances: macroeconomic conditions, industry and market conditions, cost factors, overall financial performance and other business or reporting unit-specific events. If the Company concludes it is



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

more-likely-than-not (i.e., a likelihood of more than 50%) that a reporting unit's fair value is higher than its carrying value, the Company does not perform any further goodwill impairment testing for that reporting unit. Otherwise, it proceeds to Step 1 of its goodwill impairment analysis. The Company may bypass the qualitative assessment for any reporting unit in any period and proceed directly with the quantitative calculation in Step 1. When the Company validates its conclusion by measuring fair value, it may resume performing a qualitative assessment for a reporting unit in any subsequent period. If the reporting unit's fair value exceeds its carrying value, no further calculation is necessary. A reporting unit with a carrying value in excess of its fair value constitutes a Step-1 failure and results in an impairment charge.

For the 2020 annual impairment evaluation, the Company performed a Step-0 analysis for all reporting units and concluded that it is more-likely-than-not that the reporting units' fair values exceed their carrying values.

Any potential impairment charges from future evaluations represent a risk to the Company.

Pension Benefit Obligation and Pension Expense – Selection of Assumptions

The Company sponsors noncontributory defined benefit pension plans that cover substantially all employees and a Supplemental Excess Retirement Plan (SERP) for certain retirees (see Note K to the consolidated financial statements). Annually, as of December 31, management remeasures the defined benefit pension plans' projected benefit obligation based on the present value of the projected future benefit payments to all participants for services rendered to date, reflecting expected future pay increases through the participants' expected retirement dates. A discount rate assumption is selected annually based on corporate bond rates as of the measurement date to calculate the present value of the projected benefit obligation.

Annual pension expense, referred to as net periodic benefit cost within the consolidated financial statements, (inclusive of SERP expense) consists of several components:

- *Service Cost*, which represents the present value of benefits attributed to services rendered in the current year, measured by expected future salary levels to assumed retirement dates;
- *Interest Cost*, which represents one year's additional interest on the projected benefit obligation;
- *Expected Return on Assets*, which represents the expected investment return on pension plan assets; and
- *Amortization of Prior Service Cost and Actuarial Gains and Losses*, which represents components that are recognized over time rather than immediately. Prior service cost represents credit given to employees for years of service already accrued, of which there is an insignificant amount at December 31, 2020. Actuarial gains and losses arise from changes in assumptions regarding future events, a change in the benefit obligation resulting from experience different from assumed or when actual returns on pension assets differ from expected returns. At December 31, 2020, the unrecognized actuarial loss was \$245.9 million. Pension accounting rules currently allow companies to amortize the portion of the unrecognized actuarial loss that represents more than 10% of the greater of the projected benefit obligation or pension plan assets, using the average remaining service life for the amortization period. Therefore, the \$245.9 million unrecognized actuarial loss consists of \$134.7 million currently subject to amortization in 2021 and \$111.2 million not subject to amortization in 2021.

These components are calculated annually to determine the annual pension expense.

Management believes the selection of assumptions related to the annual pension expense and related projected benefit obligation is a critical accounting estimate due to the high degree of volatility in the expense and obligation dependent on selected assumptions. The key assumptions are as follows:

- The *discount rate* is used to present value the projected benefit obligation and represents the current rate at which the projected benefit obligations could be effectively settled.
- The *expected long-term rate of return on pension plan assets* is used to estimate future asset returns and should reflect the average rate of long-term earnings on assets invested to provide for the benefits included in the projected benefit obligation.
- The *mortality table* and *mortality improvement scale* represent published statistics on the expected lives of people.
- The *rate of increase in future compensation levels* is used to project the pay-related pension benefit formula and should estimate actual future compensation levels.

Management's selection of the discount rate is based on an analysis that estimates the current rate of return for high-quality, fixed-income investments with maturities matching the payment of pension benefits that could be purchased to settle the obligations. The Company selected a hypothetical portfolio of Moody's Aa bonds, with maturities that match the benefit



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

obligations, to determine the discount rate. At December 31, 2020, the Company selected a discount rate assumption of 3.16%, a 53-basis-point decrease compared with the prior-year assumption. Of the four key assumptions, the discount rate is generally the most volatile and sensitive estimate. Accordingly, a change in this assumption has the most significant impact on the annual pension expense and the projected benefit obligation.

Management's selection of the rate of increase in future compensation levels, which reflects cost of living adjustments and merit and promotion increases, is generally based on the Company's historical increases in pensionable earnings, while giving consideration to any future expectations. A higher rate of increase results in higher pension expense and a higher projected benefit obligation. The assumed long-term rate of increase is 4.5%.

Management's selection of the expected long-term rate of return on pension fund assets is based on a building-block approach, whereby the components are weighted based on the allocation of pension plan assets. Based on the currently projected returns on these assets and related expenses, the Company selected an expected return on assets of 6.75%, the same as the prior-year rate. The following table presents the expected return on pension assets as compared with the actual return on pension assets:

(in millions)	Expected Return on Pension Assets	Actual Return on Pension Assets
2020	\$58.4	\$127.7
2019	\$47.9	\$131.3

The difference between the expected return and the actual return on pension assets is included in actuarial gains and losses, which are amortized into annual pension expense as previously described.

At December 31, 2020 and 2019, the Company estimated the remaining lives of participants in the pension plans using the Society of Actuaries' Pri-2012 Base Mortality Table. The no-collar table was used for salaried participants and the blue-collar table was used for hourly participants, both adjusted to reflect the historical experience of the Company's participants. The Company selected the MP-2020 and the MP-2018 scales for mortality improvement at December 31, 2020 and 2019, respectively.

Assumptions are selected on December 31 to calculate the succeeding year's expense. For the 2020 pension expense, assumptions selected at December 31, 2019 were as follows:

Discount rate	3.69%
Rate of increase in future compensation levels	4.50%
Expected long-term rate of return on assets	6.75%
Average remaining service period for participants	10 years
Mortality Tables:	
Base Table	Pri-2012
Mortality Improvement Scale	MP-2018

Using these assumptions, the pension benefit obligation as of December 31, 2019 was \$977.8 million and 2020 pension expense was \$36.8 million. A change in the assumptions would have had the following impact on the December 31, 2019 pension benefit obligation and the 2020 expense:

- A 25-basis-point change in the discount rate would have changed the December 31, 2019 pension benefit obligation by approximately \$36.3 million.
- A 25-basis-point change in the discount rate would have changed the 2020 expense by approximately \$4.7 million.
- A 25-basis-point change in the expected long-term rate of return on assets would have changed the 2020 expense by approximately \$2.2 million.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

The assumptions selected at December 31, 2020 were as follows:

Discount rate	3.16%
Rate of increase in future compensation levels	4.50%
Expected long-term rate of return on assets	6.75%
Average remaining service period for participants	10 years
Mortality Tables:	
Base Table	Pri-2012
Mortality Improvement Scale	MP-2020

Using these assumptions, pension benefit obligation as of December 31, 2020 was \$1.11 billion and 2021 pension expense is expected to be approximately \$25.9 million based on current demographics and structure of the plans. Changes in the underlying assumptions would have the following estimated impact on the obligation and expected expense:

- A 25-basis-point change in the discount rate would have changed the December 31, 2020 pension benefit obligation by approximately \$40.9 million.
- A 25-basis-point change in the discount rate would change the 2021 expected expense by approximately \$5.4 million.
- A 25-basis-point change in the expected long-term rate of return on assets would change the 2021 expected expense by approximately \$2.6 million.

The Company made pension plan contributions of \$88.4 million in 2020 and \$385.3 million during the five-year period ended December 31, 2020. Despite these contributions, the Company's pension plans are underfunded (projected benefit obligation exceeds the fair value of plan assets) by \$74.0 million at December 31, 2020. The Company's projected benefit obligation was \$1.11 billion at December 31, 2020, an increase of \$134.1 million versus the prior year, driven by the lower discount rate. The Company expects to make pension plan and SERP contributions of \$82.6 million in 2021, of which \$75.0 million are voluntary.

Estimated Effective Income Tax Rate

The Company uses the liability method to determine its provision for income taxes. Accordingly, the annual provision for income taxes reflects estimates of the current liability for income taxes, estimates of the tax effect of financial reporting versus tax basis differences using statutory income tax rates and management's judgment with respect to any valuation allowances on deferred tax assets. The result is management's estimate of the annual effective tax rate (the ETR).

Income for tax purposes is determined through the application of the rules and regulations under the United States Internal Revenue Code and the statutes of various foreign, state and local tax jurisdictions in which the Company conducts business. Changes in the statutory tax rates and/or tax laws in these jurisdictions can have a material effect on the ETR. The effect of these changes, if material, is recognized when the change is enacted.

As prescribed by these tax regulations, as well as generally accepted accounting principles, the manner in which revenues and expenses are recognized for financial reporting and income tax purposes is not always the same. Therefore, these differences between the Company's pretax income for financial reporting purposes and the amount of taxable income for income tax purposes are treated as either temporary or permanent, depending on their nature.

Temporary differences reflect revenues or expenses that are recognized in financial reporting in one period and taxable income in a different period. An example of a temporary difference is the use of the straight-line method of depreciation of machinery and equipment for financial reporting purposes and the use of an accelerated method for income tax purposes. Temporary differences result from differences between the financial reporting basis and tax basis of assets or liabilities and give rise to deferred tax assets or liabilities (i.e., future tax deductions or future taxable income). Therefore, when temporary differences occur, they are offset by a corresponding change in a deferred tax account. As such, total income tax expense as reported in the Company's consolidated statements of earnings is not changed by temporary differences.

The Company has deferred tax liabilities, primarily for right-of-use assets, property, plant and equipment, goodwill and other intangibles, employee pension and postretirement benefits and partnerships and joint ventures. The deferred tax liabilities attributable to property, plant and equipment relate to accelerated depreciation and depletion methods used for income tax purposes as compared with the straight-line and units-of-production methods used for financial reporting purposes. These temporary differences will reverse over the remaining useful lives of the related assets. The deferred tax liabilities attributable to goodwill arise as a result of amortizing goodwill for income tax purposes but not for financial reporting purposes. This temporary difference reverses when goodwill is written off for financial reporting purposes, either through divestitures or an impairment.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

charge. The timing of such events cannot be estimated. The deferred tax liabilities attributable to employee pension and postretirement benefits relate to deductions as plans are funded for income tax purposes compared with deductions for financial reporting purposes based on accounting standards. The reversal of these differences depends on the timing of the Company's contributions to the related benefit plans as compared to the annual expense for financial reporting purposes. The deferred tax liabilities attributable to partnerships and joint ventures relate to the difference between the tax basis of the investments in partnerships and joint ventures when compared to the basis for financial reporting purposes. The temporary difference reverses through differences recognized over the life of the investment or through divestiture.

The Company has deferred tax assets, primarily for inventories, unvested stock-based compensation awards, unrecognized losses related to the funded status of the pension and postretirement benefit plans, lease liabilities, valuation reserves, net operating loss carryforwards and tax credit carryforwards. The deferred tax assets attributable to inventories and valuation reserves relate to the deduction of estimated cost reserves and various period expenses for financial reporting purposes that are deductible in a later period for income tax purposes. The reversal of these differences depends on facts and circumstances, including the timing of deduction for income tax purposes for reserves previously established and the establishment of additional reserves for financial reporting purposes. The deferred tax assets attributable to unvested stock-based compensation awards relate to differences in the timing of deductibility for financial reporting purposes versus income tax purposes. For financial reporting purposes, the fair value of the awards is deducted ratably over the requisite service period. For income tax purposes, no deduction is allowed until the award is vested or no longer subject to substantial risk of forfeiture. The Company reflects all excess tax benefits and tax deficiencies in income tax expense as a discrete event in the period in which the award vests or settles, increasing volatility in the income tax rate from period to period.

Business Combinations – Allocation of Purchase Price

The Company's Board of Directors and management regularly review strategic long-term plans, including potential investments in value-added acquisitions of related or similar businesses, which would increase the Company's market presence and/or are related to the Company's existing markets. When an acquisition is completed, the Company's consolidated statements of earnings include the operating results of the acquired business starting from the date of acquisition, which is the date control is obtained. The purchase price is determined based on the fair value of assets and equity interests given to the seller and any future obligations to the seller as of the date of acquisition. The Company allocates the purchase price to the fair values of the tangible and intangible assets acquired and liabilities assumed as valued at the date of acquisition. Goodwill is recorded for the excess of the purchase price over the net of the fair value of the identifiable assets acquired and liabilities assumed as of the acquisition date. The purchase price allocation is a critical accounting policy because the estimation of fair values of acquired assets and assumed liabilities is judgmental and requires various assumptions. Further, the amounts and useful lives assigned to depreciable and amortizable assets versus amounts assigned to goodwill and indefinite-lived intangible assets, which are not amortized, can significantly affect the results of operations in the period of and for periods subsequent to a business combination.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction, and, therefore, represents an exit price. Fair value measurement assumes the highest and best use of the asset by market participants, considering the use of the asset that is physically possible, legally permissible, and financially feasible at the measurement date. The Company assigns the highest level of fair value available to assets acquired and liabilities assumed based on the following options:

- Level 1 – Quoted prices in active markets for identical assets and liabilities
- Level 2 – Observable inputs, other than quoted prices, for similar assets or liabilities in active markets
- Level 3 – Unobservable inputs, used to value the asset or liability which includes the use of valuation models

Level 1 fair values are used to value investments in publicly traded entities and assumed obligations for publicly traded long-term debt.

Level 2 fair values are typically used to value acquired receivables, inventories, machinery and equipment, land, buildings, deferred income tax assets and liabilities, and accruals for payables, asset retirement obligations, environmental remediation and compliance obligations, and contingencies. Additionally, Level 2 fair values are typically used to value assumed contracts at other-than-market rates.

Level 3 fair values are used to value acquired mineral reserves and mineral interests produced and sold as final products, and separately-identifiable intangible assets. The fair values of mineral reserves and mineral interests are determined using an excess earnings approach, which requires management to estimate future cash flows, net of capital investments in the specific



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

operation and contributory asset charges. The estimate of future cash flows is based on available historical information and future expectations and assumptions determined by management, but is inherently uncertain. Key assumptions in estimating future cash flows include changes in sales price, shipment volumes and production costs as well as capital needs. The present value of the projected net cash flows represents the fair value assigned to mineral reserves and mineral interests. The discount rate is a significant assumption used in the valuation model and is based on the required rate of return that a hypothetical market participant would require if purchasing the acquired business, with an adjustment for the risk of these assets not generating the projected cash flows.

The Company values separately-identifiable acquired intangible assets which may include, but are not limited to, permits, customer relationships, water rights and noncompetition agreements. The fair values of these assets are typically determined by an excess earnings method, a replacement cost method or, in the case of water rights, a market approach.

The useful lives of amortizable intangible assets and the remaining useful lives for acquired machinery and equipment have a significant impact on earnings. The selected lives are based on the expected periods that the assets will provide value to the Company subsequent to the business combination.

The Company may adjust the amounts recognized for a business combination during a measurement period after the acquisition date. Any such adjustments are based on the Company obtaining additional information that existed at the acquisition date regarding the assets acquired or the liabilities assumed. Measurement-period adjustments are generally recorded as increases or decreases to the goodwill recognized in the transaction. The measurement period ends once the Company has obtained all necessary information that existed as of the acquisition date, but does not extend beyond one year from the date of acquisition. Any adjustments to assets acquired or liabilities assumed beyond the measurement period are recorded through earnings.

Property, Plant and Equipment

Net property, plant and equipment represented 50% of total assets at December 31, 2020. Accordingly, accounting for these assets represents a critical accounting policy. Useful lives of the assets can vary depending on factors, including production levels, geographic location, portability and maintenance practices. Additionally, climate and inclement weather can reduce the useful life of an asset. Historically, the Company has not recognized significant losses on the disposal or retirement of fixed assets.

Aggregates mineral reserves and mineral interests are components within the plant, property and equipment balance on the consolidated balance sheets. The Company evaluates aggregates reserves, including those used in the cement manufacturing process, in several ways, depending on the geology at a particular location and whether the location is a greensite, an acquisition or an existing operation. Greensites require an extensive drilling program before any significant investment is made in terms of time, site development or efforts to obtain appropriate zoning and permitting (see *Environmental Regulation and Litigation* section). The depth of overburden and the quality and quantity of the aggregates reserves are significant factors in determining whether to pursue opening the site. Further, the estimated average selling price for products in a market is also a significant factor in concluding that reserves are economically mineable. If the Company's analysis based on these factors is satisfactory, the total aggregates reserves available are calculated and a determination is made whether to open the location. Reserve evaluation at existing locations is typically performed to evaluate purchasing adjoining properties, for quality control, calculating overburden volumes and for mine planning. Reserve evaluation of acquisitions may require a higher degree of sampling to locate any problem areas that may exist and to verify the total reserves.

Well-ordered subsurface sampling of the underlying deposit is basic to determining reserves at any location. This subsurface sampling usually involves one or more types of drilling, determined by the nature of the material to be sampled and the particular objective of the sampling. The Company's objectives are to ensure that the underlying deposit meets aggregates specifications and the total reserves on site are sufficient for mining and economically recoverable. Locations underlain with hard rock deposits, such as granite and limestone, are drilled using the diamond core method, which provides the most useful and accurate samples of the deposit. Selected core samples are tested for soundness, abrasion resistance and other physical properties relevant to the aggregates industry and depend on the aggregates use. The number and depth of the holes are determined by the size of the site and the complexity of the site-specific geology. Some geological factors that may affect the number and depth of holes include faults, folds, chemical irregularities, clay pockets, thickness of formations and weathering. A typical spacing of core holes on the area to be tested is one hole for every four acres, but wider spacing may be justified if the deposit is homogeneous.

Despite previous drilling and sampling, once accessed, the quality of reserves within a deposit can vary. Construction contracts, for the infrastructure market in particular, include specifications related to the aggregates material. If a flaw in the deposit is discovered, the aggregates material may not meet the required specifications. Although it is possible that the



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

aggregates material can still be used for non-specification uses, this can have an adverse effect on the Company's ability to serve certain customers or on the Company's profitability. In addition, other issues can arise that limit the Company's ability to access reserves in a particular quarry, including geological occurrences, blasting practices and zoning issues.

Locations underlain with sand and gravel are typically drilled using the auger method, whereby a six-inch corkscrew brings up material from below the ground which is then sampled. Deposits in these locations are typically limited in thickness. Additionally, the quality and sand-to-gravel ratio of the deposit can vary both horizontally and vertically. Hole spacing at these locations is approximately one hole for every acre to ensure a representative sampling.

The geologist conducting the reserve evaluation makes the decision as to the number of holes and the spacing in accordance with standards and procedures established by the Company. Further, the anticipated heterogeneity of the deposit, based on U.S. geological maps, also dictates the number of holes drilled.

The generally accepted reserve categories for the aggregates industry and the designations the Company uses for reserve categories are summarized as follows:

Proven Reserves – These reserves are designated using closely spaced drill data as described above and a determination by a professional geologist that the deposit is relatively homogeneous based on the drilling results and exploration data provided in U.S. geologic maps, the U.S. Department of Agriculture soil maps, aerial photographs and/or electromagnetic, seismic or other surveys conducted by independent geotechnical engineering firms. The proven reserves that are recorded reflect reductions incurred through quarrying that result from leaving ramps, safety benches, pillars (underground) and the fines (small particles) that will be generated during processing. Proven reserves are further reduced by reserves that are under the plant and stockpile areas, as well as setbacks from neighboring property lines. The Company typically assumes a loss factor of 25%. However, the assumed loss factor at coastal operations is approximately 40% due to the nature of the material. The assumed loss factor for underground operations is 35% primarily due to pillars.

Probable Reserves – These reserves are inferred utilizing fewer drill holes and/or assumptions about the economically recoverable reserves based on local geology or drill results from adjacent properties.

The Company's proven and probable reserves reflect reasonable economic and operating constraints as to maximum depth of overburden and stone excavation, and also include reserves at the Company's inactive and undeveloped sites, including some sites where permitting and zoning applications will not be filed until warranted by expected future growth. The Company has historically been successful in obtaining and maintaining appropriate zoning and permitting (see *Environmental Regulation and Litigation* section).

Mineral reserves and mineral interests, when acquired in connection with a business combination, are valued using an excess earnings approach for the life of the proven and probable reserves.

The Company uses proven and probable reserves as the denominator in its units-of-production calculation to record depletion expense for its mineral reserves and mineral interests. For 2020, depletion expense was \$35.9 million.

The Company begins capitalizing quarry development costs at a point when reserves are determined to be proven or probable, economically mineable and when demand supports investment in the market. Capitalization of these costs ceases when production commences. Capitalized quarry development costs are classified as land improvements.

New mining areas may be developed at existing quarries in order to access additional reserves. When this occurs, management reviews the facts and circumstances of each situation in making a determination as to the appropriateness of capitalizing or expensing the related pre-production development costs. If the additional mining location operates in a separate and distinct area of a quarry, the costs are capitalized as quarry development costs and depreciated over the life of the uncovered reserves. Further, a separate asset retirement obligation is created for additional mining areas when the liability is incurred. Once a new mining area enters the production phase, all post-production stripping costs are expensed as incurred as periodic inventory production costs.



Forward-Looking Statements – Safe Harbor Provisions Under the Private Securities Litigation Reform Act of 1995

If you are interested in Martin Marietta stock, management recommends that, at a minimum, you read the Company's current annual report and Forms 10-K, 10-Q and 8-K reports to the Securities and Exchange Commission (SEC) over the past year. The Company's recent proxy statement for the annual meeting of shareholders also contains important information. These and other materials that have been filed with the SEC are accessible through the Company's website at www.martinmarietta.com and are also available at the SEC's website at www.sec.gov. You may also write or call the Company's Corporate Secretary, who will provide copies of such reports.

Investors are cautioned that all statements in this Annual Report that relate to the future involve risks and uncertainties, and are based on assumptions that the Company believes in good faith are reasonable but which may be materially different from actual results. These statements, which are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and 27A of the Securities Act of 1933, and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, provide the investor with the Company's expectations or forecasts of future events. You can identify these statements by the fact that they do not relate only to historical or current facts. They may use words such as "anticipate," "may," "expect," "should," "believe," "project," "intend," "will," and other words of similar meaning in connection with future events or future operating or financial performance. In addition to the statements included in this report, we may from time to time make other oral or written forward-looking statements in other filings under the Securities Exchange Act of 1934 or in other public disclosures. Any or all of management's forward-looking statements here and in other publications may turn out to be wrong.

These forward-looking statements are subject to risks and uncertainties, and are based on assumptions that may be materially different from actual results, and include, but are not limited to:

- the ability of the Company to face challenges, including those posed by the COVID-19 pandemic and implementation of any such related response plans;
- the recent dramatic increases in COVID-19 cases in the United States and the extent that geography of outbreak primarily matches the regions in which the Company's Building Materials business principally operates;
- the resiliency and potential declines of the Company's various construction end-use markets; the potential negative impact of the COVID-19 pandemic on the Company's ability to continue supplying heavy-side building materials and related services at normal levels or at all in the Company's key regions;
- the duration, impact and severity of the impact of the COVID-19 pandemic on the Company, including the markets in which the Company does business, its suppliers, customers or other business partners as well as the Company's employees;
- the economic impact of government responses to the pandemic; the performance of the United States economy, including the impact on the economy of the COVID-19 pandemic and governmental orders restricting activities imposed to prevent further outbreak of COVID-19;
- shipment declines resulting from economic events beyond the Company's control;
- a widespread decline in aggregates pricing, including a decline in aggregates shipment volume negatively affecting aggregates price;
- the history of both cement and ready mixed concrete being subject to significant changes in supply, demand and price fluctuations; the termination, capping and/or reduction or suspension of the federal and/or state gasoline tax(es) or other revenue related to public construction;
- the level and timing of federal, state or local transportation or infrastructure or public projects funding, most particularly in Texas, Colorado, North Carolina, Georgia, Iowa, Florida and Maryland;
- the impact of governmental orders restricting activities imposed to prevent further outbreak of COVID-19 on travel, potentially reducing state fuel tax revenues used to fund highway projects;
- the United States Congress' inability to reach agreement among themselves or with the Administration on policy issues that impact the federal budget;
- the ability of states and/or other entities to finance approved projects either with tax revenues or alternative financing structures;
- levels of construction spending in the markets the Company serves; a reduction in defense spending and the subsequent impact on construction activity on or near military bases;



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

- a decline in the commercial component of the nonresidential construction market, notably office and retail space, including a decline resulting from economic distress related to the COVID-19 pandemic;
- a decline in energy-related construction activity resulting from a sustained period of low global oil prices or changes in oil production patterns or capital spending in response to this decline, particularly in Texas;
- Increasing residential mortgage rates and other factors that could result in a slowdown in residential construction;
- unfavorable weather conditions, particularly Atlantic Ocean and Gulf of Mexico hurricane activity, the late start to spring or the early onset of winter and the impact of a drought or excessive rainfall in the markets served by the Company, any of which can significantly affect production schedules, volumes, product and/or geographic mix and profitability;
- whether the Company's operations will continue to be treated as "essential" operations under applicable government orders restricting business activities imposed to prevent further outbreak of COVID-19 or, even if so treated, whether site-specific health and safety concerns might otherwise require certain of the Company's operations to be halted for some period of time;
- the volatility of fuel costs, particularly diesel fuel, and the impact on the cost, or the availability generally, of other consumables, namely steel, explosives, tires and conveyor belts, and with respect to the Company's Magnesia Specialties business, natural gas;
- continued increases in the cost of other repair and supply parts; construction labor shortages and/or supply-chain challenges;
- unexpected equipment failures, unscheduled maintenance, industrial accident or other prolonged and/or significant disruption to production facilities;
- increasing governmental regulation, including environmental laws; the failure of relevant government agencies to implement expected regulatory reductions;
- transportation availability or a sustained reduction in capital investment by the railroads, notably the availability of railcars, locomotive power and the condition of rail infrastructure to move trains to supply the Company's Texas, Colorado, Florida, Carolinas and the Gulf Coast markets, including the movement of essential dolomitic lime for magnesia chemicals to the Company's plant in Manistee, Michigan and its customers;
- increased transportation costs, including increases from higher or fluctuating passed-through energy costs or fuel surcharges, and other costs to comply with tightening regulations, as well as higher volumes of rail and water shipments (leading to reduced profit margins when compared with aggregates moved by truck);
- availability of trucks and licensed drivers for transport of the Company's materials;
- availability and cost of construction equipment in the United States;
- weakening in the steel industry markets served by the Company's dolomitic lime products;
- trade disputes with one or more nations impacting the U.S. economy, including the impact of tariffs on the steel industry;
- unplanned changes in costs or realignment of customers that introduce volatility to earnings, including the Magnesia Specialties business;
- proper functioning of information technology and automated operating systems to manage or support operations;
- inflation and its effect on both production and interest costs;
- the concentration of customers in construction markets and the increased risk of potential losses on customer receivables;
- the impact of the level of demand in the Company's end-use markets, production levels and management of production costs on the operating leverage and therefore profitability of the Company;
- the possibility that the expected synergies from acquisitions will not be realized or will not be realized within the expected time period, including achieving anticipated profitability to maintain compliance with the Company's leverage ratio debt covenant;
- changes in tax laws, the interpretation of such laws and/or administrative practices that would increase the Company's tax rate;
- violation of the Company's debt covenant if price and/or volumes return to previous levels of instability;
- downward pressure on the Company's common stock price and its impact on goodwill impairment evaluations;
- the possibility of a reduction of the Company's credit rating to non-investment grade; and
- other risk factors listed from time to time found in the Company's filings with the SEC.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

Further, increased highway construction funding pressures resulting from either federal or state issues can affect profitability. If these negatively affect transportation budgets more than in the past, construction spending could be reduced. Cement is subject to cyclical supply and demand and price fluctuations.

The Company's principal business serves customers in construction markets. This concentration could increase the risk of potential losses on customer receivables; however, payment bonds normally posted on public projects, together with lien rights on private projects, mitigate the risk of uncollectible receivables. The level of demand in the Company's end-use markets, production levels and the management of production costs will affect the operating leverage of the Building Materials business and, therefore, profitability. Production costs in the Building Materials business are also sensitive to energy and raw material prices, both directly and indirectly. Diesel fuel, coal and other consumables change production costs directly through consumption or indirectly by increased energy-related input costs, such as steel, explosives, tires and conveyor belts. Fluctuating diesel fuel pricing also affects transportation costs, primarily through fuel surcharges in the Company's long-haul distribution network. The Magnesia Specialties business is sensitive to changes in domestic steel capacity utilization as well as the absolute price and fluctuation in the cost of natural gas.

Transportation in the Company's long-haul network, particularly the supply of railcars and locomotive power and condition of rail infrastructure to move trains, affects the Company's efficient transportation of aggregates products in certain markets, most notably Texas, Colorado, Florida, North Carolina and the Gulf Coast. In addition, availability of railcars and locomotives affects the Company's movement of essential dolomitic lime for magnesia chemicals to both the Company's plant in Manistee, Michigan, and its customers. The availability of trucks, drivers and railcars to transport the Company's product, particularly in markets experiencing high growth and increased demand, is also a risk and pressures the associated costs.

All of the Company's businesses are also subject to weather-related risks that can significantly affect production schedules and profitability. The first and fourth quarters are most adversely affected by winter weather. Hurricane activity in the Atlantic Ocean and Gulf Coast generally is most active during the third and fourth quarters.

Risks also include shipment declines resulting from economic events beyond the Company's control.

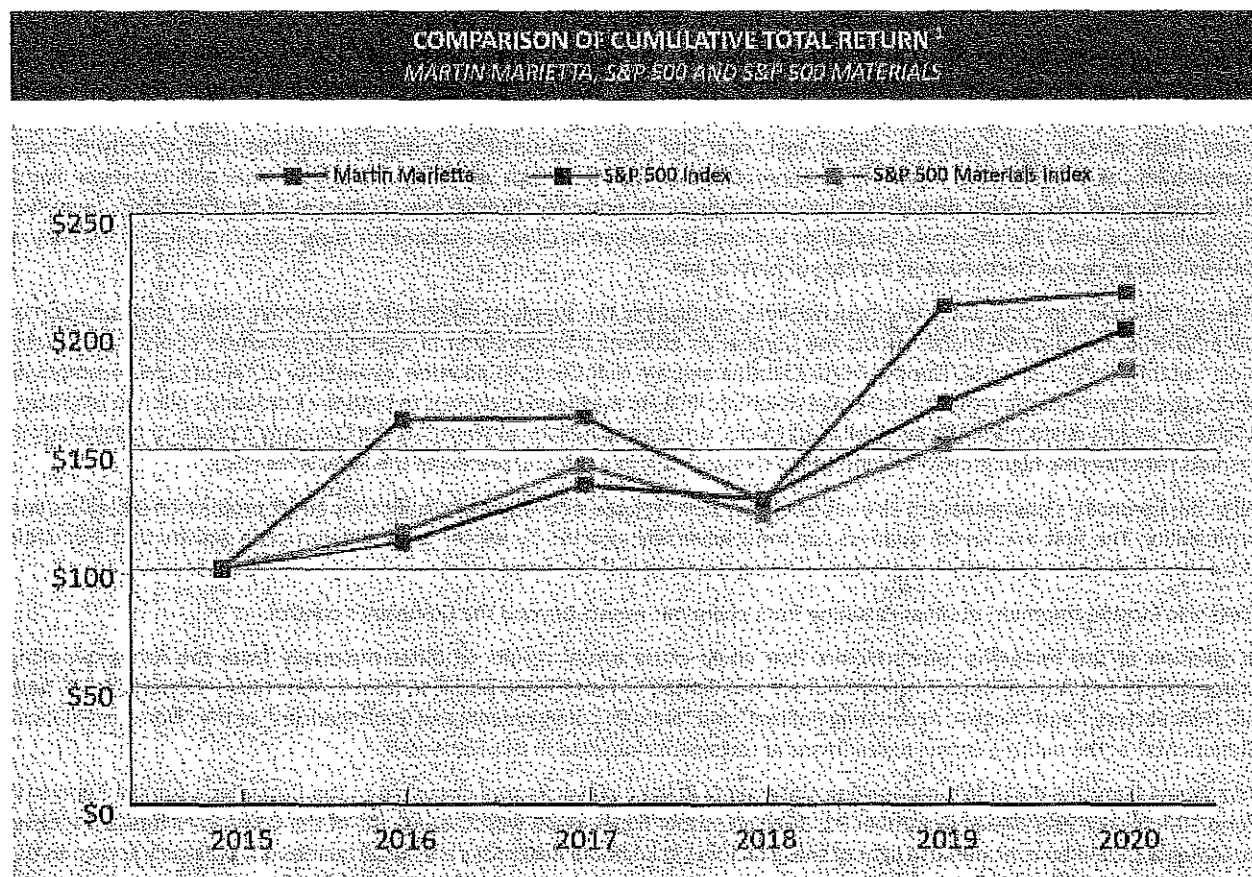
In addition to the foregoing, other factors that could cause actual results to differ materially from the forward-looking statements in this Annual Report include but are not limited to those listed above in Item 1, "Business – Competition," Item 1A, "Risk Factors," and "Note A: Accounting Policies" and "Note O: Commitments and Contingencies" of the "Notes to Financial Statements" of the audited consolidated financial statements included in this Form 10-K.

You should consider these forward-looking statements in light of risk factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 and other filings made with the SEC. All of the Company's forward-looking statements should be considered in light of these factors. In addition, other risks and uncertainties not presently known to the Company or that the Company considers immaterial could affect the accuracy of its forward-looking statements, or adversely affect or be material to the Company. All forward-looking statements are made as of the date of filing or publication and we assume no obligation to update any such forward-looking statements.



COMMON STOCK PERFORMANCE GRAPH

The following graph and accompanying table compare the five-year cumulative total return from December 31, 2015 to December 31, 2020 for (a) the Company's common stock, (b) the Standard & Poor's 500 Composite Stock Index, and (c) the Standard & Poor's 500 Materials Index.



CUMULATIVE TOTAL RETURN ¹						
(as of December 31)						
	2015	2016	2017	2018	2019	2020
Martin Marietta	\$100.00	\$162.91	\$163.79	\$128.52	\$210.97	\$216.55
S&P 500 Index	\$100.00	\$110.91	\$135.12	\$129.20	\$169.87	\$201.13
S&P 500 Materials Index	\$100.00	\$115.78	\$143.39	\$122.31	\$152.37	\$183.95

¹ Assumes that the initial investment in the Company's common stock and each index was \$100, with quarterly reinvestment of dividends.



ADDITIONAL NON-GAAP RECONCILIATIONS

Earnings before interest; income taxes; depreciation, depletion and amortization; and the earnings/loss from nonconsolidated equity affiliates (Adjusted EBITDA) is an indicator used by the Company and investors to evaluate the Company's operating performance from period to period. Adjusted EBITDA is not defined by generally accepted accounting principles and, as such, should not be construed as an alternative to net earnings attributable to Martin Marietta, earnings from operations or operating cash flow.

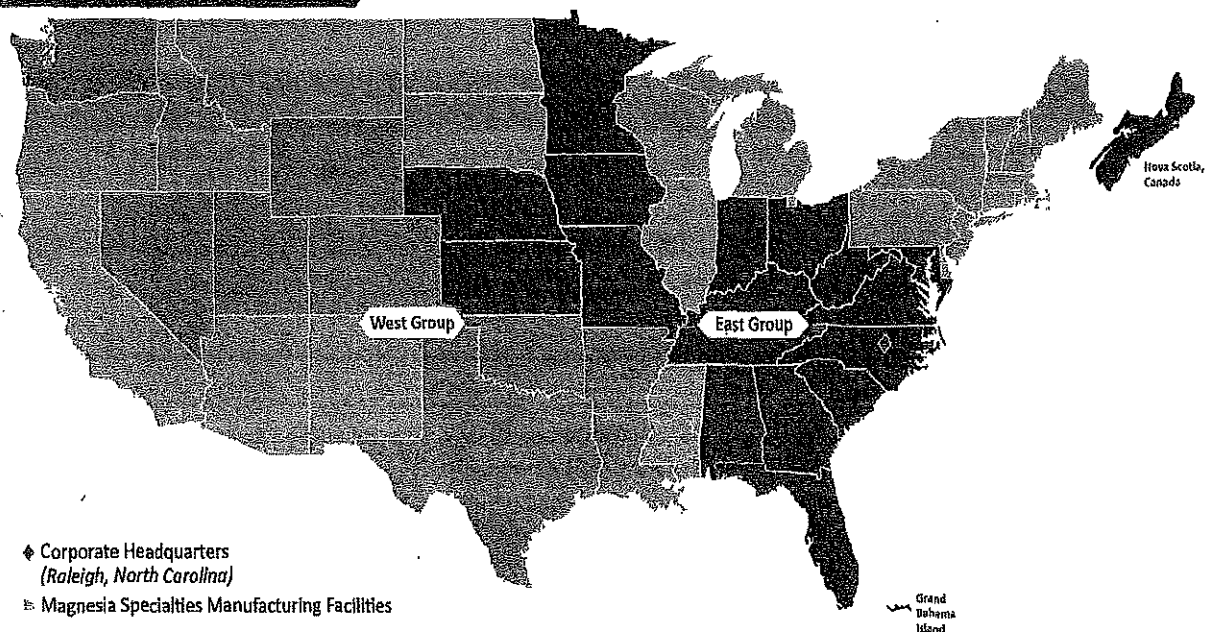
years ended December 31 (in millions)	2015	2010
Net earnings attributable to Martin Marietta	\$ 288.8	\$ 97.0
Add back:		
Interest expense	76.3	68.5
Income tax expense for controlling interests	124.8	29.3
Depreciation, depletion and amortization expense and earnings/loss from nonconsolidated equity affiliates	253.8	182.3
Consolidated Adjusted EBITDA	\$ 743.7	\$ 377.1

The leverage ratio at December 31, 2020, for the trailing-twelve months consolidated Adjusted EBITDA is a non-GAAP measure. Management uses this ratio to assess its capacity for additional borrowings. The calculation below is not intended to be a substitute for the Company's leverage covenant under the Credit Agreement.

(dollars in millions)	Twelve-Month Period January 1, 2020 to December 31, 2020
Net earnings attributable to Martin Marietta	\$ 721.0
Add back:	
Interest expense, net of interest income	117.6
Income tax expense for controlling interests	168.2
Depreciation, depletion and amortization expense and earnings/loss from nonconsolidated equity affiliates	386.0
Consolidated Adjusted EBITDA	\$ 1,392.8
Consolidated debt at December 31, 2020	\$ 2,625.8
Leverage ratio at December 31, 2020, for the trailing-twelve months consolidated Adjusted EBITDA	1.9 times



Organizational Structure (as of December 31, 2020)



Corporate Officers

C. Howard Nye
Chairman, President and Chief Executive Officer

Roselyn R. Bar
Executive Vice President, General Counsel and Corporate Secretary

James A. J. Nickolas
Senior Vice President, Chief Financial Officer

Robert J. Cardin
Senior Vice President, Controller and Chief Accounting Officer

Craig M. LaTorte
Senior Vice President, Chief Human Resources Officer

Daniel L. Grant
Senior Vice President, Strategy and Development

John P. Mohr
Senior Vice President, Chief Information Officer



COMPANY DIRECTORY | BOARD OF DIRECTORS



C. Howard Nye

Chairman of the Board, President and Chief Executive Officer
Martin Marietta

Mr. Nye has served as Chairman of the Board since 2014, as President of Martin Marietta since 2006 and as Chief Executive Officer and a Director since 2010. Mr. Nye previously served as Chief Operating Officer from 2006 to 2009. Prior to joining Martin Marietta in 2006, Mr. Nye spent nearly 13 years in a series of increasingly responsible positions with Hanson PLC, including as Executive Vice President of its North American building materials business.

Since 2018, Mr. Nye has been a member of the Board of Directors of General Dynamics Corporation (NYSE: GD), a global aerospace and defense company. In 2019, Forbes magazine recognized Mr. Nye as one of America's Most Innovative Leaders; he was previously recognized by both Aggregates Manager and Pit & Quarry magazines, as Aggman of the Year and a Hall of Fame Inductee, respectively.

In addition to his educational, professional, executive and related roles, Mr. Nye is a past Chairman of the Board of the National Stone, Sand & Gravel Association (NSSGA); he presently serves as Vice Chairman of the Board of the American Road Transportation Builders Association (ARTBA). Mr. Nye is also a member of the Board of Directors of the United States Chamber of Commerce, the world's largest business organization, and Chairman of the North Carolina Chamber. Mr. Nye has also served on numerous other state, local and/or philanthropic organizations including on the boards of directors of the UNC Health System and the Research Triangle Foundation and on the Board of Governors of RTI International. He has also served on the Alumni Boards at Duke University and Wake Forest University School of Law.

Mr. Nye received a Bachelor's degree from Duke University and a Law degree from Wake Forest University.



Dorothy M. Ables

Former Chief Administrative Officer
Spectra Energy Corp.

Ms. Ables has been a Director since 2018. Ms. Ables held a number of executive positions with Spectra Energy and predecessor companies, including serving from 2008 to 2017 as the Chief Administrative Officer of Spectra Energy Corp., where she was responsible for human resources, information technology, support services, community relations and audit services. Prior to that, Ms. Ables served as Vice President of Audit Services and Chief Ethics and Compliance Officer for Spectra Energy, Vice President and Chief Compliance Officer for Duke Energy Corporation and Senior Vice President and Chief Financial Officer for Duke Energy Gas Transmission. Spectra Energy was a Fortune 500 Company and one of North America's leading pipeline and midstream companies. Ms. Ables started her career in the audit department of Peat, Marwick, Mitchell & Co.

Ms. Ables serves as an Independent Director of Cabot Oil & Gas Corporation, an independent oil and gas company, where she is chair of the Audit Committee and a member of the Compensation Committee. Ms. Ables served as a Director of Spectra Energy Partners, an affiliate of Spectra Energy Corp., from 2013 to 2017.

Ms. Ables attended the University of Texas at Austin where she earned a Bachelor of Business Administration degree in Accounting.



COMPANY DIRECTORY | BOARD OF DIRECTORS



Sue W. Cole

Managing Partner
SAGE Leadership & Strategy, LLC

Ms. Cole has been a Director since 2002 and is currently the managing partner of SAGE Leadership & Strategy, LLC, an advisory firm for businesses, organizations and individuals relating

to strategy, governance and leadership development.

Ms. Cole was previously a principal of Granville Capital Inc., a registered investment advisor, from 2006 to 2011. Before that, Ms. Cole served as Regional Chief Executive Officer of the Mid-Atlantic Region of U.S. Trust Company, N.A., from 2003 to 2006, and as Chief Executive Officer of U.S. Trust Company of North Carolina and president of its predecessor, North Carolina Trust Company.

Ms. Cole serves as Chair of the Compensation Committee of Biscuitville, Inc., where she was previously Chairman of the Board. Ms. Cole has previously served on the public-company board of UNIFI, Inc. Ms. Cole also served on the Investment Committee of the University of North Carolina at Greensboro and was a member of the North Carolina Economic Development Board. Ms. Cole is also past Chairman of the North Carolina Chamber of Commerce.

Ms. Cole attended the University of North Carolina at Greensboro where she earned a Bachelor of Science degree in Business Administration and a Master of Business Administration in Finance.



Smith W. Davis

Senior Partner
Greenberg Traurig, LLP

Mr. Davis has been a Director since 2018, and is a partner in the Washington, D.C. office of Greenberg Traurig, an international law firm. Mr. Davis focuses his practice on both legal

reform (litigation-related policy matters) across a broad range of industries and issues related to natural gas pipelines. Until 2019, Mr. Davis was a senior partner at Akin Gump Strauss Hauer & Feld LLP, an international law firm, which he joined in 1979. Mr. Davis provided counsel on a wide variety of legislative and regulatory matters, including those before a variety of congressional committees. Mr. Davis' practice included advising on legal matters relating to environmental issues, financial institutions, mergers and acquisitions, and pension reform. Mr. Davis served on the Compensation and Management Committees at Akin Gump Strauss Hauer & Feld LLP.

Prior to joining Akin Gump, Mr. Davis served as a counsel to the House Judiciary Committee.

Mr. Davis attended Yale University where he received his Bachelor's degree, magna cum laude, and Yale Law School where he received his Juris Doctor degree.





Anthony R. Foxx

**Chief Policy Officer and Advisor to the President and Chief Executive Officer
Lyft**

Mr. Foxx has been a Director since November 2020 and is currently chief policy officer and advisor to the president and chief executive officer of Lyft, which he joined in 2018. In addition to his duties at Lyft, Mr. Foxx advises AutoTech Ventures, LLC, a Silicon Valley venture capital firm that focuses on surface transportation technology, and Hyperloop One, a new transportation technology inspired by Elon Musk and Tulco Investors.

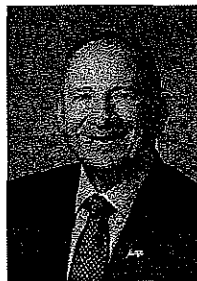
Prior to joining Lyft, Mr. Foxx served as the seventeenth United States Secretary of Transportation from 2013 to 2017. Under Mr. Foxx's leadership, the Department of Transportation (DOT) established a first-ever policy framework for the safe integration of self-driving vehicles and leveraged \$350 million in public and private funding to demonstrate how smart technology can change cities and local communities.

Mr. Foxx developed the Obama Administration's first surface transportation bill and worked on a bipartisan basis to get its congressional incarnation, the Fixing America's Surface Transportation Act, passed. He launched the DOT's first, and the Administration's most successful, Smart City Challenge, engaging more than seventy cities to develop their own strategies to incorporate new technologies into their transportation networks.

Previously, Mr. Foxx served as the mayor of Charlotte, North Carolina, from 2009 to 2013. First elected to the Charlotte City Council in 2005, upon his 2009 mayoral victory he became the youngest mayor in Charlotte's history and its second African-American mayor.

Mr. Foxx is also an Independent director of CDW Corporation (NASDAQ: CDW), a leading multi-brand technology solutions provider to business, government, education, and healthcare customers.

Mr. Foxx received an undergraduate degree from Davidson College and a law degree from New York University.



John J. Koraleski

**Lead Independent Director
Martin Marietta**

**Former Chairman of the Board,
President and Chief Executive Officer
Union Pacific**

Mr. Koraleski has been a Director since 2016. Mr. Koraleski served from February 2015 through his retirement in September 2015 as executive Chairman of the Board of the Union Pacific Corporation (UP), which through its subsidiaries operates North America's premier railroad franchise, covering 23 states across the western two-thirds of the United States. Prior to that, Mr. Koraleski was named President and Chief Executive Officer of the UP in 2012, elected as a Director of the UP in 2012 and appointed Chairman of the Board in 2014. Since joining the Union Pacific (Railroad) in 1972, Mr. Koraleski held a number of executive positions in the UP and the Railroad, including, Executive Vice President – Marketing and Sales from 1999 to 2012, Executive Vice President – Finance and Information Technology, Chief Financial Officer and Controller.

Mr. Koraleski served as the Chairman of The Bridges Investment Fund, Inc., a general equity fund whose primary investment objective is to seek long-term capital appreciation, from 2005 to 2012 and is a past Chairman of the Association of American Railroads.

Mr. Koraleski earned a Bachelor's degree and a Master's degree in Business Administration from the University of Nebraska at Omaha.

COMPANY DIRECTORY | BOARD OF DIRECTORS



Laree E. Perez

***Owner and Managing Partner
The Medallion Company, LLC***

Ms. Perez has been a Director since 2004 and is an investment consultant with DeRoy & Devereaux, an independent investment adviser, where she has provided client

consulting services since 2015. Ms. Perez was previously Owner and Managing Partner of The Medallion Company, LLC, a consulting firm, from 2003 to 2015.

From 1996 until 2002, Ms. Perez was Vice President of Loomis, Sayles & Company, L.P. Ms. Perez was co-founder of Medallion Investment Company, Inc. and served as President and Chief Executive Officer from 1991 until it was acquired by Loomis Sayles in 1996.

Ms. Perez was previously a Director of GenOn Energy, Inc., a large power producer in the United States, where she was Chair of its Audit Committee and a member of its Risk and Finance Oversight Committee. In addition to civic and charitable organizations, Ms. Perez recently served as Vice Chairman of the Board of Regents at Baylor University and previously served on the Board of Trustees at New Mexico State University, where she was also Chairman of the Board.

Ms. Perez earned a Bachelor's degree from Baylor University in Finance and Economics.



Thomas H. Pike

***Former Chief Executive Officer
Quintiles Transnational Holdings, Inc.***

Mr. Pike has been a Director since 2019. Mr. Pike has more than 30 years of global leadership, strategy and operations experience spanning a variety of industries. Mr. Pike was

most recently CEO and a member of the Board of Directors of Quintiles Transnational Holdings, Inc. (Quintiles), a leading fully integrated biopharmaceutical services company offering clinical, commercial and consulting solutions worldwide, before its merger with IMS Health (NYSE: IQV) in 2016 to create IQVIA. Mr. Pike led Quintiles through a successful public offering and helped it grow into a Fortune 500 company. Under Mr. Pike's leadership, Quintiles was named one of the world's Most Ethical Companies in 2016. Mr. Pike retired in 2016 after Quintiles' merger with IMS Health.

Prior to Quintiles, Mr. Pike spent 22 years at Accenture (NYSE: ACN), a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations, until 2009. At Accenture, Mr. Pike's roles included serving as Chief Risk Officer and Managing Director of the North America Health and Products business areas. Prior to that, Mr. Pike was the global Chief Operating Officer for Accenture's Resources operating group and had also served as Accenture's Chief Strategy Officer.

Since leaving Accenture in 2009 and until joining Quintiles in 2012, Mr. Pike was involved with a number of start-ups in the technology and healthcare sectors. Early in his career, Mr. Pike was a consultant at McKinsey & Company.

Mr. Pike earned his Bachelor of Science in accounting from the University of Delaware.



COMPANY DIRECTORY | BOARD OF DIRECTORS



Michael J. Quillen
*Former Chairman and Chief
Executive Officer*
Alpha Natural Resources, Inc.

Mr. Quillen has been a Director since 2008. Mr. Quillen served as Chairman of the Board of Directors and President of Alpha Natural Resources, Inc., an Appalachian coal supplier, from 2006 to 2009, as Chief Executive Officer from 2004 to 2009, and non-Executive Chairman through May 2012.

Mr. Quillen also serves as an independent director of Alpha Metallurgical Resources, Inc. (NYSE: AMR), a leading coal supplier with underground and surface coal mining complexes across Northern and Central Appalachia. Mr. Quillen has also served as Chairman (Rector) of the Board of Visitors of Virginia Polytechnic Institute and State University from 2012 to 2014 and was reappointed to an additional four-year term on the Board of Governors in 2014. Mr. Quillen was Chairman of the Audit and Finance Committee of Virginia Polytechnic Institute and State University from 2010 to 2012. Mr. Quillen also served on the Virginia Port Authority from 2003 to 2012 and as Chairman from 2011 to 2012.

Mr. Quillen attended Virginia Polytechnic Institute and State University, earning both a Bachelor's degree and a Master's degree in Civil Engineering.



Donald W. Slager
President and Chief Executive Officer
Republic Services, Inc.

Mr. Slager has been a Director since 2016 and is currently the President and Chief Executive Officer of Republic Services, Inc., a service provider in the non-hazardous solid waste industry, holding this position since 2011. Prior to this, Mr. Slager served as President and Chief Operating Officer. Mr. Slager also serves as a Director of Republic Services.

Previously, Mr. Slager served as President and Chief Operating Officer for Allied Waste Industries, Inc., from 2005 to 2008, prior to its merger with Republic Services.

Mr. Slager previously served as a Director of UTI Worldwide Inc. from 2009 until its sale in 2016 to DSV A/S. UTI was a NASDAQ-listed international supply chain services and solutions company providing air and ocean freight forwarding, contract logistics, customs brokerage, distribution, inbound logistics, truckload brokerage and other supply chain management services. Mr. Slager served as Chair of UTI's Nominating and Corporate Governance Committee and a member of its Compensation Committee.

Mr. Slager has completed the Northwestern University Kellogg School Advanced Executive Program and holds a certificate from the Stanford University Board Consortium Development Program.





David C. Wajsglas

Former President of the Intelligence, Information and Services Business
Raytheon Technologies Corporation
(formerly Raytheon Company)

Mr. Wajsglas has been a director since 2020. Mr. Wajsglas served as president of the Intelligence, Information and Services business of the former Raytheon Company, now part of Raytheon Technologies Corporation, a major U.S. aerospace and defense company that provides advanced systems and services for commercial, military and government customers worldwide. Mr. Wajsglas held that position from 2015 until the merger between Raytheon Corp. and United Technologies Corp. in 2020. Previously, Mr. Wajsglas served as Raytheon's senior vice president and chief financial officer from 2006 to 2015. Before joining Raytheon, Mr. Wajsglas was executive vice president and CFO of Lear Corporation, an American automotive manufacturing company. Prior to joining Lear, Mr. Wajsglas was corporate controller for Engelhard Corporation, a former American Fortune 500 company that supplied catalysts. He also held numerous financial management positions with Honeywell International, Inc., an American multinational conglomerate company. Mr. Wajsglas served as the chair of the board for Raytheon Australia.

Mr. Wajsglas is also an independent director of Parsons Corporation (NYSE: PSN), a digitally enabled solutions provider focused on the defense, intelligence, and critical infrastructure markets. Mr. Wajsglas also serves on the Center for a New American Security Advisory Board; the Intelligence and National Security Alliance Board of Directors; and is a member of the Massachusetts Cybersecurity Strategy Council. In 2019, Washington Exec named Mr. Wajsglas to its top 25 list of executives and recognized him as its Intelligence Industry Executive of the Year. Mr. Wajsglas has appeared on Executive Mosaic's annual Wash 100 list of influential leaders in the government contracting arena and was named Federal Computer Week's prestigious Industry Eagle Award winner in 2018 for his pivotal role in the U.S. government information technology community. In 2012, Mr. Wajsglas was named one of the Wall Street Journal's 25 Best CFOs among the larger companies in the Standard & Poor's 500 Index.

Mr. Wajsglas earned his Bachelor's degree in accounting from the University of Maryland and a Master's degree in Business Administration from American University.

Board Committees

AUDIT COMMITTEE

Laree E. Perez, Chair
 Dorothy M. Ables
 John J. Koraleski
 David C. Wajsglas

ETHICS, ENVIRONMENT, SAFETY AND HEALTH COMMITTEE

Smith W. Davis, Chair
 Dorothy M. Ables
 Sue W. Cole

EXECUTIVE COMMITTEE

C. Howard Nye, Chair
 John J. Koraleski
 Michael J. Quillen

FINANCE COMMITTEE

Michael J. Quillen, Chair
 Anthony R. Foxx
 Thomas H. Pike
 Donald W. Slager

MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE

John J. Koraleski, Chair
 Michael J. Quillen
 Thomas H. Pike

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

Donald W. Slager, Chair
 Sue W. Cole
 Smith W. Davis
 Laree E. Perez



GENERAL INFORMATION

NOTICE OF PROXY

A formal notice of the Annual Meeting of Shareholders together with a proxy statement, will be mailed to each shareholder approximately four weeks prior to the meeting. Proxies will be requested by the Board of Directors in connection with the meeting.

ANNUAL REPORT ON FORM 10-K

Shareholders may obtain, with charge, a copy of Martin Marietta's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission for the fiscal year ended December 31, 2020, by writing to:

Martin Marietta
Attention: Corporate Secretary
4123 Parklake Avenue
Raleigh, North Carolina 27612

REGISTERED SHAREHOLDER CONTACT INFORMATION

American Stock Transfer & Trust Company, LLC
Shareholder Services Department
6201 15th Avenue
Brooklyn, NY 11219

Toll Free: (800) 937-5449
Local & International: (718) 921-8124
Email: help@astfinancial.com
Website: www.astfinancial.com

Inquiries regarding your account records, issuance of stock certificates, distribution of dividends and IRS Form 1099 should be directed to American Stock Transfer & Trust Company, LLC.

COMMON STOCK

Listed: New York Stock Exchange
Stock Symbol: MLM

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
4208 Six Forks Road, #1200
Raleigh, North Carolina 27609

CORPORATE HEADQUARTERS

4123 Parklake Avenue
Raleigh, North Carolina 27612
Telephone: (919) 781-4550

INVESTOR RELATIONS

Martin Marietta press releases and filings with the Securities and Exchange Commission can be accessed via the Company's website.

Telephone: (919) 783-4691
Web site: ir.martinmarietta.com

CORPORATE CODE OF ETHICS

Martin Marietta's Code of Ethical Business Conduct booklet is posted on the Company's website, www.martinmarietta.com.





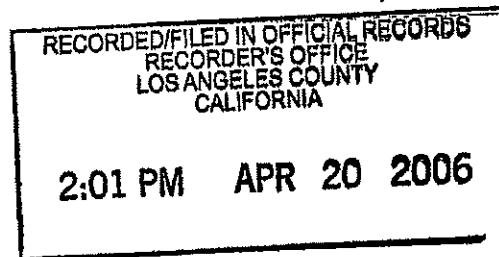
BUILDING A FOUNDATION TO

SOAR

4123 Parklake Avenue, Raleigh, NC 27612
(919) 781-4550
www.martinmarietta.com
NYSE Stock Symbol: MLM

This page is part of your document - DO NOT DISCARD

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TITLE(S) : _____



FEE

D.T.T.

FREE U

CODE
20

CODE
19

CODE
9

Assessor's Identification Number (AIN)

To be completed by Examiner OR Title Company in black ink.

Number of AIN's Shown

THIS FORM IS NOT TO BE DUPLICATED

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RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO

City of Irwindale
5050 N. Irwindale Avenue
Irwindale, CA 91706

Attn: City Clerk

(Space Above This Line for Recorder's Office Use Only)
(Exempt from Recording Fee per Gov. Code § 6103)

(Space above this line for recorder's use only)

DEVELOPMENT AGREEMENT

between

THE CITY OF IRWINDALE

and

HANSON AGGREGATES WEST, INC.

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT ("Development Agreement" or "Agreement") is entered into on January 3, 2006, by and between the CITY OF IRWINDALE, a municipal corporation (the "City"), and Hanson Aggregates West, Inc., a Delaware corporation ("Hanson"). The City and Hanson may be referred to collectively as the "Parties" and individually as a "Party."

RECITALS:

A. Hanson owns and operates a mining quarry of approximately 492 acres (the "Site") located to the west of the 605 Freeway and south of Arrow Highway and the Irwindale Speedway. The Site consists of the following parcels as shown in the "Site Map" attached hereto as **Exhibit A** and incorporated herein by this reference: (1) Plant Parcel, approximately 72 acres; (2) Reclamation Parcel, approximately 40 acres; (3) Green Parcel, approximately 30 acres; (4) Peck Parcel, approximately 10.7 acres; (5) Southwest Corner Parcel, approximately 9.3 acres; and (6) Lake Parcel, approximately 330 acres.

B. Legislation Authorizing Development Agreements. To strengthen the public planning process, encourage private participation in comprehensive planning and reduce the economic risk of development, the legislature of the State of California adopted the Development Agreement Statute, Section 65864 et seq. of the Government Code, authorizing the City to enter into an agreement with any person having a legal or equitable interest in real property providing for the development of such property and establishing certain development rights therein.

C. Purpose of Agreement. Hanson wishes to obtain an entitlement to continue its mining operations to the maximum safe depth, which is estimated to take until the year 2030. The City is prepared to grant such additional entitlement, provided that Hanson agrees (1) not to mine the Plant Parcel, the Southwest Corner Parcel, and the Reclamation Parcel; (2) to reclaim the Reclamation Parcel; (3) to relocate access to the Plant Parcel so that the reclaimed areas are developable; (4) to dedicate to the City a portion of the Plant Parcel for recreational purposes; (5) to fund the costs of acquisition and reclamation of the Peck Parcel; (6) to develop uses on the Site in accordance with the City's proposed General Plan Update and zoning; (7) to associate with the sale of the property sufficient prescriptive pumping rights to support the development of the site when the reclamation is completed, which will be used exclusively by City to facilitate the development of the reclaimed land; (8) to grant City an option to purchase the balance of its prescriptive pumping rights; and (9) to fund the cost for all mitigation measures as identified in the EIR, and (10) to waive claims and challenges to various taxes and regulatory ordinances previously adopted by the City.

D. Public Hearings; Findings. On December 15, 2005 the City's Planning Commission, after a duly noticed public hearing, adopted Resolution No. 466(05) recommending City Council certification of the EIR, City Council and approval of the CUP, the Reclamation Plan, Financial Assurances and this Agreement. On December 20, 2005, the City Council, after making appropriate findings at a duly noticed public hearing, adopted Resolution No. 2005-87-2104 certifying the Environmental Impact Report and conditionally approving the CUP, Reclamation Plan, Financial Assurances and SMARA Transfer Agreement, subject to comment from the California Department of Conservation, and on January 3, 2006, adopted Ordinance No.

596 approving this Agreement. These actions included the approval of a Conditional Use Permit and this Agreement for the continued mining of the Lake Parcel and Green Parcel and an amended Reclamation Plan and financial assurances for the Site, along with appropriate environmental, grading and/or refilling permits and documents for the mining and reclaiming activities specified in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, and having determined that the foregoing recitals are true and correct and should be and hereby are incorporated into this Agreement, the parties agree as follows:

1.0 MUTUAL BENEFITS AND ASSURANCES.

1.1 Development of Site in Phases.

Hanson owns and operates a mining quarry of approximately 492 acres in the City that is divided into six (6) parcels that are shown on the Site Map and are described as follows: (a) the 72 acres supporting processing operations is known as the "Plant Parcel," (b) the 40 acres adjacent to the 605 Freeway is known as the "Reclamation Parcel," (c) the 30 acres where active mining continues is known as the "Green Parcel," (d) the 10.7 acre parcel adjacent to Peck Road is known as the "Peck Parcel," (e) the 9.3 acres, located adjacent to the Peck Parcel, is known as the "Southwest Corner Parcel", and (f) the 330 acres where active mining continues is known as the "Lake Parcel." Where the term "Site" is used in this Agreement, it shall be construed to apply to the Plant Parcel, the Reclamation Parcel, the Green Parcel, the Peck Parcel, the Southwest Corner Parcel and the Lake Parcel collectively. The Parties intend that the Site be ultimately developed for future hotel, commercial, industrial and recreational uses in accordance with the terms of this Agreement. The parties further intend that Hanson transfer its prescriptive water rights along with any parcel intended to be developed herein in a sufficient amount to meet the needs of such development, as set forth in Section 16.1. This Article 1.0 outlines the parties' general intent as to the timeframe and sequence for the development of the Site. The intended mining, reclamation and development is more specifically described in the "Scope of Development" attached hereto as **Exhibit B** and incorporated herein by this reference. In addition, the timeframes are established in the "Schedule of Performance" attached hereto as **Exhibit C** and incorporated herein by this reference.

1.2 Summary of Development Plan.

In general, Hanson proposes as follows, which proposal shall be further refined and shall be the subject of a development application(s) submitted by Hanson to the City and considered for approval by the City separate from the approvals provided in this Agreement in accordance with the then applicable regulations and within the times set forth in the Schedule of Performance:

(a) **Plant Parcel.** This parcel is currently the location of Hanson's Processing Plant. Processing operations shall continue until Maximum Safe Depth is reached, or the end of the Term as defined herein, whichever occurs first. The Processing Plant shall be removed before the end of the Term, as defined in Section 3.1 below. Hanson shall surrender all rights, title and interest in mining the Plant Parcel pursuant to this Development Agreement, as confirmed by Hanson's execution of a Deed of Trust in the form attached hereto as **Exhibit D**. Upon removal of the Processing Plant, the ten (10) acres adjacent to the 605 Freeway shall be developed with the Reclamation Parcel for

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hotel and commercial uses; the 35 acres adjacent to the Irwindale Speedway shall be developed for automotive-oriented industrial or commercial use; the 22 acres (southeast of such aforementioned 35 acre automobile-oriented industrial or commercial use) will be developed for commercial and/or industrial uses; and the 5 acres adjacent to the Lake Parcel, along with an approximately 20 acre portion of the Lake Parcel not being mined, for a total of approximately 25 acres shall be developed for recreation-open space (i.e. water slide park, equestrian, fishing, boating, etc.) and dedicated to the City with maintenance provided through assessments on the remainder of the Site, except as provided herein.

(b) Roadway Construction and Bridge Improvements. Hanson will construct a roadway to the City's specifications bordering the Irwindale Speedway and extending to Live Oak Boulevard to provide a new entrance to Live Oak Boulevard and a new entrance to Hanson's Processing Plant and related facilities (the "Roadway"). The design and construction of the new roadway shall be performed by Hanson at its sole expense. The required right of way for this roadway shall be one hundred feet. The general location of the alignment shall be as shown on the Map of Roadway Alignment (**Exhibit E**). The precise location of the alignment shall be set by the City Engineer. The design details of this roadway shall be in accordance with the "Roadway Design Criteria" reflected on **Exhibit F**. In addition to the construction of this new roadway, Hanson shall, at the time of the development of the Reclamation Parcel, widen the Graham Access Road bridge from one lane in each direction to two lanes in each direction to mitigate the traffic increase anticipated with development of the Plant Parcel. At the time of the development of the Reclamation Parcel, Hanson, at its sole cost, shall acquire the Graham Road access easement (as shown on **Exhibit H**, herein, "Graham Road Easement") from Southern California Edison, or its then current owner, or, if such negotiations are unsuccessful, the provisions of Article 15.0 shall apply, and dedicate same to City for public access purposes to serve the Reclamation Parcel.

(c) Reclamation Parcel. Reclaiming operations with offsite fill shall not commence until such time as fill operations at Quarry No. 1, formerly owned by United Rock Products Corporation, owned by J.H. Holdings as of the date of this Agreement and located on East Live Oak Avenue, Irwindale ("Quarry No. 1"), are concluded or until such time as the City, in its discretion, authorizes commencement of a Commercial Fill Operation.

(d) Green Parcel. Mining operations shall continue to the Maximum Safe Depth but not later than the conclusion of the term of this Agreement. The mining operations presently and will continue to preserve an adequate access corridor for the Roadway. Hanson shall have no obligation to reclaim the Green Parcel.

(e) Peck Parcel. Hanson shall surrender all rights, title and interest in mining the Peck Parcel pursuant to this Development Agreement. The Parties intend that, within five (5) years of the date hereof, the City shall accomplish acquisition of the Peck Parcel. Such acquisition shall be funded entirely by Hanson. Hanson shall endeavor to secure an access agreement with the present owner of the Peck Parcel to commence reclamation immediately before such acquisition. Upon commencement of reclamation either after securing such access rights or ownership of the Peck Parcel, Hanson shall reclaim the

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Peck Parcel with Engineered Fill on a phased basis, as further described in Section 4.4 of the Scope of Development, at **Exhibit B** hereto.

(f) Southwest Corner Parcel. Hanson shall forego any mining on this parcel. Upon termination of mining operations on the Site, Hanson shall complete reclamation of this 9.3 acre parcel consistent with the reclamation requirements for the 330 acre Lake Parcel for recreational uses. The reclamation of this Parcel shall be concurrent with the reclamation of the Lake Parcel.

(g) Lake Parcel. Mining operations shall continue to the Maximum Safe Depth, but not later than the conclusion of the term of this Agreement. Hanson shall not be required to fill the 330 acre Lake Parcel. Instead, Hanson shall reclaim the Lake Parcel to provide the landscaping, access roads, runoff and drainage improvements and other infrastructure required under the Reclamation Plan. Hanson shall permit immediate and continuous public use of the portion of the Lake Parcel during mining operations as provided for herein. Hanson will enter into an agreement within 180 days after City presents a draft agreement, to permit immediate and continuous public use of a designated portion of the Lake Parcel owned by Hanson during mining operations subject to the conditions that (1) the use shall be consistent with continued mining, with appropriate designation and separation of use areas, (2) the use shall protect public health and safety, (3) the use shall meet all legal requirements for all public agencies of appropriate jurisdiction, (4) the City, or appropriate third party approved by the City, shall accept responsibility and liability for its use consistent with its police powers and tort immunities, provided Hanson does not contribute to any cause of liability, and (5) the right to access the lake for operations shall be granted to Hanson. The approximately 20 acre northern portion of the Lake Parcel (identified as Lake Parcel II on **Exhibit A** hereto) shall be used along with the 5 acre southern portion of the Plant Parcel (identified as "Area IV, City Recreational/Open Space" on **Exhibit A**) for recreation and open space purposes and dedicated to the City with maintenance provided through assessments on the remainder of the Site, except as provided herein. Additionally, Hanson, at its sole expense and cost, shall acquire the portion of the Site owned by Baggs and Cates ("Baggs and Cates Parcel") and dedicate same to the City for public use consistent with the provisions described in this section; provided that if such negotiations are unsuccessful, the provisions of Article 15.0 shall apply. A figure showing Hanson's fee ownership in the Lake Parcel and Baggs and Cates Parcel within the Lake Parcel is attached hereto as **Exhibit A-2**.

1.3 Interest and Representation of Hanson.

"Hanson" is Hanson Aggregates West, Inc., a Delaware corporation, and its permitted successors and assigns, with its principal offices at 3550 Live Oak Avenue, Irwindale, CA 91706-2075. Hanson warrants and represents to City that:

(a) Hanson is a Delaware corporation duly organized and existing under the laws of the State of Delaware;

(b) By proper action of Hanson, Hanson's signatories have been duly authorized to execute and deliver this Agreement, acting by and through its duly authorized officers;

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(c) Hanson is duly qualified to do business in good standing under the laws of the State of California and has all requisite power and authority to carry out its business as now and whenever conducted and to enter into and perform its obligations under this Agreement;

(d) The entering into this Agreement by Hanson does not violate any provision of any other agreement to which Hanson is a party;

(e) Except as may be specifically set forth in this Agreement, no approvals or consents not heretofore obtained by Hanson are necessary in connection with the execution of this Agreement by Hanson or with the performance by Hanson of its obligations hereunder;

(f) Neither Hanson, nor the principals of Hanson, have filed or been the subject of any filing of a petition under the Federal Bankruptcy Law or any insolvency laws, or any laws for the discharge of indebtedness or for the reorganization of debtors;

(g) No representation, warranty, or covenant of Hanson in this Agreement, or in any document or certificate furnished or to be furnished to the City pursuant to this Agreement, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading;

(h) Hanson has not paid or given to, and will not pay or give to, the City or any official or agent of the City any money or other consideration for obtaining this Agreement, except as expressly provided herein;

(i) Except for the Green Parcel and Bagg and Cates Parcel in which Hanson holds leasehold interests, Hanson is the owner of fee title to the Site and has the right of possession of the Site, free from any tenant leases, tenancies, licenses, or other similar occupancy agreements that could reasonably interfere with Hanson's right to maintain and operate the Site or any development thereon approved under this Agreement; and

(j) Hanson is party to that certain lease dated April 25, 2001 by and between Sunburst Decorative Rock, Inc., a California corporation and Hanson Aggregates West, Inc., a Delaware corporation, and also is successor-in-interest to Livingston-Graham, a division of Brown Company, a Delaware corporation, under that certain Lease dated January 1, 1980 by and between such company and parties including Nancy Bagg Rogers, United California Bank, Barker T. Cates, Mildred C. Stephens and Mary Edna Rose, pursuant to which leases Hanson occupies the Green Property and Bagg and Cates Parcel, respectively.

1.4 Binding Effect of Agreement.

The mutual burdens and benefits of this Agreement inure to and shall be binding upon the successors in interest of the Parties. City represents and warrants that it is the owner of or holds public right-of-way interests in property immediately adjacent to the Site, including the public rights of way over those areas now commonly known as Live Oak, more particularly depicted in the Site Map ("Public Parcel") and incorporated herein. The Public Parcel shall be the benefited parcel for the obligations on Hanson herein, and the Site shall be the burdened parcel.

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1.5 Superseded Mining Agreements.

Prior to this Agreement, the Site was subject to several approvals and agreements that were approved by City's City Council, Planning Commission, and/or Redevelopment Agency (collectively, the "Superseded Mining Agreements"). Upon the Effective Date of this Agreement, all of the Superseded Mining Agreements shall be superseded by this Agreement and shall be of no further force and effect, unless such approvals and agreements are described and listed herein as the Continuing Mining Agreements. The Superseded Mining Agreements include the following:

(a) Mining Depth. Hanson is entitled to excavate the Site until December 31, 2005 or to a depth of 150 feet above mean sea level (msl) or 200 feet below surface level pursuant to Special Use Permit No. 11 approved by Resolution 80-15-945 in 1980.

(b) Existing Reclamation Plans. Reclamation plans were previously approved by City by way of the City's June 28, 1990 Resolution No. 90-18-1191 Approving Supplement 1, dated May 16, 1999, to the 1972 Livingston-Graham Reclamation Plan for the Site (the "Existing Reclamation Plans"). The Existing Reclamation Plans authorize reclamation of lands that are mined to a depth of 200 feet below surface level (150 feet msl). Approved concurrently herewith, is the December 2005 Reclamation Plan for the Site prepared by Lilburn Corporation. The existing Reclamation Plans are superseded by Reclamation Plan approved concurrently herewith.

(c) Exclusive Agreement to Negotiate. Hanson and the City entered into that certain Exclusive Agreement to Negotiate dated August 22, 2002. This Agreement supersedes such Exclusive Agreement to Negotiate.

2.0 DEFINITIONS.

The following words and phrases are used as defined terms throughout this Agreement. Each defined term shall have the meaning set forth below. Any capitalized terms not defined in this Section shall have the meaning otherwise assigned to them in this Agreement or apparent from the context in which they are used.

2.1 Agency.

"Agency" means the Community Redevelopment Agency of the City of Irwindale.

2.2 Applications.

"Application(s)" shall mean a complete application for the applicable land use approvals (such as a subdivision map, conditional use permit, etc.) meeting all of the current ordinances of the City provided that any additional or alternate requirements in said ordinances enacted after the Effective Date which affect the Application shall apply only to the extent permitted by this Agreement.

2.3 Assignment.

All forms of use of the verb "assign" and the nouns "assignment" and "assignee" shall include all contexts of hypothecations, sales, conveyances, transfers, leases, and assignments.

2.4 Authorizing Ordinance.

"Authorizing Ordinance" means Ordinance No. 596 approving this Agreement.

2.5 City.

"City" means the City of Irwindale, California, a municipal corporation.

2.6 City Council.

"City Council" means the governing body of the City of Irwindale.

2.7 Commercial Filling Operations.

"Commercial Filling Operations" shall refer to the following: The City has established a phased reclamation process to concentrate fill materials in prioritized mining pits so that the pits can be fully reclaimed as quickly as possible and made available for the end uses, and the Hanson has agreed to participate in this process. Accordingly, without the written approval of the City Manager, Hanson shall not conduct a commercial filling operation on the Site. A "commercial filling operation" is defined to be one where Hanson or the operator posts signs on or around the Site advertising the availability of the Site and directing customers to the Site and where the operator derives revenue by published rates and charges for those persons bringing fill to the Site. This shall not prevent Hanson from commencing or carrying out reclamation through noncommercial filling operations but utilizing fill from its own internal operations on the Site or from Hanson's other operations, or from entering into fill contracts to acquire fill not otherwise available to the other mining operators.

2.8 Completion of Reclamation.

"Completion of Reclamation" means, consistent with the definition under the California Surface Mining and Reclamation Act of 1975, the completed process of land treatment which minimizes water degradation, air pollution, damage to aquatic or wildlife habitat, flooding, erosion, and other adverse effects from surface mining operations, including adverse surface effects incidental to underground mines, so that the mined lands, including the Reclamation Parcel and the Peck Parcel, are reclaimed to a usable condition which is readily adaptable for the ultimate development of each Parcel, as specified in this Agreement, and creates no danger to public health or safety. The process may extend to affected lands surrounding the mined lands and shall require backfilling, grading, resoiling, revegetation, soil compaction to those standards specified in this Agreement, stabilization and other measures to make such mined lands readily adaptable to the ultimate development of each Parcel, as specified in this Agreement. It is specifically agreed that this definition is satisfied only by the use of Engineered Fill.

2.9 Concurrent Mining Approvals.

"Concurrent Mining Approvals" means the approval granted by City concurrent with the approval of this Development Agreement to mine the Site, namely the Conditional Use Permit, Reclamation Plan, EIR and agreements addressing Financial Assurance obligations, including, but not limited to, the SMARA Conveyance Agreement.

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2.10 Conditional Use Permit.

"Conditional Use Permit" means the conditional use permit approved concurrently with the approval of this Agreement by the City Council under Resolution No. 2005-87-2104 for mining and reclamation of the Site.

2.11 Conditions of Approval.

"Conditions of Approval" means those conditions regulating the mining and reclamation activities authorized by the Conditional Use Permit and attached to the Resolution approving the Conditional Use Permit as Exhibit A thereto.

2.12 Default.

"Default" refers to any material default, breach, or violation of a provision of this Agreement as defined in Section 11. "City Default" refers to a Default by the City, while "Hanson Default" refers to a Default by Hanson.

2.13 Design Guidelines.

"Design Guidelines" shall mean those general and specific development standards applicable to the Project relating to lot size, building square footages, lot coverage, parking, building height, setbacks, landscaping, access, etc., as may be approved in the future by City as applicable to the Site.

2.14 Development Agreement Statute.

"Development Agreement Statute" means Sections 65864 through 65869.5 of the California Government Code as they exist on the Effective Date or as may be amended from time-to-time.

2.15 Development Approvals.

"Development Approvals" means all site-specific (meaning specifically applicable to the Site only and not generally applicable to some or all other properties within the City) plans, maps, permits, and entitlements to use of every kind and nature. Development Approvals include, but are not limited to, permits to mine to specified depths, reclamation plans, specific plans, site plans, tentative and final subdivision maps, design guidelines, variances, zoning designations, conditional use permits, grading, building, and other similar permits, environmental assessments, including environmental impact reports and negative declarations, and any amendments, supplements or modifications to those plans, maps, permits, assessments and entitlements. The term Development Approvals does not include (i) rules, regulations, policies, and other enactments of general application within the City, (ii) any of the Superseded Mining Agreements, (iii) any matter where City has reserved authority under Article 9.0.

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2.16 Development Plan.

"Development Plan" means the Existing Development Approvals, Future Development Approvals, Existing Land Use Regulations, and Future Land Use Regulations and permitted Future Mining Land Use Regulations.

2.17 Effective Date.

"Effective Date" means the date the Agreement becomes effective, which shall be the date thirty (30) days after the adoption of the Authorizing Ordinance.

2.18 EIR, Negative Declaration or "environmental documents".

"EIR" or "Negative Declaration" or "environmental documents" means the Environmental Impact Report, Negative Declaration or other environmental documents certified by City Council Resolution No. 2005-87-2104 in accordance with the requirements of CEQA and processed in accordance with Section 4.6.

2.19 Engineered Fill.

"Engineered Fill" means the use of Inert Material for the reclamation of quarry pits to the following standard:

(a) All fill placed into the natural groundwater (Underwater Fill) at any level that may exist at the time of fill placement shall comply with all provisions of the May 20, 2005 "Guidelines for Underwater Backfilling Of Open-Pit Mines, Irwindale, California" and any and all revisions, updates and modifications of such Guidelines.

(b) All fill placed above the natural groundwater (Above Water Fill) at any level that may exist at the time of fill placement shall comply with all provisions of the November 23, 2005 "Guidelines for Above Water Backfilling of Open-Pit Mines, Irwindale, California" and any and all revisions, updates and modifications of such Guidelines.

2.20 Existing Development Approvals.

"Existing Development Approvals" means those Development Approvals which are in effect on the Effective Date, but does not include the Superseded Mining Agreements.

2.21 Existing Land Use Regulations.

"Existing Land Use Regulations" means those certain Land Use Regulations applicable to the Site in effect on the Effective Date. This term includes all Existing Mining Land Use Regulations.

2.22 Financial Assurances.

"Financial Assurances" shall mean the financial assurances required by City pursuant to the Surface Mining and Reclamation Act of 1975 ("SMARA") to assure the reclamation of the Site, as established pursuant to Sections 11.2 through 11.5.

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2.23 Future Development Approvals.

"Future Development Approvals" means those Development Approvals applicable to the Site approved by the City after the Effective Date.

2.24 Future Land Use Regulations.

"Future Land Use Regulations" means those certain Land Use Regulations applicable to the Site approved by the City after the Effective Date, but does not include Future Mining Land Use Regulations.

2.25 Future Mining Land Use Regulations.

"Future Mining Land Use Regulations" means those Mining Land Use Regulations approved by the City after the Effective Date.

2.26 Inert Materials.

"Inert Materials" shall have the meaning provided under California Integrated Waste Management Board regulations (Title 14 of the California Code of Regulations) for Type A Inert Debris, as such definition may be amended from time-to-time. "Type A Inert Debris" includes, but is not limited to, concrete (including fiberglass or steel embedded in the concrete), fully cured asphalt, crushed glass, fiberglass, asphalt or fiberglass roofing shingles, brick, slag, ceramics, plaster, clay and clay products. Type A inert debris is waste that does not contain soluble pollutants at concentrations in excess of water quality objectives and has not been treated in order to reduce pollutants.

2.27 Land Use Regulations.

The "Land Use Regulations" means those ordinances, laws, statutes, rules, regulations, initiatives, policies, requirements, guidelines, constraints, codes or other actions of the City which affect, govern, or apply to the Site or the implementation of the Development Plan. Land Use Regulations include the ordinances and regulations adopted by the City which govern permitted uses of land, density and intensity of use and the design of buildings, applicable to the Site, including, but not limited to, the General Plan, specific plans, zoning ordinances, development moratoria, implementing growth management and phased development programs, ordinances establishing development exactions, subdivision and park codes, any other similar or related codes and building and improvements standards, mitigation measures required in order to lessen or compensate for the adverse impacts of a project on the environment and other public interests and concerns or similar matters. The term Land Use Regulations does not include, however, regulations relating to the conduct of business, professions, and occupations generally; fees, taxes and assessments; regulations for the control and abatement of nuisances; uniform codes; utility easements; encroachment and other permits and the conveyances of rights and interests which provide for the use of or entry upon public property; any exercise of the power of eminent domain; health and safety regulations; environmental regulations; or similar matters or any other matter reserved to City pursuant to Article 9. The term "Land Use Regulations" does not include any of the Superseded Mining Agreements.

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2.27 Maximum Historic Water Level.

"Maximum Historic Water Level" means the maximum recorded groundwater level of approximately 323 feet above mean sea level for the Site, measured in wells located in Irwindale and vicinity.

2.28 Maximum Safe Depth.

"Maximum Safe Depth" means the maximum depth to which a particular Parcel may be excavated, taking into account the permitted slopes and setbacks, water table, slope stability, slope erosion, plans for reclamation, and other appropriate factors, in accordance with the guidelines provided in the Slope Study, and as specifically shown in the independent bathometric study based on a slope profile cross-sectioned at intervals, a copy of which is attached as Exhibit "B" to the CUP Conditions.

2.29 Mining Development Approvals.

"Mining Development Approvals" means those City approvals including the Conditional Use Permit for mining and reclamation of the Site. Mining Development Approvals include the authority to mine to specified depths, Conditional Use Permit for mining, Reclamation Plan, and financial assurances concerning mining, mining environmental assessments, and any amendments or modifications thereto.

2.30 Mining Land Use Regulations.

"Mining Land Use Regulations" means those Development Approvals and Land Use Regulations including all zoning ordinances (including IMC Section 17.60 (Quarry Zone) and IMC Section 17.63 (Surface Mining and Reclamation Plans)), as they may be amended from time-to-time and other ordinances and regulations governing the conduct of mining and reclamation activities within each Parcel.

2.31 Mining Tax.

"Mining Tax" means the tax enacted by the voters pursuant to Sections 3.18.030 and 3.18.040 of the Irwindale Municipal Code, as it may be amended from time to time.

2.32 Mining Study.

"Mining Study" means the City of Irwindale Mining and Reclamation Impact Study, dated March 1999, analyzing the mining activities within the City's jurisdiction.

2.33 Mortgage.

"Mortgage" means a mortgage, deed of trust, or sale and leaseback arrangement or other transaction in which all or any portion of or interest in the Site is pledged as security. "Mortgagee" refers to the holder of a beneficial interest under a Mortgage.

2.34 Parcel.

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"Parcel" or "Parcels" shall individually or collectively, as the case may be, mean the Plant Parcel, the Reclamation Parcel, the Green Parcel, the Southwest Corner, the Peck Parcel and/or the Lake Parcel.

2.35 Processing Plant.

"Processing Plant" means the plant existing and operating at the Plant Parcel as of the Effective Date, used for processing and crushing of materials mined from the separate Parcels.

2.36 Project.

"Project" means the excavation, reclamation, and development of rough-grade pads at the Site for commercial, industrial and recreational uses pursuant to the Development Plan and this Agreement. "Development" means the improvement of the Site for purposes of constructing the structures, improvements and facilities consistent with the uses identified for the Project including, without limitation: grading, the construction of infrastructure and public facilities related to the Project identified in this Agreement, the CUP or Reclamation Plan, whether located within or outside the Site, but not the construction of structures and buildings or installation of landscaping for the ultimate end use; such construction shall be subject to Future Development Approvals to be secured by Hanson from the City after the Effective Date.

2.37 Reclamation Plan.

"Reclamation Plan" shall mean the December 2005 Reclamation Plan prepared by Liburn Corporation for the Site and approved concurrently herewith by the City as part of this Development Agreement.

2.38 Reservations of Authority.

"Reservations of Authority" shall have the meaning set forth in Section 9.0 of this Agreement.

2.39 Schedule of Performance.

"Schedule of Performance" means that certain Schedule of Performance attached hereto as **Exhibit C** specifying the time limits by which the various obligations under this Agreement must be performed.

2.40 Scope of Development.

"Scope of Development" means the development of the Site as described at **Exhibit B** hereto.

2.41 Site.

"Site" means, collectively, those six (6) Parcels of land referred to herein as the Plant Parcel, the Reclamation Parcel, the Green Parcel, the Peck Parcel, Southwest Corner, and the Lake Parcel, generally shown on the Site Map, attached hereto as **Exhibit A**, and more specifically described in the Legal Description attached hereto as **Exhibit A-1**.

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2.42 Slope Study.

"Slope Study" shall mean that certain December 24, 2003 Guidelines for Slope Stability Analysis of Open Pit Mine Slopes, Irwindale, California, as may be amended with the approval of the City.

2.43 SMARA Conveyance Agreement

"SMARA Conveyance Agreement" shall mean that certain agreement entitled the "SMARA Operation Rights Transfer and Conveyance Agreement," which addresses Hanson's financial assurance obligations for the Project, as approved by the parties concurrently with this Agreement.

2.44 Superseded Mining Agreements.

The term "Superseded Mining Agreements" shall have the meaning set forth in Section 1.6 of this Agreement.

2.45 Term.

The "Term" means that period of time during which this Development Agreement shall be in effect and bind the Parties, as defined in Section 3.1.

2.46 Uniform Codes.

The term "Uniform Codes" means the California codes that are based on recommendations of a multi-state professional organization, as adopted by City, such as, but not limited to, the California Building, Electrical, Plumbing, Mechanical, Fire, or Abatement of Dangerous Building Codes.

3.0 TERM.

3.1 Term.

The term of this Agreement (the "Term") shall commence on the Effective Date and shall continue until the end of the day preceding the twenty-seventh (27th) anniversary of the Effective Date, however, mining operations authorized by this Agreement and Conditional Use Permit shall be conducted during only the first twenty-five (25) years of the Term; the remaining two (2) years shall be reserved for operations related to removal of the Processing Plant and completion of rough grading of the Parcels consistent with the ultimate end uses identified for the Project, unless otherwise expressly provided by this Agreement. In the event Hanson has not completed its performance hereunder upon expiration of the term, the City Council may extend the Term in its sole discretion and seek specific performance in lieu of accepting termination but this right shall not preclude City from exercising any other rights hereunder for such violation. Notwithstanding the foregoing, this Agreement shall terminate with respect to any portion of the Site for which Hanson secures Future Development Approvals for development of the improvements consistent with the ultimate end uses identified for the Project.

3.2 Force Majeure.

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Hanson agrees that the time within which it shall be required to perform any act under this Agreement shall not be extended regardless of whether such delay is outside the control of Hanson, provided such delay is not caused by any excess delay (including, without limitation, restrictions on priority, initiative or referendum, or moratoria) by the City, in which case, Hanson shall provide written notice to the City describing the nature and extent of the delay and deliver such notice within 30 days of discovering such delay. Hanson's obligations shall be extended for such time as the City deems reasonable as a result of such delay if and only if Hanson provides such written notice to the City within such time. Hanson shall not be entitled to delay performance of this Agreement for any other cause, including, but not limited to, days during which performance of such act is delayed due to war, insurrection, strikes, lock-outs, riots, floods, earthquakes, fires, casualties, natural disasters, Acts of God, acts of the public enemy, epidemics, quarantine restrictions, freight embargoes, processing with any governmental agencies, unusually severe weather, or any other similar causes, even if beyond the control or without the fault of Hanson.

4.0 DEVELOPMENT OF THE SITE.

4.1 Right to Develop.

During the Term, Hanson shall have a vested right to develop the Site (subject to Section 5.0 below) to the full extent permitted by the Development Plan and this Agreement. Except as provided within this Agreement, the Development Plan shall exclusively control the mining, reclamation and development of the Site.

4.2 Later Enacted Measures.

Hanson acknowledges and agrees that this Agreement shall not supersede any initiative, measure, moratorium, statute, ordinance or other limitation enacted after the Effective Date in accordance with the manner described in Section 9.0. Any such enactment which affects, restricts, impairs, delays, conditions, or otherwise impacts the implementation of the Development Plan as such Development Plan is specifically set forth herein, or is in any way contrary to the terms of this Agreement shall not apply to the Project unless otherwise provided by State law.

4.3 Superseded Mining Agreements.

Over a number of years Hanson and City have had disagreements regarding the extent to which the Parcels should be excavated, the application of mining taxes, regulatory standards affecting mining, the timing and plans for reclamation, and the ultimate land uses to be developed. City and Hanson wish to resolve these disputes with respect to the Site through this Agreement. Further, the previously envisioned uses for the Site are not the highest and best uses under anticipated future market conditions and the City's General Plan. Therefore, it is in the interest of the Hanson to surrender its previous entitlements to obtain the rights set forth in this Agreement, including the statutory protections granted by the Development Agreement Statute. The Parties acknowledge that this Agreement shall supersede all of the Superseded Mining Agreements. The Superseded Mining Agreements are hereby expressly repealed and superseded by the provisions hereof. The Superseded Mining Agreements are therefore not applicable to the Project and are excluded from the definitions of Land Use Regulations or Development Approvals. Hanson voluntarily foregoes these rights in consideration of the rights granted hereunder and waives any claims against City whatsoever therefor.

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4.4 Priority of Regulations and Approvals.

Notwithstanding anything in this Agreement to the contrary, this Section shall govern the relative priority of Land Use Regulations and Development Approvals. Except as provided in this Section, nothing in Section 4.2 or any other provision of this Agreement shall limit the City's ability to adopt Future Land Use Regulations, nor to review and process Future Development Approvals and regulate and condition such Future Development approvals consistent with Future Land Use Regulations. However, except as provided in Article 9, no Future Mining Land Use Regulations may be applicable to the Site and no Future Mining Development Approvals may be granted if they are inconsistent with this Agreement or the Concurrent Mining Approvals, except with the written consent of Hanson. Any alleged inconsistency shall be resolved pursuant to Sections 4.5 and 9.3 below. Nothing herein shall limit the City's right to adopt Future Mining Land Use Regulations with respect to other mining operations in the City, nor limit the rights reserved to City pursuant to Article 9.

4.5 Inconsistencies.

It is expressly agreed that in the event of any inconsistency between the provisions or conditions of the Development Approvals and the provisions of this Agreement, the provisions of this Agreement shall govern. The conditions of such Development Approvals shall be interpreted insofar as possible to prevent such inconsistency, and in the event this Agreement is silent concerning an issue, the conditions of the Development Approvals shall govern. Any question concerning inconsistency shall be pursued by the process established in Section 9.3. If any of the Existing Development Approvals are now or hereafter found to be in conflict with or inconsistent with any of the Future Development Approvals, such conflicting or inconsistent provisions contained in the Existing Development Approvals shall be deemed deleted or modified in order to conform same to the Future Development Approvals.

4.6 CEQA.

The City shall be responsible for any and all processing required under CEQA in connection with this Project. As to the CEQA requirements hereunder, the parties agree as follows:

- (a) The City shall review and process new environmental documents for this Agreement as well as the Conditional Use Permit for mining the Reclamation Parcel, the Green Parcel and the Lake Parcel, and the Reclamation Plans for the Quarry.
- (b) City has selected Jones & Stokes to serve as its environmental consultant in the preparation of the new environmental documents.
- (c) Hanson shall pay the cost of preparing the new environmental documents.
- (d) As of the date of this Agreement, Hanson has deposited with the City the sum of \$121,452.00 as a deposit against the total estimated cost for the preparation of the new environmental documents. The City has agreed to cover the additional amount to cover the estimated total cost of the environmental documents of \$151,172.00. Should the actual costs required to complete the environmental documents exceed this estimated total cost, Hanson acknowledges that it is responsible for paying such difference.

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(e) City shall pay the environmental consultant selected under subsection 4.6(b) above pursuant to the environmental services contract between City and such consultant, using funds deposited by Hanson with the City under subsection 4.6(d) above and the City funds, as described therein. Should the funds deposited by Hanson with City be depleted, Hanson shall promptly, within fifteen (15) days of the request therefor, deposit additional funds necessary to pay the additional costs estimated to be paid to the environmental consultant until such time as the environmental consultant is fully paid for its services. Within fifteen (15) days after the City's payment of the last invoice to the environmental consultant, the City shall return to Hanson any unused funds deposited by Hanson with the City hereunder.

4.7 Project Challenges.

In the event of any legal challenge to the City's determinations under CEQA, or to any other City or City Council determination in connection with the Project by any third party, including any Development Approval or Future Development Approval, Hanson shall be responsible for the cost of the defense of any lawsuit, including all litigation costs thereof, including, but not limited to costs, attorney's fees, and expert witness fees, and indemnifying the City for any award of damages, costs, attorney's fees, undertakings, or any other liability which may be assigned to the City.

Generally, Hanson may conduct defense itself, selecting counsel of its choosing, but providing City with copies of all documents and settlement proposals and paying the cost of the City's legal review of same. However, the City may choose to conduct defense itself at its own expense. In any event, the City retains the absolute right to propose, evaluate, negotiate, accept, or reject any settlement offer pertaining to any litigation challenging City action with respect to the Project or Existing Development Approval or Future Development Approval.

4.8 Rights of Access.

Representatives of the City shall have the reasonable right of access to the Site without charges or fees, at any time during the period of excavation, reclamation and development, for the purpose of assuring compliance with this Agreement, including but not limited to the inspection of excavation, reclamation and development work being performed by or on behalf of Hanson. Such representatives of the City shall be those who are so identified by the City Manager. Each such representative of the City shall identify himself or herself at the job site office upon his or her entrance to the Site, and shall provide Hanson, or the excavation, reclamation or development superintendent or similar person in charge on the Site, a reasonable opportunity to have a representative accompany him or her during the inspection. The City's inspectors shall behave in a manner so as to not interfere with Hanson's operations or usage of the Site, subject to Hanson's safety requirements pursuant to Hanson's policy, California OSHA requirements and federal MSHA requirements.

4.9 Mining, Reclamation and Development of the Site.

The Site shall be mined, reclaimed and developed in accordance with this Agreement, as more specifically described in the Scope of Development (**Exhibit B**) and within the times set forth in the Schedule of Performance (**Exhibit C**). Hanson understands and acknowledges that the development of the Site shall require separate discretionary and administrative approvals, as applicable, from the City. Hanson further understands that the City may amend the allowable

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uses and development regulations affecting the Site from time-to-time, including, but not limited to, requiring additional infrastructure improvements; provided that the allowable uses and development regulations applicable to the Site remain consistent with Hanson's investment in the filling and grading work in preparation for development performed at the Site under this Agreement. For example, if the end use contemplated herein was industrial and the fill was being compacted to permit such development, the City could change the use to commercial, but not open space. The current regulations concerning mining and reclamation are specified in this Section. Hanson agrees that the City may amend the regulations applicable to mining and reclamation, provided such amendments are in accordance with Article 9.0 herein.

4.10 Project Improvements.

The "Project Improvements" described in this Section shall be constructed or installed by Hanson in conjunction with the post-reclamation development of each Parcel in accordance with the approvals granted by the City at the time.

(a) Drainage.

The design of the storm drain system shall be approved as to design and sizing by the City's engineer, which approval shall not be unreasonably withheld provided the design and sizing is consistent with the standards of the County of Los Angeles. The storm drain system shall be owned, operated, and maintained by the Hanson until ownership is transferred to the Los Angeles County Department of Public Works. Hanson shall ensure the storm drain system is constructed in accordance with Los Angeles County specifications, and the City and Hanson shall cooperate to effect the transfer of the storm drain system to the County. It is expressly understood that for those parcels not reclaimed to street level, the storm drain system may incorporate retention basins, overflow facilities, and pumping capacity to insure protection of public safety, all to be developed and maintained by Hanson or the County, if such improvements are accepted by the County.

(b) Streets.

Hanson shall construct all streets, alleys, and associated infrastructure in connection with such streets and alleys, including asphalt paving, curbs, gutters, sidewalks, lighting, signals, water and sewer facilities, storm drains, utilities, and landscaped median island etc., all as indicated in the Development Approvals and this Agreement.

(c) Walls and Landscaping.

Hanson will construct and at all times maintain walls, berms and landscaping both during Mining Operations and subsequent development, as provided in the Development Plan and/or the approved Reclamation Plan, to screen the Site and present an attractive appearance to the community. Continued maintenance may be assured through recorded covenant agreements enforceable by City as provided herein.

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(d) Undergrounding of Utilities.

Hanson, at its expense, shall underground all utility lines located adjacent to the Project.

(e) Sewer and Storm Drain.

Hanson, at its expense, shall install the following:

(1) a storm drain system with sufficient size to handle the storm water runoff from the Reclamation Parcel and the Plant Parcel. The design of this storm drain system shall be in accordance with Section 4(a); and

(2) a sanitary sewer system with sufficient size to handle the development needs of the Reclamation Parcel and the Plant parcel. The design of this sanitary sewer system shall be in accordance with the Los Angeles County Department of Public Works specifications and the County Sanitation District specifications applicable at the time of such construction.

(f) Other Infrastructure Requirements.

Hanson, at its expense, shall install all necessary infrastructures as identified in the EIR for post-reclamation development of the Site.

5.0 TIME FOR CONSTRUCTION AND COMPLETION OF PROJECT.

5.1 Schedule of Performance.

Hanson understands that the Development portion of the Project shall be considered Future Development Approvals, subject to separate discretionary and administrative approvals, as applicable, by the City, as described in Sections 4.9, 5.2 and 6.2 below. Hanson shall submit to the City applications and provide supporting documentation as needed by the City for the Future Development Approvals upon completion of reclamation on the Parcels within the Site where Development is contemplated to take place under this Agreement. Upon the City's approval of any Future Development Approval, Hanson shall commence and complete Development in accordance with the Schedule of Performance. Failure to adhere to the dates set forth in the Schedule of Performance shall be deemed a Default hereunder.

5.2 Right of Hanson to Control Timing of Development.

Hanson as a rock quarrying company has no present intention to ultimately develop the Site, but will convey it to a development entity. Accordingly, the excavation and reclamation of the Site as allowed under this Agreement shall be accomplished in accordance with the Schedule of Performance. However, the earliest parcel available for development, the Peck Parcel, will not be available for approximately eight (8) years and the other Parcels not for at least 25, and it is therefore impractical to precisely regulate the timing, phasing, or sequencing in which the development will occur. Such decisions depend upon numerous factors of construction and the state of the general economy. The parties may develop a precise phasing plan within the period of 1-3 years prior to completion of reclamation. Moreover, Hanson agrees that no later than upon completion of reclamation of any Parcel, or in the case of the Plant Parcel, within one (1) year after removal of the Processing Plant and clearance of the Plant Parcel, Hanson will submit an amendment to the Development Plan, including subdivision maps for the City's approval

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through its then applicable approval process. Within three (3) years thereafter, Hanson will commence development, or will sell said Parcels to a qualified developer in accordance with the transfer provisions of Article 12. Completion of development will be accomplished within five (5) years of commencement or in accordance with any phasing plan approved by the City in accordance with the Scope of Development (**Exhibit B**). Should Hanson identify a proposed development before the time described in this schedule, Hanson may submit an application to the City for such development and any necessary amendment to this Agreement to accommodate such development.

5.3 Public Improvements.

Notwithstanding any provision herein to the contrary, the City shall retain the right to condition any Future Development Approvals to require Hanson to dedicate necessary land, pay any required development fees, and/or to construct the required public infrastructure ("Exactions") at such time as City shall determine subject to the following conditions:

- (a) The dedication, payment or construction must be to alleviate an impact caused by the Project or be of benefit to the Project; and
- (b) The timing of the Exaction should be reasonably related to the infrastructure needs of the phasing of the development of the Project, including infrastructure improvements needed during reclamation and before the commencement of development, and said public improvements shall be phased to be commensurate with the logical progression of the reclamation activities and Project development as well as the reasonable needs of the public.

When Hanson is required by this Agreement and/or the Development Plan to construct any public works facilities which will be dedicated to the City or any other public agency upon completion, Hanson shall perform such work in the same manner and subject to the same construction standards as would be applicable to the City or such other public agency should it have undertaken such construction work.

6.0 PROCESSING OF REQUESTS AND APPLICATIONS; OTHER GOVERNMENT PERMITS.

6.1 Standards.

In reviewing Future Mining Development Approvals which are discretionary, the City may impose only those conditions, exactions, and restrictions which are allowed by the Development Plan and this Agreement, including, but not limited to, the Conditions of Approval. All other Future Development Approvals shall be subject to conditions, exactions, and restriction consistent with the then existing land use regulations of City, whatever they may be.

6.2 Processing.

Upon satisfactory completion by Hanson of all required preliminary actions, meetings, submittal of required information and payment of appropriate processing fees, if any, the City shall promptly commence and diligently proceed to complete all required steps necessary for the implementation of this Agreement. In this regard, Hanson, in a timely manner, shall provide City with all documents, applications, plans and other information necessary for the City to carry

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out its obligations hereunder and shall cause Hanson's planners, engineers and all other consultants to submit in a timely manner all required materials and documents therefor. It is the express intent of this Agreement that the parties cooperate and diligently work to implement any zoning or other land use, site plan, subdivision, grading, building, reclamation, or other approvals for development of the Project. Notwithstanding the foregoing, nothing contained herein shall be construed to require City to process Hanson's applications ahead of other projects in process in the City and City's obligations hereunder shall be subject to the City's workload and staffing at any given time. If Hanson elects, in its sole discretion, to request the City to incur overtime or additional consulting services to receive expedited processing by the City, Hanson shall pay all such overtime costs, charges or fees incurred by City for such expedited processing.

6.3 Reclamation Plan.

The Reclamation Plan approved concurrently herewith shall be reviewable by the City every five (5) years. The City's review shall be undertaken in accordance with SMARA, the SMARA Regulations, and City's mining ordinance. City may revise the Reclamation Plan if it finds that revisions are necessary due to any of the following factors: (i) changes in the environmental conditions under which reclamation will be undertaken, (ii) changes in environmental regulations affecting reclamation, (iii) changes in technical capacity, methods, or processes for accomplishing reclamation, (iv) changes to adjacent properties that may impact the reclamation operations, (v) changes in City's specific or general plans concerning the alternative land uses for which the reclaimed lands may be developed, (vi) other changes to the environment, adjacent land, methods of reclamations, laws, or other conditions affecting the Reclamation Plan. Any action or inaction on the part of City concerning the review of the Reclamation Plan may be appealed to the State Board pursuant to SMARA. City may propose and approve changes to the Reclamation Plan that are consistent with SMARA, the SMARA Regulations, and City's mining ordinance and which reclaim the mined lands into readily usable alternative land uses consistent with the Development Approvals. In no event may City make changes to the Reclamation Plan which will have a significant adverse economic impact on Hanson or interfere with Hanson's ability to satisfy its obligations hereunder, as provided in Section 9.1(b). Any changes to the Reclamation Plans may be approved by the City by Resolution consistent with Section 8.4, without requiring an amendment to this Agreement, unless such change would create a specific inconsistency with the provisions of this Agreement.

6.4 Phased Final Maps.

Hanson may file as many phased final maps for the Project as it deems appropriate and consistent with this Agreement.

6.5 Other Governmental Permits.

Hanson shall apply in a timely manner for such other permits and approvals as may be required from other governmental or quasi-governmental agencies having jurisdiction over the Project as may be required for the development of, or provision of services to, the Project in accordance with the phasing requirements set forth herein. The City shall cooperate with Hanson in its efforts to obtain such permits and approvals.

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6.6 Public Agency Coordination.

The City and Hanson shall cooperate and use reasonable efforts in coordinating the implementation of the Development Plan with other public agencies, if any, having jurisdiction over the Site or the Project.

6.7 Waiver of Permit Streamlining Act.

Sections 65950, et seq., of the Government Code, generally known as the "Permit Streamlining Act" (the "Act"), requires timely processing of development applications and provides specified time periods for such processing, which if not met, and subject to notice and other procedural requirements, may result in the project being deemed approved. The parties hereby expressly waive the provisions of the Act, and agree that the Project shall be processed in accordance with the Schedule of Performance and this Agreement. Failure to meet any time period established in this Agreement or the Act shall not result in the determination that the Project is "deemed approved." In the event that the time periods provided in this Agreement are not met, the parties' remedies shall be as otherwise provided herein. In the event this Agreement is terminated for any reason, then Hanson may submit a new development application, and the provisions of the Act shall be reinstated and all applicable time provisions for processing shall commence to run as of the date of the new submittal. Waiver of the requirements of the Act shall not apply with respect to the processing of applications for matters outside the scope of this Agreement.

7.0 FEES, TAXES AND ASSESSMENTS.

7.1 General.

During the term of this Agreement, the City shall not, without the prior written consent of Hanson, impose any additional fees, taxes or assessments on all or any portion of the Project, except such fees, taxes and assessments as are described in or required by this Development Agreement and/or the Development Plan. This Development Agreement shall not prohibit the application of fees, taxes or assessments as follows:

- (a) Hanson shall be obligated to pay those fees, taxes or City assessments which exist as of the Effective Date or are included in the Development Plan or Concurrent Mining Approvals approved concurrently herewith and any increases in same, as provided herein;
- (b) Hanson shall be obligated to pay any fees or taxes, and increases thereof, imposed on a City-wide basis activities such as business license fees or taxes, sales or use taxes, utility taxes, and mining taxes;
- (c) Hanson shall be obligated to pay all fees applicable to a permit application as charged by City at the time such application is filed by Hanson;
- (d) Hanson shall be obligated to pay any future fees or assessments imposed on an area-wide basis, (such as landscape and lighting assessments and community services assessments) provided that the fees and assessments levied against the Site do not constitute more than fifty percent (50%) of the total fees or assessment levied within the applicable area, unless otherwise consented to in writing by Hanson. Hanson reserves

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its right to protest the establishment or amount of any such fees or assessments through the method prescribed by law;

(e) Hanson shall be obligated to pay any fees imposed pursuant to any assessment district established within the Project otherwise proposed or consented to by Hanson;

(f) Hanson shall be obligated to pay any future fees or assessments imposed as a condition of a Development Approval, even if such Development Approval or Future Development Approval is processed and approved after the Effective Date;

(g) Hanson shall be obligated to pay any fees imposed pursuant to any Uniform Code; and

(h) Hanson shall be obligated to pay any fees, assessments, or taxes imposed by an area-wide or multi-jurisdictional entity of which City is a member, including but not limited to a sewer sanitation district, transportation district, water replenishment district, or similar entities.

7.2 Mining Tax.

With respect to the City's mining and processing tax pursuant to Irwindale Municipal Code § 3.18.030 and the existing special mining tax pursuant to Irwindale Municipal Code § 3.18.040, and in exchange for the benefits provided herein, Hanson shall not contest the existing mining taxes imposed by the City or the use of the special mining tax permitted under such ordinance. Hanson also shall not contest the adjustment to the mining and processing tax or the special mining tax presently provided for in Irwindale Municipal Code § 3.18.030 and 3.18.040, respectively. If the City imposes a new tax, nothing in this Agreement shall prejudice Hanson from challenging the new tax. Notwithstanding the foregoing, Hanson shall only be obligated to pay mining taxes, including any tax increases, to the extent all other mining operators are required to pay them and shall receive the benefit of any mining tax reduction given to any other operator, unless such reduction is due to special circumstances applicable solely and exclusively to such other operator.

7.3 Agreement Costs.

In addition to the amounts deposited by Hanson pursuant to Section 4.6(d) above, City acknowledges receipt of twenty-five thousand dollars (\$25,000) from Hanson to cover the costs and expenses for the preparation of this Agreement, including attorneys fees.

7.4 Accord and Satisfaction.

No payment by Hanson or receipt by City of a lesser amount than established by City shall be deemed to be other than a partial payment of the full amount due, nor shall any endorsement or statement on a check or any letter accompanying a check or payment be deemed an accord and satisfaction, and City may accept such check or payment without prejudice to City's right to recover the balance due or pursue any other remedy herein provided.

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7.5 Payment Made by City on Behalf of Hanson.

In the event that:

- (a) Hanson fails to pay any amount due hereunder, whether any fee, cost, or expense, or
- (b) City incurs any other expense to remedy the default of Hanson, Hanson having been given the opportunity to cure pursuant to Section 11.0, and
- (c) City incurs the expense thereof on behalf of Hanson,

then Hanson shall reimburse the City for all such costs and expenses. If the City is not reimbursed for such costs by Hanson within fifteen (15) days after giving written notice thereof, the same shall be deemed delinquent, and the amount thereof shall bear interest as stated in Section 11.4 until paid. Any and all delinquent amounts, together with said interest, costs and reasonable attorney's fees shall be a personal obligation of the Hanson as well as a lien and charge, with power of sale, upon that portion of the Site upon which Hanson has any interest, legal or equitable, and the rents, issues and profits of the Site. The City may bring an action at law against the Site to pay any such sums or foreclose the lien against the Site. Any such lien may be enforced by sale by the City following recordation of a Notice of Default of Sale given in the manner and time required by law as in the case of a deed of trust; such sale to be conducted in accordance with the provisions of Section 2924, 2924(b), and 2924(c) of the California Civil Code, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted by law.

8.0 AMENDMENT OF DEVELOPMENT AGREEMENT.

8.1 Initiation of Amendment.

Either Party may propose an amendment to this Agreement.

8.2 Procedure.

Except as set forth in Section 8.4 below, the procedure for proposing and adopting an amendment to this Agreement shall be the same as the procedure required for entering into this Agreement in the first instance.

8.3 Consent.

Except as expressly provided in this Agreement, no amendment to all or any provision of this Agreement shall be effective unless set forth in writing, signed by duly authorized representatives of each of the parties hereto and recorded in the Official Records of Los Angeles County.

8.4 Minor Modifications.

- (a) Implementation of the Project may require minor modifications of the details of the Development Plan and performance of the Parties under this Agreement. The parties desire to retain a certain degree of flexibility with respect to those items covered in general terms under this Agreement. Therefore, modifications of the

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Development Plan, which are found by the City Manager to be non-substantive and procedural consistent with the terms of this Section 8.4 shall not require modification of this Agreement, but, instead, may be approved administratively by the City Manager in writing.

(b) A modification will be presumed non-substantive and/or procedural if it does not result in more than a ten percent (10%) change in fees, cost, density, intensity of use, permitted uses, the maximum height and size of buildings, the reservation or dedication of land for public purposes, or the improvement and specifications for the Project.

(c) Any modification that the City Manager believes is more than minor, but does not materially change the Development Plan, may be approved by the City Council by Resolution at a public hearing. Material changes to the Development Plan or other terms of this Agreement shall require amendment of this Agreement.

(d) The City will process any material change to this Agreement consistent with State law. The Parties expressly agree nothing herein is intended to deprive any Party or person of due process of law.

8.5 Effect of Amendment to Development Agreement.

The Parties agree that except as expressly set forth in any such amendment, an amendment to this Agreement will not alter, affect, impair, modify, waive, or otherwise impact any other rights, duties, or obligations of either Party under this Agreement.

9.0 RESERVATIONS OF AUTHORITY.

9.1 Limitations, Reservations and Exceptions.

The application of Land Use Regulations to the Project is governed by Sections 4.2, 6.1 and this Article. In addition to the Existing Land Use Regulations, only the following Land Use Regulations adopted by City hereafter and intended to be applicable to the Site, shall apply to and govern the development of the Site ("Reservation of Authority"):

(a) Future Land Use Regulations. All Future Land Use Regulations shall apply, except for (i) Future Mining Land Use Regulations and (ii) approvals of an amended Development Plan as set forth in Section 5.2.

(b) Future Mining Land Use Regulations. All Future Mining Land Use Regulations shall apply if they (i) are reasonably technically supported, (ii) are within the City's police power and are required to protect public health and safety, and (iii) are equally applicable to all mining companies operating in the City.

(c) State and Federal Laws and Regulations. Where state or federal laws or regulations enacted after the Effective Date prevent or preclude compliance with one or more provisions of the Agreement, or require actions not contemplated by this Agreement, those provisions shall be modified, through revision or suspension, to the extent necessary to comply with such state or federal laws or regulations.

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(d) Public Health and Safety/Uniform Codes.

(1) Adoption Automatic Regarding Uniform Codes. This Agreement shall not prevent the City from adopting Future Mining Land Use Regulations or amending Existing Land Use Regulations which are Uniform Codes and are based on recommendations of a multi-state professional organization and become applicable throughout the City, such as, but not limited to, the Uniform Building, Electrical, Plumbing, Mechanical, or Fire Codes, or Slope regulations or standards.

(2) Adoption Regarding Public Health and Safety/Uniform Codes. This Agreement shall not prevent the City from adopting Future Mining Land Use Regulations respecting public health and safety to be applicable throughout the City which result from findings by the City that failure to adopt such Future Mining Land Use Regulations would result in a condition injurious or detrimental to the public health and safety and that such Future Mining Land Use Regulations are the most effective means to correct or avoid such injurious or detrimental condition.

(3) Adoption Regarding Environmental Compliance. This Agreement shall not prevent the City from adopting Future Mining Land Use Regulations where the regulation is the most practical means to mitigate a significant adverse environmental condition or hazard and where the cost of implementing the regulation is reasonable relative to public benefit derived and does not constitute an economic hardship substantially affecting Hanson's operations nor Hanson's ability to perform its obligations hereunder.

(e) Ability to Adopt Fees, Taxes and Assessments pursuant to Section 7. This Agreement shall not prevent the City from adopting fees, taxes and assessments per Section 7.0.

9.2 Multi-Jurisdictional Programs.

This Agreement shall not prevent the City from adopting Future Land Use Regulations or amending Existing Land Use Regulations which are area-wide or multi-jurisdictional codes and are based on recommendations of a county or multi-jurisdictional organization and become widely applicable, such as the San Gabriel Valley Council of Governments.

9.3 Objections to Regulation.

In evaluating the reservation of authority to the City and applying the standards described above, in the event Hanson believes that such Future Mining Land Use Regulation does not satisfy such standards, Hanson shall give written notice of its objections and the grounds therefor to City, City shall duly consider Hanson's objections during a noticed public hearing and provide a written response within 30 days after the conclusion of the noticed public hearing. If City finds the objections well founded, City shall suspend the application of the Regulation to the Site. City shall have the obligation to make such findings only if Hanson's position is supported by clear and convincing evidence.

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9.4 Regulation by Other Public Agencies.

It is acknowledged by the Parties that other public agencies not within the control of the City possess authority to regulate aspects of the development of the Site separately from or jointly with the City and this Agreement does not limit the authority of such other public agencies.

10.0 ANNUAL REVIEW.

10.1 Annual Monitoring Review.

City and Hanson shall review the performance of this Agreement, and the development of the Project, at least once during each twelve (12) month period from the Effective Date and concurrently with the review of Hanson's financial assurances. The cost of the annual monitoring review shall be borne by Hanson, but in no event shall such reimbursable costs exceed Fifteen Thousand Dollars (\$15,000) per year, escalating by 15% every five years. As part of such annual monitoring review, within thirty (30) days after each anniversary of the Effective Date of this Agreement, Hanson shall deliver to City the amount of the annual fee, as determined by the Director, as well as all information reasonably requested by City (i) regarding Hanson's performance under this Agreement demonstrating that Hanson has complied in good faith with terms in this Agreement and (ii) as required by the Existing Land Use Regulations. If the City determines that Hanson has substantially complied with the terms and conditions of this Agreement, the review shall be concluded. If the City finds and determines that Hanson has not substantially complied with the terms and conditions of this Agreement for the period under review, the City may declare a Default by Hanson in accordance with Section 11.0.

10.2 Estoppel Compliance.

If at the conclusion of an annual monitoring review the City finds that Hanson is in substantial compliance with this Agreement, the City shall, upon request by Hanson, issue an Estoppel Certificate pursuant to Section 14.3.

10.3 Failure to Conduct Annual Review.

The failure of the City to conduct an annual monitoring review shall not be a Hanson Default, provided Hanson initiates annual monitoring review in accordance with Section 10.1.

11.0 DEFAULT, REMEDIES AND TERMINATION.

11.1 Security for Performance.

No later than the Effective Date, Hanson shall execute a Deed of Trust in the form attached hereto as **Exhibit D** guaranteeing payment of Fifteen Million Dollars (\$15,000,000) representing the estimate of the security required to assure Hanson's faithful performance of all obligations hereunder. The Deed of Trust shall be against the Site and apply to all obligations hereunder, regardless of whether additional security for the performance of any obligation as to any or all Parcels is provided elsewhere in this Agreement. The executed Deed of Trust shall be held by and for the benefit of the City as grantee upon the breach of any obligation by Hanson hereunder (following the notice and cure provisions of Section 11.5 herein) and authorize City to foreclose on the Deed of Trust for any costs and damages to City of performing Hanson's

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obligations hereunder. At any time during the Term of this Agreement, Hanson may replace such Deed of Trust with a performance bond in favor of the City, provided the amount of the performance bond is first approved by the City Engineer.

11.2 Financial Assurance Bonds.

Within the time required under the CUP approved concurrently herewith, Hanson shall post financial assurance bonds or other security meeting the requirements of SMARA Regulations, at Section 3803 in the amount required under the CUP.

11.3 Transfer and Conveyance of SMARA Operation Rights.

(a) Concurrently with this Agreement, Hanson shall execute the SMARA Operation Rights Transfer and Conveyance Agreement ("SMARA Transfer Agreement"), pursuant to which Hanson shall participate in the alternative financial assurances mechanism established by the Irwindale Reclamation Authority ("JPA"). Specifically, for purposes of complying with Sections 3803 and 3806 of the regulations promulgated by the State Mining and Geology Board ("SMGB"), allowing greater flexibility to public agencies in providing financial assurance mechanisms for reclamation than to private entities, and to assure that "fill revenues" from filling activities at the Site with "inert" fill or construction waste that shall accrue to Hanson in conducting the operations of the Quarries shall be counted toward the financial assurance obligations for each of the Site, Hanson shall transfer to the JPA its rights to operate the Quarries pursuant to SMARA, including the right to receive revenues from fill operations conducted at the Site.

(b) Simultaneously with the transfer specified in (a) above, the JPA will convey to Hanson its actual operating rights to the mining and reclamation operations for the Site.

(c) The operating rights transferred to the JPA under the SMARA Transfer Agreement shall be in the nature of a transfer in trust, and confer no title or interest in or to any real or personal property of Hanson. The actual operating rights to the Site conveyed under the SMARA Transfer Agreement to Hanson of any nature whatsoever shall remain in Hanson until and unless Hanson defaults in its obligations (i) to reclaim the Site as required in this Agreement, or (ii) under the Reclamation Plan, or (iii) to maintain financial assurances, as required by this Agreement. In such event, the JPA shall have the right to enter the Site to cure defaults in reclamation and exercise all other rights under the SMARA Transfer Agreement, including the right to receive fill revenues pursuant thereto.

11.4 Reclamation Incentives/Penalties.

The parties contemplate that, unless the provisions of Section 11.4(c) below apply, beginning on the Commencement Date, as defined in Section 11.4(a) below, Hanson will fill either Parcel with Engineered Fill at an annual refilling rate of 1,200,000 tons per year or 3,600,000 tons each three years (3,600,000 tons is referred to herein as the "Three Year Requirement"). Accordingly, the Parties agree as follows:

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(a) Commencement Date. Hanson shall not commence Commercial Filling Operations at either the Reclamation Parcel or Peck Parcel until such time as fill operations at United Rock's Quarry No. 1 are concluded or until such time as the City, in its discretion, authorizes in writing commencement of Commercial Filling Operations ("Commencement Date"). The parties expressly acknowledge that the City is attempting to prioritize filling of mining pits and may choose to further defer the Commencement Date of any Commercial Filling Operations until another quarry (which quarry along with United Rock's Quarry No. 1 shall be referred to herein as the "Priority Quarry") has been reclaimed, without liability to Hanson whatsoever; provided in no event shall the Commencement Date be later than December 31, 2020. Reclamation operations shall commence within 180 days after Hanson's receipt of the City's authorization to commence the Commercial Filling Operations. At such time, Hanson shall obtain all required permits for the reclamation of the Reclamation Parcel or Peck Parcel and shall immediately commence refilling the Reclamation Parcel or Peck Parcel as provided in the Scope of Development, at Exhibit B and further set forth in the Reclamation Plan adopted concurrent herewith.

(b) Rate of Fill. Upon the Commencement Date, Hanson shall have a two year build-up period for either the Reclamation Parcel or Peck Parcel in which to bring fill operations up to the following level: on or before the fifth anniversary of the Commencement Date and every three years thereafter (each three year period is referred to herein as a "Three Year Cycle"), Hanson shall deposit in either the Reclamation Parcel or Peck Parcel Engineered Fill of at least 1,200,000 million tons on a cumulative basis, subject to the provisions of Section 11.4(c) below. If it fails to do so, the City shall be entitled to use the fund created below in Section 11.4(d) for refilling activities. For any period of time in which the City halts fill operations in either the Reclamation Parcel or the Peck Parcel, the amount of tons required to be deposited during such Three Year Cycle in either the Reclamation Parcel or the Peck Parcel shall be decreased proportionately.

(c) Free-Market Filling Operation. Should the City and United Rock Products, Inc., its successors or assigns (collectively "United") amend the requirements establishing the Priority Quarry under entitlements granted to United, so that any quarry operator in the City may compete in the marketplace for fill materials, the provisions of this Section 11.4 shall not apply with respect to the prioritization of any quarry in the City. In such case, the filling rate described in this Section 11.4 shall be 500,000 tons per year, averaged to 1,500,000 tons for each Three Year Cycle.

(d) Creation of Fund for Refilling Activities. Upon the Commencement Date, the City shall select a bank or other financial institution reasonably acceptable to Hanson and both Parties shall enter into an escrow agreement with such institution reasonably acceptable to both Parties to create a fund (referred to herein as the "Fund") for deposit of monies as provided in Section 11.4(e) below.

The terms of such escrow agreement, among other reasonable and customary terms, shall include: (i) accrual of interest on deposited funds, and (ii) until 2036, payment from such Fund shall be based upon mutual written instructions, and thereafter upon unilateral instructions from the City subject to the notice and other provisions of Section 11.4(e)(5) below.

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(e) Deposit of Monies in Fund for Refilling Activities; Refunding of Monies and Use of Fund.

(1) Annually, Hanson shall present truck weight tickets or other evidence reasonably acceptable to the City as to the amount of Engineered Fill Hanson has deposited in the Reclamation Parcel and/or the Peck Parcel, as applicable.

(2) If at each Three Year Cycle Deadline for either Parcel, the amount of such Engineered Fill shall be less than 3,600,000 tons (taking into account any excess amount in any prior Three Year Cycle and any lesser filling requirement in Section 11.4(c) above), then Hanson shall within ten (10) business days thereafter deposit into the Fund \$.50 multiplied by the 3,600,000 tons required in that Three Year Cycle minus the number of actual tons deposited in the Parcel during such Three Year Cycle. If the amount in the Fund at any Three Year Cycle deadline is greater than the amount required to be deposited, on a cumulative basis, then the excess amount shall be promptly refunded to Hanson except as provided in subsection 11.4(e)(4) below relating to the time period following thirty (30) years from commencement of reclamation operations.

Example: If during the second Three Year Cycle, Hanson deposits 1.6 million tons, then within 10 days of the completion of 6 years from the Commencement Date, it shall deposit \$1 million dollars in the Fund (3.6 million tons minus 1.6 million tons equals 2 million tons, multiplied by \$.50 equals \$1,000,000). If, during the third Three Year Cycle, Hanson deposits 3.6 million tons plus 2 million tons (such that the total for the two Three Year Cycles is 7.2 million tons), then no further deposit in the Fund shall be required at the end of the third Three Year Cycle and the \$1 million and accrued interest shall be returned to Hanson. If, instead, Hanson deposited only 3.6 million tons plus 1 million tons during the third Three Year Cycle (such that the total for the two Three Year Cycles is 6.2 million tons), then, on a cumulative basis, Hanson would have a shortfall of 1 million tons for the two Three Year Cycles and \$500,000 of the amount in the Fund together with accrued interest will be promptly refunded to Hanson.

(3) The amount required to be deposited in the Fund pursuant to subsection 11.4(e)(2) above shall be adjusted annually in January of each year in accordance with the percentage change in the Producer Price Index for the Los Angeles/Riverside/Orange County Area for Series Id. PCU144 (sand and gravel) (the "PPI") since the last adjustment (or, if the PPI ever ceases to be published, in accordance with such substantially equivalent replacement index as the Parties shall agree to).

(4) Following thirty (30) years from commencement of reclamation operations, no amounts will be refunded from the Fund except as provided in Section 11.4(f) relating to refunding after completion of refilling of the Reclamation Parcel.

(5) Following thirty (30) years from commencement of reclamation operations, if Hanson has not deposited permissible fill material into either of the

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Reclamation Parcel or the Peck Parcel at an average rate of 1,200,000 tons per year in accordance with this Agreement, as appropriately adjusted for any lesser requirement under Section 11.4(c) above, then the City may utilize amounts in the Fund to assist in completing such refilling of either Parcel. The City shall expend the Fund for activities that will reasonably assist in the refilling of either Parcel expeditiously and in an economically prudent manner. Eligible costs under this paragraph shall include, but not be limited to, the costs of Engineered Fill, if economically prudent, transportation of same, equipment and labor costs for reclamation, engineering and consulting fees and all other similar or related costs and expenses.

At least thirty (30) days before making the initial expenditure from the Fund, the City shall in writing inform Hanson of how it proposes to utilize amounts in the Fund and shall meet at least once with Hanson to discuss such expenditures. No earlier than thirty (30) days following such meeting, City may make demand on the escrow holder referred to above for delivery of funds and escrow holder shall comply with such demand notwithstanding contrary instructions from Hanson. The City shall give Hanson periodic written accounting of its expenditures from the Fund and shall reasonably consider suggestions made by Hanson for the economically prudent utilization of the Fund.

(6) Hanson shall at all times maintain ownership and control of the Site and shall continue the conduct of refilling activity. However, in the event the City exercises its rights under subsection 11.4 (e)(5) above, Hanson shall give the City, its contractors and agents access to the Site so that the City may cause additional filling and reclamation to occur in accordance with this Agreement. Such access shall be in accordance with Section 4.8 of this Agreement.

(f) Disposition of Fund for Refilling Activities. At any time after both the Reclamation Parcel and the Peck Parcel have been refilled in accordance with this Agreement, Hanson may in writing demand refund of any remaining monies in the Fund which have previously been deposited but not used for refilling activities and if demand is accompanied by the certificate of an independent engineer, whose selection has been approved by the City, then escrow holder shall comply with such demand notwithstanding contrary instructions from the City. The City shall return any such funds in its possession, if any, with a complete written accounting of all expenditures within thirty (30) days of Hanson's written demand.

11.5 Rights of Non-Defaulting Party after Default.

The Parties acknowledge that both Parties shall have hereunder all legal and equitable remedies as provided by law following the occurrence of a default (as defined in Section 11.5 below) or to enforce any covenant or agreement herein. Before this Agreement may be terminated or action may be taken to obtain judicial relief the Party seeking relief ("Nondefaulting Party") shall comply with the notice and cure provisions of this Section 11.0.

11.6 Notice and Opportunity to Cure.

A Nondefaulting Party may elect to declare a default under this Agreement in accordance with the procedures hereinafter set forth for any failure or breach of the other party ("Defaulting

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Party") to perform any material duty or obligation of said Defaulting Party under the terms of this Agreement. However, the Non-Defaulting Party must provide written notice to the Defaulting Party setting forth the nature of the breach or failure and the actions, if any, required by Defaulting Party to cure such breach or failure. The Defaulting Party shall be deemed in default under this Agreement if the Defaulting Party has failed to completely cure such default within thirty (30) days after the date of such notice or ten (10) days for monetary defaults (or such lesser time as may be specifically provided in this Agreement). However, if such non-monetary default cannot be cured within such thirty (30) day period, and as long as the Defaulting Party does each of the following:

- (a) Notifies the Non-Defaulting Party in writing with a reasonable explanation as to the reasons the asserted default is not curable within the thirty (30) day period;
- (b) Notifies the Non-Defaulting Party of the Defaulting Party's proposed cause of action to cure the default, specifying dates by which specific actions will be taken;
- (c) Promptly commences to cure the default within the thirty (30) day period;
- (d) Makes reports in accordance with the time schedule provided to the Non-Defaulting Party as to the progress of the program of cure, showing how the proposed dates have been met and establishing any additional needed dates; and
- (e) Diligently prosecutes such cure to completion,

then the Defaulting Party shall not be deemed in breach of this Agreement. Notwithstanding the foregoing, the Defaulting Party shall be deemed in default under this Agreement if said breach or failure involves the payment of money but the Defaulting Party has failed to completely cure said monetary default within ten (10) days (or such lesser time as may be specifically provided in this Agreement) after the date of such notice.

11.7 Waiver of Breach.

By recordation of a final map on all or any portion of the Hanson's Site, Hanson shall be deemed to have waived any claim that any condition of approval of the map and the Development Approvals is improper or that the map or the Development Approvals as approved constitutes a breach of the provisions of this Agreement.

11.8 Remedies Cumulative.

Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party. Hanson specifically acknowledges and agrees that the City's remedies under the performance bond described at Section 11.1 are cumulative to other remedies available to City hereunder.

11.9 Monetary Default.

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In the event Hanson fails to perform any monetary obligation under this Agreement, Hanson shall pay interest thereon at the lesser of: (i) ten percent (10%) per annum, or (ii) the maximum rate permitted by law, from and after the due date of said monetary obligation until payment is actually received by City.

11.10 Rights and Duties Following Termination.

Upon the termination of this Agreement, no Party shall have any further right or obligation hereunder except (i) with respect to any obligations to have been performed prior to said termination or with respect to any default in the performance of the provisions of this Agreement which has occurred prior to said termination, and (ii) with respect to the indemnity obligations set forth herein.

12.0 RESTRICTIONS ON TRANSFER.

12.1 General.

Neither Party shall assign (as hereinafter defined) or transfer (as hereinafter defined) its interests, rights or obligations under this Agreement without the prior written consent of the other, which consent shall not be unreasonably withheld or delayed.

The term "assignment" as used in this Agreement shall include successors-in-interest to the City that may be created by operation of law. Notwithstanding the foregoing, the City shall have the right to sell, assign or transfer its interest in any real property dedicated or transferred to the City pursuant to the terms of this Agreement or to another public agency.

As used in this section, the term "transfer" shall include any hypothecation, mortgage, pledge, or encumbrance of this Agreement or the Site, or the improvements thereon by Hanson. A transfer shall also include the transfer to any person or group of persons acting in concert of more than twenty-five percent (25%) of the present equity ownership and/or more than twenty-five percent (25%) of the voting control of Hanson (jointly and severally referred to herein as the "Trigger Percentages") or any general partner of Hanson in the aggregate, taking all transfers into account on a cumulative basis, except transfers of such ownership or control interest between members of the same immediate family, or transfers to a trust, testamentary or otherwise, in which the beneficiaries are limited to members of the transferor's immediate family. A transfer of interests (on a cumulative basis) in the equity ownership and/or voting control of Hanson in amounts less than Trigger Percentages shall not constitute a transfer subject to the restrictions set forth herein. In the event Hanson or any general partner comprising Hanson or its successor is a corporation or trust, such transfer shall refer to the transfer of the issued and outstanding capital stock of Hanson, or of beneficial interests of such trust; in the event that Hanson or any general partner comprising Hanson is a limited or general partnership, such transfer shall refer to the transfer of more than the Trigger Percentages in the limited or general partnership interest; in the event that Hanson or any general partner is a joint venture, such transfer shall refer to the transfer of more than the Trigger Percentages of such joint venture partner, taking all transfers into account on a cumulative basis.

Hanson shall not transfer this Agreement or any of Hanson's rights hereunder, or any interest in the Site or in the improvements thereon, directly or indirectly, voluntarily or by operation of law, except as provided below, without the prior written approval of the City, and if so purported to be transferred, the same shall be null and void. In considering whether it will

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grant approval to any transfer by Hanson, which transfer requires the City's approval, the City shall consider factors such as (i) whether the completion of the Project is delayed or jeopardized; (ii) the financial strength and capability of the proposed transferee to perform the City's obligations hereunder; and (iii) the proposed transferee's experience and expertise in the planning, financing, development, ownership, and operation of similar projects.

In addition, no attempted assignment of any of Hanson's obligations hereunder shall be effective unless and until the successor party executes and delivers to the City an assumption agreement in a form approved by the City assuming such obligations. No consent or approval by the City of any transfer requiring the City's approval shall constitute a further waiver of the provision of this Section 12.1 and, furthermore, the City's consent to a transfer shall not be deemed to release Hanson of liability for performance under this Agreement unless such release is specific and in writing executed by the City.

The foregoing prohibition shall not apply to any of the following:

(a) Any mortgage, deed of trust, sale/lease-back, or other form of conveyance for financing and any resulting foreclosure therefrom.

(b) The granting of easements or dedications to any appropriate governmental agency or utility or permits to facilitate the development of the Site.

(c) A sale or transfer resulting from or in connection with a reorganization as contemplated by the provisions of the Internal Revenue Code of 1986, as amended or otherwise, in which the ownership interests of a corporation are assigned directly or by operation of law to a person or persons, firm or corporation which acquires the control of the voting capital stock of such corporation or all or substantially all of the assets of such corporation.

(d) A sale or transfer of less than the Trigger Percentages between members of the same immediate family, or transfers to a trust, testamentary or otherwise, in which the beneficiaries consist solely of immediate family members of the trustor or transfers to a corporation or partnership in which the immediate family members or shareholders of the transferor who owns at least fifty percent (50%) of the present equity ownership and/or at least twenty-five percent (25%) of the voting control of Hanson.

(e) A change in the respective percentage ownership interests exclusively of the general partners comprising Hanson (as of the Effective Date), but this shall not authorize the transfer of any interest to any person or entity who is not a general partner comprising Hanson as of the Effective Date.

12.2 Subject to Terms of Agreement.

Following any such assignment or transfer of any of the rights and interests of Hanson under this Agreement, in accordance with Section 12.1 above, the exercise, use and enjoyment shall continue to be subject to the terms of this Agreement to the same extent as if the assignee or transferee were Hanson.

12.3 Release of Hanson.

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Upon the written consent of the City to the complete assignment of this Agreement and the express written assumption of the assigned obligations of Hanson under this Agreement by the assignee, Hanson shall be relieved of its legal duty to perform the assigned obligations under this Agreement, except to the extent Hanson is in default under the terms of this Agreement prior to said transfer.

12.4 No Approval of Terms of Loan by the City.

Notwithstanding anything to the contrary set forth herein with regards to the approval by the City of hypothecation, encumbrances or mortgages, the City shall only have the right to approve the identity of Hanson's lender, which approval will not be unreasonably withheld, taking into consideration such lender's financial strength, reputation, and other relevant factors. The City shall not have any right to approve any of the terms or conditions of Hanson's financing arrangements with third party lenders.

13.0 INSURANCE, INDEMNIFICATION, WAIVERS.

13.1 Insurance.

(a) Types of Insurance.

(1) Public Liability Insurance.

Beginning on the Effective Date hereof and until completion of construction by Hanson on the Site, Hanson shall at its sole cost and expense keep or cause to be kept in force for the mutual benefit of the City and Hanson comprehensive broad form general public liability insurance against claims and liability for personal injury or death arising from the use, occupancy, disuse or condition of the Site, improvements or adjoining areas or ways, affected by such use of the Site or for property damage, providing protection of at least Two Million Dollars (\$2,000,000.00) for bodily injury or death to any one person, at least Five Million Dollars (\$5,000,000.00) for any one accident or occurrence, and at least One Million Dollars (\$1,000,000.00) for property damage, which limits shall be subject to such increases in amount as the City may reasonably require from time to time.

(2) Builder's Risk Insurance.

Before commencement of any construction, Hanson shall procure and shall maintain in force until completion and acceptance of the work, "all risks" builder's risk insurance including vandalism and malicious mischief, covering improvements in place and all material and equipment at the job site furnished under contract, but excluding contractor's, subcontractor's, and construction manager's tools and equipment and property owned by contractor's or subcontractor's employees, with limits in accordance with subsection (1) above.

(3) Worker's Compensation.

Hanson shall also furnish or cause to be furnished to the City evidence reasonably satisfactory to it that any contractor with whom Hanson has contracted for the performance of any work for which Hanson is responsible hereunder carries workers' compensation insurance as required by law.

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(4) Other Insurance.

Hanson may procure and maintain any insurance not required by this Agreement, but all such insurance shall be subject to all of the provisions hereof pertaining to insurance and shall be for the benefit of the City and Hanson.

(5) Insurance Policy Form, Content and Insurer.

All insurance required by express provisions hereof shall be carried only by responsible insurance companies licensed to do business by California, rated "A" or better in the most recent edition of Best Rating Guide, The Key Rating Guide or in the Federal Register, and only if they are of a financial category Class VIII or better, unless such requirements are waived by the Risk Manager of the City ("Risk Manager") due to unique circumstances. In the event the Risk Manager determines that the work or services to be performed under this Agreement creates an increased or decreased risk of loss to the City, Hanson agrees that the minimum limits of the insurance policies and the performance bond required by this Section may be changed accordingly upon receipt of written notice from the Risk Manager; provided that Hanson shall have the right to appeal a determination of increased coverage by the Risk Manager to the City Council of City within 10 days of receipt of notice from the Risk Manager. All such policies shall be nonassessable and shall contain language, to the extent obtainable, to the effect that (i) any loss shall be payable notwithstanding any act of negligence of the City or Hanson that might otherwise result in the forfeiture of the insurance, (ii) the insurer waives the right of subrogation against the City and against the City's agents and representatives, except as provided in this Section 13.1; (iii) the policies are primary and noncontributing with any insurance that may be carried by City; and (iv) the policies cannot be canceled or materially changed except after thirty (30) days' written notice by the insurer to the City or the City's designated representative. Hanson shall furnish the City with copies of all such policies promptly on receipt of them, or with certificates evidencing the insurance. The City shall be named as an additional insured on all policies of insurance required to be procured by the terms of this Agreement.

(b) Failure to Maintain Insurance and Proof of Compliance.

Hanson shall deliver to the City, in the manner required for notices, copies of certificates of all insurance policies required hereunder together with evidence satisfactory to the City of payment required for procurement and maintenance of each policy within the following time limits:

(1) For insurance required above, within thirty (30) days after the Effective Date.

(2) For any renewal or replacement of a policy already in existence, at least ten (10) days before expiration or termination of the existing policy.

If Hanson fails or refuses to procure or maintain insurance as required hereby or fails or refuses to furnish the City with required proof that the insurance has been procured and is in force and paid for, such failure or referral shall be a default hereunder.

13.2 Indemnification.

(a) General.

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Hanson shall indemnify the City, its officers, employees, and agents against, and will hold and save them and each of them harmless from, any and all actions, suits, claims, damages to persons or property, losses, costs, penalties, obligations, errors, omissions, or liabilities (herein "claims or liabilities") that may be asserted or claimed by any person, firm, or entity arising out of or in connection with the work, operations, or activities of Hanson, its agents, employees, subcontractors, or invitees, hereunder, upon the Site, whether or not there is current passive or active negligence on the part of the City, its officers, agents, or employees and in connection therewith:

(1) Hanson will defend any action or actions filed in connection with any of said claims or liabilities and will pay all costs and expenses, including legal costs and attorneys, fees incurred in connection therewith;

(2) Hanson will promptly pay any judgment rendered against the City, its officers, agents, or employees for any such claims or liabilities arising out of or in connection with such work, operations, or activities of Hanson hereunder; and Hanson agrees to save and hold the City, its officers, agents, and employees harmless therefrom;

(3) In the event the City, its officers, agents, or employees is made a party to any action or proceeding filed or prosecuted against for such damages or other claims arising out of or in connection with the work operation or activities of Hanson hereunder, Hanson agrees to pay to the City, its officers, agents, or employees any and all costs and expenses incurred by the City, its officers, agents, or employees in such action or proceeding, including but not limited to legal costs and attorneys' fees.

(b) Exceptions.

The foregoing indemnity shall not include claims or liabilities arising from the sole or gross negligence or willful misconduct of the City, its officers, agents, or employees, who are directly responsible to the City.

(c) Additional Coverage.

Without limiting the generality of the foregoing, said indemnity shall include any liability arising by reason of:

(1) Any claim made by any occupant, subtenant, assignee, employee, agent, visitor, invitee, or user of any portion of the Site;

(2) Any accident or other occurrence in or on the Site causing injury to any person or property whatsoever;

(3) Any failure of Hanson to comply with performance of all of the provisions of this Agreement;

(4) Hanson's failure to prevent any employee or any invitee or any other person from entering upon or remaining in any place upon the Site which is not safe and does not comply with all laws pertaining thereto as they may now or hereafter exist.

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(5) Any harm, delays, injuries or other damages incurred by any party as a result of any subsurface conditions on the site, including but not limited to, the presence of buried debris, hazardous materials, hydrocarbons, or any form of soil contamination.

(d) Loss and Damage.

The City shall not be liable for any damage to property of Hanson or of others located on the Site, nor for the loss of or damage to any property of Hanson or of others by theft or otherwise. The City shall not be liable for any injury or damage to persons or property resulting from fire, explosion, steam, gas, electricity, water, rain, dampness or leaks from any part of the Site or from the pipes or plumbing, or from the street, or from any environmental or soil contamination or hazard, or from any other latent or patent defect in the soil, subsurface or physical condition of the Site, or by any other cause of whatsoever nature.

(e) Period of Indemnification.

The obligations for indemnity under this Section 13.1 shall begin upon the Effective Date and shall terminate upon termination of Development Agreement, provided that indemnification shall apply to all claims or liabilities arising during that period even if asserted at any time thereafter.

13.3 Waiver of Subrogation.

Hanson agrees that it shall not make any claim against, or seek to recover from City or its agents, servants, or employees, for any loss or damage to Hanson or to any person or property, except as specifically provided hereunder and Hanson shall give notice to any insurance carrier of the foregoing waiver of subrogation, and obtain from such carrier, a waiver of right to recovery against City, its agents and employees.

14.0 EFFECT OF AGREEMENT ON TITLE.

14.1 Covenants, Conditions and Restrictions.

Within the time set forth in the Schedule of Performance, Hanson shall submit a proposed form of Declaration of Covenants, Conditions and Restrictions to be recorded against the Site applicable during mining activities ("Mining CC&Rs"). The Mining CC&Rs shall require the installation, replacement and maintenance of berms and walls and healthy, full and mature landscaping surrounding the separate Parcels to provide appropriate screening. Upon completion of mining activities, and within the time set forth in the Schedule of Performance, Hanson shall submit a proposed form of Declaration of Covenants, Conditions and Restrictions to be recorded against the Site applicable to the developed Site ("Development CC&Rs"). The Development CC&Rs shall contain all of the provisions contained in the attached standard City CC&Rs, in addition to the provisions contained in the Development Approvals.

The Mining and Development CC&Rs shall be subject to approval by the City's Planning Director and the City Attorney prior to the approval of any final map, and shall be recorded with the final map. The Mining and Development CC&Rs shall, at a minimum, contain a detailed map for the overall site, and for each individual lot demonstrating the areas to be maintained by the Hanson. The City shall be made a party with a right to enforce the Mining and Development CC&Rs, including the right to lien the property.

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14.2 Covenants Run with the Land.

Subject to the provisions of Sections 12.0 and 16.0:

(a) All of the provisions, agreements, rights, powers, standards, terms, covenants and obligations contained in this Agreement shall be binding upon the Parties and their respective heirs, successors (by merger, consolidation, or otherwise) and assigns, devisees, administrators, representatives, lessees, and all other persons acquiring any rights or interests in the Site, or any portion thereof, whether by operation of laws or in any manner whatsoever and shall inure to the benefit of the Parties and their respective heirs, successors (by merger, consolidation or otherwise) and assigns;

(b) All of the provisions of this Agreement shall be enforceable as equitable servitudes and constitute covenants running with the land pursuant to applicable law; and

(c) Each covenant to do or refrain from doing some act on the Site hereunder (i) is for the benefit of and is a burden upon every portion of the Site, (ii) runs with such lands, and (iii) is binding upon each party and each successive owner during its ownership of such properties or any portion thereof, and each person having any interest therein derived in any manner through any owner of such lands, or any portion thereof, and each other person succeeding to an interest in such lands.

14.3 Estoppel Certificate.

Either Party (or a lender under Section 15.0) may at any time deliver written notice to the other Party requesting an estoppel certificate (the "Estoppel Certificate") stating:

(a) The Agreement is in full force and effect and is a binding obligation of the Parties; and

(b) The Agreement has not been amended or modified either orally or in writing or, if so amended, identifying the amendments.

A Party receiving a request for an Estoppel Certificate shall provide a signed certificate to the requesting Party within thirty (30) days after receipt of the request. The City Manager may sign Estoppel Certificates on behalf of the City, in a form approved by the City Attorney. An Estoppel Certificate may be relied on by assignees and Mortgagees. Notwithstanding the foregoing, the Party receiving the request may decline to provide an Estoppel Certificate if that Party has previously given the other Party actual notice of a default or is aware of circumstances which may constitute a default. If requested to do so by the requesting Party, the Party receiving the request may state in writing the reasons for declining the request.

15.0 CONDEMNATION

15.1 Negotiated Purchase of the Acquisition Parcels.

The City shall attempt to acquire the Peck Parcel, Graham Road Easement and Bagg and Cates Parcel (collectively "Acquisition Parcels") from its current owner by negotiated purchase; provided, however, that nothing in this Agreement shall obligate City to acquire the Acquisition Parcel for an amount more than the amount City has determined to be the fair market value as

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determined by an appraisal obtained by the City (provided that Hanson may at its option, but shall not be required to, pay the excess cost, if any, over such fair market value), nor to agree to any other non-standard terms or conditions except as may be acceptable to City in its sole and absolute discretion.

15.2 Condemnation.

If, after and despite its best efforts to do so, Hanson or City (as applicable) is unable to acquire the Acquisition Parcels by negotiated purchase, City shall conduct the necessary analysis to determine in its sole discretion whether to attempt to acquire each of the Acquisition Parcels by exercise of its power of eminent domain. City shall have the right to obtain a bona fide appraisal from an appraiser satisfactory to City. The City has informed Hanson that in connection with condemnation proceedings, a hearing is held to adopt a Resolution of Necessity. The City cannot legally commit itself to condemnation of property until after this hearing is held and the testimony given at the hearing has been considered. **Accordingly, Hanson understands that the City is not obligated by this Development Agreement to actually acquire any of the Acquisition Parcels, and the members of the City Council are free to exercise their discretion in any manner they see fit in the event the City considers condemnation. Nothing in this Agreement shall be deemed a prejudgment or commitment with respect to condemnation, or a guarantee that such condemnation will be undertaken.** In the event City exercises its power of eminent domain to acquire any or all of the Acquisition Parcels, City shall, subject to delays outside City's control, exercise reasonable diligence to complete the acquisition of the Acquisition Parcels, or portions thereof, as soon as practicable after commencement of eminent domain proceedings. In the event City elects not to condemn any of the Acquisition Parcels, City shall not have any liability of any kind to Hanson despite the effect of such election by City on the approvals granted herein.

15.3 Cost Exceeding Fair Market Value.

City will, through its own appraisals, determine the fair market value of each of the Acquisition Parcels. However, during the negotiation or condemnation process a price may be established that exceeds the fair market value as determined by the City. In particular, eminent domain proceedings could result in an award of just compensation that exceeds the appraisal. Should this occur, it is possible that there would also be an award of attorneys' fees against the City. Hanson shall have the right to approve of any purchase price for any of the Acquisition Parcels which exceed City's appraisals by twenty-five (25%) percent or more and in the event Hanson disapproves of such increase, Hanson shall have the right to terminate the acquisition of such Peck Parcel provided Hanson indemnifies City for all costs and/or claims associated with the terminated acquisition and pay to the City the entire City-appraised fair market value of the Peck Parcel, plus twenty-five percent (25%) as consideration to the City in lieu of such acquisition. If Hanson approves of such increased purchase price, Hanson shall pay the excess cost over such fair market value, and in the event of an award of attorneys' fees against the City, Hanson shall also pay such attorneys' fees, and City shall proceed with the acquisition of the Peck Parcel. If Hanson fails to pay the full amount of the final award of just compensation for the Peck Parcel, at City's option, City may abandon acquisition of the Parcel and Hanson shall indemnify City for all costs and/or claims associated with the terminated acquisition, or City may proceed with the acquisition and may recover the full cost of the acquisition against Hanson, along with attorneys fees and City shall not have further obligations to Hanson with respect to such parcel.

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16.0 PRESCRIPTIVE WATER RIGHTS: TRANSFER AND RIGHT OF FIRST REFUSAL

16.1 Sale of Development Parcels.

As to any parcel described in this Agreement intended for future development, including but not limited to, the Peck Parcel, Plant Parcel and Reclamation Parcel, before transfer of such parcels to any third party purchaser, Hanson shall, at its sole expense, have a water usage master plan study ("Water Use Study"), prepared by a qualified engineer, assessing the water needs for the proposed development of such parcel, which Water Use Study shall be subject to the review and written approval of the City Engineer. Hanson shall not transfer any parcel referenced in this Section 16.1, without transferring the prescriptive water pumping rights, owned by Hanson as pertaining to the Site, in the amount recommended by the approved Water Use Study, without the written approval of the City. Any transfer that does not include such water rights, as approved by the City Engineer in writing or waived by the City in writing shall be void.

16.2 Right of First Refusal

Following the preparation of the Water Use Study, and City Engineer's written approval of same, Hanson may sell or otherwise transfer the balance of any of its prescriptive water rights pertaining to the Site, and not required by the future development of the parcels pursuant to Section 16.1 ("Balance of Water Rights"); provided Hanson comply with the provisions of this Section 16.2. Should Hanson desire to sell or otherwise transfer any portion of the Balance of Water Rights, the City hereby reserves and shall have a first right of refusal to purchase the Balance of Water Rights for an amount equal to the purchase price and according to the terms of the purchase and sale originally negotiated between Hanson and any third party. City shall have forty-five (45) days from the time of receiving written notice from Hanson of its intent to sell or otherwise transfer the Balance of Water Rights to notify Hanson of its intent to exercise this right of first refusal. Thereafter, City shall have an additional sixty (60) days from the date of its notice of intent to exercise this right of first refusal to close escrow on the purchase of the Balance of Water Rights. City shall have the right, as a contingency to its purchase, to conduct due diligence regarding any environmental conditions and fair market valuation related to such Balance of Water Rights during such sixty (60) day period, and, in its discretion, may cancel such escrow and terminate the option provided herein, without penalty payable from City to Hanson, pursuant to such contingencies. City's failure to timely notify Hanson of its desire to exercise its option shall be deemed a declination.

17.0 GENERAL.

17.1 Non-liability of City Officers and Employees.

No official, agent, contractor, or employee of the City shall be personally liable to Hanson, or any successor in interest, in the event of any default or breach by the City or for any amount which may become due to Hanson or to its successor, or for breach of any obligation of the terms of this Agreement.

17.2 Conflict of Interest.

No officer or employee of the City shall have any financial interest, direct or indirect, in this Agreement nor shall any such officer or employee participate in any decision relating to the

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Agreement which affects the financial interest of any corporation, partnership or association in which he is, directly or indirectly, interested, in violation of any state statute or regulation.

17.3 Covenant Against Discrimination.

Hanson covenants that, by and for itself, its heirs, executors, assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the performance of this Agreement. Hanson shall take affirmative action to insure that employees are treated during employment without regard to their race, color, creed religion, sex, marital status, national origin or ancestry.

17.4 Construction of Agreement.

The language of this Agreement shall be construed as a whole and given its fair meaning. The captions of the sections and subsections are for convenience only and shall not influence construction. This Agreement shall be governed by the laws of the State of California. This Agreement shall not be deemed to constitute the surrender or abrogation of the City's governmental powers over the Site.

17.5 Severability.

If any covenant, term, condition, or provision of this Agreement shall, to any extent, be invalid or unenforceable, the remainder of this Agreement shall be valid and enforceable to the fullest extent permitted by law unless that covenant, term, condition, or provision declared to be invalid is so material that its invalidity deprives either party of the basic benefit of their bargain or renders the remainder of this Agreement meaningless.

17.6 Attorney's Fees.

If either Party to this Agreement is required to initiate or defend any action or proceeding, the prevailing party in such action or proceeding, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorney's fees. Attorney's fees shall include attorney's fees on any appeal, and in addition a Party entitled to attorney's fees shall be entitled to all other reasonable costs for investigating such action, taking depositions and discovery and all other necessary costs the court allows which are incurred in such litigation. All such fees shall be deemed to have accrued on the commencement of such action and shall be enforceable whether or not such action is prosecuted.

17.7 Time of Essence.

Time is of the essence in:

(a) The performance of the provisions of this Agreement as to which time is an element; and

(b) The resolution of any dispute which may arise concerning the obligations of Hanson and City as set forth in this Agreement.

17.8 Waiver.

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Failure by a Party to insist upon the strict performance of any of the provisions of this Agreement by the other Party, or the failure by a Party to exercise its rights upon the default of the other Party, shall not constitute a waiver of such Party's right to insist and demand strict compliance by the other Party with the terms of this Agreement thereafter.

17.9 No Third Party Beneficiaries.

The only parties to this Agreement are Hanson and the City. There are no third Party beneficiaries and this Agreement is not intended, and shall not be construed to benefit or be enforceable by any other person whatsoever.

17.10 Mutual Covenants.

The covenants contained herein are mutual covenants and also constitute conditions to the concurrent or subsequent performance by the Party benefited thereby of the covenants to be performed hereunder by such benefited Party.

17.11 Counterparts.

This Agreement may be executed by the parties in counterparts which counterparts shall be construed together and have the same effect as if all of the parties had executed the same instrument.

17.12 Authority to Execute.

The persons executing this Agreement on behalf of the parties hereto warrant that (i) such Party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Agreement on behalf of said Party, (iii) by so executing this Agreement, such Party is formally bound to the provisions of this Agreement, (iv) the entering into of this Agreement does not violate any provision of any other Agreement to which said Party is bound and (v) there is no litigation or legal proceeding which would prevent the parties from entering into this Agreement.

17.13 Notices, Demands and Communications Between the Parties.

Notices, demands, submission of documents, and communications between City and Hanson shall be given either by personal service, delivery by courier, or by mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to the addresses provided below.

CITY:

CITY OF IRWINDALE
5050 North Irwindale Avenue
Irwindale, CA 91706
Telecopier No. (626) 962-4209
Attn: City Manager

A copy to:

ALESHIRE & WYNDER, LLP
18881 Von Karman Avenue, #400
Irvine, CA 92612
Telecopier No. (949) 223-1180
Attn: Fred Galante, Esq.

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DEVELOPER: HANSON AGGREGATES WEST, INC.
13350 Live Oak Avenue
Irwindale, California 91706-2075
Telecopier No. (626) 962-4420
Attn: David R. Hummel

A copy to: JEFFER, MANGELS, BUTLER & MARMARO LLP
1900 Avenue of the Stars, Seventh Floor
Los Angeles, CA 90067-5010
Telecopier No. (310) 203-0567
Attn: William F. Capps, Esq.

Any such notice shall be deemed to have been given upon delivery if personally served or delivered by courier, or upon the expiration of three (3) business days after mailing if given by certified mail, return receipt requested. Such written notices, demands and communications may be sent in the same manner to such other addresses as a party may from time to time designate by mail.

17.14 Further Actions and Instruments.

Each of the Parties shall cooperate with and provide reasonable assistance to the other to the extent necessary to implement this Agreement. Upon the request of either Party at any time, the other Party shall promptly execute, with acknowledgement or affidavit if reasonably required, and file or record such required instruments and writings and take any actions as may be reasonably necessary to implement this Agreement or to evidence or consummate the transactions contemplated by this Agreement.

17.15 Recitals.

The recitals in this Agreement constitute part of this Agreement and each Party shall be entitled to rely on the truth and accuracy of each recital as an inducement to enter into this Agreement.

17.16 Recording.

The City Clerk shall cause a copy of this Agreement, or a memorandum thereof, to be executed by the City and recorded in the Official Records of Los Angeles County no later than ten (10) days after the Effective Date. The recordation of this Agreement is deemed a ministerial act and the failure of the City to record the Agreement as required by this Section and the Development Agreement Statute shall not make the Agreement void or ineffective.

17.17 Relationship of Parties.

It is specifically understood and agreed by and between the Parties that the Project is a private development, that neither Party is acting as the agent of the other in any respect hereunder, and that such Party is an independent contracting entity with respect to the terms, covenants, and conditions contained in this Agreement. The only relationship between the City and Hanson is that of a government entity regulating the development of private property and the owner of such private property.

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17.18 Inspection of Books and Records.

In addition to any other right of inspection otherwise allowed by law, the City shall have the right to inspect, upon not less than seventy-two (72) hours notice, at a reasonable time, those records of Hanson which pertain to the Project. The parties agree that Hanson's financial statements and financial records not pertaining to the Project are confidential and shall not be disclosed to City pursuant to the provisions of this Agreement.

17.19 Integration Clause.

It is understood that there are no oral agreements between the parties hereto affecting this Agreement and this Agreement supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements, and understandings, if any, between the parties hereto or displayed by the City to Hanson with respect to the subject matter thereof, except for the Development Approvals, and none shall be used to interpret or construe this Agreement. This Agreement includes all attachments attached hereto, which by this reference are incorporated herein. Said documents shall be interpreted insofar as possible to prevent any inconsistency and to effectuate the terms thereof, without one prevailing over the other.

18.0 EXHIBITS.

The following are the Exhibits to this Agreement:

- Exhibit A: Site Map
- Exhibit A-1 Legal Description of Site
- Exhibit A-2 Lake Parcel Map
- Exhibit B: Scope of Development
- Exhibit C: Schedule of Performance
- Exhibit D: Form Deed of Trust
- Exhibit E: Map of Roadway Alignment
- Exhibit F: Roadway Design Criteria
- Exhibit G: Release of Mining Rights
- Exhibit H: Graham Road Easement

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the City and Hanson have executed this Development Agreement on the date first above written.

"CITY"

CITY OF IRWINDALE, a municipal corporation

Julia A. Miranda
Mayor

Attest:

[Signature]
Deputy City Clerk

Approved as to form:
ALESHERE & WYNTER, LLP

[Signature]
Fred Galante, City Attorney

"DEVELOPER"

HANSON AGGREGATES WEST, INC., a Delaware corporation

[Signature]
By: David Hummel, President

[Signature]
By: _____

[END OF SIGNATURES / NOTARY JURAT(S) FOLLOW]

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EXHIBIT "A"

SITE MAP

[See Attached]

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CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

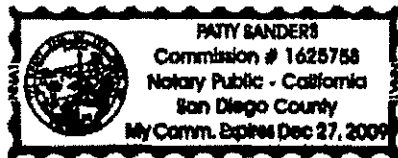
State of California

County of San Diego } ss.

on February 10, 2006 before me, Patty Sanders, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared David Hummel and Kevin Dow
Name(s) of Signer(s)

☒ personally known to me
☐ proved to me on the basis of satisfactory evidence



to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Patty Sanders
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Development Agreement

Document Date: January 3, 2006 Number of Pages: _____

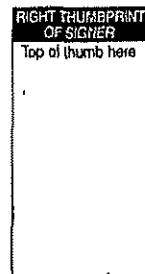
Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: _____

- ☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer Is Representing: _____



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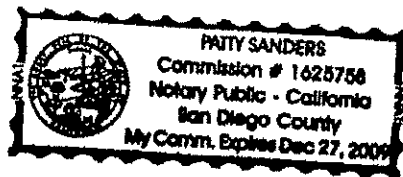
STATE OF CALIFORNIA)
COUNTY OF San Diego) ss.

On Feb 10, 2006 before me, Patty Sanders ✓, personally appeared David Hammel and Kevin Dew personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signatures(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.

Patty Sanders
Notary Public

[SEAL]



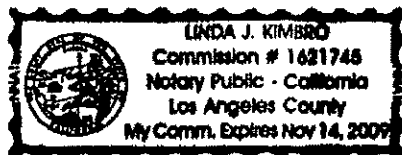
STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss.

On February 13, 2006, before me, Linda J. Kimbro, Notary Public, personally appeared Julian A. Miranda personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signatures(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.

Linda J. Kimbro
Notary Public

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EXHIBIT A-1
LEGAL DESCRIPTION OF SITE

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AREA TO BE MINED

The area to be mined is outlined in Figure 5 parcel map. It includes:

8532-004-024

Buggs and Cates parcels
8532-006-004

Dolly Green (30 acres)

LEGAL DESCRIPTION

Parcel 2 of Parcel Map No. 22741 in the City of Arcadia, County of Los Angeles, State of California, as per map recorded in Book 258 pages 91 through 94 inclusive of parcel maps, and portions of land owned by W.A. Church in the San Francisquito Rancho, in the City of Irwindale, said County and State, as per map recorded as R.F. 509, and portions of Chicago Park tract in the cities of Irwindale and Arcadia, said County and State, as per map recorded in Book 30 page 100 of miscellaneous records, and portions of Tract No. 1888 in the City of Irwindale, said County and State as per map recorded in Book 21 page 183 of maps, all records in the office of the County Recorder of said County, described as a whole as follows:

Beginning at the intersection of the centerline of Live Oak Avenue, 100 feet wide, as shown on a record of survey recorded in Book 81 pages 15 through 23 inclusive of records of survey, with the approximate position of the easterly line of the Rancho San Francisquito, as recorded in Book 1 pages 31 and 32 of patents, and the compromise line described in the deed from Eugene O. Collison to Edison Securities Company, recorded in Book 30897 page 206 of official records, and the quitclaim deed from Eugene O. Collison to Livingston-Graham et. al. recorded May 5, 1964 in Book D2460 page 582 of official records, as shown on said Record of Survey (RS 81/15-23); thence southwesterly along said easterly line South 29 degrees 55 minutes 18 seconds west 1045.01 feet to a point of intersection with the easterly prolongation of the northerly line of the lands shown on a licensed surveyor's map, recorded in Book 22 page 4 of Records of Survey (RS 22-4); thence leaving said easterly line westerly along the easterly prolongation of said northerly line North 67 degrees 53 minutes 45 seconds west 280.30 feet to the westerly right-of-way of the lands acquired by the state of California for highway purposes as shown on Caltrans R/W Map No. F1971-1 Sheet 2 of 7, 07-LA-605-23.3, said point being the true point of beginning for this description; thence southerly along said westerly right-of-way south 30 degrees 45 minutes 46 seconds west 17.11 feet to an angle point therein; thence southerly along said right-of-way the following courses and distances: South 16 degrees 22 minutes 08 seconds west 75.55 feet, south 10 degrees 12 minutes 34 seconds west 179.64 feet, south 29 degrees 11 minutes 25 seconds west 357.12 feet, South 19 degrees 31 minutes 58 seconds west 217.06 feet, South 7 degrees 35 minutes 41 seconds west 334.06 feet; thence continuing along said westerly right-of-way south 15 degrees 30 minutes 37 seconds west 116.67 feet, more or less, to said easterly line of the Rancho San Francisquito as established per said Record of Survey (RS 81/15-23); thence along said easterly line South 29 degrees 55 minutes 18 seconds west 1945.44 feet to the northeasterly line of the lands described in degree of condemnation recorded in Book 46209 page 1 of official records; thence southwesterly along said northeasterly line the following courses and distances: South 47 degrees 03 minutes 37 seconds west 1292.40 feet and south 52 degrees 46 minutes 15 seconds west 502.49 feet to an angle point therein; thence continuing southwesterly along said northeasterly line south 47 degrees 03 minutes 37 seconds west 181.93 feet to the southerly line of the Chicago Park Tract, as recorded in Book 30 page 100 of miscellaneous records; thence westerly along said southerly line North 67 degrees 47 minutes 43 seconds west 1711.00 feet to a point, said point being the intersection of said southerly line with the westerly line of Lot 2183 of said Chicago Park Tract, as said point is established per Record of Survey recorded in Book 175 pages 57 and 58 of records of survey; thence generally northerly and westerly along the lines established per said Record of Survey (RS 175/57-58) the following courses and distances: North 22 degrees 07 minutes 02 seconds east 158.41 feet, North 67 degrees 47 minutes 58 seconds west 25.00 feet, North 22 degrees 07 minutes 02 seconds east 133.40 feet, South 67 degrees 47 minutes 58 seconds east 14.56 feet, North 7 degrees 08 minutes 31 seconds east 51.78 feet, North 67 degrees 47 minutes 58 seconds west 76.18 feet, North 22 degrees 07 minutes 02 seconds east 133.40 feet, North 67 degrees 47 minutes 58 seconds west 50.00 feet, North 22 degrees 07 minutes 02 seconds east 54.79 feet, North 7 degrees 08 minutes 31 seconds east 25.89 feet, South 67 degrees 47 minutes 58 seconds east 51.90 feet, North 22 degrees 07 minutes 02 seconds east 178.00 feet, North 67 degrees 47 minutes 58 seconds west 1225.20 feet, North 22 degrees 07 minutes 02 seconds east 138.81 feet, north 67 degrees 47 minutes 58 seconds west 325.07 feet to the northwest corner of Parcel 1 of said Parcel Map No. 22741; thence southerly along the westerly line of said Parcel 1 South 22

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degrees 07 minutes 02 seconds west 18.70 feet to the northerly line of the land described in the deed of trust recorded July 28, 1999 as Instrument No. 99-1406660 of official records; thence southwesterly along said northerly line South 66 degrees 37 minutes 30 seconds west 298.40 feet to the beginning of a tangent curve, concave northwesterly, and having a radius of 200.00 feet; thence southwesterly along said curve, through a central angle of 45 degrees 34 minutes 32 seconds, an arc length of 159.09 feet to a point of the northerly sideline of Clark Street, 50 feet wide, as shown on said Record of Survey (RS 81/15-23); thence tangent to last said curve and along said northerly sideline North 67 degrees 47 minutes 58 seconds west 747.99 feet to the easterly sideline of Kardashian Street, formerly Myrtle Avenue, 50 feet wide, as shown on said Record of Survey (RS 81/15-23); thence northerly along said easterly sideline North 22 degrees 07 minutes 02 seconds east 583.60 feet to the southerly line of State Street, 50 feet wide, as shown on said Record of Survey (RS 81/15-23); thence westerly along said southerly line North 67 degrees 57 minutes 58 seconds west 50.00 feet to a point, said point being the intersection of said southerly sideline with the westerly sideline of said Kardashian Street; thence North 67 degrees 09 minutes 32 seconds east 35.33 feet to the centerline intersection of said Myrtle Avenue and said State Street; thence northeast along the centerline of said Myrtle Avenue North 22 degrees 07 minutes 02 seconds east 370.09 feet to the southerly line of Parcel 3 of said Record of Survey (RS 81/15-23); thence westerly, northerly and easterly along the lines of said Parcel 3, North 67 degrees 23 minutes 38 seconds west 1112.43 feet to the most westerly corner of said Parcel 3, said corner being the beginning of a non-tangent curve, concave northwesterly, and having a radius of 1054.50 feet, a radial line of said curve through said point bears south 59 degrees 10 minutes 02 seconds east, and northeasterly along said curve, through a central angle of 8 degrees 43 minutes 10 seconds, an arc length of 160.48 feet, and tangent to last said curve North 22 degrees 06 minutes 48 seconds east 100.58 feet to the beginning of a tangent curve, concave southeasterly, and having a radius of 175.00 feet, and northerly and easterly along said curve, through a central angle of 90 degrees 00 minutes 00 seconds, an arc length of 274.89 feet, and tangent to last said curve South 67 degrees 53 minutes 12 seconds east 213.49 feet, North 22 degrees 06 minutes 48 seconds east 110.00 feet, South 67 degrees 53 minutes 12 seconds east 1666.50 feet, North 22 degrees 06 minutes 48 seconds east 1400.00 feet; thence continuing southeasterly along the northerly line of said Parcel 3, South 67 degrees 53 minutes 12 seconds east 988.00 feet to the southwest corner of Parcel 2 of said Record of Survey (RS 81/15-23); thence northeasterly along the northwesterly line of said Parcel 2, North 22 degrees 06 minutes 48 seconds east 1375.06 feet to the northwesterly corner thereof, said corner being on the southerly line of lands shown on said licensed surveyor's map (RS 22-4); thence southwesterly along said southerly line south 67 degrees 53 minutes 45 seconds east 3530.83 feet to the true point of beginning for this description.

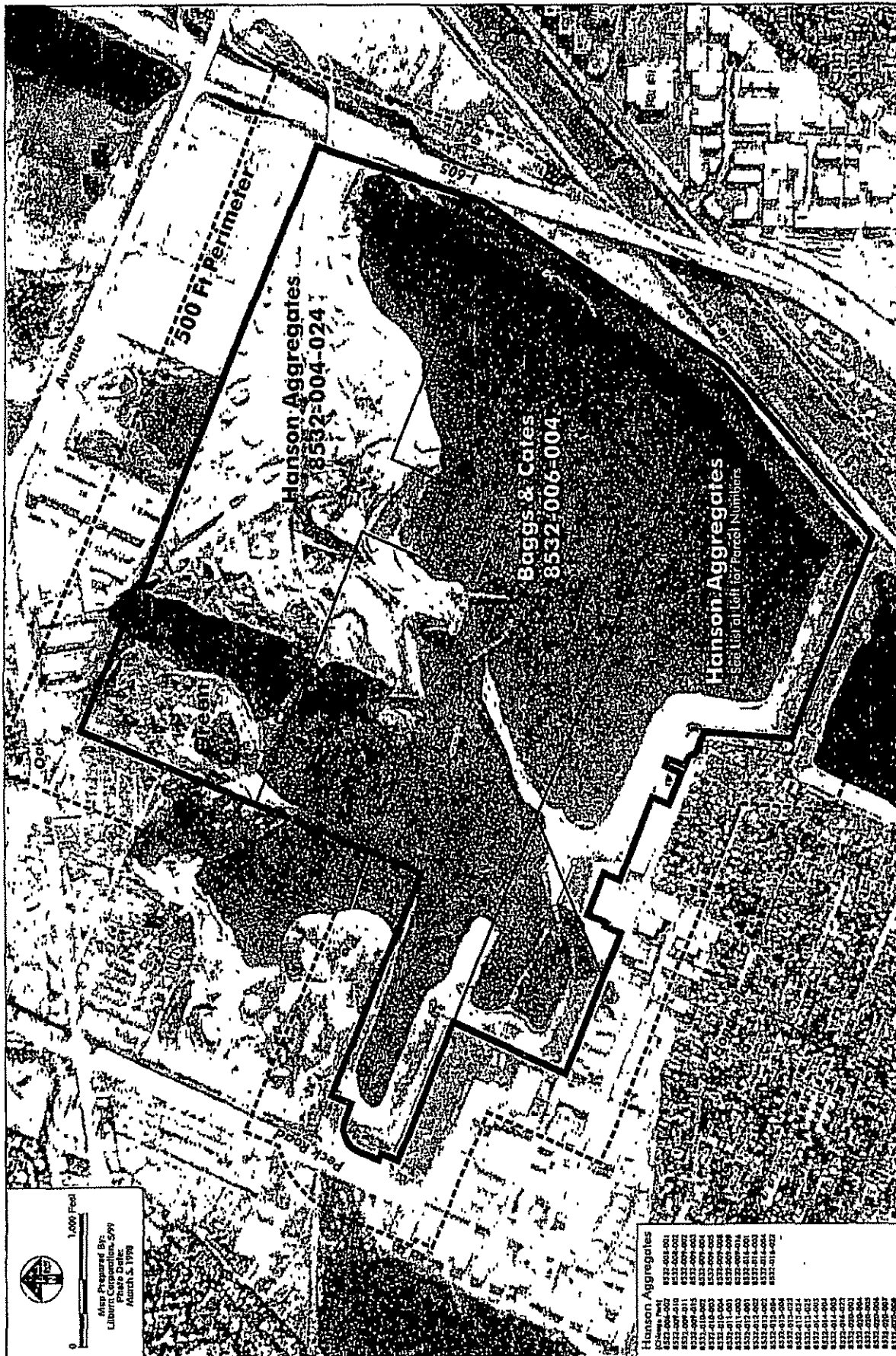
Also Lots 15, 16, 17, 18, 19, 20, and that portion of Lot A of said Tract No. 1888 lying between the westerly lines of said Lots 15 and 16, and their southerly and northerly prolongations, respectively, and the easterly lines of said Lots 19 and 20, and their southerly and northerly prolongations, respectively.

Except that portion of said land described in the deed to the State of California recorded August 13, 1965 as Instrument No. 1084 in Book D3014 page 667 of official records of said County, and subsequently deeded as Parcel 3 of Director's Deed to Southern California Edison, recorded February 15, 2000 as Instrument No. 00-0230028, official records of said County.

Legal Description of Dolly Green Parcel

Lots 15, 16, 17, 18, 19, 20, and that portion of Lot "A" of Tract 1888 in the City of Irwindale, County of Los Angeles, State of California, as per map recorded in Book 21 page 183 of maps, in the office of the recorder of said County, lying between the westerly lines of said Lots 15 and 16 and their southerly and northerly prolongations respectively, and the easterly lines of said Lots 19 and 20 and their southerly and northerly prolongations respectively.

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Figure 5

Parcel Map
Hanson Aggregates West, Inc.
City of Inwindale, California

LILBURN
CORPORATION

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EXHIBIT A-2
LAKE PARCEL MAP

[See Attached]

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Parcel Map

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Figure 5

LILBURN
CORPORATION

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EXHIBIT "B"

SCOPE OF DEVELOPMENT

Hanson shall mine and reclaim the Site in accordance with this Agreement, as more specifically set forth as follows:

1.0 Plant Parcel.

1.1 General.

The Plant Parcel is the current location of Hanson's processing operations plant and includes various accessory activities including storage, transportation, mechanical and administration related facilities. Processing operations shall be permitted until the 30th anniversary of the Effective Date. Hanson shall remove the Processing Plant before the end of the Term, as further described in Section 3.1.

1.2 Excavation.

No excavation or mining activity shall be permitted in the Plant Parcel, as depicted on the maps attached hereto as **Exhibit A**. In entering into this Agreement, Hanson forever waives, releases and relinquishes all right whatsoever to mine the Plant Parcel and agrees to waive any claims against the City for a taking of property, inverse condemnation, impairment of contract or any other claim as a consequence thereof, and shall concurrently herewith, record in the office of the County Recorder a "Release of Mining Rights" attached hereto as **Exhibit G** and incorporated herein by this reference.

1.3 Slopes.

Slopes from the bottom of the Site to the surrounding grade and fill pads shall be no steeper than 1:1 above the Maximum Historic Water Level, and 2:1 below Maximum Historic Water Level, as shown in the attached Typical Cross Section, in accordance with the Slope Study.

1.4 Construction of Roadway.

Within fifteen (15) years of the Effective Date or such earlier time as requested by the City but not earlier than five (5) years, based on the surrounding development needs as determined in the City's reasonable discretion, Hanson, at its expense, will complete construction and dedicate the Roadway to the City, providing new access to Live Oak and providing a new entrance to the Plant Parcel, with the general alignment shown in the Site Map, as follows:

(a) The Roadway shall be constructed to the City's specifications shown at **Exhibit F**, except as provided herein.

(b) The City shall acquire all requisite off-site rights of way at its sole cost. Within one year following the City's acquisition of said rights of way and giving written notice to Hanson, but not earlier than five (5) years after the effective date, Hanson shall,

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construct the Roadway and relocate the Plant Site entrance to the Roadway, discontinuing use of the old roadway and surrendering any easements or access rights.

(c) During mining operations, the Roadway shall be a 2-lane road to serve Hanson's mining use, and Hanson shall be responsible for maintaining the Roadway until the end of the Term. Concurrent with the dismantling of the Plant, Hanson shall improve the Roadway adequately to serve all uses in existence and anticipated at that time, in accordance with the City's standards including any necessary repair of the existing road surface. Hanson's obligations shall be secured by a deed of trust for the Plant Parcel in an amount approved by the City Engineer and in a form approved by the City Attorney. Hanson shall further be responsible for all off-site improvements described in Conditions of Approval.

(d) The City Engineer shall have the right to approve the design, plans and specifications. Hanson shall cause the Roadway to be constructed in accordance with the approved plans and specifications. Hanson shall assume appropriate bonding and insurance and indemnify the City for any liability during construction and until dedication to and acceptance by the City.

(e) Upon completion of mining operations, Hanson shall dedicate the Roadway to the City, free and clear of any construction, mechanic's or other liens and charges.

1.5 Preparation of Pad for Development.

Except as mutually agreed by the Parties, after removal of the Processing Plant, Hanson shall prepare the Plant Parcel for the development, which development shall be subject to separate discretionary and administrative approvals, as applicable, as provided in Sections 4.9, 5.2 and 6.2. The ultimate uses contemplated by the Parties are as follows, which uses may change at the time of development, depending on the development needs at the time development, subject to the approval the City, provided any change in uses under subsection (a) immediately below are approved by Hanson:

(a) the ten (10) acres adjacent to the 605 Freeway shall be developed with the Reclamation Parcel for hotel and commercial uses;

(b) the thirty-five (35) acres adjacent to Irwindale Speedway shall be developed for automotive-oriented industrial use;

(c) the five (5) acre southern portion of the Plant Parcel along with the approximately 20 acre northern portion of the Lake Parcel (for a total of approximately 25 acres) shall be developed for recreation-open space (i.e. water slide park, equestrian, fishing, boating, fields, park, etc.) pursuant to the then applicable regulations for ground water lakes. At least 180 days before Hanson intends to commence mining along the edge of the aforementioned approximately 20 acre northern portion of the Lake Parcel (Lake Parcel II), Hanson and City representatives shall meet and confer to determine the exact contour of this Lake Parcel II. The ultimate contour of the Lake Parcel II border bordering Lake Parcel I shall be subject to the approval of the City Engineer. Except as provided in Section 4.4 below, this portion of the parcel shall be dedicated to the City with maintenance provided through assessments on the remainder of the property.

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2.0 Reclamation Parcel.

2.1 Excavation.

No further excavation or mining activity shall be permitted in the Reclamation Parcel. In entering into this Agreement, Hanson forever waives, releases and relinquishes all right whatsoever to further mine the Reclamation Parcel and agrees to waive any claims against the City for a taking of property, inverse condemnation, impairment of contract or any other claim as a consequence thereof, and shall concurrently herewith, record in the office of the County Recorder a "Release of Mining Rights" attached hereto as **Exhibit D** and incorporated herein by this reference.

2.2 Reclamation.

Commercial Filling Operations shall commence and be completed within the times set forth in Section 11.4 of this Agreement. The Parties intend that the pad be reclaimed to street level, so the level of the pad shall be at least three hundred forty (340) feet with final elevation subject to mutual agreement of the Parties. Hanson shall complete reclamation of the Reclamation Parcel within thirty (30) years after the date of commencement of reclamation activities; provided that such timeline for Hanson to reclaim the Reclamation Parcel, shall be reduced by five (5) years if the City is able to provide four million (4,000,000) tons of Inert Materials suitable for an Engineered Fill over a period of five (5) years.

2.3 Development.

After reclamation of the Reclamation Parcel is complete, Hanson shall proceed to develop the Reclamation Parcel for hotel and commercial uses in accordance with this Agreement and the Scope of Development (**Exhibit B**), provided Hanson secure separate entitlements from the City, as may required at the time of development of such uses.

3.0 Green Parcel.

3.1 Excavation.

Mining operations shall be permitted to continue to the Maximum Safe Depth but not later than the end of the Term. Mining shall preserve an adequate access corridor that meets or exceeds all applicable standards for construction of the Roadway, as set forth in Section 1.4 above and **Exhibit F** to this Agreement.

3.2 Reclamation.

Hanson shall not be required to fill the Green Parcel. Hanson shall reclaim the parcel by installing the landscaping, access roads, runoff and drainage improvements and other infrastructure required under the Reclamation Plan within the times and in accordance with the requirements provided in the Reclamation Plan.

4.0 Peck Parcel.

4.1 Excavation.

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No further excavation or mining activity shall be permitted in the Peck Parcel. In entering into this Agreement, Hanson forever waives, releases and relinquishes all right whatsoever to further mine the Peck Parcel subject to approval of the landowner and agrees to waive any claims against the City for a taking of property, inverse condemnation, impairment of contract or any other claim as a consequence thereof, and shall concurrently herewith, record in the office of the County Recorder a "Release of Mining Rights" attached hereto as **Exhibit G** and incorporated herein by this reference.

4.2 Acquisition by the City.

The Parties agree that the Peck Parcel shall be acquired and thereafter owned by the City and Hanson shall fund all costs of the acquisition. The Parties further agree that the City shall accomplish such acquisition within five (5) years of the Effective Date. The parties' acquisition obligations shall be subject to the provisions of Article 15.0 of this Agreement.

(a) Sale of the Peck Parcel. If City acquires the Peck Parcel, City may dispose of the Peck Parcel singly, collectively or a portion thereof, with the Parties equally splitting the proceeds, or the City will be given all right, title and interest in the Peck Parcel for recreation purposes in exchange for a reduction in the recreation area in the Plant Site on a 1:2 basis (Plant/Peck) (For example, for every 2 acres of Peck retained by the City, the City shall give up 1 acre of the Plant Parcel dedicated to recreational acreage. If the City retained the entire 10.7 acres of the Peck Parcel, the City would give up 5.35 acres of the Plant Parcel). If City acquires the Peck Parcel by eminent domain, City is not agreeing to bear any cost for the acquisition of the Peck Parcel. Accordingly, all costs of such acquisition including the value of the Peck Parcel, appraisal, legal, environmental remediation, engineering, consulting and other costs shall be borne by Hanson (the "Acquisition Expenses"). Hanson shall deposit \$50,000 with City concurrently with the notice provided by Hanson to City under Section 6.1(a) above, which deposit City shall charge its expenses against (the "Acquisition Deposit"). City shall provide Hanson with a budget estimate of the Acquisition Expenses, and a schedule of when additional expenses may be anticipated. Hanson shall supplement the Acquisition Deposit within fifteen (15) days of City's written request therefor to cover expenses, and shall be entitled to return of any unexpended portion of the Acquisition Deposit after acquisition of the Parcel. City shall be responsible for providing Hanson with an accounting of all sums expended.

(b) Termination. If City is unable to acquire the Peck Parcel by negotiated purchase and elects not to exercise its power of eminent domain to acquire the Peck Parcel, the Parties shall have no further obligation regarding the acquisition, development or maintenance of the Peck Parcel, as provided in this Agreement, provided Hanson pays City the in-lieu consideration described under Section 15.3 of the Agreement.

4.3 Reclamation.

Upon acquisition of the Peck Parcel by the City or such earlier time as Hanson secures access rights to reclaim the parcel pursuant to Section 1.2(e) of this Agreement, Hanson shall commence reclamation of the Peck Parcel with Engineered Fill on a phased basis, as further described in Section 4.4 immediately below. Commercial Filling Operations shall not commence until such time as the City, in its sole discretion, authorizes commencement of

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Commercial Filling Operations and provides Hanson notice pursuant to Section 11.3 of this Agreement.

4.4 Development.

Within two (2) years of the acquisition date, approximately one million (1,000,000) tons of Engineered Fill will be deposited, bringing the elevation to 275 - 290 feet for interim use ("Interim Park Use"). Hanson shall secure such material through other than a Commercial Filling Operation. The Interim Park Use shall be for recreational and water-oriented uses. Hanson shall develop the Interim Park Use with the City paying half the cost, which, at a minimum, shall include an accessible bay, dock, beach, picnic, concession and related facilities. Hanson shall provide nonexclusive surface water use rights at no charge to the City. The Interim Park Use shall be operated and maintained by the City, with costs and revenues, if any, split equally between Hanson and the City. Following completion of the development of such Interim Park Use, Hanson shall deposit with the City an amount estimated by the City to represent 50% of the cost of operating and maintaining the Peck Parcel for one year. Quarterly, the City shall provide Hanson with a statement of the costs incurred by the City in the operation and maintenance of the Peck Parcel. Based on such statement, Hanson shall increase the deposit to cover any shortfall within 30 days of the City's request therefore, as needed to avoid the depletion of the fund. Alternatively, the City shall, in its discretion, either apply any excess amounts deposited by Hanson for use in the following year. The City shall revise the budget annually, based on past historical costs and anticipated expenditures. Hanson shall deposit with the City 50% of the amount shown on the budget within 30 days of the anniversary date of the Interim Park Use operation. Should Hanson fail to contribute its share for operation and maintenance of the Peck Parcel, Hanson shall forfeit an appropriate portion of its share of the sale proceeds of the such Peck Parcel, as discussed below in this Subsection 4.9(d)(4). Hanson, at its cost, shall be entitled to audit the statement of costs after providing City with 30 days prior notice. If such audit discloses an over reporting of the costs to operate and maintain the Interim Park Use by 5% or more for any period, City shall reimburse Hanson for the cost of said audit and refund any overpayment. Conversely, if such audit discloses an under reporting of the costs to operate and maintain the Interim Park Use for any period, Hanson shall reimburse City for any such underpayment.

Ultimately, in conjunction with the development of the adjacent parcel operated by Bubalo (Peck Road Gravel Pit) or following development of the Plant Site recreation area, Hanson shall complete reclamation of the Peck Parcel to street level or an elevation mutually agreeable to Hanson and the City within the times and subject to the provisions of Section 11.3. Upon completion, the developable area of the Peck Parcel shall be at least 10.7 acres. The City will dispose of the Peck Parcel with the parties equally splitting the proceeds, or in the alternative, at the option of the City, the City will retain all right, title and interest in the Parcel for recreation purposes in exchange for a reduction in the recreation area provided by Hanson on the Plant Parcel on a 1:2 basis (Plant/Peck), as described in Section 4.2(a) of this Exhibit B.

5.0 Lake Parcel.

5.1 Excavation.

Mining operations shall be permitted to continue to the Maximum Safe Depth, but not later than the end of the Term.

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5.2 Reclamation.

Hanson shall not be required to fill the Lake Parcel. Hanson shall reclaim the parcel by installing the landscaping, access roads, runoff and drainage improvements and other infrastructure required under the Reclamation Plan within the times and in accordance with the requirements provided in the Reclamation Plan. Partial reclamation is further accomplished by reclaiming the Reclamation Parcel and Plant Parcel and by not excavating the Plant Site. The approximately 20 acre northern portion of the Lake Parcel (identified as Lake Parcel II on Exhibit A hereto) shall be used along with the 5 acre southern portion of the Plant Parcel (identified as "Area IV, City Recreational/Open Space" on Exhibit A) for recreation and open space purposes and dedicated to the City, as provided in Section 1.5(c) of this Exhibit B.

5.3 Lake Use.

Hanson will operate the Lake Parcel, at its cost until such time as it transfers the Lake Parcel, with the City's written approval, to the City or appropriate third party approved by City. Hanson shall permit immediate and continuous nonexclusive public use of a designated portion of the Lake Parcel during mining operations subject to the following conditions: (i) use shall be consistent with continued mining with appropriate designation and separation of use areas, (ii) use shall protect public health and safety, (iii) use shall meet all legal requirements of all public agencies of appropriate jurisdiction, (iv) the City shall indemnify Hanson for all loss or damage resulting from public use unless caused by Hanson and (v) Hanson shall provide necessary access.

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EXHIBIT "C"
SCHEDULE OF PERFORMANCE
 [TO BE DISCUSSED]

ITEM TO BE PERFORMED		TIME FOR PERFORMANCE	AGREEMENT REFERENCE
1.	City Council conducts first reading of Ordinance approving the CUP, Reclamation Plan, Financial Assurances, and SMARA Transfer Agreement	December 20, 2005	Recitals
2.	City Council conducts second reading of Ordinance approving this Agreement	January 3, 2006	Recitals
3.	Hanson executes this Agreement, CUP, Reclamation Plan and SMARA Transfer Agreement	February 1, 2006	CUP Condition #71
4.	Effective Date of this Agreement	February 1, 2006	§ 2.17
5.	Hanson prepares Emergency Plan as attachment to Reclamation Plan	January 19, 2006	CUP Condition #50
6.	City records Agreement	Within 10 days of execution by all parties	§ 17.16
7.	Hanson prepares plans for implementation of erosion and drainage measures	February 3, 2006	CUP Condition #53(d)
8.	Hanson prepares and submits to City Site Management and Security Plan	February 20, 2006	CUP Condition #48

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ITEM TO BE PERFORMED		TIME FOR PERFORMANCE	AGREEMENT REFERENCE
9.	Hanson enters into Agreement with City for Public Use of Lake	Within 180 days of City's presentation of Access Agreement	§ 1.2
10.	Hanson delivers to City annual monitoring fee and documentation showing good faith compliance with Agreement	No later than January 2 of each year of term	§ 10.1
11.	City and Hanson review performance of parties under this Agreement	No later than February 1 of each year of term	§ 10.1
12.	Hanson commences Commercial Fill Operations	Within 180 days of notice by City, but no later than 12/31/20	§ 11.4(a) & Exhibit B, 4.3
13.	Hanson deposits amount to cover any shortfall in Filling requirements	Within 10 days after conclusion of each Three Year Cycle following Commencement Date	§ 11.4(e)(2)
14.	Hanson prepares Water Use Study assessing water needs for developing Parcels	Before sale of Peck, Plant or Reclamation Parcel	§ 16.1
15.	Hanson notifies City of intent to sell the Balance of Water Rights	Before Hanson offers to sell Balance of Water Rights to any third party	§ 16.2
16.	City notifies Hanson of any intent to purchase Balance of Water Rights	Within 45 days of City's receipt of the notice from Hanson described in Paragraph 15 above	§ 16.2
17.	Hanson and City meet and confer regarding contour of Lake Parcel II	At least 180 days before Hanson intends to commence mining along edge of Parcel Lake II	Exhibit B, 1.5(c)
18.	City closes escrow on purchase of Balance of Water Rights	Within 60 days of notice provided by City to Hanson under paragraph 16 above	§ 16.2
19.	City acquires Peck Parcel	Within 5 years of Effective Date	Exhibit B, 4.2(a)

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ITEM TO BE PERFORMED		TIME FOR PERFORMANCE	AGREEMENT REFERENCE
20.	Hanson commences filling operations at Peck Parcel	Upon City's acquisition of Peck Parcel or Hanson securing permit to fill same	§ 1.2 & Exhibit B, 4.3
21.	Hanson deposits approximately 1M tons of engineered fill at Peck Parcel	Within 2 years of date described at paragraph 20 above	Exhibit B, 4.4
22.	Hanson deposits 50% of estimated cost of operating Interim Park Use	Upon completion of requirement under paragraph 20 above, and within 30 days of each anniversary of such date	Exhibit B, 4.4
23.	City provides Hanson Statement of Costs of operating Interim Park Use	Quarterly following completion of requirement under paragraph 21 above	Exhibit B, 4.4
24.	Hanson increases amount of deposit for Interim Peck Use, if initial deposit is insufficient	Within 30 days of City's request	Exhibit B, 4.4
25.	Hanson completes filling of Peck Parcel to street level	In conjunction with Bubalo development or following development of Plant Parcel Recreation area	Exhibit B, 4.4
26.	Hanson completes reclamation of Lake Parcel, Green Parcel	In accordance with times in Reclamation Plan	Per Reclamation Plan
27.	Hanson completes construction of Roadway and dedicates same to City	Within 15 years after Effective Date, or such earlier time as requested by City, but not earlier than 5 years	Exhibit B § 1.4
28.	Hanson ceases Mining operations	No later than 25 years after Effective Date (2/1/31) or when maximum safe depth reached	§ 3.1

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ITEM TO BE PERFORMED		TIME FOR PERFORMANCE	AGREEMENT REFERENCE
29.	Hanson removes Processing Plant and completes rough grading of Parcels	No later than 2 years before the date described at paragraph 28 above	§ 3.1
30.	Hanson and City develop phasing plan for construction of Parcels	Within 1-3 years before the date described at paragraph 29 above	§ 5.2
31.	Hanson submits amendment to Development Plan, including subdivision maps	Concurrently with the date described at paragraph 29 as to all Parcels, and 1 year thereafter for the Plant Parcel	§ 5.2
32.	Hanson commences development of Parcels or sells same to a qualified developer	Within 3 years after date described at paragraph 30 above	§ 5.2
33.	Hanson completes reclamation of Reclamation Parcel	No later than 30 years after Effective Date, or 25 years if City provides Hanson fill material per § 2.2	§ 2.2
34.	Development of Parcels shall be completed	Within 5 years of date described at paragraph 31 or pursuant to approved phasing plan	§ 5.2

It is understood that the foregoing Schedule of Performance is subject to all of the terms and conditions set forth in the text of the Agreement. The summary of the items of performance in this Schedule of Performance is not intended to supersede or modify the more complete description in the text; in the event of any conflict or inconsistency between this Schedule of Performance and the text of the Agreement, the text shall govern.

The time periods set forth in this Schedule of Performance may be altered or amended only by written agreement signed by both City and Hanson. A failure by either party to enforce a breach of any particular time provision shall not be construed as a waiver of any other time provision. The City Manager shall have the authority to approve extensions of time without City Council action not to exceed a cumulative total of 180 days.

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EXHIBIT "D"
DEED OF TRUST

[see following pages]

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO

Name: City of Irwindale
Address: 5050 N. Irwindale Avenue
City, State, Zip: Irwindale, CA 91706
Attn: City Clerk

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(Space Above This Line for Recorder's Office Use Only)
(Exempt from Recording Fee per Gov. Code § 6103)

DEED OF TRUST WITH ASSIGNMENT OF RENTS AS ADDITIONAL SECURITY

This DEED OF TRUST, made _____, 2006, between Hanson Aggregates West, Inc., a Delaware corporation, herein called TRUSTOR, and First American Title Insurance Company, herein called TRUSTEE, whose address is 520 N. Central Avenue, Penthouse Suite, Glendale, CA 91203, and the City of Irwindale, a California municipal corporation, herein called BENEFICIARY, whose address is 5050 N. Irwindale Ave., Irwindale, CA 91706. Trustor irrevocably grants, transfers and assigns to Trustee in Trust, with Power Sale that property in the City of Irwindale, Los Angeles County, California, described as:

See Exhibit "A" attached hereto and incorporated herein by this reference.

Together with the rents, issues and profits thereof, subject, however, to the right, power and authority given to and conferred upon Beneficiary to collect and apply such rents, issues and profits

For the Purpose of Securing a total of \$15,000,000, which Trustor and Beneficiary agree is the best estimate of the value to secure: (1) the performance by Trustor of all its obligations specified in that certain January 3, 2006 Development Agreement between Hanson Aggregates West, Inc. and the City of Irwindale, as provided for in Section 11.1 of same; and (2) the performance of each agreement of Trustor incorporated by reference or contained herein or reciting it is so secured.

To protect the security of this Deed of Trust, and with respect to the property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A of that certain Fictitious Deed of Trust referenced herein, and it is mutually agreed that all of the provisions set forth in subdivision B of that certain Fictitious Deed of Trust recorded in the book and page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Siskiyou	506	762
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Solano	1287	621
Amador	133	438	Lassen	192	367	Riverside	3778	347	Sonoma	2057	427
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	71-10-26	615	Stanislaus	1970	56
Calaveras	185	338	Madera	911	136	San Benito	300	405	Sutter	655	585
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Tehama	457	183
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Trinity	108	595
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Tulare	2530	108
El Dorado	704	635	Merced	1660	753	San Luis Obispo	131	137	Tuolumne	177	160
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Ventura	2607	237
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Yolo	769	16
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yuba	398	693
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607			
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	Sierra	38	187			

San Diego Series 5 Book 1964,
Page 148774

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shall insure to and bind the parties hereto, with respect to the property above described. Said agreements, terms and provisions contained in said subdivisions A and B, (identical in all counties) are preprinted on the following pages hereof and are by the within reference thereto, incorporated herein and made a part of this Deed of Trust for all purposes as fully as if set forth at length herein, and Beneficiary may charge for a statement regarding the obligation secured hereby, provided the charge thereof does not exceed the maximum allowed by laws.

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The undersigned Trustor, requests that a copy of any notice of default and any notice of sale hereunder be mailed to him at his address hereinbefore set forth

STATE OF CALIFORNIA
COUNTY OF _____ } S.S.

Signature of Trustor

Hanson Aggregates West, Inc

On _____, before me,
_____, a Notary Public in
and for said County and State, personally appeared

_____,
personally known to me (or proved to me on the basis of
satisfactory evidence) to be the person(s) whose name(s)
is/are subscribed to the within instrument and
acknowledged to me that he/she/they executed the same
in his/her/their authorized capacity(ies), and that by
his/her/their signature(s) on the instrument the person(s),
or the entity upon behalf of which the person(s) acted,
executed the instrument.

WITNESS my hand and official seal

Signature _____

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DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

(1) To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

(2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

(4) To pay: at least ten days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may, make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge, or lien which in the judgement of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his or her reasonable fees.

(5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby, any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

(1) That any award of damages in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him or her in the same manner and with the same effect as above provided for regarding disposition of proceeds of fire or other insurance.

(2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his or her right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

(3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof.

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(4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

(5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his or her own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(6) That upon default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law. Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

(7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

(8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors, and assigns. The term Beneficiary shall mean the owner and holder, including pledges, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or the neuter, and the singular number includes the plural.

(9) The Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

DO NOT RECORD

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REQUEST FOR FULL RECONVEYANCE

TO [TITLE COMPANY]

The undersigned is the legal owner and holder of the note or notes, and of all other indebtedness secured by the foregoing Deed of Trust. Said note or notes, together with all other indebtedness secured by said Deed of Trust, have been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note or notes above mentioned, and all other evidence of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you under the same.

Dated: _____

Please mail Deed of Trust, Note of Reconveyance to:

William F. Capps, Esq.
Jeffer, Mangels, Butler & Marmaro, LLP
1900 Avenue of the Stars, 7th Floor
Los Angeles, CA 90034

Do not lose or destroy this Deed of Trust OR THE NOTE which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

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Exhibit A to Deed of Trust

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Hanson Aggregates site, APN # 8532-004-024, is described as follows:

Parcel 1:

That portion of Lot 2 of the lands of W.A. Church, in the Rancho San Francisquito, in the City of Irwindale, in the County of Los Angeles, State of California, as per map made by E.T. Wright, County Surveyor, filed June 5, 1880, in the office of the county recorder of said county, described as follows:

Beginning at a point in the Southeasterly line of Lot 22 of Tract No. 1888, as per map recorded in book 21 page 183 of Maps, in the office of the county recorder of said county; distant thereon North 67°30' West 760 feet from the most Southerly corner of Lot 22 of said Tract No. 1888; thence South 22°30' West 520.00 feet; thence South 67°30' East 505.00 feet; thence North 22°30' East 520.00 feet to a point in the Southwest line of said Lot 22; thence along said South line North 67°30' West 505.00 feet to the point of beginning.

Parcel 2:

Lots 21 and 22 of Tract No. 1888, in the City of Irwindale, in the County of Los Angeles, State of California, as per map recorded in book 21 page 183 of Maps, in the office of the county recorder of said county.

Parcel 3:

The Southwesterly 1900.80 feet of Lot "A" of Tract No. 1888, in the City of Irwindale, in the County of Los Angeles, State of California, as per map recorded in book 21 page 183 of Maps, in the office of the county recorder of said county.

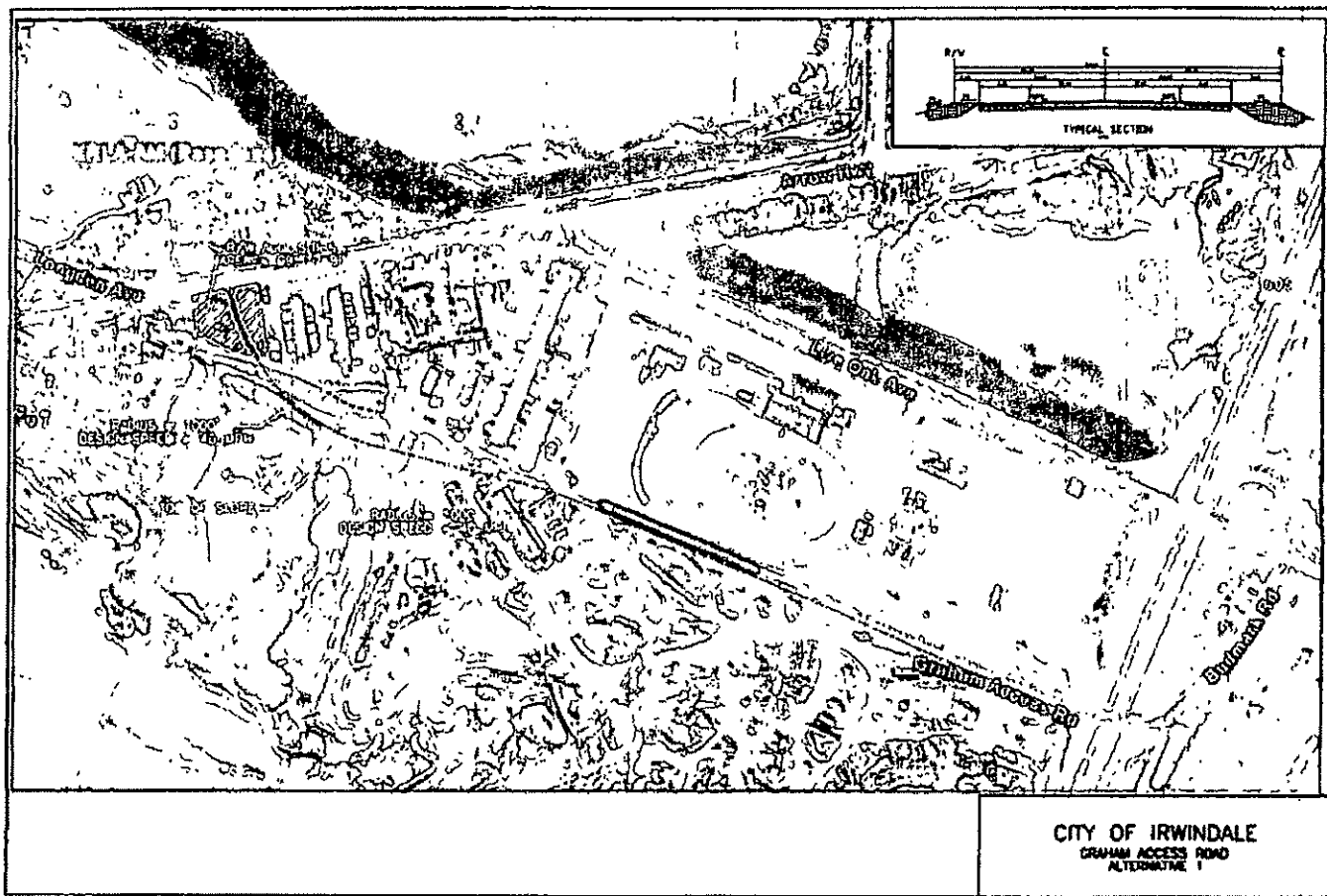
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Exhibit "E"
Map of Roadway Alignment

[see following page]

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EXHIBIT F

ROADWAY DESIGN CRITERIA

HANSON AGGREGATES – FUTURE ROADWAY

DESIGN CRITERIA: SHALL BE IN ACCORDANCE WITH THE LOS ANGELES COUNTY DEPARTMENT OF PUBLIC WORKS STREET DESIGN STANDARDS AND INCLUDE BUT NOT LIMIT TO THE FOLLOWINGS:

- TRAFFIC SIGNAL IN ACCORDANCE WITH CALTRANS TRAFFIC MANUAL AT LIVE OAK AVENUE
- RIGHT-OF-WAY SHALL BE 100 FEET IN WIDTH
- SURFACED ROADBED SHALL BE 84 FEET IN WIDTH
- SIDEWALK AND PARKWAY SHALL BE 8 FEET IN WIDTH ON BOTH SIDE OF THE STREET
- A MINIMUM TRAFFIC INDEX OF 11 SHALL BE USED FOR THE PAVEMENT DESIGN
- SIDEWALK, CURB, AND GUTTER TO BE CONSTRUCTED ON BOTH SIDE OF THE STREET
- A NEW STORM DRAIN SYSTEM DESIGNED IN ACCORDANCE WITH LOS ANGELES COUNTY STANDARDS
- A NEW SANITARY SEWER SYSTEM DESIGNED IN ACCORDANCE WITH LOS ANGELES COUNTY STANDARDS
- STRIPING AND SIGNAGE SHALL BE INSTALLED IN ACCORDANCE WITH CALTRANS TRAFFIC MANUAL
- STREET LIGHTS DESIGNED IN ACCORDANCE WITH LOS ANGELES COUNTY STANDARDS

THE CONCEPTUAL ALIGNMENT OF THIS ROADWAY IS ATTACHED HERE AS REFERENCE. THE FINAL ALIGNMENT OF THIS ROADWAY IS SUBJECT TO CITY ENGINEER'S APPROVAL.

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Exhibit "G"
Release of Mining Rights

[see following pages]

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**RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:**

City of Irwindale
5050 N. Irwindale Ave.
Irwindale, CA 91706

Attn: City Clerk

(Space Above This Line for Recorder's Office Use Only)
(Exempt from Recording Fee per Gov. Code § 6103)

RELEASE OF MINING RIGHTS

THE UNDERSIGNED DECLARES THAT FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, and subject to the terms and conditions set forth in that certain DEVELOPMENT AGREEMENT entered into on January 3, 2006, by and between HANSON AGGREGATES WEST, INC. (herein "Grantor") and the CITY OF IRWINDALE, Grantor hereby WAIVES, RELEASES AND FOREVER RELINQUISHES, all of Grantor's right, title and interest to further conduct mine operations on or at specified parcels of real properties located in the City of Irwindale, County of Los Angeles, State of California, as more particularly described as follows:

Those certain portions of the real property described as the "Site" in the Development Agreement, as more specifically described at Attachment "1" hereto, that encompass the parcels described as the Reclamation Parcel, Area I, Area II, Area III, Area IV, Lake Parcel Area B, Southwest Corner Parcel and Peck Parcel, as such parcels are depicted in the map attached hereto as Attachment "2".

IN WITNESS WHEREOF, the Grantor has executed this Release of Mining Rights on February _____, 2006.

Hanson Aggregates West, Inc.

By: _____

Its: _____

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STATE OF CALIFORNIA)
)
COUNTY OF LOS ANGELES)

On _____, 2006. before me, _____, personally
appeared _____,

[] personally known to me [] proved to me on the basis of
 satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to
me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by
his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the
person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature of Notary

SIGNER IS REPRESENTING:

Name of Person(s) or Entity(ies): **HANSON AGGREGATES WEST, INC.**

Name of Instrument: **RELEASE OF MINING RIGHTS**

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Attachment "1" to Release of Mining Rights

Legal Descriptions

[see following pages]

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AREA TO BE MINED

The area to be mined is outlined in Figure 5 parcel map. It includes:

8532-004-024

Baggs and Cates parcels
8532-006-004

Dolly Green (30 acres)

LEGAL DESCRIPTION

Parcel 2 of Parcel Map No. 22741 in the City of Arcadia, County of Los Angeles, State of California, as per map recorded in Book 258 pages 91 through 94 inclusive of parcel maps, and portions of land owned by W.A. Church in the San Francisquito Rancho, in the City of Irwindale, said County and State, as per map recorded as R.F. 509, and portions of Chicago Park tract in the cities of Irwindale and Arcadia, said County and State, as per map recorded in Book 30 page 100 of miscellaneous records, and portions of Tract No. 1888 in the City of Irwindale, said County and State as per map recorded in Book 21 page 183 of maps, all records in the office of the County Recorder of said County, described as a whole as follows:

Beginning at the intersection of the centerline of Live Oak Avenue, 100 feet wide, as shown on a record of survey recorded in Book 81 pages 15 through 23 inclusive of records of survey, with the approximate position of the easterly line of the Rancho San Francisquito, as recorded in Book 1 pages 31 and 32 of patents, and the compromise line described in the deed from Eugene O. Collison to Edison Securities Company, recorded in Book 30897 page 206 of official records, and the quitclaim deed from Eugene O. Collison to Livingston-Graham et. al. recorded May 5, 1964 in Book D2460 page 582 of official records, as shown on said Record of Survey (RS 81/15-23); thence southwesterly along said easterly line South 29 degrees 55 minutes 18 seconds west 1045.01 feet to a point of intersection with the easterly prolongation of the northerly line of the lands shown on a licensed surveyor's map, recorded in Book 22 page 4 of Records of Survey (RS 22-4); thence leaving said easterly line westerly along the easterly prolongation of said northerly line North 67 degrees 53 minutes 45 seconds west 280.30 feet to the westerly right-of-way of the lands acquired by the state of California for highway purposes as shown on Caltrans R/W Map No. F1971-1 Sheet 2 of 7, 07-LA-605-23.3, said point being the true point of beginning for this description; thence southerly along said westerly right-of-way south 30 degrees 45 minutes 46 seconds west 17.11 feet to an angle point therein; thence southerly along said right-of-way the following courses and distances: South 16 degrees 22 minutes 08 seconds west 75.55 feet, south 10 degrees 12 minutes 34 seconds west 179.64 feet, south 29 degrees 11 minutes 25 seconds west 357.12 feet, South 19 degrees 31 minutes 58 seconds west 217.06 feet, South 7 degrees 35 minutes 41 seconds west 334.06 feet; thence continuing along said westerly right-of-way south 15 degrees 30 minutes 37 seconds west 116.67 feet, more or less, to said easterly line of the Rancho San Francisquito as established per said Record of Survey (RS 81/15-23); thence along said easterly line South 29 degrees 55 minutes 18 seconds west 1945.44 feet to the northeasterly line of the lands described in degree of condemnation recorded in Book 46209 page 1 of official records; thence southwesterly along said northeasterly line the following courses and distances: South 47 degrees 03 minutes 37 seconds west 1292.40 feet and south 52 degrees 46 minutes 15 seconds west 502.49 feet to an angle point therein; thence continuing southwesterly along said northeasterly line south 47 degrees 03 minutes 37 seconds west 181.93 feet to the southerly line of the Chicago Park Tract, as recorded in Book 30 page 100 of miscellaneous records; thence westerly along said southerly line North 67 degrees 47 minutes 43 seconds west 1711.00 feet to a point, said point being the intersection of said southerly line with the westerly line of Lot 2183 of said Chicago Park Tract, as said point is established per Record of Survey recorded in Book 175 pages 57 and 58 of records of survey; thence generally northerly and westerly along the lines established per said Record of Survey (RS 175/57-58) the following courses and distances: North 22 degrees 07 minutes 02 seconds east 158.41 feet, North 67 degrees 47 minutes 58 seconds west 25.00 feet, North 22 degrees 07 minutes 02 seconds east 133.40 feet, South 67 degrees 47 minutes 58 seconds east 14.56 feet, North 7 degrees 08 minutes 31 seconds east 51.78 feet, North 67 degrees 47 minutes 58 seconds west 76.18 feet, North 22 degrees 07 minutes 02 seconds east 133.40 feet, North 67 degrees 47 minutes 58 seconds west 50.00 feet, North 22 degrees 07 minutes 02 seconds east 133.40 feet, South 67 degrees 47 minutes 58 seconds east 54.79 feet, North 7 degrees 08 minutes 31 seconds east 25.89 feet, South 67 degrees 47 minutes 58 seconds east 51.90 feet, North 22 degrees 07 minutes 02 seconds east 178.00 feet, North 67 degrees 47 minutes 58 seconds west 1225.20 feet, North 22 degrees 07 minutes 02 seconds east 138.81 feet, north 67 degrees 47 minutes 58 seconds west 325.07 feet to the northwest corner of Parcel 1 of said Parcel Map No. 22741; thence southerly along the westerly line of said Parcel 1 South 22

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degrees 07 minutes 02 seconds west 18.70 feet to the northerly line of the land described in the deed of trust recorded July 28, 1999 as Instrument No. 99-1406660 of official records; thence southwesterly along said northerly line South 66 degrees 37 minutes 30 seconds west 298.40 feet to the beginning of a tangent curve, concave northwesterly, and having a radius of 200.00 feet; thence southwesterly along said curve, through a central angle of 45 degrees 34 minutes 32 seconds, an arc length of 159.09 feet to a point of the northerly sideline of Clark Street, 50 feet wide, as shown on said Record of Survey (RS 81/15-23); thence tangent to last said curve and along said northerly sideline North 67 degrees 47 minutes 58 seconds west 747.99 feet to the easterly sideline of Kardashian Street, formerly Myrtle Avenue, 50 feet wide, as shown on said Record of Survey (RS 81/15-23); thence northerly along said easterly sideline North 22 degrees 07 minutes 02 seconds east 583.60 feet to the southerly line of State Street, 50 feet wide, as shown on said Record of Survey (RS 81/15-23); thence westerly along said southerly line North 67 degrees 57 minutes 58 seconds west 50.00 feet to a point, said point being the intersection of said southerly sideline with the westerly sideline of said Kardashian Street; thence North 67 degrees 09 minutes 32 seconds east 35.33 feet to the centerline intersection of said Myrtle Avenue and said State Street; thence northeast along the centerline of said Myrtle Avenue North 22 degrees 07 minutes 02 seconds east 370.09 feet to the southerly line of Parcel 3 of said Record of Survey (RS 81/15-23); thence westerly, northerly and easterly along the lines of said Parcel 3, North 67 degrees 23 minutes 38 seconds west 1112.43 feet to the most westerly corner of said Parcel 3, said corner being the beginning of a non-tangent curve, concave northwesterly, and having a radius of 1054.50 feet, a radial line of said curve through said point bears south 59 degrees 10 minutes 02 seconds east, and northeasterly along said curve, through a central angle of 8 degrees 43 minutes 10 seconds, an arc length of 160.48 feet, and tangent to last said curve North 22 degrees 06 minutes 48 seconds east 100.58 feet to the beginning of a tangent curve, concave southeasterly, and having a radius of 175.00 feet, and northerly and easterly along said curve, through a central angle of 90 degrees 00 minutes 00 seconds, an arc length of 274.89 feet, and tangent to last said curve South 67 degrees 53 minutes 12 seconds east 213.49 feet, North 22 degrees 06 minutes 48 seconds east 110.00 feet, South 67 degrees 53 minutes 12 seconds east 1666.50 feet, North 22 degrees 06 minutes 48 seconds east 1400.00 feet; thence continuing southeasterly along the northerly line of said Parcel 3, South 67 degrees 53 minutes 12 seconds east 988.00 feet to the southwest corner of Parcel 2 of said Record of Survey (RS 81/15-23); thence northeasterly along the northwesterly line of said Parcel 2, North 22 degrees 06 minutes 48 seconds east 1375.06 feet to the northwesterly corner thereof, said corner being on the southerly line of lands shown on said licensed surveyor's map (RS 22-4); thence southwesterly along said southerly line south 67 degrees 53 minutes 45 seconds east 3530.83 feet to the true point of beginning for this description.

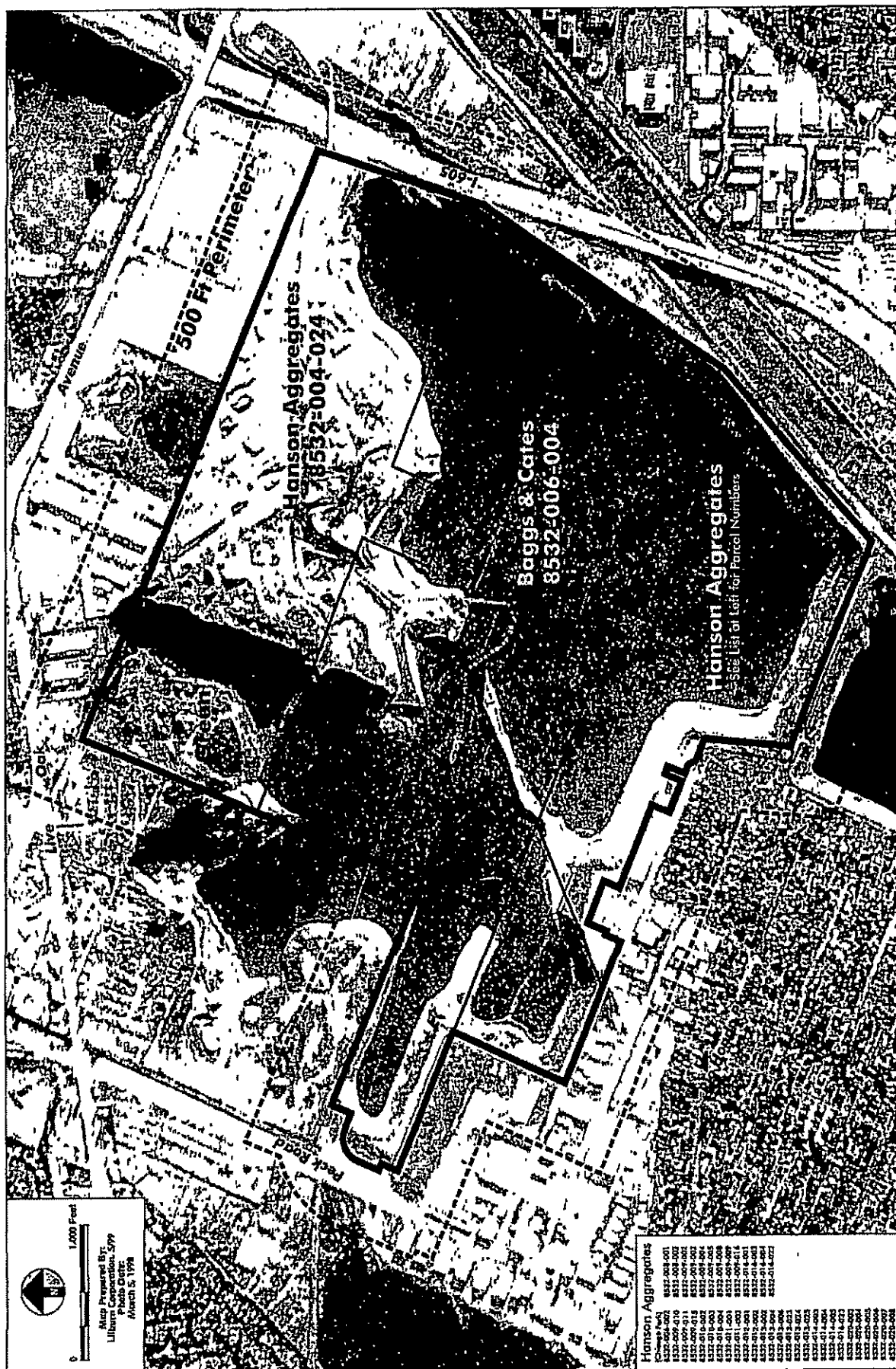
Also Lots 15, 16, 17, 18, 19, 20, and that portion of Lot A of said Tract No. 1888 lying between the westerly lines of said Lots 15 and 16, and their southerly and northerly prolongations, respectively, and the easterly lines of said Lots 19 and 20, and their southerly and northerly prolongations, respectively.

Except that portion of said land described in the deed to the State of California recorded August 13, 1965 as Instrument No. 1084 in Book D3014 page 667 of official records of said County, and subsequently deeded as Parcel 3 of Director's Deed to Southern California Edison, recorded February 15, 2000 as Instrument No. 00-0230028, official records of said County.

Legal Description of Dolly Green Parcel

Lots 15, 16, 17, 18, 19, 20, and that portion of Lot "A" of Tract 1888 in the City of Irwindale, County of Los Angeles, State of California, as per map recorded in Book 21 page 183 of maps, in the office of the recorder of said County, lying between the westerly lines of said Lots 15 and 16 and their southerly and northerly prolongations respectively, and the easterly lines of said Lots 19 and 20 and their southerly and northerly prolongations respectively.

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Hanson Aggregates

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8532-004-099
8532-004-100

83

Figure 5

Parcel Map
Hanson Aggregates West, Inc.
City of Irwindale, California

LILBURN
CORPORATION

84

Attachment "2" to Release of Mining Rights

Depiction of Parcels

[see following page]

06 0870443

95



SECTION	AREA (ACRES)
1	25
2	22
3	10
4	5

TOTAL = 72 ACRES

AREA 1
HANSON INDUSTRIAL

**39 ACRES.
'GREEN PARCEL'
(INCLUDES 100' LIVE
OAK AVENUE R/W)**

LAKE PARCEL
AREA A
310 ACRES (±)

**3.1 ACRES
SOUTHWEST
CORNER PARCEL
COMMERCIAL/
RESIDENTIAL**

06 0870443



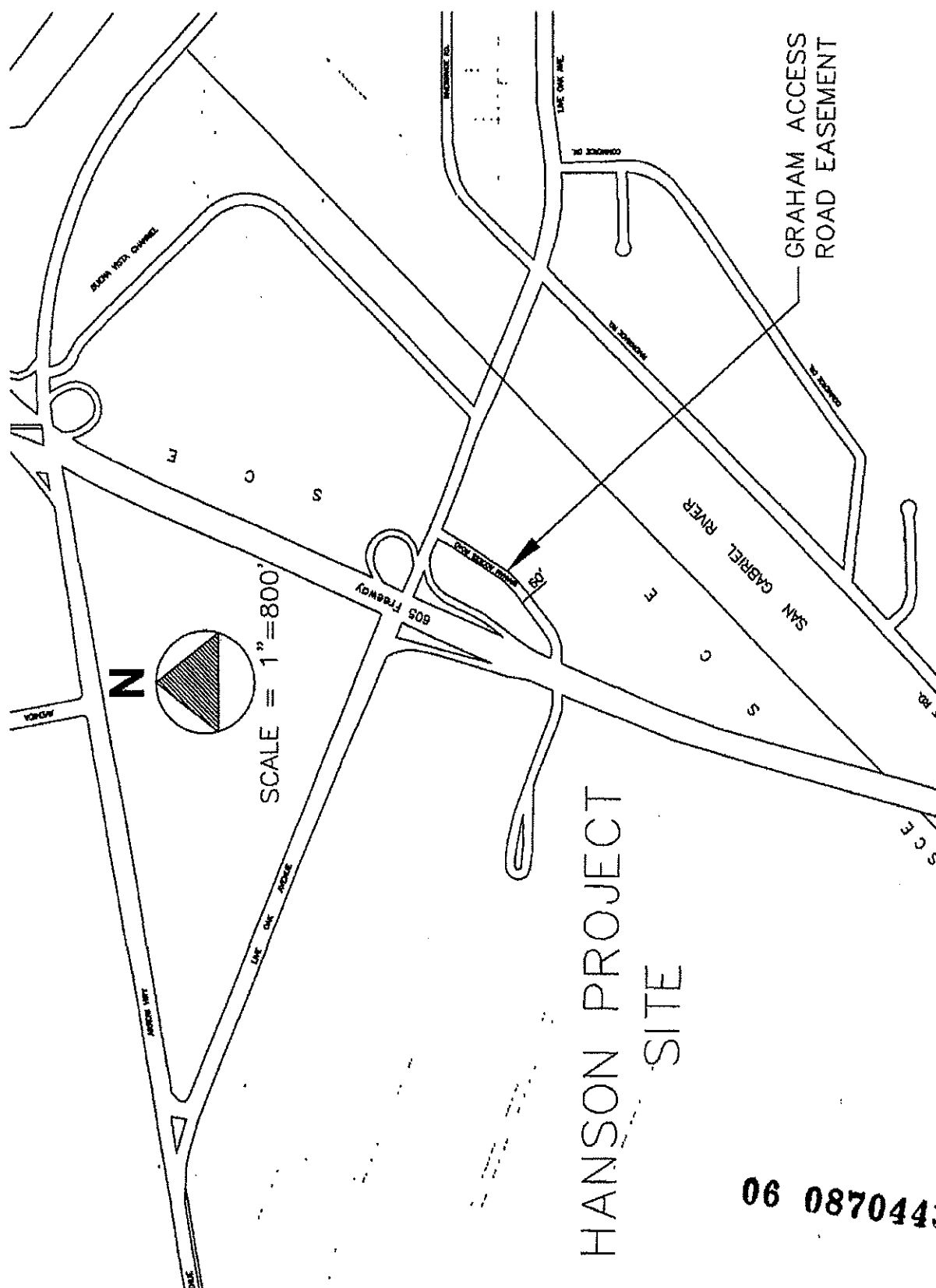
87

Exhibit "H"
Graham Road Easement

[see following pages]

06 0870443

88



06 0870443

89
06 0870443

GRAPHIC SCALE



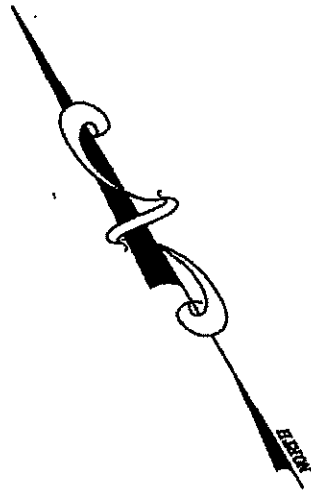
(IN FEET)
.1 inch = 200 ft.

C-NL 8
1528/1

RDWY. PER PWFB

CITY OF MONROVIA
CITY OF IRVINDALE

06 0870443

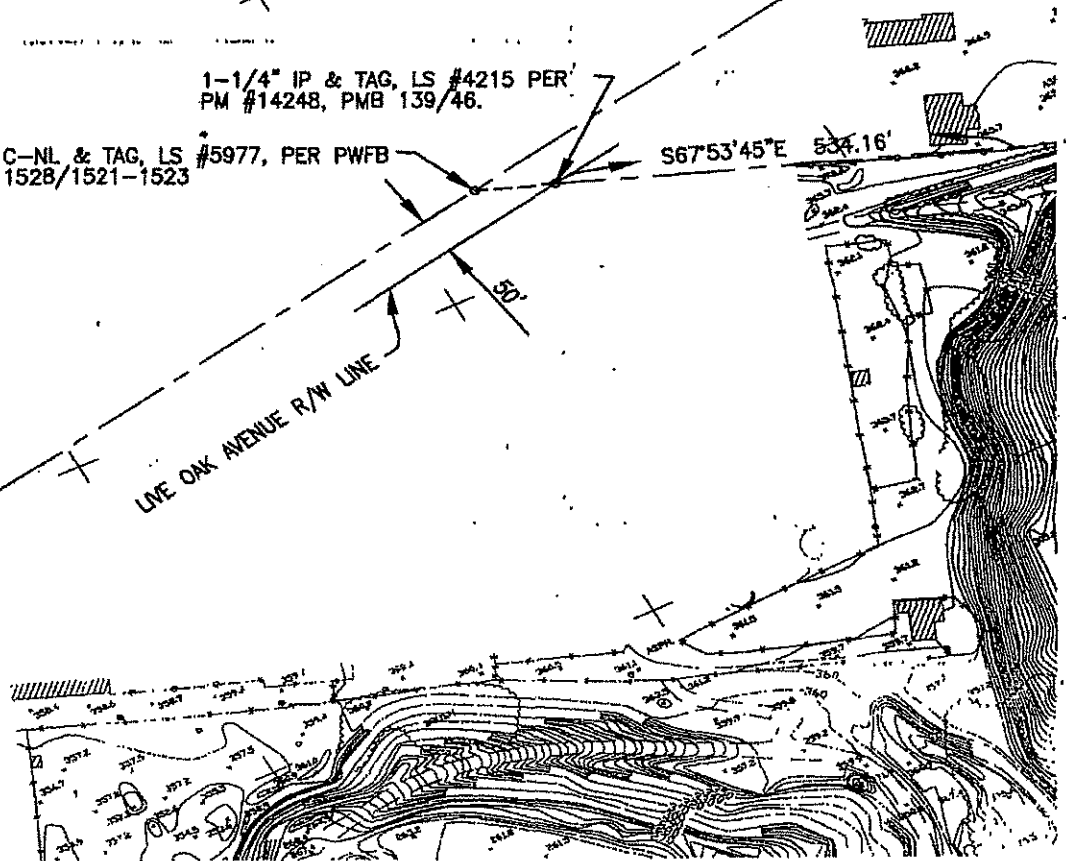


1-1/4" IP & TAG, LS #4215 PER
PM #14248, PMB 139/46.

C-NL & TAG, LS #5977, PER PWFB
1528/1521-1523

S67°53'45"E 534.16'

LINE OAK AVENUE R/W LINE



06 0870443

91

L.A.C.R.D. DOMED BRASS DISK W/4
S&W STRADS, DN. 0.7' IN HH.

E LIVE OAK AVENUE

1223.19'
N25°26'07"E

FUTURE ROADWAY
(100' R/W)

S67°53'45"E
158.95'

S67°53'45"E 534.16'

30 ACRES
GREEN PARCEL
(INCLUDES 100' LIVE
OAK AVENUE R/W)

08

DOMED BRASS DISK W/4
IDS. DN. 0.7' IN HH.

~~ARROW HWY~~

£ LIVE O.

N66°33'53"W 834.87'

1223.19'

N232607E

2159.84'

W2326'07"E

56753'45"E
158.95'

FUTUR
(100)

EXISTING SILT POND
TO BE REMOVED

☉ LIVE OAK AVE.

06 0870443

93

N66°33'53"W 1851.22'

**72 ACRES
PLANT PARCEL**

DESIGNATION	AREA (ACRE)
I	35
II	22
III	10
IV	5
TOTAL = 72 ACRES	

2159.84'

N23°26'07"E

FUTURE ROADWAY
(100' R/W)

**AREA I
HANSON INDUSTRIAL/AUTOMOTIVE**

**AREA II
HANSON
COMMERCIAL/
INDUSTRIAL**

06 0870443

N66°33'53"W 2680.20'

N66°33'53"W 828.99'

Q4

L&T IN CON
CALTRANS FE

N66°33'53"W 105.56'

1359.92'

N23°26'07"E

1160.77'

N23°26'07"E

N67°53'45"W 687.40'

N67°53'45"W 694.04'

OMOTIVE

AREA II
HANSON
INDUSTRIAL/

AREA III
HANSON HOTEL/
COMMERCIAL

40 ACRES
RECLAMATION PARCEL
HANSON HOTEL/COMMERCIAL
(FILL SITE)

06 0870443

96

40 ACRE SITE: (RECLAMATION PARCEL)

CURVE DATA:

	R	L	T	Δ
A	300.00'	153.02'	78.21'	29°13'29"
B	88.00'	36.53'	18.53'	23°47'03"
C	250.00'	376.37'	234.18'	86°15'28"

LINE DATA TABLE:

	L	Δ
1	1631.41'	S40°52'00"E
2	1109.90'	N60°15'58"E
3	311.95'	N89°29'27"E
4	109.19'	S66°43'34"E
5	167.94'	S19°31'58"W
6	334.08'	S07°35'41"W
7	116.67'	S15°30'37"W
8	993.53'	S29°55'18"W

35 ACRE SITE: (AREA I)

CURVE DATA:

	R	L	T	Δ
D	900.00'	626.62'	326.6'	39°53'31"

LINE DATA TABLE:

	L	Δ
15	663.25'	N70°35'50"W
16	726.14'	S69°30'39"W
19	243.38'	N58°51'11"W
20	757.81'	N52°07'25"W
21	711.56'	N22°06'48"E
22	2843.45'	S67°53'45"E
23	225.39'	S51°21'38"W

22 ACRE SITE:

5 ACRE SITE: (AREA IV)

LINE DATA TABLE:

	L	Δ
18	470.71'	S60°20'07"E
20	757.81'	N52°07'25"W
41	84.26'	N51°21'38"E
42	432.36'	S63°14'54"E
43	1037.96'	S58°51'11"E
44	735.47'	S52°07'25"E
45	103.91'	S22°06'48"W
46	1021.73'	N58°51'11"W

30 ACRE SITE: (GREEN PARCEL)

LINE DATA TABLE:

	L	Δ
24	1375.06'	S22°06'48"W
25	988.00'	N67°53'12"W
26	1376.97'	N25°14'35"E
27	912.82'	S67°53'45"E

10.7 ACRE SITE: (PECK PARCEL)

CURVE DATA:

	R	L	T	Δ
E	75.00'	117.81'	75'	90°00'01"
F	150.00'	98.61'	51.16'	37°39'58"
G	150.00'	126.78'	67.45'	48°25'35"
H	100.00'	163.90'	107.06'	93°54'28"
I	75.00'	117.81'	75'	90°00'01"

LINE DATA TABLE:

	L	Δ

L & T, RCE #10880 E/CB PECK RD.
ON TC. PER RS #104-43

L & T, RCE #10880 E/CB PECK RD.
ON TC. PER RS #104-43

C-NL, NO REF., ACCEPTED AS Q INT.
PECK RD. & R PROD.

L & T IN CONC. RDWY. PER PWFB
1528-1564, 1565.

CITY OF MONROVIA
CITY OF IRWINDALE

PECK ROAD

50
PECK ROAD
R/W LINE

CITY OF MONROVIA
CITY OF IRWINDALE

06 0870443

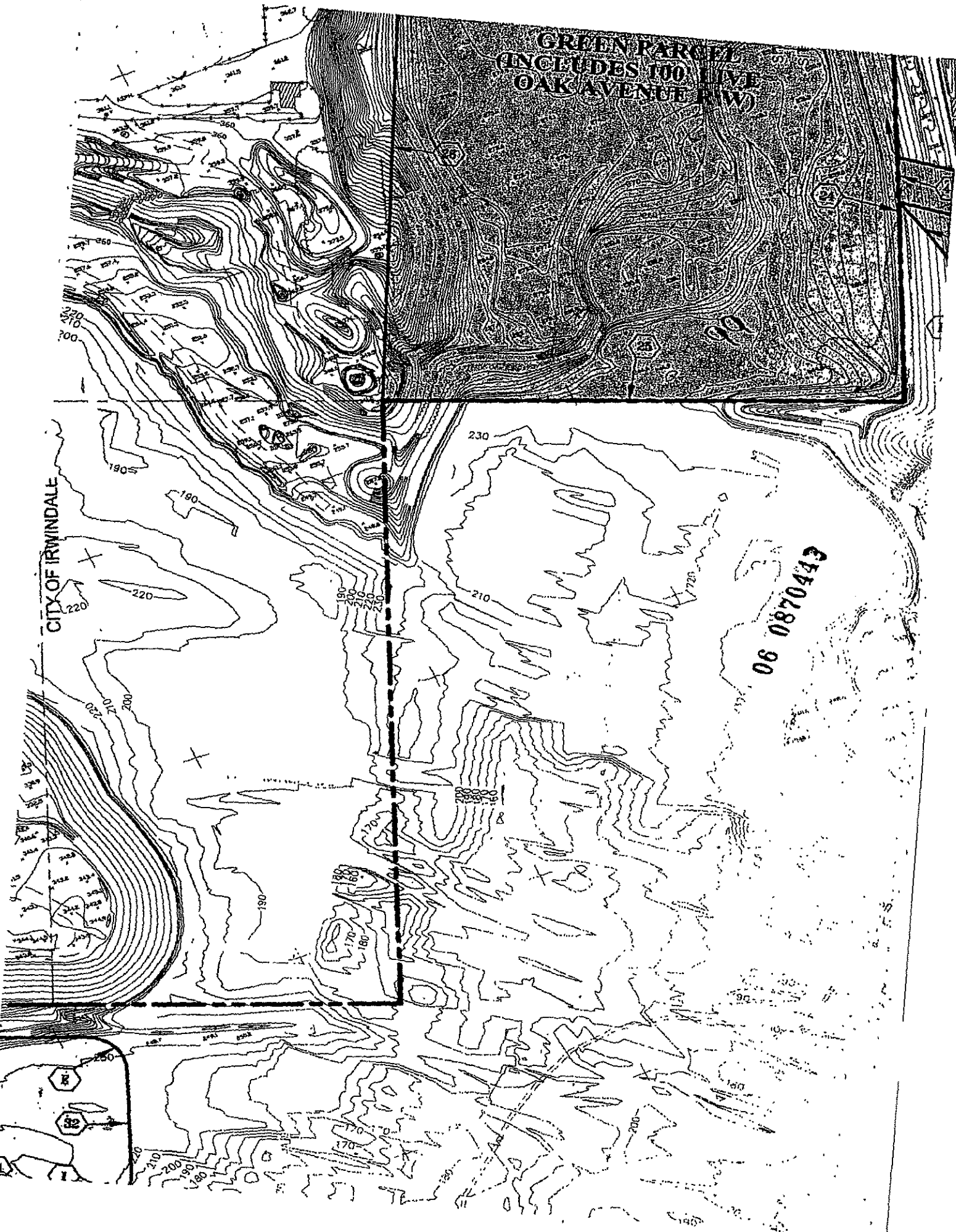
Q7

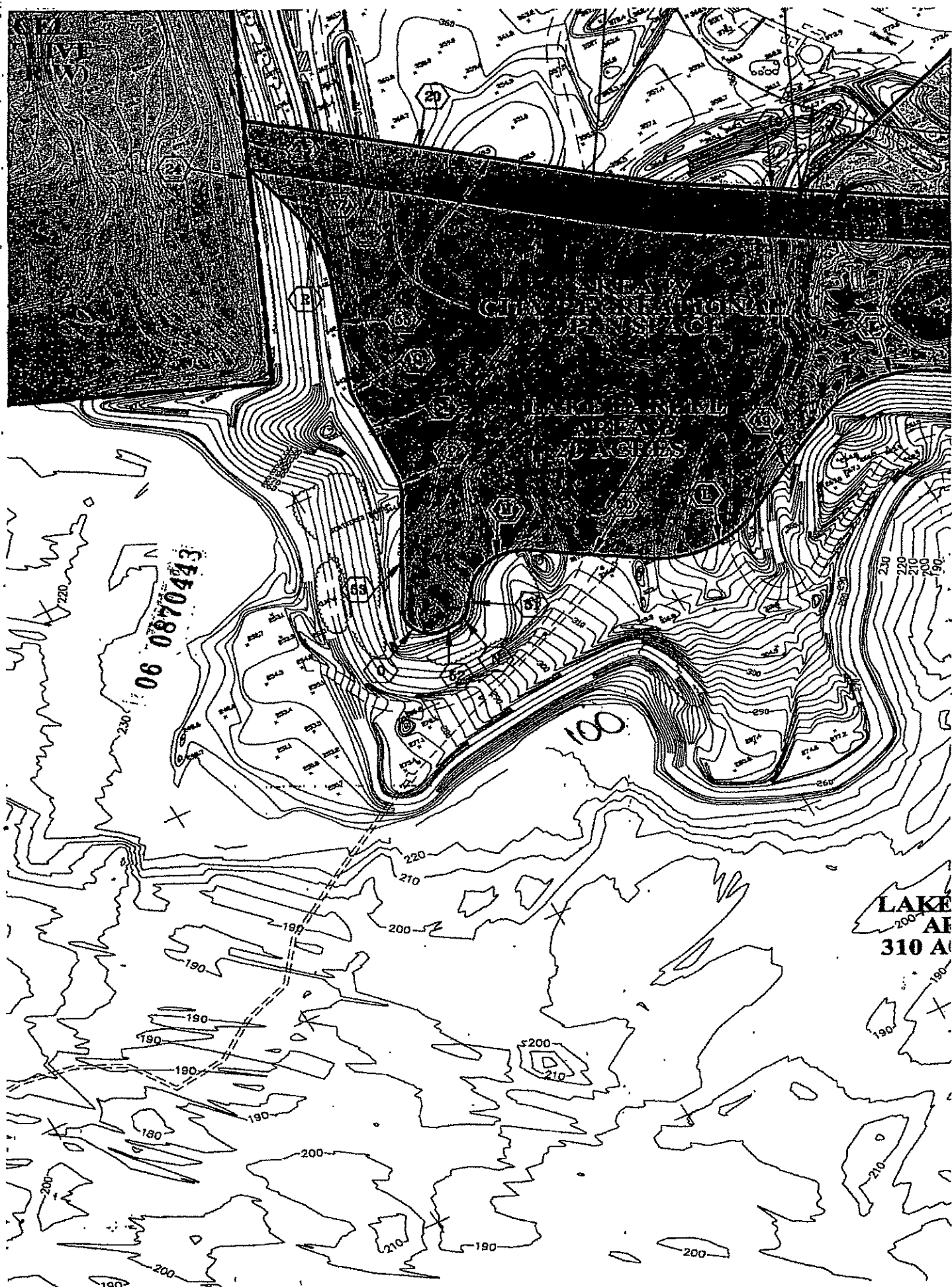
**10.7 ACRES
PECK PARCEL
RECREATIONAL
WATER USES**

GREEN PARCEL
(INCLUDES 100 LIVE
OAK AVENUE NW)

CITY OF IRVINDALE

06 0870443





06 0870443

LAKE
310 A

COMMERCIAL/
INDUSTRIAL

IONAL
GE

06 0870443

LAKE PARCEL
AREA A
310 ACRES(±)

101

200

INDUSTRIAL

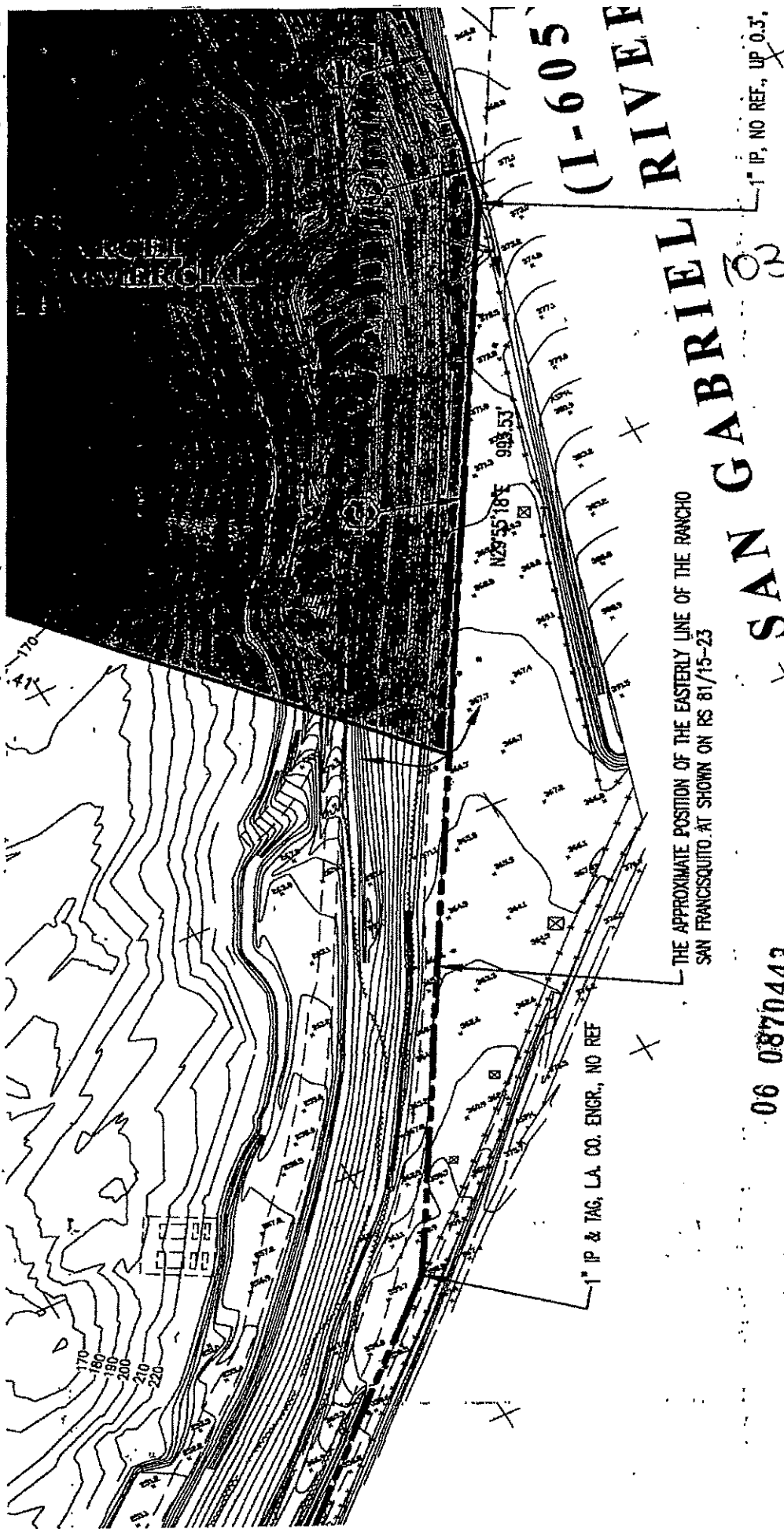
40 ACRES
RECLAMATION PARCEL
HANSON HOTEL/COMMERCIAL
(BUD SITE)

S40°52'09"E

1051.41'

06 0870443

102



(I-605)
RIVER

SAN GABRIEL

THE APPROXIMATE POSITION OF THE EASTERLY LINE OF THE RANCHO
SAN FRANCISCO, AT SHOWN ON RS 81/15-23

1" IP & TAG, L.A. CO. ENGR., NO REF.

1" IP, NO REF., UP 0.3'

06 0870443

18	726.14'	S69°30'39"W
19	243.38'	N58°51'11"W
20	757.81'	N52°07'25"W
21	711.56'	N22°08'48"E
22	2843.45'	S67°53'45"E
23	225.39'	S51°21'38"W

22 ACRE SITE (AREA II)

CURVE DATA:

	R	L	
D	900.00'	626.62'	326.

LINE DATA TABLE:

	L	Δ
14	1081.35'	N51°21'38"E T
15	663.25'	N70°35'50"W
16	726.14'	S69°30'39"W
17	778.35'	S58°51'11"E
18	470.71'	S60°20'07"E

10 ACRE SITE (AREA III)

CURVE DATA:

	R	L	T
A	300.00'	153.02'	78.2
B	88.00'	36.53'	18.5
C	250.00'	376.37'	234.

LINE DATA TABLE:

	L	Δ
2	1109.90'	N60°15'58"E
3	311.95'	N89°29'27"E
4	109.19'	S66°43'34"E
9	1629.13'	S51°21'38"W
10	694.04'	N67°53'45"W
11	171.55'	N10°12'34"E
12	357.12'	N29°11'25"E
13	49.12'	N19°31'58"E

18	726.14'	S69°30'39"W
19	243.38'	N58°51'11"W
20	757.81'	N52°07'25"W
21	711.56'	N22°06'48"E
22	2843.45'	S67°53'45"E
23	225.39'	S51°21'38"W

E	75.00'	117.81'	75'	90°00'01"
F	150.00'	98.61'	51.16'	37°39'58"
G	150.00'	126.78'	67.45'	48°25'35"
H	100.00'	163.90'	107.06'	93°54'28"
I	75.00'	117.81'	75'	90°00'01"

22 ACRE SITE: (AREA II)

CURVE DATA:

	R	L		Δ
D	900.00'	626.62'	326.6'	39°53'31"

LINE DATA TABLE:

	L	Δ
14	1081.35'	N51°21'38"E T
15	663.25'	N70°35'50"W
16	726.14'	S69°30'39"W
17	778.35'	S58°51'11"E
18	470.71'	S60°20'07"E

LINE DATA TABLE:

	L	Δ
28	895.75'	N68°11'36"W
29	142.15'	S74°08'25"W
30	64.27'	S25°42'50"W
31	1062.54'	S68°11'36"E
32	247.58'	N21°48'24"E

9.3 ACRE SITE: (SOUTHWEST CORNER PARCEL)

06 0870443

LINE DATA TABLE:

	L	Δ
33	1070.10'	S14°21'58"W
34	443.09'	N67°47'58"W
35	583.60'	N22°07'02"E
36	50.00'	N67°57'58"W
37	35.33'	N67°09'32"E
38	370.09'	N22°07'02"E
39	79.34'	N21°48'24"E
40	324.20'	S68°11'36"E

10 ACRE SITE: (AREA III)

CURVE DATA:

	R	L	T	Δ
A	300.00'	153.02'	78.21'	29°13'29"
B	88.00'	36.53'	18.53'	23°47'03"
C	250.00'	376.37'	234.18'	86°15'28"

LINE DATA TABLE:

	L	Δ
2	1109.90'	N60°15'58"E
3	311.95'	N89°29'27"E
4	109.19'	S66°43'34"E
9	1629.13'	S51°21'38"W
10	694.04'	N67°53'45"W
11	171.55'	N10°12'34"E
12	357.12'	N29°11'25"E
13	49.12'	N19°31'58"E

20 ACRE SITE: (LAKE PARCEL AREA B)

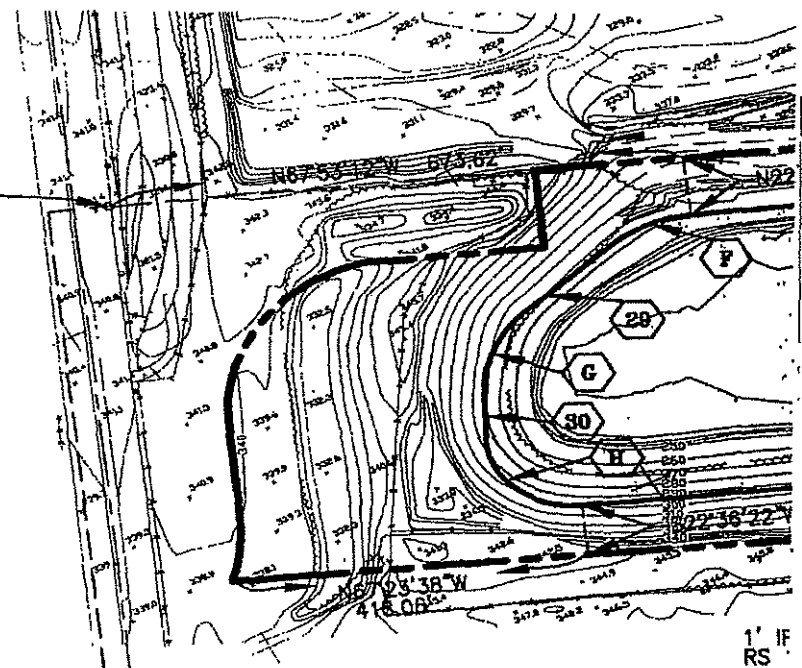
CURVE DATA:

	R	L	T	Δ
J	400.00'	271.88'	141.43'	38°56'38"
K	200.00'	225.15'	126.19'	64°30'03"
L	200.00'	225.36'	126.34'	64°33'39"
M	100.00'	152.91'	95.91'	87°36'40"
N	50.00'	44.44'	23.81'	50°55'28"
b	50.00'	105.27'	87.72'	120°37'50"

105

N 1861.000

L & I. RCE #11
ON TC. PER RS



ROAD

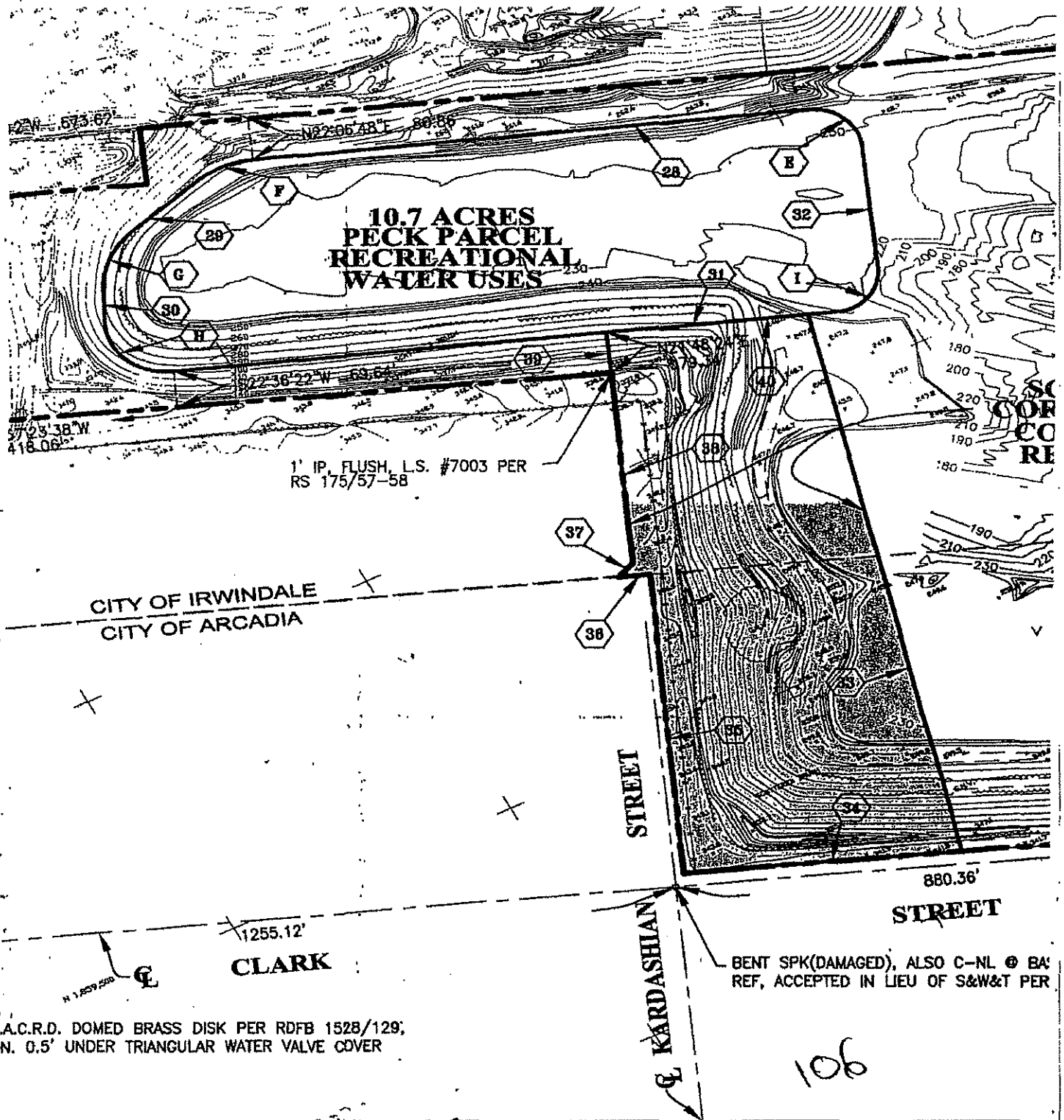
CITY OF IRWINDALE
CITY OF ARCADIA

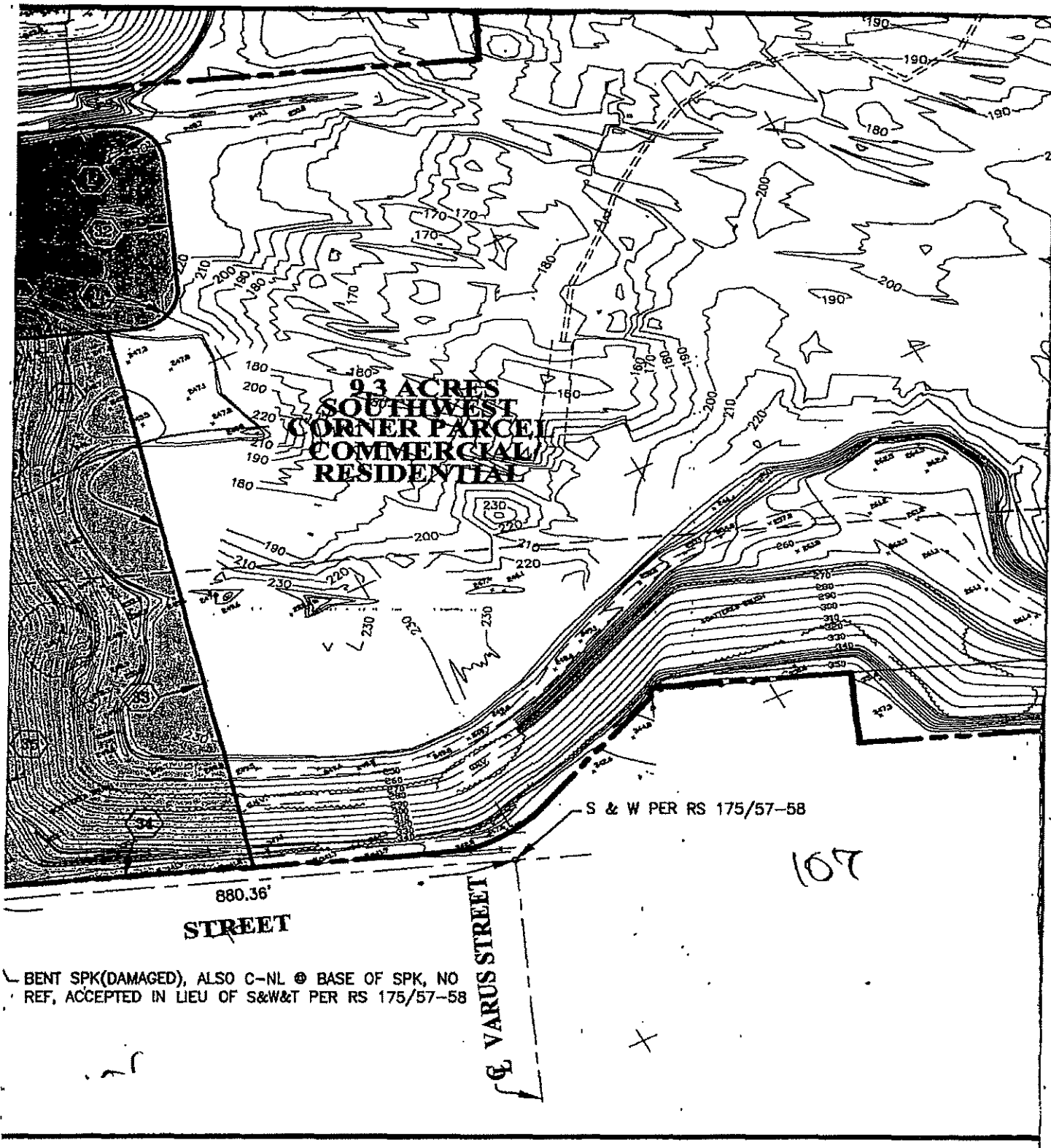
CL PECK

1255.12'
CLAR

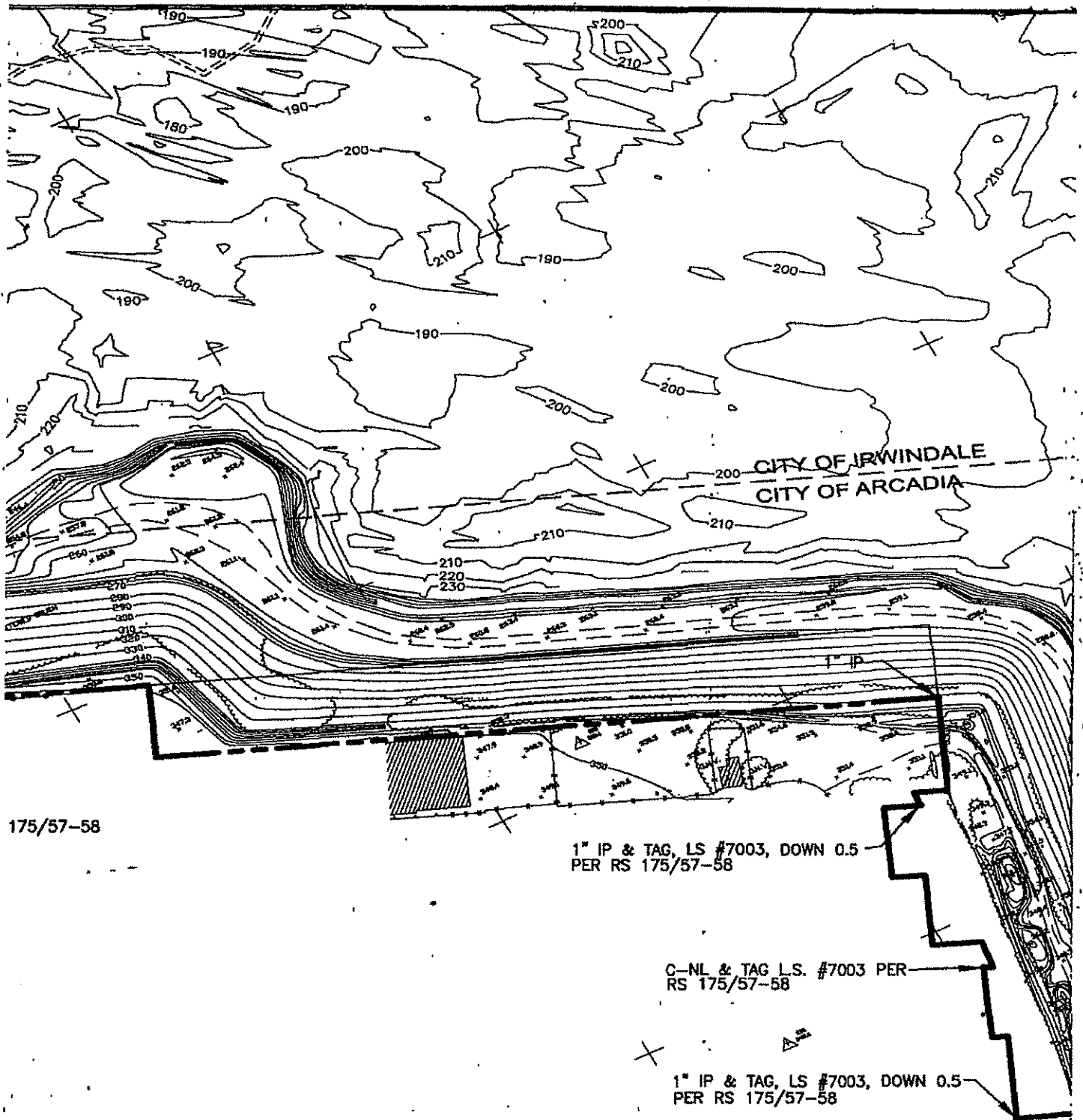
L.A.C.R.D. DOMED BRASS DISK PER RDE
DN. 0.5' UNDER TRIANGULAR WATER VAL

06 0870443





06 0870443



175/57-58

1" IP & TAG, LS #7003, DOWN 0.5
PER RS 175/57-58

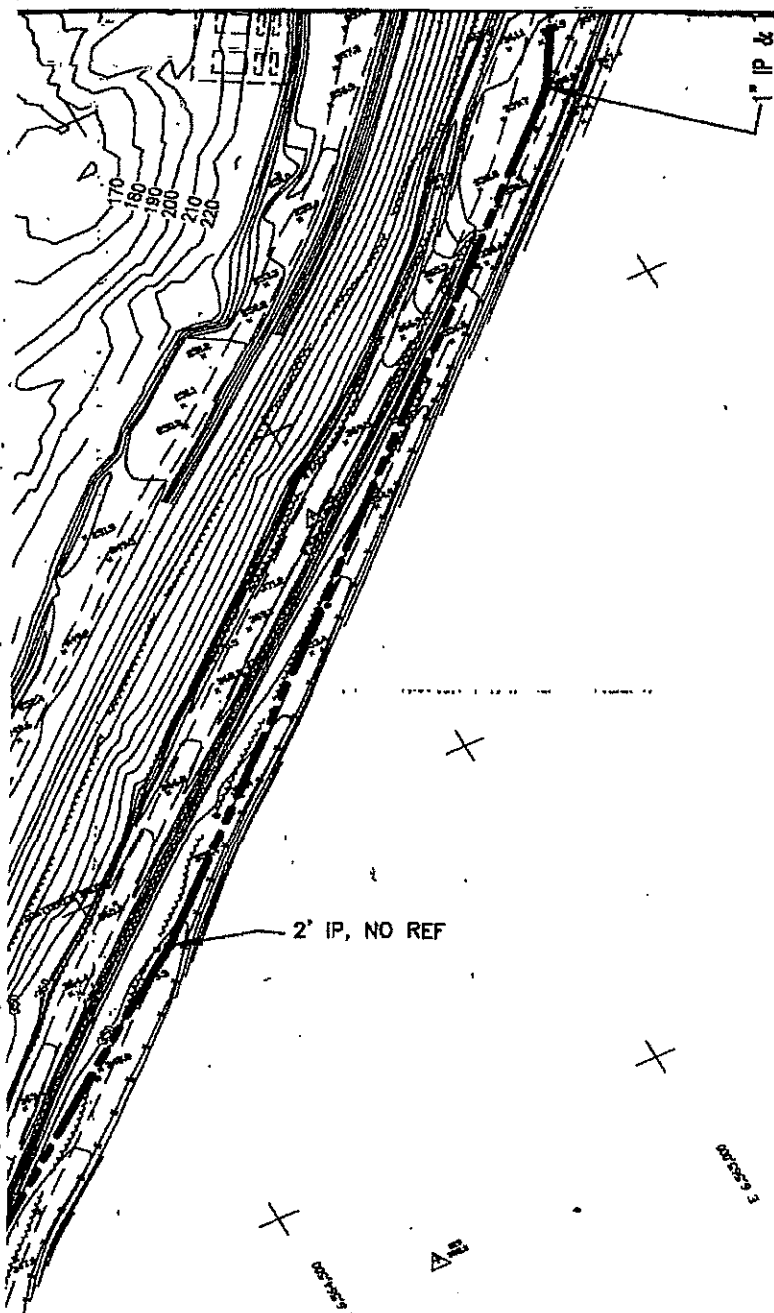
C-NL & TAG L.S. #7003 PER
RS 175/57-58

1" IP & TAG, LS #7003, DOWN 0.5
PER RS 175/57-58

108



06 0870443



3	311.95'	N89°29'27"E
4	109.19'	S66°43'34"E
9	1629.13'	S51°21'38"W
10	694.04'	N67°53'45"W
11	171.55'	N10°12'34"E
12	357.12'	N29°11'25"E
13	49.12'	N19°31'58"E

LAND SURVEYING,
 L. DESIGN
 DRIVE SUITE 301, DUARTE, CA 91010
 FAX: (626)357-6738

SCALE
 =200'-0"

FILE NO.
 P05115SC-1

HANSON AGGREGATE RECLAMATION FIGURE

CITY OF IRVINDALE

06 0870443

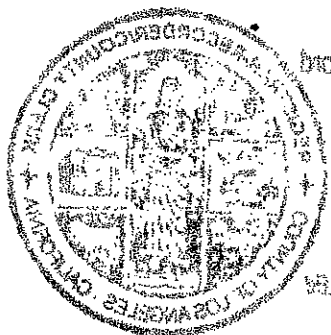
3	311.95'	N89°29'27"E
4	109.19'	S66°43'34"E
9	1629.13'	S51°21'38"W
10	694.04'	N67°53'45"W
11	171.55'	N10°12'34"E
12	357.12'	N29°11'25"E
13	49.12'	N19°31'58"E

CURVE DATA:

	R	L	T	Δ
J	400.00'	271.88'	141.43'	38°56'38"
K	200.00'	225.15'	126.19'	64°30'03"
L	200.00'	225.36'	126.34'	64°33'39"
M	100.00'	152.91'	95.91'	87°36'40"
N	50.00'	44.44'	23.81'	50°55'28"
O	50.00'	105.27'	87.72'	120°37'50"
P	100.00'	42.50'	21.58'	24°21'03"
Q	100.00'	29.00'	14.60'	16°36'57"
R	300.00'	148.93'	76.03'	28°26'37"

LINE DATA TABLE:

	L	Δ
42	432.36'	S63°14'54"E
43	1037.96'	S58°51'11"E
44	735.47'	S52°07'25"E
47	394.84'	N84°08'13"E
48	390.03'	S56°55'09"E
49	246.41'	N58°34'52"E
50	199.24'	S56°51'31"E
51	39.74'	N35°31'50"E
52	19.39'	N86°27'05"E
53	246.93'	S27°05'14"E
54	185.78'	S02°44'15"E
55	221.50'	S19°15'07"W
57	141.44'	N139°04'13"W



AGGREGATE WEST INC. CLAMATION PLAN FIGURE 12

CITY OF IRWINDALE

DWG. NAME

P05115

PROJECT NO.

P05115

DWG. NO. 1 OF 1

DATE ISSUED 12/12/05

G:/PROJECT/YEAR2005/P05115/AREA STUDY/12-12-05/P05115 SCENARIO-1.DWG

06 0870443

This is a true and certified copy of the record
if it bears the seal, imprinted in purple ink,
of the Registrar-Recorder/County Clerk

NOV 13 2008

Diana C. Logan REGISTRAR-RECORDER/COUNTY CLERK
LOS ANGELES COUNTY, CALIFORNIA



- ☒ City Council
- ☐ Successor Agency
- ☐ Housing Authority
- ☐ Reclamation Authority
- ☐ Joint Powers Authority

City of
IRWINDALE
AGENDA REPORT

Date: September 22, 2021
To: Honorable Mayor and Members of the City Council
From: William K. Tam, City Manager
Issue: In-Person Attendance at Public Meetings beginning October 2021

City Manager's Recommendation:

Staff recommends City Council discuss and provide direction regarding the in-person attendance at public meeting.

Administrative Action:

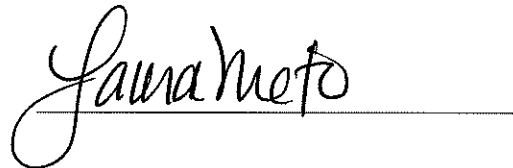
Submitted by:

Theresa Olivares, Assistant City Manager



Prepared by:

Laura Nieto, Chief Deputy City Clerk
(626) 430-2202

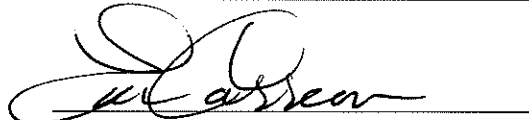


Reviewed by:

Adrian R. Guerra, City Attorney

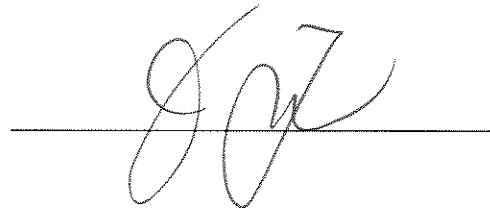
Electronically Approved

Eva Carreon, Finance Director / City Treasurer



Approved by:

William K. Tam, City Manager



Background and Analysis:

On March 17, 2020, the Governor issued Executive Order N-29-20 suspending certain provisions of the Ralph M. Brown Act in order to allow for local legislative bodies to conduct their meetings completely telephonically or by other electronic means. On June 11, 2021, the Governor subsequently issued Executive Order N-08-21 maintaining the suspension of certain provisions of the Brown Act to continue to allow for local legislative bodies to conduct their meetings completely telephonically or by other electronic means through September 30, 2021.

At the meeting of August 25, 2021, the City Council received and filed an informational report that included the resumption of in-person attendance at public meetings beginning in October 2021 when the current Executive Order expires. The first meeting at which the public will be able to attend in person will be the regular City Council meeting of October 13, 2021, presuming neither the state nor County impose new regulations that may prohibit in-person meetings.

The following practices and procedures are proposed for in-person attendance at all public meetings of the City Council and commissions:

- **Speaker Cards**

Speaker cards will be provided for members of the public to submit to the Chief Deputy Clerk or commission clerk, to address the City Council or commissions for Spontaneous Communications (items not listed on the agenda) and specific agenda items. The speaker cards will be used to identify speakers' names and addresses in the record of the meeting, as well as creating an orderly process for public comments.

Members of the public will continue to have the option to submit comments prior to the meeting by electronic mail, to be read into the record. Virtual comments will no longer be available, as this provision was permitted under Executive Order N-29-20.

- **Delineated path of travel to and from the lectern**

A delineated path of travel to and from the lectern will allow speakers to easily traverse from their seat to the lectern, and back again, once they are called upon to address the Council or commissions.

- **Reserved seating for members of the public**

The first five seats in the front row on the south side of the Council Chambers will be reserved for members of the public who wish to address the City Council under Spontaneous Communications (items not listed on the agenda) and specific agenda items. While being seated in this area is not a prerequisite to address the City Council or commission, it will allow speakers to easily traverse from their seat to the lectern and back, once called upon.

- **Reserved seating for City staff**

The first five seats in the front row on the north side of the Council Chambers will be reserved for City staff who are in attendance at the meeting. A staff member will also be seated in this area to sanitize the lectern and microphone after each speaker.

- **Face Masks**

In accordance with current County health orders, masks will be required for all attendees in the City Council Chambers.

Fiscal Impact:

There will be a nominal impact to the General Fund in the amount of approximately \$500 for materials and supplies to implement the recommendations above, including chair back covers and other related supplies. This amount can be absorbed within the existing FY 2021-2022 Budget.

Attachment:

Sample speaker card

ADDRESSING THE CITY COUNCIL

Once recognized by the clerk or the presiding officer, approach the podium and state your name and address clearly for the record.

The City Council (or Commission) can only take action on matters listed on today's agenda; however, the Council (or Commission) may direct staff to place your issue on a future agenda for further consideration.

Speakers' comments are limited to three minutes, though time allowance may be extended at the discretion of the presiding officer. We thank you for keeping your comments brief and appreciate your interest in our community.

Completion of this card is voluntary and only for the purpose of identifying speakers' names and addresses in the record of this meeting.

ADDRESSING THE CITY COUNCIL

Once recognized by the clerk or the presiding officer, approach the podium and state your name and address clearly for the record.

The City Council (or Commission) can only take action on matters listed on today's agenda; however, the Council (or Commission) may direct staff to place your issue on a future agenda for further consideration.

Speakers' comments are limited to three minutes, though time allowance may be extended at the discretion of the presiding officer. We thank you for keeping your comments brief and appreciate your interest in our community.

Completion of this card is voluntary and only for the purpose of identifying speakers' names and addresses in the record of this meeting.



**CITY OF IRWINDALE
SPEAKER INFORMATION CARD**

(Please Print Clearly)

***Name:** _____ ***Date:** _____

***I am speaking**

☐ as an individual *Resident?* ☐ No ☐ Yes – Address: _____

☐ on behalf of a person/entity: _____

Optional Contact Information: Phone: _____ Email: _____

Business Address: _____

***I would like to speak about:**

☐ a topic not listed on meeting agenda: _____

☐ Agenda Item No(s).: _____

Provide this card to the Chief Deputy City Clerk or Commission Clerk.

(Over)



**CITY OF IRWINDALE
SPEAKER INFORMATION CARD**

(Please Print Clearly)

***Name:** _____ ***Date:** _____

***I am speaking**

☐ as an individual *Resident?* ☐ No ☐ Yes – Address: _____

☐ on behalf of a person/entity: _____

Optional Contact Information: Phone: _____ Email: _____

Business Address: _____

***I would like to speak about:**

☐ a topic not listed on meeting agenda: _____

☐ Agenda Item No(s).: _____

Provide this card to the Chief Deputy City Clerk or Commission Clerk.

(Over)

- ☒ City Council
- ☐ Successor Agency
- ☐ Housing Authority
- ☐ Reclamation Authority
- ☐ Joint Powers Authority

City of
IRWINDALE
AGENDA REPORT

Date: September 22, 2021
 To: Honorable Mayor and Members of the City Council
 From: William K. Tam, City Manager
 Issue: Discuss Waiver of Plan Check Fees for Residential Projects Pursuant To the City Of Irwindale's Fee Adjustment Policy

City Manager's Recommendation:

Discuss and provide direction regarding waiver of plan check fees for residential projects pursuant to the City of Irwindale's Fee Adjustment Policy.

Administrative Action:

Prepared /Submitted by:

Theresa Olivares, Assistant City Manager
 (626) 430-2294

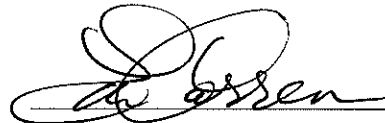


Reviewed by:

Adrian R. Guerra, City Attorney

Electronically Approved

Eva Carreon, Finance Director / City Treasurer



Approved by:

William K. Tam, City Manager



Background and Analysis:

As requested by Councilmember Breceda at the meeting of September 8, 2021, this matter has been placed on the agenda for the City Council to discuss and provide direction regarding the waiver of plan check fees for residential projects.

On June 20, 2005, the Council approved the attached Fee Adjustment Policy ("Policy"), which allows the City Council to waive or reduce plan check fees for 1) not-for-profit organizations or charitable organizations, or 2) property owners or prospective owners within the City pursuant to the established criteria in the Policy. The Policy requires the applicant to submit a completed application to the City Clerk's office and authorizes the

City Council to grant fee waivers or reductions of fees for applicants who directly or indirectly invest money in the City, when such waiver would serve a public purpose. The Policy requires the City Manager to review the application and, if it meets the criteria of the Policy, agendaize the item for City Council review and consideration.

Fiscal Impact:

The fiscal impact related to a waived or reduced plan check will be determined and reported to the City Council as Fee Adjustment Applications are received and considered.

Attachment:

City of Irwindale Fee Adjustment Policy

AGENDA REPORT

COUNCIL AGENDA

ITEM 1C

JUN 15 2005

Date: June 20, 2005

To: Mayor and Council Members

From: Steve Blancarte, City Manager

Issue: Fee Waiver Policy

City Manager's Recommendation:

Adopt the Fee Waiver Policy.

Analysis:

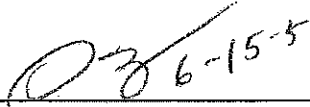
It is necessary for the City to have a policy on fee waivers. As such, the City Attorney has prepared the attached policy for City Council consideration.

Fiscal Impact: _____ (Initial of CFO)

Legal Impact: _____ (Initial of Legal Counsel)

Prepared By/Contact Person: Steve Blancarte, City Manager

Phone: 430-2202



Steve Blancarte, City Manager

Attachment

City of Irwindale Fee Adjustment Policy

The City of Irwindale would like to encourage investment in community events, as well as development and improvements to facilities used by local, not-for-profit or charitable organizations which cater to the residents and businesses of the City. To achieve this goal, the City is implementing this Fee Adjustment Policy to provide cost reduction for those non-profit organization applicants, which are taking action to improve and develop their properties and/or the community. Additionally, the City would like to encourage individuals to improve their residential properties and acknowledges that certain incentives may be necessary to accomplish certain improvements, such as adjustments to applicable permit fees. This policy is based on the premise that, in exchange for improvements to property, the community and structures within the City, the City may provide relief from some of the costs associated with building improvements, developments and community events occurring in the City.

I. ADJUSTMENTS ARE AVAILABLE FOR THE FOLLOWING FEES

To achieve the City's goal of encouraging community events, building improvements and development in the City, the following fees are available for waiver or reduction in an amount deemed appropriate by the City Council pursuant to the criteria in this Policy:

- A. Building permits
- B. Plan check fees
- C. Conditional use permit
- D. Development permits
- E. Electric permit
- F. Plumbing permit
- G. Grading permit
- H. Any other fee the City may deem necessary to achieve the stated goals of this Policy

II. CRITERIA FOR CONSIDERATION

The City Council may grant fee waivers or reductions of fees for applicants who directly or indirectly invest money in the City, when such waiver or reduction would serve a public purpose. The following criteria must be established to qualify for a fee waiver or fee reduction:

1. Applicants for fee waivers or reductions must be:
 - a. Recognized by the Internal Revenue Service as a not-for-profit organization or charitable organization, or
 - b. Property owners or prospective owners within the City.
2. Fee waivers or reductions may be granted for improvements or developments within City limits that can be shown, through documentary proof, to meet the criteria of subsection 2.a or 2.b below:

- a. Benefit the community. This includes, but is not limited to, circumstances where the applicant:
 - i. Supports civic or community programs for the City's residents, or businesses;
 - ii. Provides financial assistance to the City's residents or businesses; or
 - iii. Improves the condition of property or availability of affordable housing within the City.
- b. Provide a public service or otherwise promote the public health, safety and welfare. This includes, but is not limited to, circumstances where the individual or entity provides needed donations or other assistance to residents and businesses of the City in areas such as:
 - i. health care;
 - ii. counseling services;
 - iii. abatement of dangerous or unhealthful living or working conditions, including but not limited to those constituting violations of the Irwindale Municipal Code;
 - iv. affordable housing;
 - v. transportation needs of residents or employees; or
 - vi. nutrition needs of residents.

III. PROCESS FOR CONSIDERATION

An individual or organization wishing to be considered for a fee waiver or adjustment should complete a fee adjustment application and submit it to the Deputy City Clerk. The City Manager will review the request and, if it meets the criteria of this Policy, agendaize the item for City Council review and consideration under the guidelines of this Policy. If the City Council finds that all the requirements have been met, the waiver will be granted and processed along with the permit application. Alternatively, the City Council may reduce such fee in an amount it deems appropriate based upon its assessment of the level by which the proposed activity meets the criteria outlined in this Policy. The decision of the City Council on any fee waiver or reduction shall be final.

**City of Irwindale
Application for Fee Adjustment**

Property Owner _____

Address _____

Phone _____

Location of property to be improved/developed: _____

Name and description of organization (if applicable):

Improvement or development to the property:

Fee(s) requesting to be waived:

Public purpose served by improvement or development (attach documents that establish the benefit to the community or the promotion of the public health, safety, and welfare, or the public service that will be provided):

- ☒ City Council
- ☐ Successor Agency
- ☐ Housing Authority
- ☐ Reclamation Authority
- ☐ Joint Powers Authority

City of
IRWINDALE
AGENDA REPORT

Date: September 22, 2021

To: Honorable Mayor and Members of the City Council

From: William K. Tam, City Manager

Issue: Adoption of Resolution Supporting Installation of a Signalized Bicycle Crossing at Vincent Avenue/Big Dalton Wash by Los Angeles County Public Works

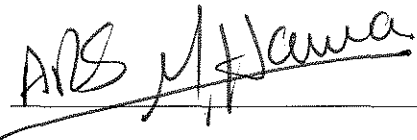
City Manager's Recommendation:

That the City Council adopt Resolution No. 2021-85-3297 entitled, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRWINDALE SUPPORTING THE INSTALLATION OF A SIGNALIZED BICYCLE CROSSING ON VINCENT AVENUE AT THE BIG DALTON WASH".

Administrative Action:

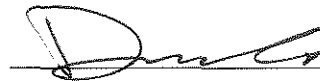
Submitted by:

Arsanious Hanna, Director of Engineering / Building Official



Prepared by:

Daniel Co, Assistant City Engineer
(626) 430-2296



Reviewed by:

Adrian Guerra, City Attorney

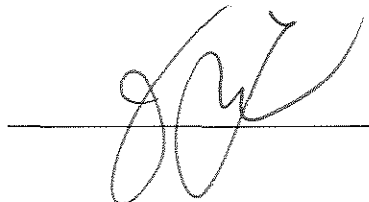
Electronically Approved by
City Attorney

Eva Carreon, Finance Director / City Treasurer



Approved by:

William Tam, City Manager



Background and Analysis:

In 2018, the Los Angeles County Department of Public Works presented the Vincent Community Bikeways Project to City staff. The project will enhance bicycle access by adding bike lanes, trails, and crossings along a 4-mile corridor, which includes the Big Dalton Wash, Los Angeles County Unincorporated, and the Cities of Irwindale, West Covina, and Azusa. A majority of the project costs will be paid for by grant funds, but local matches will be required from the City and other local agencies as well. The local match amount will be determined after completion and approval of the final project design. The design costs are being paid for by the grant and LA County Public Works.

The project scope includes new bike lanes, signing and striping modifications, bike ramps on Irwindale Ave, and a new bike crossing/crosswalk on Vincent Avenue at the Big Dalton Wash. Staff requested that LA County install a traffic signal at the Vincent Avenue crossing, in order to provide a safer, protected crossing on this roadway which has high traffic volumes. However, LA County staff conducted a traffic signal warrant study and this location did not meet the signal warrants provided by the California Manual on Traffic Control Devices (CA MUTCD).

Although the signal warrants were not met, staff recommends installing a signalized bike/pedestrian crossing in order to provide a safer crossing due to high traffic volumes and speeds. If approved, the new signalized crossing will be jointly owned by the City (50%) and Los Angeles County Unincorporated (50%). Staff and LA County Public Works will pursue grant funding to pay for the cost of the proposed improvements. If local funding contributions are required from the City, staff will bring the budget request back to the Council at a future meeting. The final cost estimate of the improvements will be determined after the design has been completed.

Fiscal Impact:

There is no fiscal impact at this time. Once the local match funding required from the City has been determined, staff will bring the budget request to the City Council at a future meeting.

Attachment(s):

- Resolution No. 2021-85-3297 entitled, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRWINDALE SUPPORTING THE INSTALLATION OF A SIGNALIZED BICYCLE CROSSING ON VINCENT AVENUE AT THE BIG DALTON WASH"

RESOLUTION NO. 2021-85-3297

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRWINDALE
SUPPORTING THE INSTALLATION OF A SIGNALIZED BICYCLE CROSSING ON
VINCENT AVENUE AT THE BIG DALTON WASH**

WHEREAS, the Los Angeles County Department of Public Works is the lead agency conducting the Vincent Community Bikeways Project ("Project") which was presented to City Staff in 2018; and

WHEREAS, the Los Angeles County Department of Public Works is administering and managing the Project and grant funding, and performing the construction which will enhance bicycle access by adding bike lanes, trails, and crossings along a 4-mile corridor which includes the Big Dalton Wash, Los Angeles County Unincorporated, and the Cities of Irwindale, West Covina, and Azusa; and

WHEREAS, the Project scope includes new bike lanes, signing and striping modifications, bike ramps on Irwindale Ave, and a new bike crossing/crosswalk on Vincent Avenue at the Big Dalton Wash. City Staff requested that LA County install a traffic signal at the Vincent Avenue crossing, in order to provide a safer, protected crossing on this roadway which has high traffic volumes; and

WHEREAS, the City Council desires to support the installation of a signalized bike/pedestrian crossing in order to provide a safer crossing, due to high traffic volumes and speeds on Vincent Avenue.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF IRWINDALE DOES HEREBY RESOLVE, DETERMINE, AND ORDER AS FOLLOWS:

SECTION 1. The City Council of the City of Irwindale hereby supports the installation of a new signalized bicycle crossing on Vincent Avenue at the Big Dalton Wash.

SECTION 2. This Resolution shall take effect immediately upon its adoption by the City Council, and the Chief Deputy City Clerk shall attest to and certify the vote adopting this Resolution.

PASSED, APPROVED and ADOPTED this 22nd day of September 2021.

H. Manuel Ortiz, Mayor

ATTEST:

Laura M. Nieto, MMC
Chief Deputy City Clerk

STATE OF CALIFORNIA }
COUNTY OF LOS ANGELES } ss.
CITY OF IRWINDALE }

I, Laura M. Nieto, Chief Deputy City Clerk of the City of Irwindale, do hereby certify that the foregoing Resolution No. 2021-85-3297 as duly adopted by the City Council of the City of Irwindale, at a regular meeting held on the 22nd day of September 2021, by the following vote:

AYES: Councilmembers:

NOES: Councilmembers:

ABSENT: Councilmembers:

ABSTAIN: Councilmembers:

Laura M. Nieto, MMC
Chief Deputy City Clerk

**IRWINDALE CITY COUNCIL CHAMBERS
5050 N. IRWINDALE AVENUE
IRWINDALE, CALIFORNIA 91706**

SA Item 1A1

**JULY 28, 2021
WEDNESDAY
8:10 P.M.**

The Irwindale **SUCCESSOR AGENCY TO THE IRWINDALE COMMUNITY REDEVELOPMENT AGENCY** met in regular session at the above time and place.

ROLL CALL:

Present: Councilmembers Albert F. Ambriz, Mark A. Breceda, Manuel R. Garcia; Mayor Pro Tem Larry G. Burrola; Mayor H. Manuel Ortiz

Present: William Tam, City Manager; Theresa Olivares, Assistant City Manager; Adrian Guerra, City Attorney; Ty Henshaw, Chief of Police; Arsanious Hanna, Director of Engineering / Building Official; Eva Carreon, Finance Director / City Treasurer; Jeanette Duran, Finance Manager; Marilyn Simpson, Community Development Director; Mary Hull, Human Resources Manager, Elizabeth Rodriguez, Public Services Director; Jeff Wagner, Information Technology Manager; Iris Espino, Assistant to the City Manager; and Laura Nieto, Chief Deputy City Clerk

**SPONTANEOUS
COMMUNICATIONS**

There were no speakers.

CONSENT CALENDAR

MOTION

A motion was made by Councilmember Breceda, seconded by Mayor Ortiz, to approve Consent Calendar, reading resolutions and ordinances by title only and waiving further reading thereof. The motion was unanimously approved.

**ITEM NO. 1A1
MINUTES**

MINUTES

None for approval.

**ITEM NO. 1B
WARRANTS**

WARRANTS

The warrants were approved.

**ITEM NO. 1C
INVESTMENT
QUARTERLY REPORT
FOR JUNE 30, 2021**

INVESTMENT QUARTERLY REPORT FOR JUNE 30, 2021 (Joint Item on City Council agenda)

The Investment Quarterly Report for June 30, 2021, was received and filed.

END OF CONSENT CALENDAR

NEW BUSINESS

None.

PUBLIC HEARINGS

None.

ADJOURNMENT

There being no further business to conduct, the meeting was adjourned at 8:12 p.m.

Laura M. Nieto, MMC
Chief Deputy City Clerk

SA Item 1B

Accounts Payable

Checks by Date - Summary by Check Number

**City of Irwindale as Successor Agency to the
Irwindale Community Redevelopment Agency**



Check No	Vendor No	Vendor Name	Check Date	Check Amount
74963	ROSENO	Rosenow Spevacek Group Inc	09/14/2021	90.00
Report Total (1 checks):				90.00

Accounts Payable

Checks by Date - Summary by Check Number

**City of Irwindale as Successor Agency to the
Irwindale Community Redevelopment Agency**



Check No	Vendor No	Vendor Name	Check Date	Check Amount	
	74890	ROSENO	Rosenow Spevacek Group Inc	09/02/2021	45.00
Report Total (1 checks):					45.00

Accounts Payable

Checks by Date - Summary by Check Number

**City of Irwindale as Successor Agency to the
Irwindale Community Redevelopment Agency**



Check No	Vendor No	Vendor Name	Check Date	Check Amount
74949	USBANK03	US Bank Trust N.A.	09/13/2021	3,700.00
Report Total (1 checks):				3,700.00

**IRWINDALE CITY COUNCIL CHAMBERS
5050 N. IRWINDALE AVENUE
IRWINDALE, CALIFORNIA 91706**

HA Item 1A1

**JULY 28, 2021
WEDNESDAY
6:04 P.M.**

The Irwindale **HOUSING AUTHORITY** met in special session at the above time and place.

ROLL CALL:

Present: Board Members Albert F. Ambriz, Mark A. Breceda (arrived at 6:04 p.m.); Manuel R. Garcia; Vice Chair Larry G. Burrola; Chair H. Manuel Ortiz

Present: William Tam, Executive Director; and Adrian Guerra, Board Attorney

**SPONTANEOUS
COMMUNICATIONS**

There were no speakers.

**RECESS TO
CLOSED SESSION**

At 6:04 p.m., the Housing Authority met in Closed Session to discuss the following:

1) Conference with Legal Counsel – Anticipated Litigation
Initiation of litigation pursuant to Government Code Section 54956.9 (d)(4) and 54954.5(c)

Number of Cases: 1

ACTION: The Housing Authority Board, on a 3 to 1 vote, Board Member Garcia dissenting, directed staff to initiate litigation, if necessary, pursuant to Government Code 54957.1. The announcement shall not require that the action be disclosed to defendants and other particulars at this time, but once litigation is formally commenced, the information may be disclosed to any person upon inquiry unless doing so would jeopardize the Housing Authority's ability to effectuate service of process on one or more of the served parties, or doing so would jeopardize its ability to conclude existing settlement negotiations to its advantage; Board Member Breceda did not participate due to a potential conflict of interest since he owns property within 500 feet of the property at issue.

ADJOURNMENT

There being no further business to conduct, the meeting was adjourned at 6:50 p.m.

Laura M. Nieto, MMC
Chief Assistant Authority Secretary

- ☐ City Council
- ☐ Successor Agency
- ☒ Housing Authority
- ☐ Reclamation Authority
- ☐ Joint Powers Authority

City of
IRWINDALE
AGENDA REPORT

Date: September 22, 2021
To: Honorable Chair and Members of the Housing Authority
From: William K. Tam, Executive Director
Issue: Las Casitas Senior Affordable Housing Apartment Complex

City Manager's Recommendation:

Discuss and provide direction regarding the IHA's purchasing the lease agreement for Las Casitas Senior Affordable Housing Apartment Complex

Administrative Action:

Submitted by:

William Tam, Executive Director
(626) 430-2294

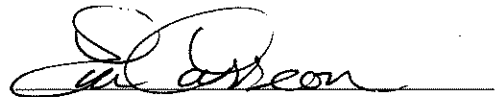


Reviewed by:

Adrian R. Guerra, Authority Counsel

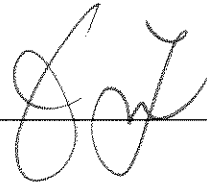
Electronically Approved

Eva Carreon, Finance Director / City Treasurer



Approved by:

William K. Tam, Executive Director



Background and Analysis:

As requested by Authority Member Ambriz at the meeting of August 25, 2021, this matter has been placed on the agenda for the Housing Board to discuss and provide direction regarding purchasing the lease agreement for Las Casitas Senior Affordable Apartment Complex.

Las Casita Senior Affordable Apartment Complex is owned by the IHA. The Northridge Group, Inc. currently served as the landlord for Las Casitas. As landlord, Northridge is responsible for managing, operating, and maintaining the apartment complex. The term of the IHA current agreement with Northridge Group, Inc. is set to expire in 46 years.