SANTA CLARITA VALLEY WATER AGENCY
REGULAR BOARD MEETING AGENDA

SANTA CLARITA VALLEY WATER AGENCY
RIO VISTA WATER TREATMENT PLANT
BOARD AND TRAINING ROOM
27234 BOUQUET CANYON ROAD
SANTA CLARITA, CA 91350

TUESDAY, FEBRUARY 18, 2020 AT 6:30 PM

6:00 PM DISCOVERY ROOM OPEN TO PUBLIC
Dinner for Directors and staff in the Discovery Room
there will be no discussion of Agency business taking place prior to the
Call to Order at 6:30 PM.

OPEN SESSION BEGINS AT 6:30 PM

1. CALL TO ORDER

2. PLEDGE OF ALLEGIANCE

3. PUBLIC COMMENTS – Members of the public may comment as to items not on the Agenda at this time. Members of the public wishing to comment on items covered in this Agenda may do so now or at the time each item is considered. Please complete and return a comment request form to the Agency Board Secretary. (Comments may, at the discretion of the Board's presiding officer, be limited to three minutes for each speaker.) Members of the public wishing to comment on items covered in Closed Session before they are considered by the Board must request to make comment at the commencement of the meeting at 6:30 PM.

4. APPROVAL OF THE AGENDA

5. CONSENT CALENDAR **PAGE**

5.1. *	Approve Minutes of the February 3, 2020 Santa Clarita Valley Water Agency Special Board of Directors Meeting	5
5.2. *	Approve Minutes of the February 4, 2020 Santa Clarita Valley Water Agency Regular Board of Directors Meeting	7

6. ACTION ITEMS FOR APPROVAL **PAGE**

6.1. *	Approve a Resolution Revising Facility Capacity Fees	29
6.2. *	Approve DLT Solutions, LLC Pricing Quotation for Oracle Enterprise Cloud Service	93

6. ACTION ITEMS FOR APPROVAL (CONT.) **PAGE**

6.3. *	Approve a Work Authorization for Kennedy/Jenks Consultants to Provide Preliminary Design Services for the Valley Center Well PFAS Groundwater Treatment	99

7. GENERAL MANAGER'S REPORT ON ACTIVITIES, PROJECTS AND PROGRAMS

8. COMMITTEE MEETING RECAP REPORT FOR INFORMATIONAL PURPOSES ONLY **PAGE**

8.1. *	February 10, 2020 Special Finance and Administration Committee Meeting Report	101

9. PRESIDENT'S REPORT

10. AB 1234 WRITTEN AND VERBAL REPORTS

10.1.	AB 1234 Reports	

11. DIRECTOR REPORTS

12. DIRECTOR REQUESTS FOR APPROVAL FOR EVENT ATTENDANCE

13. REQUESTS FOR FUTURE AGENDA ITEMS

14. ADJOURNMENT

* Indicates Attachment
♦ Indicates Handout

Note: The Board reserves the right to discuss or take action or both on all of the above agenda items.

NOTICES

Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by telephoning April Jacobs, Secretary to the Board of Directors, at (661) 297-1600, or in writing to Santa Clarita Valley Water Agency at 27234 Bouquet Canyon Road, Santa Clarita, CA 91350. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included so that Agency staff may discuss appropriate arrangements. Persons requesting a disability-related accommodation should make the request with adequate time before the meeting for the Agency to provide the requested accommodation.

Pursuant to Government Code Section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection at the Santa Clarita Valley Water Agency, located at 27234 Bouquet Canyon Road, Santa Clarita, CA 91350, during regular business hours. When practical, these public records will also be made available on the Agency's Internet Website, accessible at http://www.yourscvwater.com.

Posted on February 12, 2020.

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ITEM NO. 5.1

Minutes of the Special Meeting of the Board of Directors of the Santa Clarita Valley Water Agency – February 3, 2020

A special meeting of the Board of Directors of the Santa Clarita Valley Water Agency was held at the Santa Clarita Valley Water Agency, 27234 Bouquet Canyon Road, Santa Clarita, CA 91350, at 6:00 PM on Monday, February 3, 2020. A copy of the Agenda is inserted in the Minute Book of the Agency preceding these minutes.

DIRECTORS PRESENT: B. J. Atkins, Tom Campbell (Arrived at 6:09 PM), Ed Colley, Kathy Colley, William Cooper, Robert DiPrimio, Jeff Ford, Jerry Gladbach, Maria Gutzeit, R. J. Kelly, Gary Martin, Dan Mortensen and Lynne Plambeck were in attendance.

DIRECTORS ABSENT: None.

Also present: Michael Maurer and Ryan Guiboa, Best Best and Krieger, April Jacobs, Board Secretary and members of the public.

President Cooper called the meeting to order at 6:02 PM. A quorum was present.

Upon motion of Director Gladbach, seconded by Director E. Colley and carried, the Agenda was approved by the following voice votes (Item 4):

Director Atkins	Yes	Director Campbell	Not Present
Director E. Colley	Yes	Director K. Colley	Yes
President Cooper	Yes	Director DiPrimio	Yes
Director Ford	Yes	Director Gladbach	Yes
Vice President Gutzeit	Yes	Director Kelly	Not Present
Vice President Martin	Yes	Director Mortensen	Yes
Director Plambeck	Yes		

Michael Maurer and Ryan Guiboa from Best Best and Krieger facilitated the two-hour Ethics Training for the Santa Clarita Valley Water Agency Board of Directors (Item 5).

Upon motion of Director Gladbach, seconded by Director E. Colley and carried, the meeting was adjourned at 8:01 PM by the following voice votes (Item 6):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	Yes	Director K. Colley	Yes
President Cooper	Yes	Director DiPrimio	Yes
Director Ford	Yes	Director Gladbach	Yes
Vice President Gutzeit	Yes	Director Kelly	Yes
Vice President Martin	Yes	Director Mortensen	Yes
Director Plambeck	Yes		

April Jacobs, Board Secretary

ATTEST:

_____
President of the Board

DRAFT

ITEM NO. 5.2

Minutes of the Regular Meeting of the Board of Directors of the Santa Clarita Valley Water Agency – February 4, 2020

A regular meeting of the Board of Directors of the Santa Clarita Valley Water Agency was held at the Santa Clarita Valley Water Agency located at 27234 Bouquet Canyon Road, Santa Clarita, CA 91350 at 6:30 PM on February 4, 2020. A copy of the Agenda is inserted in the Minute Book of the Agency preceding these minutes.

DIRECTORS PRESENT: B. J. Atkins, Tom Campbell, Ed Colley, Kathy Colley, William Cooper, Robert DiPrimio, Jeff Ford, Jerry Gladbach, Maria Gutzeit, R. J. Kelly, Gary Martin, Dan Mortensen and Lynne Plambeck.

DIRECTORS ABSENT: None.

Also present: Matthew Stone, General Manager; Tom Bunn and Joe Byrne, General Counsel; April Jacobs, Board Secretary; Steve Cole, Assistant General Manager; Brian Folsom, Chief Engineer; Eric Campbell, Chief Financial and Administrative Officer; Keith Abercrombie, Chief Operating Officer; Rochelle Patterson, Director of Finance and Administration; Dirk Marks, Director of Water Resources; Brent Payne, Principal Engineer; Jason Yim, Principal Engineer; Shadi Bader, Senior Engineer; Kathie Martin, Public Information Officer; Rene Ponce, IT Technician; Terri Bell, Administrative Assistant; additional SCV Water staff; Robert Porr and Lora Carpenter, Fieldman Rolapp & Associates; Doug Brown, Stradling Yocca Carlson & Rauth; Cameron Parks, Citigroup Global Markets; and members of the public.

President Cooper called the meeting to order at 6:02 PM. A quorum was present.

Upon motion of Director Gladbach, seconded by Director Campbell and carried, the Agenda was approved by the following electronic votes (Item 4):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	Yes	Director K. Colley	Yes
President Cooper	Yes	Director DiPrimio	Yes
Director Ford	Yes	Director Gladbach	Yes
Vice President Gutzeit	Yes	Director Kelly	Yes
Vice President Martin	Yes	Director Mortensen	Yes
Director Plambeck	Yes		

Upon motion of Director Kelly, seconded by Director Gladbach and carried, the Board agreed to a one-year term for the positions of President and Vice President(s) for the calendar year 2020 and will revisit this item in 2021 by the following electronic votes (Item 5.1):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	Yes	Director K. Colley	Yes
President Cooper	Yes	Director DiPrimio	Yes
Director Ford	Yes	Director Gladbach	Yes
Vice President Gutzeit	Yes	Director Kelly	Yes
Vice President Martin	Yes	Director Mortensen	Yes
Director Plambeck	Yes		

Upon motion of Director Campbell, seconded by Director Kelly and carried, the Board approved having two Vice Presidents for the calendar year 2020 and will revisit this item in 2021 by the following electronic votes (Item 5.1):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	No	Director K. Colley	No
President Cooper	Yes	Director DiPrimio	Yes
Director Ford	Yes	Director Gladbach	Yes
Vice President Gutzeit	Yes	Director Kelly	Yes
Vice President Martin	Yes	Director Mortensen	Yes
Director Plambeck	Yes		

President Cooper announced the next item of business was Agenda Item 5.2 election of Board President and Vice Presidents and requested that the Board Secretary conduct the election of officers.

After a review of the guidelines for the election process, the Board Secretary called for nominations for the position of Board President. Director E. Colley nominated Director Martin and Director DiPrimio nominated Director Gutzeit, there were no further nominations. Directors Martin and Gutzeit each then addressed the Board.

Votes were then cast and tallied and Director Martin received a majority vote of 7.

By motion of Director E. Colley, seconded by Director Gladbach and carried, Director Martin was elected to the position of President of the Board by the following roll call votes (Item 5.2):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	Yes	Director K. Colley	Yes
Director Cooper	Yes	Director DiPrimio	Yes
Director Ford	Yes	Director Gladbach	Yes
Director Gutzeit	Yes	Director Kelly	Yes
Director Martin	Yes	Director Mortensen	Yes
Director Plambeck	Yes		

The Board Secretary then called for nominations for the position of the first Vice President of the Board (Note that the first and second positions for Vice President are of equal standing). President Martin nominated Director Gladbach, Director Atkins nominated Director Gutzeit and Director Kelly nominated Director Ford. There were no further nominations. Directors Gladbach, Gutzeit and Ford each then addressed the Board. Director Ford thanked Director Kelly for his nomination and the Board for consideration but declined the nomination.

Votes were then conducted and no nominee received a majority of the votes.

The Board Secretary asked if there were any additional nominations or if any of the candidates would like to withdraw their name. There were no additional nominations and neither candidate withdrew their name.

A second vote was then conducted and Director Gladbach received a majority vote of 7.

By motion of Director Cooper, seconded by Director K. Colley and carried, Director Gladbach was elected to the position of Vice President of the Board by the following roll call votes (Item 5.2):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	Yes	Director K. Colley	Yes
Director Cooper	Yes	Director DiPrimio	Yes
Director Ford	Yes	Director Gladbach	Yes
Director Gutzeit	Yes	Director Kelly	Yes
President Martin	Yes	Director Mortensen	Yes
Director Plambeck	Yes		

The Board Secretary then called for nominations for the second Vice President of the Board. Director DiPrimo nominated Director Gutzeit and President Martin nominated Director Cooper. There were no further nominations. Directors Gutzeit and Cooper each then addressed the Board.

Votes were then cast and tallied and Director Gutzeit received a majority vote of 9.

By motion of Vice President Gladbach, seconded by Director Cooper and carried, Director Gutzeit was elected to the position of Vice President of the Board by the following roll call votes (Item 5.2):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	Yes	Director K. Colley	Yes
Director Cooper	Yes	Director DiPrimio	Yes
Director Ford	Yes	Vice President Gladbach	Yes
Director Gutzeit	Yes	Director Kelly	Yes
President Martin	Yes	Director Mortensen	Yes
Director Plambeck	Yes		

Once votes were concluded President Martin took his seat as President and Directors Gladbach and Gutzeit took their seats as Vice Presidents.

The Board then selected their seats (Item 5.3).

President Martin called for a short recess at 7:43 PM and reconvened the meeting at 7:53 PM.

Upon motion of Director E. Colley, seconded by Director Cooper and carried, the Board approved the Consent Calendar including Resolution Nos. SCV-134, SCV-135 and SCV-136 and pulled Item 6.4 approval of a Customer Service Policy and revised fees for reconnection of service and Item 6.6 approval of a Ticket Distribution Policy for further discussion by the following electronic votes (Item 6):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	Yes	Director K. Colley	Yes
Director Cooper	Yes	Director DiPrimio	Yes

Director Ford	Yes	Vice President Gladbach	Yes
Vice President Gutzeit	Yes	Director Kelly	Yes
President Martin	Yes	Director Mortensen	Yes
Director Plambeck	Yes		

RESOLUTION NO. SCV-134

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA CLARITA VALLEY WATER AGENCY AWARDING A CONSTRUCTION CONTRACT TO CEDRO CONSTRUCTION, INC. FOR THE WEST RANCH RECYCLED WATER MAIN EXTENSION (PHASE 2D) PROJECT

WHEREAS, Santa Clarita Valley Water Agency (Agency) determined that recycled water is an important component of future water supplies; and

WHEREAS, the West Ranch Recycled Water Main Extension (Phase 2D) Project is a component of the Recycled Water Master Plan; and

WHEREAS, the previous Castaic Lake Water Agency, as a CEQA Responsible Agency, filed the Notice of Determination with the Los Angeles County Clerk's Office and the State Clearinghouse on August 1, 2017 and there are no substantial changes to the project, and no further CEQA documentation is necessary for the Board to act with regards to the proposed actions; and

WHEREAS, all bid proposals submitted to the Agency pursuant to the Agency's specifications (Project No. 200456) for the construction of the West Ranch Recycled Water Main Extension (Phase 2D) Project, as amended by Addenda, were publicly opened and read at the Agency's offices on Monday, December 9, 2019 at 2:00 p.m., in full accordance with the law and the Agency's customary procedures; and

WHEREAS, the Board of Directors finds, after considering the opinion of staff, that the total bid of Cedro Construction, Inc. in the amount of $3,112,332 is the lowest responsible bid of five bids submitted, and that said bid substantially meets the requirements of said construction contract documents as amended by Addenda; and

WHEREAS, it is in the Agency's best interest that the Board of Directors, on behalf of the Agency, authorize its General Manager to accept the $3,112,332 bid.

NOW, THEREFORE, BE IT RESOLVED that the Agency's Board of Directors does authorize its General Manager to accept said low bid and does therefore authorize the Agency's General Manager or its Chief Engineer to issue a Notice of Award to Cedro Construction, Inc., hereby found to be the "lowest responsible bidder" for the West Ranch Recycled Water Main Extension (Phase 2D) for the total sum of $3,112,332.

RESOLVED FURTHER that the Agency's General Manager or its President and Secretary are thereupon authorized, upon receipt of appropriate payment and performance bonds, appropriate certificates of insurance and an executed Contract Agreement from Cedro Construction, Inc., all of which must be approved by General Counsel, to execute the said Contract Agreement on behalf of the Agency.

RESOLVED FURTHER that the Agency's General Manager or Chief Engineer are thereafter authorized to execute and forward to Cedro Construction, Inc. an appropriate Notice to Proceed.

RESOLUTION NO. SCV-135

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA CLARITA VALLEY WATER AGENCY AWARDING A CONSTRUCTION CONTRACT TO FERREIRA CONSTRUCTION CO., INC. FOR THE VISTA CANYON RECYCLED WATER MAIN EXTENSION (PHASE 2B) PROJECT

WHEREAS, Santa Clarita Valley Water Agency (Agency) determined that recycled water is an important component of future water supplies; and

WHEREAS, the Vista Canyon Recycled Water Main Extension (Phase 2B) Project is a component of the Recycled Water Master Plan; and

WHEREAS, the previous Castaic Lake Water Agency, as a CEQA Responsible Agency, filed the Notice of Determination with the Los Angeles County Clerk's Office and the State Clearinghouse on February 12, 2018 and there are no substantial changes to the project, and no further CEQA documentation is necessary for the Board to act with regards to the proposed actions; and

WHEREAS, all bid proposals submitted to the Agency pursuant to the Agency's specifications (Project No. S16-702) for the construction of the Vista Canyon Recycled Water Main Extension (Phase 2B) Project, as amended by Addenda, were publicly opened and read at the Agency's offices on Wednesday, December 4, 2019 at 2:00 p.m., in full accordance with the law and the Agency's customary procedures; and

WHEREAS, the Board of Directors finds, after considering the opinion of staff, that the total bid of Ferreira Construction Co., Inc. in the amount of $2,752,982 is the lowest responsible bid of five bids submitted, and that said bid substantially meets the requirements of said construction contract documents as amended by Addenda; and

WHEREAS, it is in the Agency's best interest that the Board of Directors, on behalf of the Agency, authorize its General Manager to accept the $2,752,982 bid.

NOW, THEREFORE, BE IT RESOLVED that the Agency's Board of Directors does authorize its General Manager to accept said low bid and does therefore authorize the Agency's General Manager or its Chief Engineer to issue a Notice of Award to Ferreira Construction Co, Inc., hereby found to be the "lowest responsible bidder" for the Vista Canyon Recycled Water Main Extension (Phase 2B) for the total sum of $2,752,982.

RESOLVED FURTHER that the Agency's General Manager or its President and Secretary are thereupon authorized, upon receipt of appropriate payment and performance bonds, appropriate certificates of insurance and an executed Contract Agreement from Ferreira Construction Co., Inc., all of which must be approved by General Counsel, to execute the said Contract Agreement on behalf of the Agency.

RESOLVED FURTHER that the Agency's General Manager or Chief Engineer are thereafter authorized to execute and forward to Ferreira Construction Co. Inc. an appropriate Notice to Proceed.

RESOLUTION NO. SCV-136

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE SANTA CLARITA VALLEY WATER AGENCY
ADOPTING A REVISED INVESTMENT POLICY**

1.0 POLICY

1.1 WHEREAS; the Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern; and

1.2 WHEREAS; the legislative body of a local agency may invest surplus monies not required for the immediate necessities of the local agency in accordance with the provisions of California Government Code Sections 53601 et seq.; and

1.3 WHEREAS; the Treasurer of the Santa Clarita Valley Water Agency ("Agency"), acting under the direction and authority of the Finance Committee of the Agency, shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the Board of Directors at a public meeting;

1.4 NOW THEREFORE, it shall be the policy of the Agency to invest funds in a manner, which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Agency and conforming to all statutes governing the investment of Agency funds.

2.0 SCOPE

This investment policy applies to all financial assets of the Agency. These funds are accounted for in the annual Agency audit. The Agency pools all cash for investment purposes. This policy is applicable, but not limited to all funds listed below:

General/Operating Fund
Special Revenue Funds
a) One Percent Property Tax Fund
b) Facility Capacity Fee Fund
c) State Water Project Fund
Capital Project Fund
Debt Service Fund
Reserve Funds
Enterprise Fund
Grant Funds

3.0 PRUDENCE; RESPONSIBILITY

3.1 Prudence: Investments shall be made with judgment and care, under circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Agency, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be

used by investment officials shall be the "prudent investor" standard (California Government Code 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

3.2 Responsibility: The Treasurer and other individuals assigned to manage the investment portfolio, acting with the intent and scope of this investment policy while exercising due diligence, shall be relieved of personal responsibility for the credit risk and market price risk for securities held in the investment portfolio, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

4.0 OBJECTIVES

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

4.1 Safety: Safety of principal is the foremost objective of the investment program. Investments of the Agency shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

4.2 Liquidity: The investment portfolio will remain sufficiently liquid to enable the Agency to meet all operating requirements and budgeted expenditures. Investments will be undertaken with the expectation that unplanned expenses will be incurred; therefore, portfolio liquidity will be created to cover reasonable contingency costs.

4.3 Return on Investments: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. The goal is to maximize return while ensuring that safety and liquidity objectives are not compromised.

5.0 DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from California Government Code 53600, et seq. Overall accountability and authority for implementation of this policy shall remain with the Board of Directors of the Agency and overseen by the Agency's Finance Committee. The day-to-day responsibility for management and implementation of the investment program is hereby delegated to the Treasurer, who, where and when appropriate, shall establish written procedures for the operation of the investment program consistent with this investment policy. With this delegation the Treasurer is given the authority to utilize internal staff and outside investment managers to assist in the investment program. The Treasurer shall use care to assure that those assigned responsibility to assist in the management of the Agency's portfolio do so in accordance with this policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a

system of controls to regulate the activities of subordinate officials. Under the provisions of California Government Code 53600.3, the Treasurer is a trustee and a fiduciary subject to the prudent investor standard.

6.0 ETHICS AND CONFLICTS OF INTEREST

The Treasurer and officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Officials and staff members involved with the investment function shall disclose to the Board of Directors any personal financial interest with a financial institution, broker or investment issuer conducting business with the Agency. Officials and staff members shall further disclose to the Board of Directors any personal financial interest in any entity related to the investment performance of the Agency's portfolio.

7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Treasurer will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the Treasurer shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the Treasurer shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the Agency’s account with that firm has reviewed the Agency’s Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the Agency that are appropriate under the terms and conditions of the Investment Policy.

The Agency is a local agency authorized to invest surplus monies in the Local Agency Investment Fund (LAIF). LAIF is a special trust fund in the custody of the State Treasurer and the Local Investment Advisory Board created under Government Code Section 16429.2, which advises the State Treasurer on the investment and reinvestment of LAIF deposits. Each local agency with LAIF deposits has a separate account within LAIF, but the total deposits in LAIF are managed as a pooled investment account. The securities eligible for LAIF investments are statutorily specified in Government Code Section 16430 and are more conservative than those investments permitted under Government Code Section 53601, which governs the management of invested surplus monies by local agencies. Accordingly, the Treasurer need not be concerned with the qualifications of those financial institutions and broker/dealers with whom LAIF transacts business.

8.0 PORTFOLIO MATURITY LIMITS

The maximum maturity for any single investment in the portfolio shall not exceed five years. The maximum weighted average maturity for the investment portfolio shall not exceed three years.

When a security has a mandatory put date, the put date should be used when calculating weighted average portfolio maturity. When a security has an optional put date, the optional put date should be used when calculating weighted average portfolio maturity so long as the put is at the discretion of the Agency and the put price is equal to or greater than the market value for the security. (A put is a contract that gives its holder the right to sell an underlying security, commodity, or currency before a certain date for a predetermined price.)

9.0 AUTHORIZED AND SUITABLE INVESTMENTS

The Agency is empowered by California Government Code 53601 et seq. to invest in the following:

9.1 Bonds issued by the Agency.

9.2 United States Treasury Bills, Notes and Bonds.

9.3 Registered state warrants or treasury notes or bonds issued by the State of California.

9.4 Registered treasury notes or bonds of any of the 49 United States in addition to California, including bonds payable solely out of revenues from revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California.

9.5 Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency; and also including pooled investment accounts sponsored by the State of California, County Treasurers, other local agencies or Joint Powers Agencies. The LAIF is an approved pooled investment account.

9.6 Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by, or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

9.7 Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances may not exceed 180 days' maturity or 40% of the Agency's money that may be invested pursuant to this policy. However, no more than 30% of the Agency's money can be invested in the bankers' acceptances of any single commercial bank.

9.8 Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally-recognized statistical-rating organization. The entity that issues the commercial paper shall either be:

9.8.1 organized and operating within the United States as a general corporation, shall have total assets in excess of Five Hundred Million

Dollars ($500,000,000), and shall issue debt, other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a nationally-recognized statistical-rating organization; or

9.8.2 organized within the United States as a special-purpose corporation, trust, or limited liability company, have program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally-recognized statistical-rating organization.

Eligible commercial paper shall have a maximum maturity of 270 days or less. The Agency shall invest no more than 25% of its money in eligible commercial paper. The Agency shall purchase no more than 10% of the outstanding commercial paper of any single corporate issue.

9.9 (i) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federal or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30% of the Agency's money which may be invested pursuant to this policy. The Board of Directors and the Treasurer are prohibited from investing Agency funds, or funds in the Agency's custody, in negotiable certificates of deposit issued by a state or federal credit union if a member of the Board of Directors, or any person with investment decision-making authority within the Agency also serves on the Board of Directors, or any committee appointed by the Board of Directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

(ii) Deposits at a commercial bank, savings bank, savings and loan association or credit union that uses a private sector entity that assists in the placement of such certificates of deposit, pursuant to Government Code Section 53601.8. Deposits shall be subject to Government Code Section 53638 and may not exceed 50% of the Agency's money which may be invested pursuant to this policy.

9.10 Repurchase/Reverse Repurchase Agreements of any securities authorized by Section 53061. The market value of securities that underlay a repurchase agreement shall be valued at one hundred two percent (102%) or greater of the funds borrowed against those securities, and are subject to the special limits and conditions of California Government Code 53601(j).

9.11 Medium term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of 5 years or less, issued by corporations organized and operating with the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service. Purchases of medium-term notes shall not include other instruments authorized by this policy and shall not exceed 30% of the Agency's money which may be invested pursuant to this policy.

9.12 Shares of beneficial interest issued by diversified management companies (mutual funds) investing in the securities and obligations authorized by this policy, and shares in money market mutual funds, subject to the restrictions of California Government Code Section 53601(l). The purchase price of investments under this subdivision shall not exceed 20% of the Agency's investments under this policy. However, no more than 10% of the Agency's money may be invested in any one mutual fund.

9.13 Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

9.14 Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by California Government Code Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by California Government Code Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

9.15 Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Securities eligible for investment under this subdivision shall be issued by an issuer rated in a rating category of "A" or its equivalent or better for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision shall not exceed 20% of the Agency's money that may be invested pursuant to this policy.

9.16 Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized under Government Code Section 53601. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible, the joint powers authority issuing the shares must have retained an investment advisor that is registered or exempt from registration with the Securities and Exchange Commission, have not less than five years of experience in investing in the securities and obligations authorized under Government Code Section 53601, and have assets under management in excess of five hundred million dollars ($500,000,000).

9.17 Proposition 1A receivables sold pursuant to California Government Code Section 53999. A “Proposition 1A receivable” constitutes the right to payment of moneys due or to become due to a local agency, pursuant to clause (iii) of subparagraph (B) of paragraph (1) of subdivision (a) of Section 25.5 of Article XIII of the California Constitution and Section 100.06 of the Revenue and Taxation Code.

9.18 United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of “AA” or its equivalent or better by an NRSRO and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

9.19 Any other investment security authorized under the provisions of California Government Code Sections 5922 and 53601.

Such investments shall be limited to securities that at the time of the investment have a term remaining to maturity of five years or less, or as otherwise provided in Government Code Section 53601.

The Agency shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

10.0 COLLATERALIZATION

All certificates of deposit must be collateralized by United States Treasury Obligations. Collateral must be held by a third party trustee and valued on a monthly basis. The percentage of collateralizations on repurchase and reverse agreements will adhere to the amount required under California Government Code 53601(i)(2).

11.0 SAFEKEEPING AND CUSTODY

All securities owned by the Agency, except collateral for repurchase agreements, will be held in safekeeping at a third party bank trust department that will act as agent for the Agency under terms of a custody agreement.

Securities used as collateral for repurchase agreements with a term of up to seven days can be safe kept by a third party bank trust department, or by the broker/dealer's safekeeping institution, acting as agent for the Agency under the terms of a custody agreement executed by the broker/dealer and the Agency and specifying the Agency's perfected ownership of the collateral.

Payment for all transactions will be conducted on a delivery-versus-payment (DVP) basis.

12.0 LEVERAGING

Investments may not be purchased on margin. Securities can be purchased on a "When Issued" basis only when a cash balance can be maintained to pay for the securities on the purchase settlement date.

13.0 DIVERSIFICATION

The Agency will diversify its investments by security type and institution. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities.

Diversification strategies shall be reviewed and revised periodically. In establishing specific diversification strategies, the following general policies and constraints shall apply:

13.1 Portfolio maturity dates shall be matched versus liabilities to avoid undue concentration in a specific maturity sector.

13.2 Maturities selected shall provide for stability of income and liquidity.

13.3 Disbursement and payroll dates shall be covered through maturities of investments, marketable United States Treasury bills or other cash equivalent instruments such as money market mutual funds.

14.0 REPORTING

The Treasurer shall submit to each member of the Board of Directors an investment report at least monthly. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for Agency by third party contracted managers. The report will also include the source of the portfolio valuation. For funds, which are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy and, (2) the Agency will meet its expenditure obligations for the next six months as required by Government Code Section 53646(b)(2) and (3), respectively. The Treasurer shall maintain a complete and timely record of all investment transactions.

15.0 INVESTMENT POLICY ADOPTION

The Investment Policy shall be adopted by resolution of the Agency. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the Board of Directors.

Upon motion of Director Atkins, seconded by Vice President Gladbach and carried, the Board approved the Customer Service Policy and revised fees for reconnection of service with a modification to the late fee from $25 to $10, extended the due date from three (3) calendar days to ten (10) calendars days after the generation of the bill and other minor edits as verified by staff and approved by General Counsel by the following voice votes (Item 6.4):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	Yes	Director K. Colley	Yes
Director Cooper	Yes	Director DiPrimio	Yes
Director Ford	Yes	Vice President Gladbach	Yes
Vice President Gutzeit	Yes	Director Kelly	Yes

President Martin	Yes	Director Mortensen	Yes
Director Plambeck	Yes		

Upon motion of Director Cooper, seconded by Director Atkins and carried, the Board approved Resolution No. SCV-137 adopting a Ticket Distribution Policy by the following voice votes (Item 6.6):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	Yes	Director K. Colley	Yes
Director Cooper	Yes	Director DiPrimio	Yes
Director Ford	Yes	Vice President Gladbach	Yes
Vice President Gutzeit	Yes	Director Kelly	Yes
President Martin	Yes	Director Mortensen	Yes
Director Plambeck	Yes		

RESOLUTION NO. SCV-137

**RESOLUTION OF THE
BOARD OF DIRECTORS OF THE SANTA CLARITA VALLEY WATER AGENCY
ADOPTING A TICKET DISTRIBUTION POLICY**

WHEREAS, the Fair Political Practices Commission (FPPC) adopted Section 18944.1, Title 2, California Code of Regulations (Regulation 18944.1) to regulate the distribution and disclosure by public agencies of certain tickets and passes to public officials and employees; and

WHEREAS, Regulation 18944.1 provides that a ticket and pass distributed pursuant to an adopted policy and properly disclosed by the agency is not a gift to the public official and does not trigger a disclosure requirement on the official's Statement of Economic Interests, Form 700; and

WHEREAS, the distribution to and use of such tickets and passes by officials frequently serve legitimate governmental and/or public purposes; and

WHEREAS, from time to time, the Santa Clarita Valley Water Agency (the Agency) may receive complimentary or discounted tickets or passes from third party sources, both public and private, for distribution to Agency officials; and

WHEREAS, based on such practice and the provisions of Regulation 18944.1 adopted and amended by the FPPC, the Agency desires to adopt a policy regarding the distribution of tickets and/or passes; and

WHEREAS, the Agency's proposed Ticket Distribution Policy incorporates the required provisions of Regulation 18944.1 to ensure that the policy establishes a fair and equitable process for the distribution to Agency officials of such tickets and passes by the Agency, in compliance with the requirements of FPPC Regulations.

NOW THEREFORE, the Board of Directors of the Santa Clarita Valley Water Agency hereby finds and resolves as follows:

Section 1. The foregoing recitals are true and correct.

Section 2. The Board of Directors of Santa Clarita Valley Water Agency hereby approves and adopts the Agency's Ticket Distribution Policy proposed in accordance with FPPC Regulation 18944.1, and attached hereto as Exhibit A.

Section 3. The General Manager is directed to implement this policy.

Section 4. The Resolution shall take effect immediately upon adoption.

Section 5. The Secretary of the Board shall certify the adoption of this Resolution.

Upon motion of Director Mortensen, seconded by Director Atkins and carried, the Board approved Resolution No. SCV-138 authorizing (1) the issuance of one or more series of revenue bonds by the Upper Santa Clara Valley Joint Powers Authority, (2) the execution of certain documents, and (3) certain other actions with the redaction of the wording, "Paragraph 4 to", under Section 11 of the Resolution by the following electronic votes (Item 7.1):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	No	Director K. Colley	Yes
Director Cooper	Yes	Director DiPrimio	Yes
Director Ford	Yes	Vice President Gladbach	Yes
Vice President Gutzeit	Yes	Director Kelly	Yes
President Martin	Yes	Director Mortensen	Yes
Director Plambeck	Yes		

RESOLUTION NO. SCV-138

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA CLARITA VALLEY WATER AGENCY: (1) REQUESTING THE ISSUANCE BY THE UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY OF REVENUE BONDS; (2) AUTHORIZING AN INSTALLMENT PURCHASE AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE, AN ESCROW AGREEMENT AND A PURCHASE CONTRACT; AND (3) AUTHORIZING CERTAIN OTHER ACTIONS

WHEREAS, the Board of Directors (the "Board") of the Santa Clarita Valley Water Agency (the "Agency") has determined that it may be in the best interest of the Agency to authorize the acquisition of certain capital improvements for the water system, to refinance the acquisition of certain capital improvements and to take certain actions with respect to other outstanding bonds and certificates of participation; and

WHEREAS, the Board has determined to request the Upper Santa Clara Valley Joint Powers Authority (the "Authority") to issue one or more series of revenue bonds to effect such financing and refinancing and to pay the costs of issuance in connection therewith;

NOW, THEREFORE, the Board of Directors of the Santa Clarita Valley Water Agency hereby finds, determines, declares and resolves as follows:

SECTION 1. The issuance by the Authority of one or more series of revenue bonds ("Bonds") in the principal amount not to exceed $275,000,000 to finance the acquisition of capital improvements, to refinance the acquisition of capital improvements and to pay the costs of issuance in connection therewith is hereby requested.

SECTION 2. The Installment Purchase Agreement, in substantially the form on file with the Secretary of the Board, is hereby approved, subject to final approval as to form by General Counsel and the law firm of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"). The President, Vice President, General Manager, Assistant General Manager and Secretary (the "Authorized Officers"), each acting singly, are hereby authorized and directed to execute and deliver such Installment Purchase Agreement with such changes, insertions and omissions as may be approved by Bond Counsel, said execution by an Authorized Officer being conclusive evidence of such approval.

SECTION 3. The Continuing Disclosure Certificate, in substantially the form on file with the Secretary of the Board, is hereby approved, subject to final approval as to form by General Counsel and Bond Counsel. Each Authorized Officer, acting singly, is hereby authorized and directed to execute and deliver the Continuing Disclosure Certificate with such changes, insertions and omissions as may be approved by Bond Counsel, said execution by an Authorized Officer being conclusive evidence of such approval.

SECTION 4. The Escrow Agreement (2010A), in substantially the form on file with the Secretary of the Board, is hereby approved, subject to final approval as to form by General Counsel and Bond Counsel. Each Authorized Officer, acting singly, is hereby authorized and directed to execute and deliver such Escrow Agreement (2010A) with such changes, insertions and omissions as may be approved by Bond Counsel, said execution by an Authorized Officer being conclusive evidence of such approval.

SECTION 5. The Depository Agreement, in substantially the form on file with the Secretary of the Board, is hereby approved, subject to final approval as to form by General Counsel and Bond Counsel. Each Authorized Officer, acting singly, is hereby authorized and directed to execute and deliver the Depository Agreement with such changes, insertions and omissions as may be approved by Bond Counsel, said execution by an Authorized Officer being conclusive evidence of such approval.

SECTION 6. The Chief Financial and Administrative Officer is hereby directed to send a letter to each of the County of Los Angeles and the County of Ventura (the "Instruction Letter") directing that all amounts allocated by the respective County from the 1% ad valorem tax to the Agency after the date hereof shall be deposited by each County directly into the 1% Property Tax Account created pursuant to the Depository Agreement.

SECTION 7. Amendment No. 1 to Trust Agreement (1999A), in substantially the form on file with the Secretary of the Board, is hereby approved, subject to final approval as to form by General Counsel and Bond Counsel. Each Authorized Officer, acting singly, is hereby authorized and directed to execute and deliver such Amendment with such changes, insertions and omissions as may be approved by Bond Counsel, said execution by an Authorized Officer being conclusive evidence of such approval.

SECTION 8. Amendment No. 1 to Indenture (2018A), in substantially the form on file with the Secretary of the Board, is hereby approved, subject to final approval as to form by General Counsel and Bond Counsel. Each Authorized Officer, acting singly, is hereby authorized and directed to execute and deliver such Amendment with such changes, insertions and omissions as may be approved by Bond Counsel, said execution by an Authorized Officer being conclusive evidence of such approval.

SECTION 9. Amendment No. 1 to Installment Purchase Agreement (2018A), in substantially the form on file with the Secretary of the Board, is hereby approved, subject to final approval as to form by General Counsel and Bond Counsel. Each Authorized Officer, acting singly, is hereby authorized and directed to execute and deliver such Amendment with such changes, insertions and omissions as may be approved by Bond Counsel, said execution by an Authorized Officer being conclusive evidence of such approval.

SECTION 10. The Purchase Contract with Citigroup Global Markets Inc., as representative, in substantially the form on file with the Secretary of the Board, is hereby approved. Each Authorized Officer, acting singly, or the designee thereof are hereby authorized and directed to execute and deliver the Purchase Contract with such changes, insertions and omissions as may be approved by the person executing the same, said execution by such Authorized Officer being conclusive evidence of such approval; provided, however, that in no event shall the principal amount of the Bonds exceed $275,000,000, nor shall the underwriter's discount exceed 0.20% of the principal amount of the Bonds, nor shall the true interest cost of the Bonds exceed 4.00%.

SECTION 11. The Board acknowledges that the good faith estimates required by Section 5852.1 of the California Government Code are disclosed in the staff report and are available to the public at the meeting at which this resolution is approved.

SECTION 12. Each Authorized Officer is authorized and directed to apply amounts on deposit in the Newhall County Water Division reserve account to the prepayment of the two outstanding loans to which the Agency is a party as successor to the Newhall County Water District, such prepayment to occur prior to or in connection with the issuance of the Bonds.

SECTION 13. Each Authorized Officer is authorized and directed to apply amounts on deposit in the Santa Clarita Water Division reserve account to fund a portion of the cost of refunding the Upper Santa Clara Valley Joint Powers Authority Refunding Revenue Bonds, Series 2017A (Santa Clarita Water Division), such application of funds to occur prior to or in connection with the issuance of the Bonds.

SECTION 14. Each Authorized Officer is authorized and directed to fund the final payment of principal and interest on the Castaic Lake Water Agency Refunding Revenue Bonds, Series 2014A due on August 1, 2020, prior to or in connection with the issuance of the Bonds.

SECTION 15. Each Authorized Officer is authorized and directed to fund the final payment of principal and interest with respect to the Castaic Lake Water Agency Adjustable Rate Refunding Revenue Certificates of Participation, Series 2008A (1994 Refunding Project) (the "2008 COPs") due on August 1, 2020, prior to or in connection with the issuance of the Bonds or to fund the early tender of the 2008 COPs prior to or in connection with the issuance of the Bonds.

SECTION 16. Each Authorized Officer and such other officers of the Agency are authorized and directed to do any and all things and to execute and deliver any and all documents, including an insurance agreement with a municipal bond insurer, which they may deem necessary or advisable in order to consummate the sale and delivery of the Bonds, and otherwise effectuate the purposes of this Resolution, and such actions previously taken by such officers are hereby ratified and confirmed. Bond Counsel is hereby directed to revise the series designations and document dates with respect to the Installment Purchase Agreement, the Continuing Disclosure Certificate, the Escrow Agreement, the referenced Amendments and the Purchase Contract based on when the Bonds are actually issued. Such revisions shall be deemed to be ministerial and shall not constitute an amendment to any of the documents so revised.

SECTION 17. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the Installment Purchase Agreement unless the context otherwise clearly requires.

SECTION 18. This resolution shall take effect immediately.

Item 7.2, the approval of the Community Facility District Policy was deterred to a future meeting.

Upon motion of Director Atkins, seconded by Director Mortensen and carried, the Board approved entering into a contract with Fieldman Rolapp & Associates for financial advisor services in an amount not to exceed $125,000 for the period of January 1, 2020 through December 31, 2020 by the following electronic votes (Item 7.3):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	No	Director K. Colley	Yes
Director Cooper	Yes	Director DiPrimio	Yes
Director Ford	Yes	Vice President Gladbach	Yes
Vice President Gutzeit	Yes	Director Kelly	Not Present
President Martin	Yes	Director Mortensen	Yes
Director Plambeck	Yes		

General Manager's Report on Activities, Projects and Programs (Item 8).

The General Manager gave a water supply update, he mentioned that every year seems to fluctuate in terms of water supply. He further stated that we had a very wet December 2019 but January 2020 has been very dry, what this means is that we are currently at an initial SWP entitlement that went from 10% in December 2019 and to 15% in January 2020. The outlook for the next 90 days is far below average precipitation. We try to look at all these different factors when planning out our water supply for the year to make sure we can meet demand. The actual SWP allocation will adjust based on actual weather and snowpack over the next several months.

He also gave an update on the pending/potential PFAS reduction of Response Level RL from the Division of Drinking Water that may prompt us to remove some wells from service which would be above the response level, not above MCL. We like to exercise caution in situations like this where we can. With this in mind, he mentioned scenarios which will be discussed at the upcoming Water Resources and Watershed Committee meeting. There are a series of water

management actions the Agency has available or can engage in this year to hedge our situation and assure we have adequate water resources available to meet demand. He mentioned the funds for this would come from current operating sales revenue as well as the Water Supply Reliability Reserve Fund the Agency created and filled for this kind of situation.

Programs that could potentially be used are:

- Recovery of water from our Rosedale-Rio Bravo Storage facilities (recently completed)
- Recovery of water from our Semitropic Storage Banking
- Return of Exchange Water from AVEK
- Possible purchase of Yuba settlement water
- Use of San Luis Carryover
- Possible dry year transfer pool water with a consortium of SWC buyers

He advised the Board that staff will update the Water Resources and Watershed Committee and the Board as warranted as weather and water management actions play out over the next several months.

He went on to say that Governor Newsom announced progress on the Voluntary Agreement process today. His remarks are published on the CalMatters website and staff will send them out to the Board. The SWC issued a brief statement supporting the progress that has been made and their support for moving to completion of development of the full Voluntary Agreements package.

Lastly, he reminded the Board that the UWI Conference is in two weeks and he will be participating in a panel discussing success factors of the SCV Water merger, he stated it is a fairly interesting agenda.

There was no discussion on Items 9 and 10.

President's Report (Item 11).

President Martin reminded the Board of the upcoming special Board meeting on February 11, 2020 and upcoming events that the Board may be interested in attending.

AB 1234 Reports (Item 12).

A written report was submitted by Director Plambeck and was included in the Board packet. Additional written reports were submitted by President Martin which were handed out and are part of the record.

Vice President Gladbach reported that he participated in the ACWA Board meeting via conference call on January 6, 2020 and January 31, 2020.

Director E. Colley reported that he attended the SCV Chamber of Commerce 97th Annual Awards and Installation Gala held at the Hyatt Regency on January 24, 2020.

Director Atkins reported that he attended the Association of Water Agencies of Ventura County's Educational Luncheon on Implementation of the Sustainable Groundwater Management Act in Ventura County held in Camarillo on January 22, 2020, participated in a conference call with the CSDA Legislative Committee as well as attended the SCV Chamber of Commerce 97th Annual Awards and Installation Gala held at the Hyatt Regency both on January 24, 2020 and attended the Valley Industry Association's monthly luncheon held at the Hyatt Regency on January 28, 2020.

Director Reports (Item 13).

Director DiPrimio updated the Board on the January 30, 2020 Compensation and Reimbursement Policy Ad Hoc Committee meeting, letting them know the policy will not change at this time.

There were no other Director reports.

Director Requests For Approval For Event Attendance (Item 14).

Upon motion of Director DiPrimio, seconded by Vice President Gladbach and carried, the Board approved Director Kelly's attendance at the ACWA 2020 Spring Conference being held May 5-8, 2020 in Monterey by the following electronic votes (Item 14.1)

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	No	Director K. Colley	Yes
Director Cooper	No	Director DiPrimio	Yes
Director Ford	Yes	Vice President Gladbach	Yes
Vice President Gutzeit	Yes	Director Kelly	Not Present
President Martin	Yes	Director Mortensen	Yes
Director Plambeck	Yes		

There were no other Director requests for event attendance.

Request For Future Agenda Items (Item 15).

Vice President Gutzeit asked that in regards to the upcoming Water Summit that we consider a limited scholarship opportunity for non-profits or educational groups so we can get a diverse attendance. She felt that some people may be deferred by the $75 cost. She also asked that staff and the Board consider a simpler format for actions and not have so many approvals by resolution, making things clearer for both the Board and staff.

There were no other requests for future agenda items.

Upon motion of Director Atkins, seconded by Vice President Gladbach and carried, the meeting was adjourned at 10:25 PM by the following electronic votes (Item 16):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	Yes	Director K. Colley	Yes
Director Cooper	Yes	Director DiPrimio	Yes
Director Ford	Yes	Vice President Gladbach	Yes
Vice President Gutzeit	Yes	Director Kelly	Not Present
President Martin	Yes	Director Mortensen	Yes
Director Plambeck	Yes		

April Jacobs, Board Secretary

ATTEST:

President of the Board

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ITEM NO.
6.1

BOARD MEMORANDUM

DATE: February 6, 2020

TO: Board of Directors

FROM: Eric Campbell
Chief Financial and Administrative Officer

SUBJECT: Approve a Resolution Revising Facility Capacity Fees

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SUMMARY

The Agency has concluded its 2020 Facility Capacity Fee (FCF) study, which had been updated every 2-3 years. The last FCF study was completed in 2017 with new fees taking effect on January 1, 2018. The results pursuant to the settlement agreement with the Los Angeles/Ventura County Building Industry Association (BIA) were modified in 2018 by implementing a prorated adjustment for meter connections smaller than one inch. The Agency also agreed at that time to complete a new FCF study by the end of 2019. The updated FCF study has been completed and staff recommendations have been presented to key stakeholders, the Ratepayer Advocate, the November and December 2019 Finance and Administration (F&A) Committee meetings, and the Board of Directors meeting on January 21, 2020.

DISCUSSION

With a new Finance team in place at the Agency, there were some changes to the process of engaging key stakeholders during the FCF study process. A group of stakeholders comprised of the Building Industry Association, Santa Clarita Valley Economic Development Corporation, Santa Clarita Valley Chamber of Commerce, FivePoint Holdings, and JSB Development met with Agency staff seven times over the eleven months of the FCF study. The purpose of these meetings was to inform, educate, and collaborate ideas and concerns over the determination of the FCF. At the final meeting in October 2019, staff and the Ratepayer Advocate presented their recommendations to the key stakeholders.

In November 2019, the F&A Committee was presented the respective FCF recommendations by staff and the Ratepayer Advocate. The Committee requested additional time to discuss the FCF recommendations before the issue went to the Board. The Committee met again on December 23, 2019 to finalize their recommendation.

The FCF provides funds to pay for the cost of expanding the existing infrastructure costs related to new users. The proposed FCF will provide the funds to pay for the cost of approximately $111 million in capital expenditures through system build-out (estimated to be 2050) related to new users. Note that this is the portion of the Capital Improvement Program (CIP) that is allocated to major capital projects that support growth. A portion of these major capital projects is also allocated to existing users and is not included in the FCF calculation. Additional components of the CIP including minor capital projects and replacement projects are allocated to and funded by existing users and are not included in the FCF calculations.

FCFs are calculated by using a simple formula:

$$\frac{Costs\ Allocated\ to\ Growth}{\#\ of\ Equivalent\ Meter\ Units}$$

The cost components that are included in the FCFs are:

1. Existing debt service that has been allocated to growth
    a. The portion of prior bond issuances that were allocated to fund project cost allocated to growth that is currently outstanding. This includes both bond principle and interest. Only the remaining debt service is included in the calculation even though annual FCF revenue collections do not cover this annual obligation. Table 1 is a list of the remaining portion of existing debt that was allocated to growth in prior studies. Note, this table includes the Principal and Interest amounts that remain to be paid ($355,835,080) and the portion that has been attributable to growth ($248,848,079).

Table 1 Existing Debt Allocated to Growth

Line	Loan	Outstanding Debt Service (All)	Outstanding Debt Service (Growth Only)	Percentage of Debt Svc Allocated to Growth
1	1999 COP	$104,450,000	$80,896,525	77.45%
2	2004A COP/ 2014A	$6,293,250	$4,933,908	78.40%
3	2008A COP	$12,147,587	$9,523,708	78.40%
4	2010A COP	$63,015,568	$55,264,653	87.70%
5	2015A Revenue Bonds	$84,733,575	$53,127,952	62.70%
6	2016AN Revenue Bonds	$55,025,750	$21,735,171	39.50%
7	2016AR Revenue Bonds	$30,169,350	$23,366,162	77.45%
	Total	**$355,835,080**	**$248,848,079**	**69.93%**

2. Future costs to finance the portion of remaining major capital projects required to serve growth.
    a. Capital projects benefit all Water Service Areas (WSAs) (General Benefit) except for recycled water projects as WSA 3 is constructing its own source of recycled water. In addition, there are currently three projects that benefit specific WSAs only; these are labeled as Local Benefit projects (Table 2).
    b. Future capital projects have been identified and are in various stages of development. The portion of each of the remaining projects that is attributable to growth has been identified. Table 3 includes the ongoing and future major capital projects for General Benefit projects and the percentage allocated to growth.
    c. Buildout is planned to be complete in 2050. At buildout, there will be remaining debt service obligations attributable to growth. These remaining costs have not been included in this FCF calculation.

Table 2 Ongoing and Future Capital Projects: Local Benefit

Project Name	Start Year	End Year	Total/Remaining Project Cost	Allocation to Growth	Project Cost (Growth Only)
Honby Parallel (Phase 2 -ext of Phase 1)	2020	2025	$22,953,000	30.00%	$6,885,900
Castaic Conduit	2020	2025	$14,189,000	30.00%	$4,256,700
NR WSA Integration	2025	2025	$6,000,000	100.00%	$6,000,000
Subtotal			$43,142,000		$17,142,600
Financing Costs					$12,092,160
Total Cost					$29,234,760

Table 3 Ongoing and Future Capital Projects: General Benefit

Project Name	Start Year	End Year	Total/Remaining Project Cost	Allocation to Growth	Project Cost (Growth Only)
Water Supply Banking (10,000 AF)	2030	2030	$16,390,400	30.00%	$4,917,120
Stored Water Recovery Unit Replacement	2045	2050	$8,195,200	30.00%	$2,458,560
Saugus Formation Dry Year Reliability Wells	2021	2024	$11,155,000	30.00%	$3,346,500
ESFP Storage Expansion	2045	2050	$3,721,645	30.00%	$1,116,494
Rio Vista Reservoir Expansion	2045	2050	$6,957,725	30.00%	$2,087,318
Sand Canyon Reservoir Expansion I	2021	2045	$18,124,000	30.00%	$5,437,200
Sand Canyon Reservoir Expansion II	2045	2050	$8,575,252	30.00%	$2,572,576
Magic Mountain Pipelines 4	2020	2020	$3,562,000	30.00%	$1,068,600
Magic Mountain Pipelines 5	2020	2020	$5,339,000	30.00%	$1,601,700
Magic Mountain Pipelines 6	2020	2021	$13,160,000	30.00%	$3,948,000
Magic Mountain Reservoir	2020	2024	$29,865,000	30.00%	$8,959,500
Magic Mountain Reservoir II	2021	2027	$46,600,000	30.00%	$13,980,000
Southern Service Area Storage, Pipeline and Pump Station 12 MG	2020	2027	$63,273,000	30.00%	$18,981,900
Southern Service Area Expansion	2045	2050	$6,782,552	30.00%	$2,034,766
Subtotal			$284,842,774		$72,510,234
Financing cost					$28,406,408
Total cost					$100,916,642

3. Cost to build recycled water infrastructure. All customers benefit from the development of recycled water as this source can be used for certain irrigation requirements, freeing up potable water for other uses and enhancing overall water supply reliability. All WSAs except for WSA 3 share in recycled water infrastructure costs. WSA 3 is exempt as this service area is constructing its own source and related infrastructure for recycled water. Table 4 lists the Recycled Water Projects, their construction cost, cost to finance and total cost that was allocated between current and future users.

Table 4 Recycled Water Costs

Project Name	Start Year	End Year	Total/Remaining Project Cost	Allocation to Growth	Project Cost (Growth Only)
Recycled Water Program Phase II, 2A (Center Park)	2020	2024	$15,657,000	15.00%	$2,348,550
Recycled Water Program Phase II, 2B (Vista Canyon)	2020	2021	$4,820,584	15.00%	$723,088
Recycled Water Program Phase II, 2C (South End)	2020	2025	$11,869,000	15.00%	$1,780,350
Recycled Water Program Phase II, 2D (West Ranch)	2020	2020	$886,378	15.00%	$132,957
Recycled Water Projects (Alignments A-H)	2030	2035	$105,885,000	15.00%	$15,882,750
Subtotal			$139,117,962		$20,867,695
Financing Costs					$3,502,666
Total Cost					$24,370,361

4. The Agency currently has a water acquisition agreement with the Buena Vista Water Storage District (BV) and the Rosedale-Rio Bravo Storage District (RRB) to increase the water supply availability. The BV/RRB payments reflect the acquisition of water supply based on this agreement. The 30-year payment stream that is divided between existing and future users. Table 5 contains the annual remaining payment amounts and the amounts allocated to growth.

Table 5 Rosedale-Rio Bravo Storage District Obligation

Year	Total BV/RRB Costs	Total Demand (AF)	Annexation Contribution (AF)	Current Use Portion (AF)	Future Use Portion (AF)	Future Use Costs
FY 2020	$7,990,482	11,000	3,000	4,560	3,324	$2,414,585
FY 2021	$8,390,006	11,000	3,000	4,560	3,324	$2,535,314
FY 2022	$8,809,507	11,000	3,000	4,560	3,204	$2,566,003
FY 2023	$9,249,982	11,000	3,000	4,560	3,094	$2,601,396
FY 2024	$9,712,481	11,000	3,000	4,560	2,983	$2,633,913
FY 2025	$10,198,105	11,000	3,000	4,560	2,873	$2,663,179
FY 2026	$10,708,011	11,000	3,000	4,560	2,762	$2,688,786
FY 2027	$11,243,411	11,000	3,000	4,560	2,652	$2,710,297
FY 2028	$11,805,582	11,000	3,000	4,560	2,541	$2,727,236
FY 2029	$12,395,861	11,000	3,000	4,560	2,431	$2,739,093
FY 2030	$13,015,654	11,000	3,000	4,560	2,320	$2,745,319
FY 2031	$13,666,436	11,000	3,000	4,560	2,210	$2,745,319
FY 2032	$14,349,758	11,000	3,000	4,560	2,099	$2,738,455
FY 2033	$15,067,246	11,000	3,000	4,560	1,989	$2,724,042
FY 2034	$15,820,608	11,000	3,000	4,560	1,878	$2,701,342
FY 2035	$16,611,639	11,000	3,000	4,560	1,768	$2,669,562
FY 2036	$17,442,221	11,000	3,000	4,560	1,657	$2,627,850
FY 2037	$18,314,332	11,000	3,000	4,560	1,547	$2,575,293
FY 2038	$19,230,048	11,000	3,000	4,560	1,436	$2,510,910
FY 2039	$20,191,551	11,000	3,000	4,560	1,326	$2,433,652
FY 2040	$21,201,128	11,000	3,000	4,560	1,215	$2,342,390
FY 2041	$22,261,185	11,000	3,000	4,560	1,105	$2,235,917
FY 2042	$23,374,244	11,000	3,000	4,560	994	$2,112,942
FY 2043	$24,542,956	11,000	3,000	4,560	884	$1,972,079
FY 2044	$25,770,104	11,000	3,000	4,560	773	$1,811,848
FY 2045	$27,058,609	11,000	3,000	4,560	663	$1,630,663
FY 2046	$28,411,540	11,000	3,000	4,560	552	$1,426,830
FY 2047	$29,832,117	11,000	3,000	4,560	442	$1,198,537
FY 2048	$31,323,723	11,000	3,000	4,560	331	$943,848
FY 2049	$32,889,909	11,000	3,000	4,560	221	$660,694
FY 2050	$34,534,404	11,000	3,000	4,560	110	$346,864
Total	**$565,412,842**					**$69,434,157**

The costs identified as attributable to growth are summarized in Table 6.

Table 6 Summary of FCF Revenue Requirement

Line	Benefit Type	Existing Debt Service	BV/RRB Payments	Proposed Debt Service for CIP	Total Revenue Requirement
1	General Benefit	$194,941,376	$69,434,157	$102,657,606	$367,033,139
2	Recycled Water	$0	$0	$25,595,281	$25,595,281
3	WSA 1: West Valley	$12,011,032	$0	$11,746,690	$23,757,723
4	WSA 2: East Valley	$38,306,718	$0	$4,212,233	$42,518,951
5	WSA 3: Newhall Ranch	$1,153,817	$0	$13,015,914	$14,169,731
6	WSA 4: Whittaker -Bermite	$2,435,140	$0	$227,413	$2,662,553
7	**Total**	**$248,848,083**	**$69,434,157**	**$157,455,137**	**$475,737,376**

There are two major challenges regarding the determination of a fair and reasonable FCF. One is that while there is a degree of certainty in the timing of the debt service and capital costs incurred, there is less certainty in the timing of new service connections and hence the FCF revenue generation. The second major challenge is the uncertainty of the number of meters and their size, that will be added during the buildout. These are influenced by economic, housing market, and regulatory trends. As a result of these challenges a financial model was developed that considered the concept of uncertainty in future population growth (influences the number of meter connections). The model produced 5,000 independent scenarios, each resulting in a cost to be recovered by a specific number of equivalent meter units. The model takes these 5,000 scenarios and creates a frequency distribution that is used to select a set of fees that would generate the required revenue for a stated level of confidence. That is to say that in consideration of the identified uncertainty in the number and sizes of meters that will be added, higher fees increase the likelihood that the fees will recover the costs associated with growth. The more meters that are expected to be added, the lower the fee per meter will be. The fewer the equivalent meter units (EMU) expected to be added, the higher the fee per meter must be.

Figure 1 shows the model results at various levels of confidence for each WSA. After lengthy discussion with the Committee and Ratepayer Advocate, staff is recommending FCF from their model that corresponds with the 80% level of confidence that the FCF fees will collect the identified revenue requirement. This is effectively placing the risk of under collecting fees attributable to growth on growth rather than existing customers.

Figure 1 Fee Sensitivity to Modeled Level of Confidence

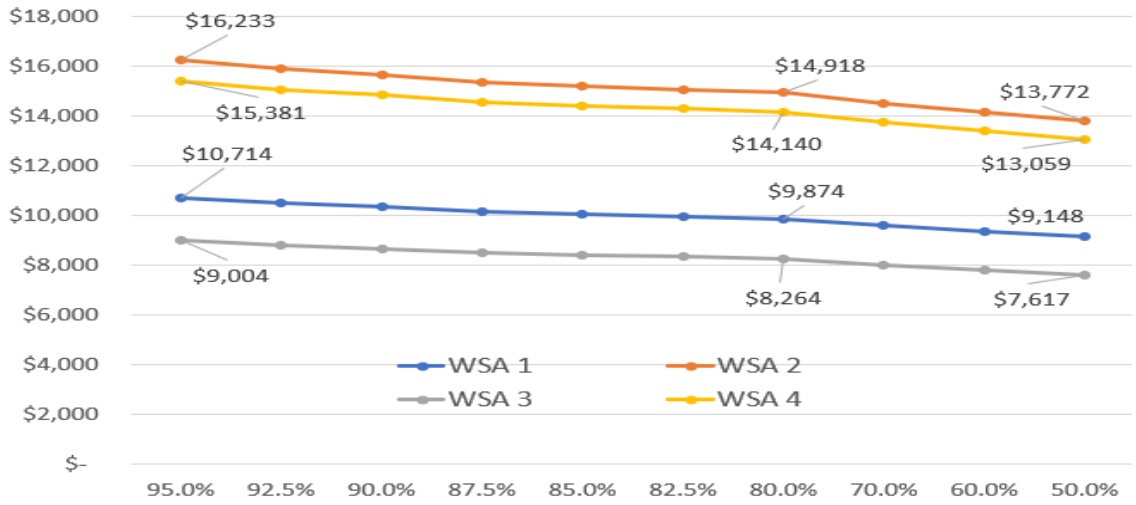

Table 7 is a comparison of the staff recommended FCFs against the existing fees. Table 8 has the recommendation of the Ratepayer Advocate. Note that the revenue requirement is nearly identical compared to staff. The difference is attributable to slightly differing assumptions about future interest rates. The other minor difference between staff and ratepayer advocate's recommendation is the amount of growth in EMUs (equivalent meter units). Neither of the recommendations are technically wrong, the two approaches used are reasonable.

Table 7 Staff Recommended Facility Capacity Fee Update by WSA

Staff Recommendation					
WSA	Total Revenue Requirement	Growth in EMUs	Proposed Fee for 1"	Current Fee for 1"	Change %
WSA 1: West Valley	$ 185,386,128	18,775	**$9,874**	$11,476	**-14.0%**
WSA 2: East Valley	$ 100,539,404	6,740	**$14,918**	$16,124	**-7.5%**
WSA 3: Newhall Ranch	$ 183,004,974	22,144	**$8,264**	$9,745	**-15.2%**
WSA 4: Whittaker -Bermite	$ 6,806,871	481	**$14,140**	$18,192	**-22.3%**
	475,737,376	**48,140**			

Table 8 Ratepayer Advocate Recommendation

Ratepayer Advocate Recommendation						
Line	WSA	Total Revenue Requirement	Growth in EMUs	FCF Per EMU 1" as a base	Current Fee for 1"	Change %
1	WSA 1: West Valley	$183,828,708	18,719	**$9,821**	$11,476	**-14.4%**
2	WSA 2: East Valley	$99,980,328	6,720	**$14,879**	$16,124	**-7.7%**
3	WSA 3: Newhall Ranch	$182,228,069	22,078	**$8,254**	$9,745	**-15.3%**
4	WSA 4: Whittaker -Bermite	$6,766,898	480	**$14,009**	$18,192	**-23.0%**
		$472,804,003	**47,997**			

Table 9 Comparison of FCF Update Recommendations

	(A)	(B)	(C)=(B)-(A)	(D) = ((B) / (A)) - 1
WSA	Staff Recommendation	Ratepayer Advocate Recommendation	$ Difference	% Difference
WSA 1: West Valley	$ 9,874	$ 9,821	**$ (53)**	-0.5%
WSA 2: East Valley	$ 14,918	$ 14,879	**$ (39)**	-0.3%
WSA 3: Newhall Ranch	$ 8,264	$ 8,254	**$ (10)**	-0.1%
WSA 4: Whittaker-Bermite	$ 14,140	$ 14,099	**$ (41)**	-0.3%

On December 23, 2019, the Finance and Administration Committee considered staff's recommendation to approve revised Facility Capacity Fees. On January 21, 2020, the Board reviewed and considered revising the Facility Capacity Fees.

FINANCIAL CONSIDERATIONS

$475,737,376 in Facility Capacity Fees need to be generated to recover the cost of infrastructure attributable to growth between 2020 and 2050 as currently planned.

The new proposed fees are shown in the table below and will become effective on February 19, 2020.

Meter Size	WSA 1	WSA 2	WSA 3	WSA 4
5/8"	$3,950	$5,967	$3,306	$5,656
3/4"	$5,925	$8,951	$4,958	$8,484
1"	$9,874	$14,918	$8,264	$14,140
1-1/2"	$19,749	$29,835	$16,528	$28,279
2"	$31,598	$47,737	$26,445	$45,247
2-1/2"	$45,422	$68,621	$38,015	$65,043
3"	$59,246	$89,506	$49,585	$84,838
4"	$98,743	$149,177	$82,642	$141,397
6"	$197,486	$298,354	$165,283	$282,795
8"	$315,977	$477,366	$264,453	$452,471
10"	$454,218	$686,214	$380,151	$650,427
12"	$849,189	$1,282,922	$710,718	$1,216,017

In addition to the FCF recommendation, consistent with input offered by the Ratepayer Advocate, staff also recommends modification to the FCFs annually in years in between FCF study updates, by applying the ENR City of Los Angeles Construction Cost Index to the fees with annual changes limited to no more than a 3% increase or reduction in fees. The value of the annual index adjustment is to keep the fees in line with changing construction costs, minimizing the likelihood of a full update study which would result in a significant change in fees.

RECOMMENDATION

That the Board of Directors approve the attached resolution revising Facility Capacity Fees based on the 80% confidence level as presented in the attached Administrative Record Report dated January 2020.

EC

Attachments

M65

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RESOLUTION NO. ____

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA CLARITA VALLEY WATER AGENCY REVISING THE RATES OF FACILITY CAPACITY FEES

WHEREAS, pursuant to California Government Code Section 66013, the Santa Clarita Valley Water Agency (the "Agency") is authorized to establish and impose facility capacity charges for public facilities in existence at the time a charge is imposed or for new public facilities to be acquired or constructed in the future that are of proportional benefit to the person or property being charged, including supply or facility capacity contracts for rights or entitlements, real property interests, and entitlements and other rights of the local agency involving capital expense relating to its use of existing or new public facilities; and

WHEREAS, California Government Code Section 66013 provides that when a local agency imposes facility capacity fees, those fees shall not exceed the estimated reasonable cost of providing the service for which the charge is imposed; and

WHEREAS, the Agency has conducted a rate study and cost of service analysis regarding the appropriate levels for facility capacity fees, and has consulted with Ratepayer Advocate pursuant to SB634 in regards to these facility capacity fees, and the study has been available for public inspection for at least 10 days prior to this meeting; and

WHEREAS, the Agency Board of Directors has reviewed the data and recommendations in the study and has determined that: (1) the rates for the facility capacity fees do not exceed the estimated reasonable cost of the services and facilities for which a facility capacity charge will be imposed; and (2) the allocation of those costs are fair or reasonable in relationship to the burdens on, or benefits that those who pay a facility capacity charge will receive from such services and facilities; and

WHEREAS, the Agency now wishes to adopt the facility capacity fees recommended in the study, which shall be imposed on any person, firm, corporation or other entity that requests a water connection, or wishes to upsize an existing water connection.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Santa Clarita Valley Water Agency as follows:

1. The forgoing Recitals are true and correct and by this reference are incorporated herein and made an operative part hereof.

2. A facility capacity charge(s), as established from time-to-time by a resolution of the Board of Directors, shall be paid by any person, firm, corporation or other entity (collectively a Developer) within a WSA when:

   (a) any Developer requests a new water connection; or
   (b) any Developer wishes to upsize an existing water connection.

3. The facility capacity fees are hereby adopted in the amounts set forth below, effective on February 19, 2020:

Proposed Fees based on 1" as a base

Line	Meter Size	Meter Ratio	WSA 1	WSA 2	WSA 3	WSA 4
1	5/8"	0.40	$3,950	$5,967	$3,306	$5,656
2	3/4"	0.60	$5,925	$8,951	$4,958	$8,484
3	1"	1.00	$9,874	$14,918	$8,264	$14,140
4	1-1/2"	2.00	$19,749	$29,835	$16,528	$28,279
5	2"	3.20	$31,598	$47,737	$26,445	$45,247
6	2-1/2"	4.60	$45,422	$68,621	$38,015	$65,043
7	3"	6.00	$59,246	$89,506	$49,585	$84,838
8	4"	10.00	$98,743	$149,177	$82,642	$141,397
9	6"	20.00	$197,486	$298,354	$165,283	$282,795
10	8"	32.00	$315,977	$477,366	$264,453	$452,471
11	10"	46.00	$454,218	$686,214	$380,151	$650,427
12	12"	86.00	$849,189	$1,282,922	$710,718	$1,216,017

The facility capacity charge(s) shall be due and payable, unless otherwise provided for by a resolution of the Board of Directors, at the time the building permit fees are paid, or if a building permit is not required, at the time the retailer's water connection fees must be paid for the new or upsized water meter. In any case, the water facility capacity charge(s) must be paid before the new construction, the addition of any type of dwelling, commercial or industrial unit or units, or the conversion of a portion of any dwelling, commercial or industrial unit or units is completed, as applicable.

4. Commencing July 1, 2020, and each July 1 thereafter, the Agency shall be authorized to increase the facility capacity charge set forth in section 3 above by the change in the Engineering News-Record Construction Cost Index (20-Cities Average) to account for future construction cost inflation; provided, however, such adjustment shall not result in a change to construction costs of greater than 3% or a reduction of more than 3% and not result in the facility capacity charge exceeding the estimated reasonable cost of providing the service for which the facility capacity charge is imposed.

5. The determination of whether new or a larger water meter is required to serve a property shall be determined in accordance with the Agency's current policies and procedures.

6. If any section, subsection, clause or provision in this Resolution or the application thereof to any person or circumstances is for any reason held invalid, the validity of the remainder of this Resolution or the application of such provisions to other persons or circumstances shall not be affected thereby. The Board hereby declares that it would have passed this Resolution and each section, subsection, sentence, clause or phrase thereof irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof to any person or circumstance be held invalid.

7. The Agency staff is hereby authorized and directed to develop such forms and procedures as may be necessary to implement this Resolution.

8. As of the effective date, this Resolution shall supersede and otherwise control over the provisions of any other Resolution or policy which may be in conflict with the provisions of this Resolution.

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SANTA CLARITA VALLEY WATER AGENCY

2019 Facility Capacity Fee Study

ADMINISTRATIVE RECORD

January 2020

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1 EXECUTIVE SUMMARY

1.1 STUDY OVERVIEW

In January 2019, the Santa Clarita Valley Water Agency kicked off its Regional Facility Capacity Fee ("FCF") Update Study with a meeting of key stakeholders. The key stakeholders met seven times during the updating of the FCF study to discuss critical inputs such as capital projects, growth in demand, construction cost inflation, and cost allocation. The key stakeholders that participated in these meetings were representatives of:

- Santa Clarita Valley Chamber of Commerce
- Santa Clarita Valley Economic Development Corporation
- Los Angeles/Ventura Chapter of the Building Industry Association of Southern California (BIA-LAV)
- FivePoint Holdings
- JSB Development

The major objectives of this update study of the FCF included the following:

1. Reviewing the FCF calculation methodology
2. Ensuring adequate recovery of system build-out costs
3. Establishing a nexus between proposed FCFs and the Agency's costs
4. Developing an administrative record

This record provides documentation of the work performed to update the Agency's Regional FCFs and enables readers to understand the connection and consideration to fee setting guiding principles of reasonableness and fairness in Staff's analysis. This document contains information regarding the methodology, assumptions, and cost allocations as well as the recommended FCFs to become effective upon Board approval. The fees developed in this study comply with the requirements of the California State Assembly Bill 1600 (AB 1600), Government Code §66013, and Proposition 26.

Table 1-1 Contains the current FCFs and the proposed FCFs that are documented in this record. The current fees were adopted in 2017 and effective January 1, 2018. Subsequently SCV Water and the BIA-LAV met and conferred and entered into a settlement agreement in July, 2018 which, among other things, adjusted the meter ratio and fee calculation for 5/8-inch and 3/4-inch meters. Those fees are reflected as the current fees. Table 1-2 summarizes the amount of change for each FCF between current and proposed values.

Table 1-1 Current and Proposed Facility Capacity Fees

Meter Size	Meter Ratio	WSA 1		WSA 2		WSA 3		WSA 4	
		Current Fee	Proposed Fee	Current Fee	Proposed Fee	Current Fee	Proposed Fee	Current Fee	Proposed Fee
5/8"	0.40	$4,590	**$3,950**	$6,450	**$5,967**	$3,898	**$3,306**	$7,277	**$5,656**
3/4"	0.60	$6,886	**$5,925**	$9,674	**$8,951**	$5,847	**$4,958**	$10,915	**$8,484**
1"	1.00	$11,476	**$9,874**	$16,124	**$14,918**	$9,745	**$8,264**	$18,192	**$14,140**
1-1/2"	2.00	$22,952	**$19,749**	$32,248	**$29,835**	$19,489	**$16,528**	$36,384	**$28,279**
2"	3.20	$36,723	**$31,598**	$51,597	**$47,737**	$31,183	**$26,445**	$58,215	**$45,247**
2-1/2"	4.60	$52,789	**$45,422**	$74,171	**$68,621**	$44,826	**$38,015**	$83,684	**$65,043**
3"	6.00	$68,856	**$59,246**	$96,745	**$89,506**	$58,468	**$49,585**	$109,153	**$84,838**
4"	10.00	$114,760	**$98,743**	$161,242	**$149,177**	$97,447	**$82,642**	$181,922	**$141,397**
6"	20.00	$229,519	**$197,486**	$322,484	**$298,354**	$194,894	**$165,283**	$363,843	**$282,795**
8"	32.00	$367,230	**$315,977**	$515,974	**$477,366**	$311,831	**$264,453**	$582,149	**$452,471**
10"	46.00	$527,894	**$454,218**	$741,713	**$686,214**	$448,257	**$380,151**	$836,840	**$650,427**
12"	86.00	$986,932	**$849,189**	$1,386,680	**$1,282,922**	$838,045	**$710,718**	$1,564,527	**$1,216,017**

Table 1-2 Proposed Changes to Facility Capacity Fees

Change in Fee Schedule					
Meter Size	Meter Ratio	WSA 1	WSA 2	WSA 3	WSA 4
5/8"	0.40	($931)	($941)	($851)	($2,054)
3/4"	0.60	($1,397)	($1,411)	($1,277)	($3,080)
1"	1.00	($2,328)	($2,353)	($2,128)	($5,134)
1-1/2"	2.00	($4,655)	($4,705)	($4,256)	($10,267)
2"	3.20	($7,448)	($7,528)	($6,810)	($16,428)
2-1/2"	4.60	($10,707)	($10,822)	($9,790)	($23,615)
3"	6.00	($13,966)	($14,116)	($12,769)	($30,802)
4"	10.00	($23,276)	($23,526)	($21,282)	($51,337)
6"	20.00	($46,552)	($47,052)	($42,563)	($102,673)
8"	32.00	($74,483)	($75,284)	($68,101)	($164,277)
10"	46.00	($107,070)	($108,220)	($97,895)	($236,148)
12"	86.00	($200,174)	($202,325)	($183,021)	($441,495)

1.2 PRINCIPLES AND METHODOLOGY

The primary economic principle behind the proposed fees is that "growth-should-pay-for-growth." The costs of providing water service should be paid for by those that benefit from the service, which is reflected in the FCFs that provide access to water for new development. The Agency is required to build new facilities to provide additional capacity for new development, and therefore, new users should pay for their fair share of these costs. The principle is summarized in the American Water Works Association (AWWA) *Manual M26: Water Rates and Related Charges,* as follows:

> *"The purpose of designing customer-contributed [facility capacity fees] is to* ***prevent or reduce*** *the inequity to existing customers that results when these customers must pay the increase in water rates that are needed to pay for added plant costs for new customers. Contributed capital reduces the need for new outside sources of capital, which ordinarily has been serviced from the revenue stream. Under a system of contributed capital, many water utilities are able to finance required facilities by use of a 'growth-pays-for-growth' policy."*

It is important to keep in mind that this is a principle; strictly adhering to this on an annual basis is not realistic given the degree of certainty of the timing of expenditure and the comparative uncertainty of the timing of the revenue generation. The guiding principles in FCF setting are reasonableness and fairness. With periodic updates to this Study, the Agency will collect a reasonable, though not perfect, amount of FCF for the cost of providing infrastructure for growth. The difficult aspect of settling on a specific set of fees is that the timing of fee revenue (which is influenced by economic, permitting and other factors impacting when new growth occurs over time) and timing of capital facility costs (which may be front loaded since facilities are typically sized for planned future needs and financed over a period of years) will vary. Thus, facility capacity fees will not match capital and debt service obligations on a year to year basis. The timing difference between the Agency incurring costs associated to build infrastructure for growth and the related revenues is one of the financial risks for the Agency. If growth does not occur or is delayed by recession, the Agency will continue to pay debt service on infrastructure that in part is sized for future use. These facts are important and should be considered when settling on the pricing of FCFs.

The primary legal limitation on the Agency's authority to price its FCFs is the requirement that fees assessed to new development may not exceed the reasonable estimated cost of providing capacity in the system, on a proportionate basis. The Agency must establish a nexus or relationship between the proposed fees for new development and the capital costs required to build the facilities that will serve new customers.

The proposed fees in this study are calculated based on the incremental cost approach, which is typically used in agencies that have little or no capacity available in the current system and require expansion to accommodate growth. The Agency anticipates

significant growth in new development up until system build-out in FY 2050. Without expansion, the Agency will have insufficient system capacity to meet the increase in demand.

The timing difference between cost incurrence and FCF realization has considerable uncertainty associated with it. The cost components included in the fees are only forward facing; this means that annual infrastructure costs associated to growth (debt principal and interest repayment), if not equal to the FCF realized during the year, are funded by other Agency revenues. The amount of the annual difference between FCF revenues and associated costs cannot be fully considered as a component of future FCF updates as the fee per newly developed meter connection would become prohibitive to growth. This fact was given great consideration and led to the development of a financial model that assigns plausible FCF price points with corresponding levels of confidence as to the likelihood that fees would collect the targeted revenue requirement, if all were paid in 2020.

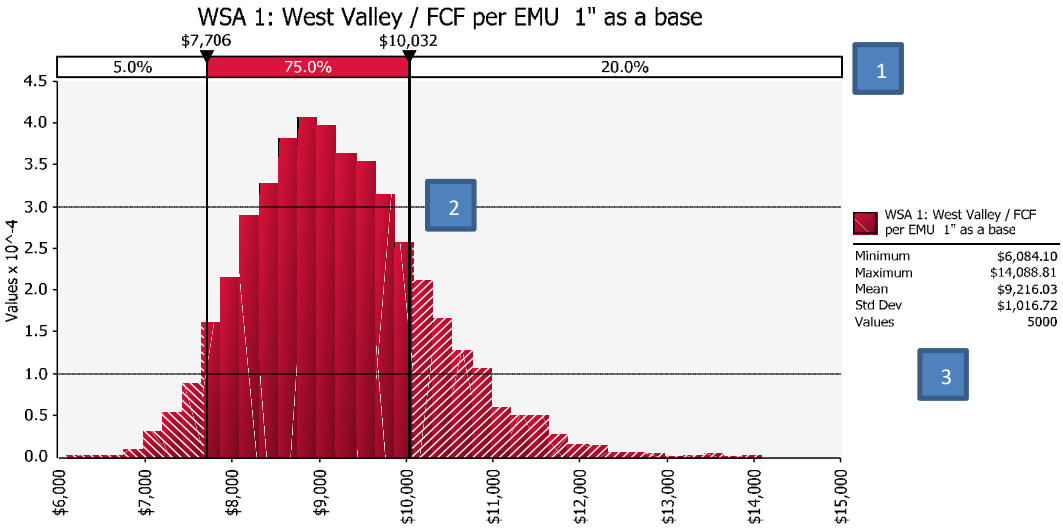
The FCF model was designed to address two of the most uncertain factors required for FCF determination: future interest rates for project financing, and the total number of equivalent meter units ("EMU") at the completion of buildout (Note that a third factor, the timing of FCF generation is arguably the most uncertain factor but is not addressed in this FCF Update). These factors are documented in detail later in this document. For determining the number of equivalent meter units that would be installed by buildout, the population forecast for 2050 contained in the SCVWA's current Urban Water Management Plan (UWMP) was used. In addition, two assumptions were made: 1. The ratio of people per EMU that exists today will be unchanged at buildout. 2. The existing proportion of meters by size will remain unchanged at buildout with the exception of the three smallest meter sizes: 5/8-inch, 3/4-inch, and 1-inch. These will change due to issues including building code changes, housing sizes, meter technology, and residential outdoor irrigation practices.

The model was run for 5,000 iterations of random combinations of the two variables. A frequency distribution was created to illustrate the results and is shown as Figure 1. Blue boxes with white numbers 1-3 have been added to Figure 1 to help describe the content.

Box 1 is at the top of the Figure. It is referencing three rectangles at the top of results, called confidence intervals, each with a percentage (5%, 75%, 20%, reading left to right). These are the percentages of the model outputs that occurred up to specific price points. For example, the first confidence interval of 5% has a price point of $7,706. This means that the lowest 5% of price points (FCF results for WSA 1) occurred at $7,706 or below. This can be interpreted as follows: Model user would have a 5% level of confidence that base fees of $7,706 would be sufficient to collect the revenue requirement of WSA 1. There are two more confidence interval settings in Figure 1. A red 75%, which means the model user could be 75% confident that a base price between $7,706 and $10,032 somewhere in that range) would be enough to collect the revenue requirement of WSA 1.

This can also be interpreted as “at 80% level of confidence base fees of $10,032 would be sufficient to collect the revenue requirement from WSA1. Box 2 is at the 80% confidence interval as 80% of the model results have occurred up to this price point. Box 3 includes a few interesting statistics from the FCF model for a WSA1 base fee. Of the 5,000 random combinations of interest rates and growth in EMUs, the lowest price point derived was $6,084.10 (Highest volume of growth at lowest possible cost to finance); a maximum price of $14,088.81 (Lowest volume of growth and highest possible cost to finance); and a mean (average) price of $9,216.

Figure 1-1 FCF Model Results for WSA1, 1” Meter Pricing



At a very high level, the calculation of FCF for each WSA is as simple formula:

$$\frac{Revenue\ Requirement}{\#\ of\ Equivalent\ Meter\ Units\ (EMU)}$$

Costs types that are included in the FCF Revenue Requirement are:

a. Existing, remaining debt service that has previously been allocated to growth
b. Future estimated debt service allocated to growth
c. Recycled water project costs
d. Contractual obligations with the Buena Vista Water Storage District and the Rosedale-Rio Bravo Storage District for future water supply to serve growth.

Identified costs are then allocated between current system users and future users (Growth). This is accomplished by updating the current demand forecast and deducting this amount from the demand at buildout as published in the most recent Agency UWMP.

The revenue requirement for each WSA is determined by allocating costs into cost categories:

a. **General Benefit**: The cost benefits all future users equally
b. **Recycled Water**: Costs are not allocated to WSA3 as this area is constructing its own source of supply
c. **Costs to specific WSAs** and costs to WSAs not equal in proportion to all WSAs as in (a.)

1.3 COMPONENTS OF THE FCF CALCULATION

The calculation of FCF requires the following:

1. The amount of demand at buildout, the expected demand for the base year, and the amount of growth in demand through buildout of the service area (Table 2-1)
2. Determination of the number of equivalent meter units at buildout (Section 3)
3. Updating the balance of existing/remaining project finance cost allocated to growth (Table 5-2)
4. List of all construction projects, their timing of construction, cost, and a determination of the percentage of need to serve current customers and future customers (Table 6-1)
5. Development of a project financing schedule including the expectations for future interest rates (Table 6-4)
6. For construction cost allocated to future customers, the costs must then be further assessed to allocate the appropriate amounts to specific Water Service Areas ("WSA"s) (Table 6-5)
7. Updating the remaining balance of the Buena Vista/Rancho Rio Bravo payments (Table 7-1)
8. Calculation of the FCF for the base meter size for each WSA (Section 9)
9. Application of the meter size ratios to the base meter FCF to derive the FCF for each meter size for each WSA (Table 9-5)

2 DETERMINATION OF REMAINING GROWTH

2.1 Introduction

One of the first steps in updating the FCFs is to estimate how much growth in demand is planned. In order to approximate the amount of growth expected to be realized, current demand must be forecast. As the FCFs are to become effective January 1, 2020 a forecast was made for the calendar year 2020. This amount was then subtracted from the published amount of demand at full buildout in 2050 as contained in the Agency's current UWMP. The difference is the amount of growth expected. Current demand and expected growth in demand are then restated in terms of a percentage of demand at full buildout as shown in Table 2-1. These percentages are then used to allocate future major construction work between current and future users.

Table 2-1 Current, Future and Total Demand

Current User Demand	66,131
Future User Demand	27,769
Total Demand 2050 from UWMP	93,900
Current User %	**70%**
Future User %	**30%**

2.2 Current Demand Forecast

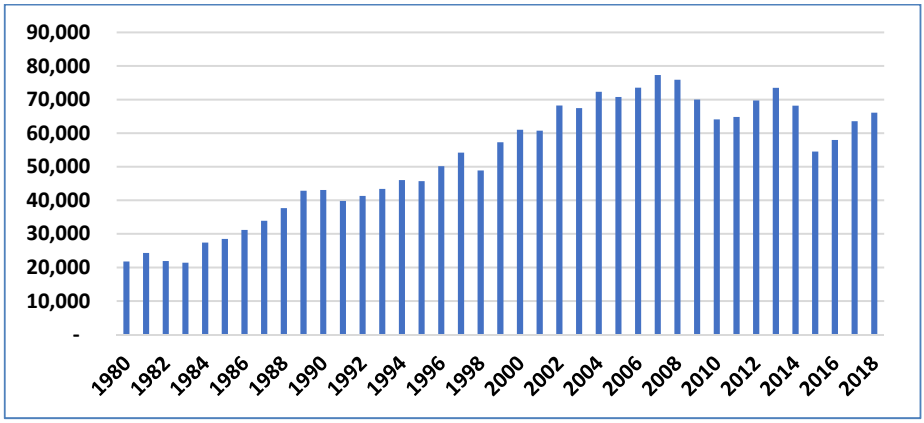
To derive a forecast for current demand, staff first reviewed the prior FCF calculation which used the most recent five-year historical average. Staff does not believe that the most recent five-year historical average is necessarily the best answer due to the large range of actual results in such a short time period. This is shown in Table 2-2

Table 2-2 Most recent five-year historical average demand

Year	Demand (AFY)
2014	68,178
2015	54,491
2016	57,966
2017	63,555
2018	66,082
Average	**62,054**

Staff then reviewed additional years to gain a better understanding of how demand has been trending in the Santa Clarita Valley. Table 2-3 contains the annual demand for the past 39 years. The data clearly shows the growth in demand over time, but it also shows the recent impact of drought, major economic recession, aggressive efforts to encourage conservation (including a state mandated conservation order that was in effect for portions of 2015 and 2016). For this update, staff prepared a variety of alternative demand forecasts for 2020 and reviewed them with the FCF Stakeholder Working Group to consider.

Table 2-3 Santa Clarita Valley Annual Water Demand 1980-2018

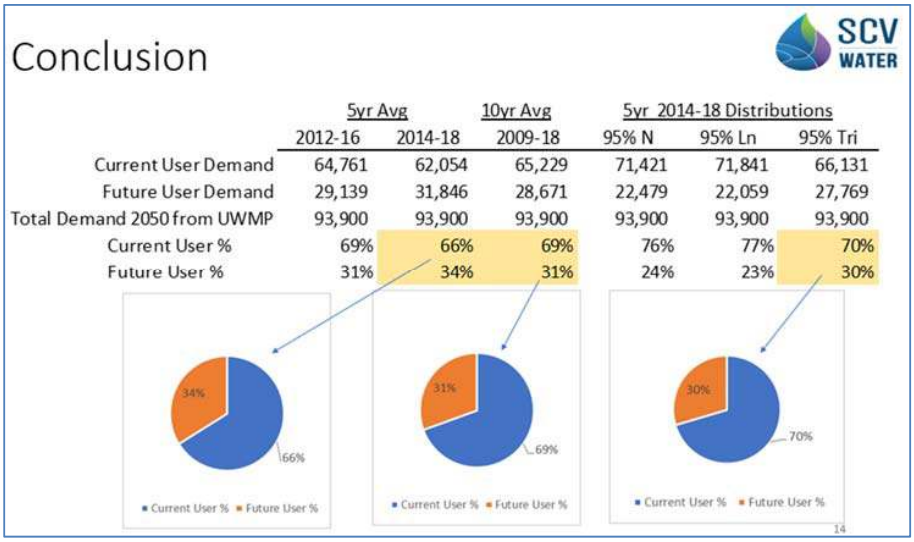


At the February 27, 2019 FCF Stakeholder Working Group Meeting, the following alternative methods to estimate current 2020 demand were presented for the Group to consider:

1. Update to the five-year historical average
2. Use a ten-year historical average
3. Use Monte Carlo simulation (Normal, Log Normal, Triangular distributions)

Figure 2.1 is a summary of these alternatives with the corresponding impact on the amount of remaining growth to buildout. Note that the larger the amount of growth remaining, the larger the amount of General Benefit costs are allocated to growth, resulting in higher FCFs.

Figure 2-1 Summary Comparison of Alternative Methods of Forecasting Demand for 2020



The FCF Stakeholder Working Group indicated a preference for the Monte Carlo simulation method using a Triangular distribution, at the 95% level of confidence. This resulted in a lowering of growth in demand from 31% in the last study to 30% in the current study.

2.3 Growth by WSA

The study involved converting projected growth at system build-out in Acre Feet per Year ("AFY") to Equivalent Meter Units ("EMU") for each WSA. The percentage of growth in system demand for each WSA was kept consistent with the last study. Table 2-4 lists the forecasted growth factors that have been carried forward from the previous Study. Using the prior study data is acceptable because the growth in total at buildout is consistent with the Urban Water Management Plan, and there has been no significant changes within any of the WSAs regarding planned projects that would impact the proportion of total growth attributable to each WSA.

Table 2-4 Forecasted Growth Factor by WSA

Forecasted Growth Factor	
WSA	Factor
WSA 1: West Valley	39%
WSA 2: East Valley	14%
WSA 3: Newhall Ranch	46%
WSA 4: Whittaker-Bermite	1%
	100.0%

Table 2-5 shows the growth in AFY and the equivalent growth in EMU for each WSA. The growth factors shown in Table 2-4 were used to create proportionate distribution of both growth in AFY and EMU for each WSA. The projected growth in EMUs are used as the denominator in each WSAs base FCF calculation.

Table 2-5: Projected Growth in Demand and EMUs at Buildout

(A) WSA	(B) Growth in AFY	(C) Growth in EMUs
WSA 1: West Valley	10,875	18,775
WSA 2: East Valley	3,880	6,740
WSA 3: Newhall Ranch	12,805	22,144
WSA 4: Whittaker -Bermite	209	481
Total	**27,769**	**48,140**

Sources of data (B) Table 2-1 multiplied by Table 2-4 (C) model forecast

3 DETERMINATION OF EQUIVALENT METER UNITS (EMU)

3.1 Alternative Approaches and Assumptions

An Equivalent Meter Unit (or EMU) is a value that reflects the relative capacity of a meter using a common reference meter size. In this case, a 1-inch meter was used as the reference size, and other meter sizes are adjusted to that equivalent using capacity factors (meter ratios) published by the American Water Works Association (AWWA). For the purposes of FCF determination, the existing inventory of meters and their sizes were translated into total number of EMU. Next, it was necessary to estimate the number of EMU that will exist by the end of buildout. Since there is some degree of uncertainty in the number and sizes of meters that will be added to the Agency's service area by the end of buildout, staff considered alternative approaches before determining the approach to take to forecast the number of EMU at buildout. The first approach reviewed was using the meter count forecast in the UWMP. The second approach was to make key assumptions about growth and model these to derive a result. The UWMP was published in 2015, and staff at the Agency expressed the need to review the methodology and assumptions used four years ago to derive this number, particularly in light of new requirements and development standards affecting future proportionate mix of the smaller meter sizes (5/8-inch, 3/4-inch, and 1-inch) that would likely be in place at buildout. As such, staff made key assumptions to modify prior projections regarding growth in EMUs.

The two key assumptions made are: 1. The overall ratio of EMU to population served (EMU/Pop) will remain fairly constant through build out. That is to say that new development will generally be similar in type as exists today. 2. The proportionate mix of meter sizes (except for the three smallest size meters) will remain intact through buildout. Staff believes these assumptions are reasonable, that the Santa Clarita Valley will remain largely similar in terms of land use mix, but the proportionate mix of the three smallest meter connection sizes will change due to building code updates, changes in housing size and product type, and more efficient usage of water by consumers. These assumptions will be monitored for relevance and reviewed in subsequent FCF updates.

3.2 EMU at Buildout

Future growth in EMU was estimated assuming that in general, the proportionate mix of meters will remain intact at build out (except for the mix of the smaller meter sizes). That is to say that the SCVWA service area will continue to be primarily similar in the proportion of residential, commercial and industrial accounts. Table 3-1 presents the projected EMU by meter size in 2050.

Table 3-1 EMU/Population at Buildout

Meter Size	5/8"	3/4"	1"	1 1/2"	2"	2 1/2"	3"	4"	6"	8"	10"	12"	Total EMUs at Buildout
Total EMUs	865	44,047	17,565	4,067	18,992	150	2,402	5,220	29,335	16,483	3,394	959	**143,480**

Table 3-2 Comparison of Meter Mix: Current vs. Buildout Forecast

Factor	43.28%	2.83%	13.25%	0.12%	1.74%	3.83%	20.36%	11.41%	2.48%	0.70%	EMU/Pop
Year	5/8"+3/4"+1"	1 1/2"	2"	2 1/2"	3"	4"	6"	8"	10"	12"	
2019	43.43%	2.78%	12.98%	0.13%	1.76%	3.87%	20.29%	11.30%	2.74%	0.72%	0.3349
2050	43.05%	2.80%	13.09%	0.10%	1.66%	3.60%	20.21%	11.36%	2.34%	0.66%	0.3444

3.3 Change in Mix of Smaller Meter Connections

The smallest meter connection size, 5/8-inch, is likely to be phased out for future residential use. Very little new growth is expected for this connection size. Many existing 5/8-inch meters will also be replaced with 3/4-inch in the future as they reach the end of their useful service life. There is tendency to equip a higher proportion of new residential construction with 1-inch meter connections due to residential fire sprinkler code changes that occurred in 2010 in California. However, trends in hydraulic meter efficiency, use of attached housing with a common separate sprinkler feed, as well as other efficiency factors have also resulted in some homes utilizing 3/4-inch meters. Table 3-3 lists the Agency's current best estimate of the range of future growth parameters for the three meter sizes. As shown, 5/8-inch meters are expected to have a low case growth of 0%, a most likely case growth of 2%, and a high case of 4% growth; 3/4-inch meters are expected to range between 60% and 80% with a most likely value of 70%, and 1-inch meters are expected to range from 20% to 40% with a most likely range of 30%.

Table 3-3 Future Change in Meter Growth 5/8", 3/4", 1"

5/8"	5/8"	5/8"	3/4"	3/4"	3/4"	1"	1"	1"
MIN	ML	MAX	MIN	ML	MAX	MIN	ML	MAX
0.0%	2.0%	4.0%	60.0%	70.0%	80.0%	20.0%	30.0%	40.0%

The results of these modeling assumptions are shown in Table 3-4. Line 3 has the EMU counts for the three meter connection sizes as well as their proportionate mix when combined. In other words, in 2019 there were 2,288 5/8-inch EMU in the Agency retail service area. This represents 6% of all EMU in the combined group. The model results from using the assumptions of change shown in Table 3-3 results in line 12 of Table 3-4. These results can be read as follows: The model projects that at an 80% level of confidence, at the end of the year 2050, the 5/8-inch meters will be reduced to 865 EMU and represent only 1% of the three smaller meter sizes' combined EMU.

Table 3-4 Changing Count 5/8", ¾", 1" Meters at Buildout

	FACTOR		0.4	0.6	1		% 5/8"+3/4"+1"			
						EMU				
Line	YEAR	POP	5/8"	3/4"	1"	5/8"+3/4"+1"	5/8"	3/4"	1"	TOTAL
1	2017	279,140	2,594	31,207	6,694	40,495	6%	77%	17%	100%
2	2018	282,460	2,409	31,501	7,094	41,004	6%	77%	17%	100%
3	2019	285,780	2,288	31,768	7,510	41,566	6%	76%	18%	100%
4	2020	289,100	2,082	31,437	7,996	41,515	5%	76%	19%	100%
5	2021	295,660	1,918	31,833	8,688	42,439	5%	75%	20%	100%
6	2022	302,220	1,742	32,229	9,415	43,386	4%	74%	22%	100%
7	2023	308,780	1,554	32,613	10,174	44,341	4%	74%	23%	100%
8	2024	315,340	1,353	32,985	10,968	45,306	3%	73%	24%	100%
9	2025	321,900	1,138	33,331	11,793	46,262	2%	72%	25%	100%
10	2026	328,440	910	33,682	12,661	47,253	2%	71%	27%	100%
11	2049	418,880	858	43,721	17,435	62,015	1%	71%	28%	100%
12	2050	421,400	865	44,047	17,565	62,478	1%	71%	28%	100%

Table 3-5 shows the model results for changes in EMU count for each meter connection size. The data in line 14 and 15 can be read as follows: The model projects that at an 80% level of confidence, at the end of the year 2050 there will be 865 remaining 5/8" EMU and compared to the year 2020, this equates to a reduction of 1,217 EMU. In total, EMU will be equal to 143,480 at the end of the year 2050 which will be the result of growth of 48,140 EMU in the Agency's service area.

Table 3-5 Summary: Quantities of Changes in EMU by Meter Connection Size

Line	FACTOR	0.4	0.6	1	2	3.2	4.6	6	10	20	32	46	86	Total EMU
	YEAR	5/8"	3/4"	1"	1 1/2"	2"	2 1/2"	3"	4"	6"	8"	10"	12"	
1	2010	2,974	29,680	4,103	2,412	11,482	83	1,650	3,290	17,060	9,728	1,978	602	85,041
2	2011	2,969	29,852	4,109	2,434	11,421	92	1,554	2,900	17,000	9,696	1,978	602	84,606
3	2012	2,955	29,992	4,242	2,448	11,462	101	1,530	2,940	17,400	9,760	2,024	602	85,456
4	2013	2,938	30,188	4,569	2,490	11,622	87	1,536	3,020	17,720	9,920	2,070	688	86,849
5	2014	2,936	30,451	5,027	2,566	11,907	101	1,518	3,700	18,520	10,368	2,254	602	89,950
6	2015	2,880	30,676	5,680	2,600	12,022	92	1,524	3,760	18,700	10,464	2,254	602	91,255
7	2016	2,745	30,934	6,340	2,602	12,144	106	1,524	3,770	18,940	10,528	2,254	602	92,488
8	2017	2,594	31,207	6,694	2,618	12,211	124	1,554	3,750	19,160	10,624	2,254	602	93,392
9	2018	2,409	31,501	7,094	2,642	12,394	133	1,542	3,730	19,280	10,752	2,668	688	94,833
10	2019	2,288	31,768	7,510	2,656	12,426	129	1,680	3,700	19,420	10,816	2,622	688	95,702
11	2020	2,082	31,437	7,996	2,702	12,620	99	1,596	3,469	19,492	10,952	2,255	638	95,340
12	2021	1,918	31,833	8,688	2,762	12,900	102	1,632	3,546	19,926	11,196	2,306	652	97,461
13	2049	858	43,721	17,435	4,037	18,851	149	2,385	5,182	29,117	16,360	3,369	952	142,416
14	2050	865	44,047	17,565	4,067	18,992	150	2,402	5,220	29,335	16,483	3,394	959	143,480
15		**-1,217**	**12,611**	**9,569**	**1,364**	**6,372**	**50**	**806**	**1,752**	**9,842**	**5,530**	**1,139**	**322**	**48,140**

3.4 Confidence Levels and EMU Count at Buildout

In Section 1.2 Principles and Methodology, Figure 1-1 illustrated Staff's use of simulation to create a frequency distribution of FCF pricing results. The higher the level of confidence that is desired that the FCFs will cover the determined revenue requirement, the higher the FCFs must be. The model's most influential variable in fee determination is the growth in EMU. Section 3.2 documents how population growth was assumed to

impact EMU growth and illustrated how the model carried this out. Section 3.3 documents assumptions in how changes in the proportionate mix of the three smallest meter connection sizes are expected by Staff and how the model carried this out. The results of the model at an 80% level of confidence were used to illustrate the outcomes.

Table 3-6 contains actual output from the Staff FCF model at specific Levels of Confidence. For each level of confidence shown, the number of EMU and the corresponding base FCF for each WSA is listed along with the total number of EMUs of growth that is projected. For comparison purposes, WSA1 base FCF would decrease $840 (8%) by using the model output at 80% level of confidence rather than at the 95% level of confidence. At this lower base FCF ($9,874) the model projects greater EMU growth of 1,617 (18,775 – 17,158). Under any of the level of confidence selected the model pricing points cover the revenue requirement as the number of EMU is the denominator in the FCF calculation.

Table 3-6 Level of Confidence, Confidence Interval, Fees, and Number of EMUs

	Level of Confidence		WSA 1	WSA 2	WSA 3	WSA 4	Total EMUs
Confidence Interval	95.0%	Fee	$10,714	$6,233	$9,004	$15,381	
		EMU's	17,158	6,159	20,238	440	43,995
	92.5%	Fee	$10,496	$15,892	$8,813	$15,060	
		EMU's	17,548	6,299	20,697	450	44,994
	90.0%	Fee	$10,339	$5,645	$674	$4,826	
		EMU's	17,844	6,405	21,047	458	45,754
	87.5%	Fee	$10,157	$15,363	$8,515	$14,560	
		EMU's	18,189	6,529	21,453	466	46,637
	85.0%	Fee	$10,055	$15,202	$8,425	$14,408	
		EMU's	18,396	6,604	21,697	472	47,169
	82.5%	Fee	$9,966	$15,061	$8,345	$14,275	
		EMU's	18,582	6,671	21,918	476	47,647
	80.0%	Fee	$9,874	$14,918	$8,264	$14,140	
		EMU's	18,775	6,740	22,144	481	48,140
	70.0%	Fee	$9,595	$14,477	$8,015	$13,724	
		EMU's	19,396	6,963	22,878	497	49,734
	60.0%	Fee	$9,369	$14,119	$7,813	$13,386	
		EMU's	19,933	7,156	23,511	511	51,111
	50.0%	Fee	$9,148	$13,772	$7,617	$13,059	
		EMU's	20,481	7,352	24,157	525	52,515

4 COST ALLOCATION METHODOLOGY

4.1 Introduction

In this section of the report presents the process to determine the FCF revenue requirement. The specific cost components will be covered in later sections. There is a structure and a process to determining the revenue requirement; the amount of revenue that is necessary to cover the cost of building major infrastructure to support growth.

4.2 Cost Type

There are four major cost types included in the FCF revenue requirement:

1. Existing Debt Service: This cost type includes repayment of principal and interest on the portion of the Agency's outstanding debt attributable to growth. All remaining outstanding debt that has been previously allocated to growth is contained in this category.
2. Future Debt Service: This cost type includes the estimate of future project cost financing for major infrastructure projects. The amount varies by project and is determined based on the percentage of estimated project costs allocated to growth.
3. Recycled Water: This cost type includes the estimated cost of recycled water major infrastructure and the cost to finance the projects. It is given its own cost category and each WSA participates in the various projects differently.
4. Rosedale Rio Bravo/Buena Vista water acquisition agreement. This is a long- term water supply contract that was entered into in anticipation of growth in the service area. The costs are allocated between current and future users.

4.3 Cost Allocation between Current and Future (Growth) users

In Section 2.1 the determination of remaining growth in terms of annual demand was explained. The results of the simulation were used at the point of 95% confidence that the demand in 2020 would not exceed 66,131. This forecasted demand for 2020 was deducted from the expected demand at buildout in 2050, as contained in the Agency's 2015 UWMP (93,900) to arrive at the remaining growth expected due to growth (27,769). This information is shown in Table 4-1.

Table 4-1 Current, Future and Total Demand

Current User Demand	66,131
Future User Demand	27,769
Total Demand 2050 from UWMP	93,900
Current User %	**70%**
Future User %	**30%**

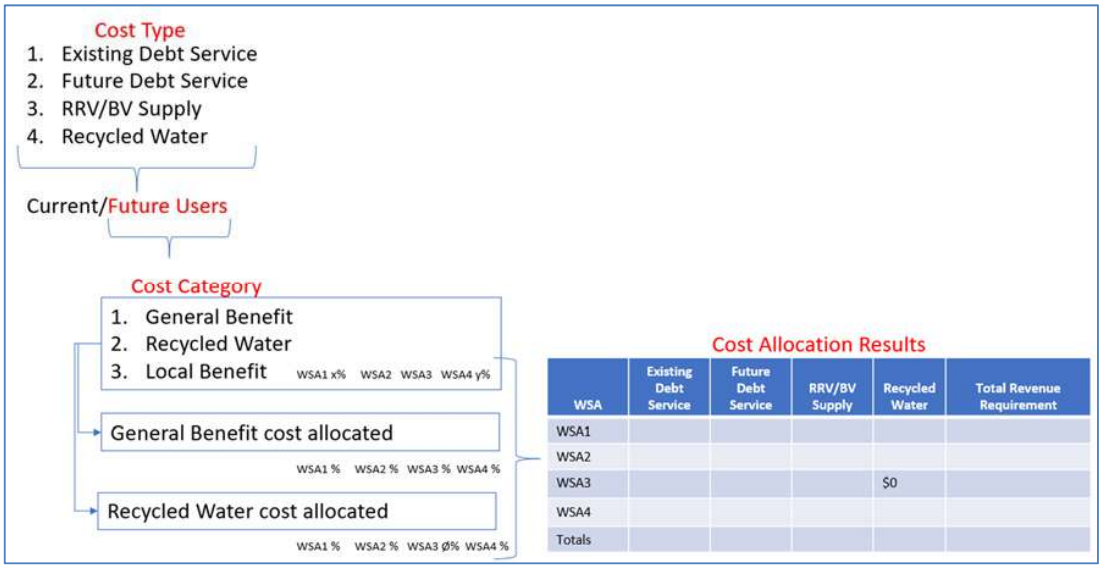
The amounts of demand that were determined for current and future users were each divided by the forecasted total demand in 2050 to arrive at 70% of total forecasted demand being attributable to current users and the remaining 30% attributable to future users. These percentages are used to allocate costs between current and future users.

4.4 Cost Category

The next level of cost allocation is by cost category. There are three cost categories:

1. **General Benefit:** Projects consist of water supply, treatment, and storage projects.
2. **Recycled Water:** Recycled water projects consist projects related to the Agency-wide recycled water system.
3. **Local Benefit (specific WSA(s)):** Projects consist of transmission projects and for WSA 3, recycled water projects. Transmission projects benefit each WSA separately because each WSA has its own specific transmission infrastructure needs. A project may have a different percentage allocated to multiple WSAs if more than one has a determined benefit from the specific project. Figure 4-4 shows an example of this process.

Figure 4-4 Cost Allocation Flow Diagram



5 EXISTING DEBT SERVICE

5.1 Introduction

Many of the Agency's large capital projects are financed with municipal bonds (debt). Repayment of these debt obligations includes principal and interest. As shown in section 4.1 of this report, project costs are allocated to current customers and growth; allocations to growth are allocated to the WSAs and collected through FCFs. Table 5-1 lists the existing debt issues, the amount of remaining debt service (principle and interest) outstanding in total, the amount of debt service remaining that has been previously allocated to growth (determined in prior FCF studies), and the percentage of remaining debt service allocated to growth. There is no need to change the previous allocations to growth for existing debt unless a project did not have work performed funded by the debt (which has not been the case), or a change in assessment of future use attributable to growth changed prior to work performed funded by the specific bond proceeds. Neither of these conditions have occurred since the previous study.

Table 5-1 Existing Debt Service (Principle and Interest) by Obligation

Debt Issue	Outstanding Debt Service (All)	Outstanding Debt Service (Growth Only)	Percentage of Debt Svc Allocated to Growth
1999 COP	$104,450,000	$80,896,525	77.45%
2004A COP/ 2014A	$6,293,250	$4,933,908	78.40%
2008A COP	$12,147,587	$9,523,708	78.40%
2010A COP	$63,015,568	$55,264,653	87.70%
2015A Revenue Bonds	$84,733,575	$53,127,952	62.70%
2016AN Revenue Bonds	$55,025,750	$21,735,171	39.50%
2016AR Revenue Bonds	$30,169,350	$23,366,162	77.45%
Total	**$355,835,080**	**$248,848,079**	**69.93%**

5.2 Allocation to Growth

Table 5-2 contains a detailed breakdown of the existing debt obligations allocated to growth by obligation on an annual basis. For the eleven-year period FY2020 through FY2030, annual debt service allocated to growth is at least $18,363,082. This highlights the difficulty in determining the optimal FCFs. Annually the Agency budgets (plans) on receiving $7,000,000 in FCF revenue. The difference between planned revenue and actual debt obligations is due to timing differences in when growth may occur, and when facilities are built, and debt issued to pay for them over time.

Table 5-2 Existing Annual Principle and Interest Cost Attributable to Growth

Line	Fiscal Year	1999 COP	2014A	2008A COP	2010A COP	2015A Revenue Bonds	2016AN Revenue Bonds	2016AR Revenue Bonds	Total
1	2019/20	$0	$2,466,954	$4,761,854	$5,024,059	$3,125,174	$3,105,024	$2,124,197	$20,607,262
2	2020/21	$0	$2,466,954	$4,761,854	$5,024,059	$3,125,174	$3,105,024	$2,124,197	$20,607,262
3	2021/22	$8,089,653			$5,024,059	$3,125,174	$3,105,024	$2,124,197	$21,468,106
4	2022/23	$8,089,653			$5,024,059	$3,125,174	$3,105,024	$2,124,197	$21,468,106
5	2023/24	$8,089,653			$5,024,059	$3,125,174	$3,105,024	$2,124,197	$21,468,106
6	2024/25	$8,089,653			$5,024,059	$3,125,174	$3,105,024	$2,124,197	$21,468,106
7	2025/26	$8,089,653			$5,024,059	$3,125,174	$3,105,024	$2,124,197	$21,468,106
8	2026/27	$8,089,653			$5,024,059	$3,125,174		$2,124,197	$18,363,082
9	2027/28	$8,089,653			$5,024,059	$3,125,174		$2,124,197	$18,363,082
10	2028/29	$8,089,653			$5,024,059	$3,125,174		$2,124,197	$18,363,082
11	2029/30	$8,089,653			$5,024,059	$3,125,174		$2,124,197	$18,363,082
12	2030/31	$8,089,653				$3,125,174			$11,214,826
13	2031/32					$3,125,174			$3,125,174
14	2032/33					$3,125,174			$3,125,174
15	2033/34					$3,125,174			$3,125,174
16	2034/35					$3,125,174			$3,125,174
17	2035/36					$3,125,174			$3,125,174
18	2036/37								$0
19	**Total**	**$80,896,525**	**$4,933,908**	**$9,523,708**	**$55,264,653**	**$53,127,952**	**$21,735,171**	**$23,366,162**	**$248,848,079**

For the purpose of FCF calculation, capital projects that were funded by the specific debt obligations were further assessed in terms of future users that will benefit from the project, resulting in the “cost category” allocation factors contained in Table 5-3. Cost category allocation factors are determined as soon as practical once financing efforts are completed.

Table 5-3 Existing Cost Category Allocation Factors

Debt Issue	General Benefit Allocation	WSA 1 Allocation	WSA 2 Allocation	WSA 3 Allocation	WSA 4 Allocation
1999 COP	89.74%	5.03%	3.71%	0.00%	1.52%
2004A COP/ 2014A	99.33%	0.42%	0.17%	0.00%	0.08%
2008A COP	89.74%	5.03%	3.71%	0.00%	1.52%
2010A COP	99.33%	0.42%	0.17%	0.00%	0.08%
2015A Revenue Bonds	29.31%	7.37%	61.54%	1.77%	0.00%
2016AN Revenue Bonds	89.74%	5.03%	3.71%	0.00%	1.52%
2016AR Revenue Bonds	80.99%	9.41%	5.79%	0.90%	2.90%

The cost category allocation factors in Table 5-3 are multiplied by the amount of debt service allocated to growth for each of the existing debt issues. This results in the cost allocations shown in Table 5-4. The totals from Table 5-4 will next be seen in Table 9-2 Summary Revenue Requirement (Existing debt service column).

Table 5-4 Existing Debt Service Allocated to Cost Categories

Debt Issue	Outstanding Debt (Growth Only)	General Benefit	WSA 1	WSA 2	WSA 3	WSA 4
1999 COP	$80,896,525	$72,594,674	$4,072,541	$2,999,261	$0	$1,230,050
2004A COP/ 2014A	$4,933,908	$4,900,994	$20,571	$8,229	$0	$4,114
2008A COP	$9,523,708	$8,546,356	$479,448	$353,094	$0	$144,810
2010A COP	$55,264,653	$54,895,980	$230,421	$92,168	$0	$46,084
2015A Revenue Bonds	$53,127,952	$15,573,619	$3,914,865	$32,694,161	$942,698	$2,609
2016AN Revenue Bonds	$21,735,171	$19,504,641	$1,094,205	$805,837	$0	$330,488
2016AR Revenue Bonds	$23,366,162	$18,925,113	$2,198,982	$1,353,968	$211,119	$676,984
Total	**$248,848,079**	**$194,941,376**	**$12,011,032**	**$38,306,718**	**$1,153,817**	**$2,435,140**

6 FUTURE DEBT SERVICE

6.1 Introduction

To estimate future financing needs and costs, a capital plan must be developed. Table 6-1 is a summary of the capital projects that are required to serve growth. Each project in the list is named and the planned construction period is listed along with the cost category (Benefit Type) that the costs were assigned to for FCF cost allocation, the remaining project cost, percent of remaining cost allocated to growth, and the cost allocated to growth. These costs are planned but have not yet occurred. Each FCF Study Update, this list is reviewed and updated to reflect changes in project plans (remaining planned cost, timing).

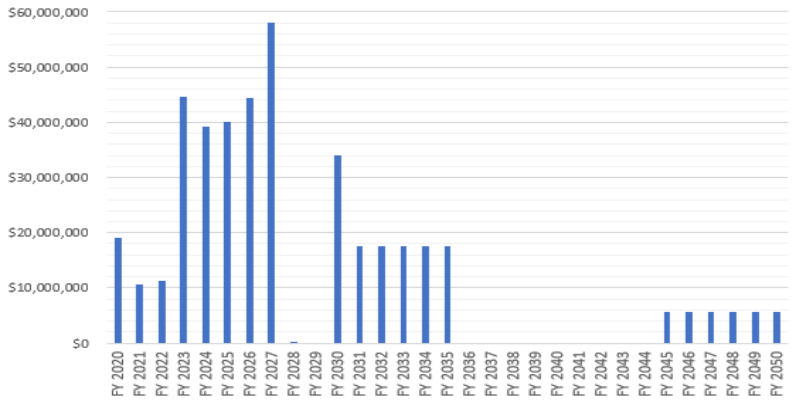
Table 6-1 contains 22 construction projects that have a remaining cost of $423,960,736 of which $110,520,527 is attributable to growth. These costs are in current dollars and are not inflated with expected inflationary cost increases. Exclusion of expected construction inflation costs from the FCF calculation was deemed appropriate so that FCF payers today are paying for the cost of constructing in today's dollars. **This is also important to note as the Agency is seeking approval of an annual capital cost inflation factor to be applied annually in years that a full FCF calculation is not undertaken. This is covered in Section 9 of this report.**

Table 6-1 Construction Projects, Timing of Construction, Cost to Complete, Allocation to Growth

CIP Project No.	Project Name	Start Year	End Year	Benefit Type	Total/Remaining Project Cost	Allocation to Growth	Project Cost (Growth Only)
TBD	Water Supply Banking (10,000 AF)	2030	2030	General Benefit	$16,390,400	30.00%	$4,917,120
TBD	Stored Water Recovery Unit Replacement	2045	2050	General Benefit	$8,195,200	30.00%	$2,458,560
200963	Saugus Formation Dry Year Reliability Wells	2021	2024	General Benefit	$11,155,000	30.00%	$3,346,500
200453	Recycled Water Program Phase II, 2A (Center Park)	2020	2024	Recycled Water	$15,657,000	15.00%	$2,348,550
200454	Recycled Water Program Phase II, 2B (Vista Canyon)	2020	2021	Recycled Water	$4,820,584	15.00%	$723,088
200455	Recycled Water Program Phase II, 2C (South End)	2020	2025	Recycled Water	$11,869,000	15.00%	$1,780,350
200456	Recycled Water Program Phase II, 2D (West Ranch)	2020	2020	Recycled Water	$886,378	15.00%	$132,957
TBD	Recycled Water Projects (Alignments A-H)	2030	2035	Recycled Water	$105,885,000	15.00%	$15,882,750
TBD	ESFP Storage Expansion	2045	2050	General Benefit	$3,721,645	30.00%	$1,116,494
TBD	Rio Vista Reservoir Expansion	2045	2050	General Benefit	$6,957,725	30.00%	$2,087,318
TBD	Sand Canyon Reservoir Expansion I	2021	2045	General Benefit	$18,124,000	30.00%	$5,437,200
TBD	Sand Canyon Reservoir Expansion II	2045	2050	General Benefit	$8,575,252	30.00%	$2,572,576
200525	Magic Mountain Pipelines 4	2020	2020	General Benefit	$3,562,000	30.00%	$1,068,600
200526	Magic Mountain Pipelines 5	2020	2020	General Benefit	$5,339,000	30.00%	$1,601,700
200527	Magic Mountain Pipelines 6	2020	2021	General Benefit	$13,160,000	30.00%	$3,948,000
200528	Magic Mountain Reservoir	2020	2024	General Benefit	$29,865,000	30.00%	$8,959,500
TBD	Magic Mountain Reservoir II	2021	2027	General Benefit	$46,600,000	30.00%	$13,980,000
TBD	Southern Service Area Storage, Pipeline and Pump Station 12 MG	2020	2027	General Benefit	$63,273,000	30.00%	$18,981,900
TBD	Southern Service Area Expansion	2045	2050	General Benefit	$6,782,552	30.00%	$2,034,766
200510	Honby Parallel (Phase 2 - ext of Phase 1)	2020	2025	Local Benefit	$22,953,000	30.00%	$6,885,900
200903	Castaic Conduit	2020	2025	Local Benefit	$14,189,000	30.00%	$4,256,700
NA	NR WSA Integration	2025	2025	Local Benefit	$6,000,000	100.00%	$6,000,000
	Total				**$423,960,736**		**$110,520,527**

Figure 6-1 illustrates the timing of the capital plan in terms of planned expenditure. This is an important visual to keep in mind when attempting to understand the complexity of reasonable and fair FCF development. This figure is showing that most of the approximate $425 million capital outlay occurs by the Agency during the period FY2020 through **FY2027**. However, the FCF are being set to attempt to recover these costs during the period FY2020 through **FY2050**. This results in the Agency serving the role as financier (bank). As the Agency can only charge an FCF to the developer once and there is no going back to request additional funds, the risk of under collecting enough FCF revenues increases as the timing difference between Agency capital expenditure and FCF revenue realization lengthens.

Figure 6-1 Capital Plan Timing



6.2 Capital Expenditure Plan

Table 6-2 shows the annual capital expenditure plan that is in place as of August 2019. This information was used for determining a forecast for capital project financing requirements. The Table shows annual planned capital expenditures for each year for FY 2020-FY2027. It contains a final column for the remaining capital plan covering the period FY2028-FY2050. For these later years an estimate has been developed for the annual capital expenditure and is contained in the Appendix.

Table 6-2 Timing of Capital Project Expenditure FY2020-FY2027

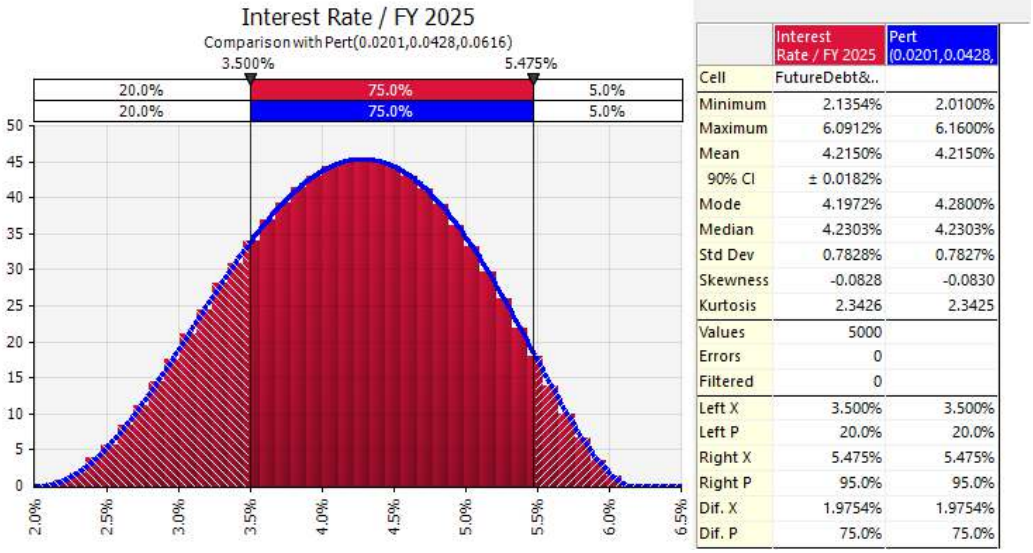
CIP Project No.	Project Name	Total/Remaining Project Cost	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY2028-Buildout
TBD	Water Supply Banking (10,000 AF)	$16,390,400	$0	$0	$0	$0	$0	$0	$0	$0	$16,390,400
TBD	Stored Water Recovery Unit Replacement	$8,195,200	$0	$0	$0	$0	$0	$0	$0	$0	$8,195,200
200963	Saugus Formation Dry Year Reliability Wells	$11,155,000	$0	$380,000	$775,000	$5,000,000	$5,000,000	$0	$0	$0	$0
200453	Recycled Water Program Phase II, 2A (Center Park)	$15,657,000	$5,000	$5,000	$5,000	$13,990,000	$1,652,000	$0	$0	$0	$0
200454	Recycled Water Program Phase II, 2B (Vista Canyon)	$4,820,584	$3,135,000	$3,627,000	$10,000	$0	$0	$0	$0	$0	$0
200455	Recycled Water Program Phase II, 2C (South End)	$11,869,000	$150,000	$150,000	$5,000	$5,000	$6,500,000	$5,059,000	$0	$0	$0
200456	Recycled Water Program Phase II, 2D (West Ranch)	$886,378	$985,000	$578,000	$10,000	$0	$0	$0	$0	$0	$0
TBD	Recycled Water Projects (Alignments A-H)	$105,885,000	$0	$0	$0	$0	$0	$0	$0	$0	$105,885,000
TBD	ESFP Storage Expansion	$3,721,645	$0	$0	$0	$0	$0	$0	$0	$0	$3,721,645
TBD	Rio Vista Reservoir Expansion	$6,957,725	$0	$0	$0	$0	$0	$0	$0	$0	$6,957,725
TBD	Sand Canyon Reservoir Expansion I	$18,124,000	$0	$0	$311,000	$573,000	$487,000	$537,000	$10,476,000	$5,720,000	$20,000
TBD	Sand Canyon Reservoir Expansion II	$8,575,252	$0	$0	$0	$0	$0	$0	$0	$0	$8,575,252
200525	Magic Mountain Pipelines 4	$3,562,000	$3,562,000	$0	$0	$0	$0	$0	$0	$0	$0
200526	Magic Mountain Pipelines 5	$5,339,000	$5,339,000	$0	$0	$0	$0	$0	$0	$0	$0
200527	Magic Mountain Pipelines 6	$13,160,000	$5,500,000	$7,650,000	$10,000	$0	$0	$0	$0	$0	$0
200528	Magic Mountain Reservoir	$29,865,000	$170,000	$315,000	$3,000,000	$16,000,000	$10,000,000	$380,000	$0	$0	$0
TBD	Magic Mountain Reservoir II	$46,600,000	$0	$0	$200,000	$700,000	$700,000	$15,000,000	$15,000,000	$15,000,000	$0
TBD	Southern Service Area Storage, Pipeline and Pump Station 12 MG	$63,273,000	$0	$0	$711,000	$1,416,000	$1,747,000	$3,247,000	$18,839,000	$37,293,000	$20,000
TBD	Southern Service Area Expansion	$6,782,552	$0	$0	$0	$0	$0	$0	$0	$0	$6,782,552
200510	Honby Parallel (Phase 2 - ext of Phase 1)	$22,953,000	$50,000	$150,000	$100,000	$546,000	$12,084,000	$9,869,000	$77,000	$77,000	$0
200903	Castaic Conduit	$14,189,000	$200,000	$200,000	$6,259,000	$6,500,000	$950,000	$80,000	$0	$0	$0
NA	NR WSA Integration	$6,000,000	$0	$0	$0	$0	$0	$6,000,000	$0	$0	$0
Total		**$423,960,736**	**$19,096,000**	**$13,055,000**	**$11,396,000**	**$44,730,000**	**$39,120,000**	**$40,172,000**	**$44,392,000**	**$58,090,000**	**$156,547,774**

6.3 Project Finance

All the capital project costs shown in Table 6-2 are currently planned to be financed through debt. This debt will be secured by the Agency's revenues. As a result of the Agency merger, this future debt will be secured by retail rate revenues. To derive an interest rate for project financing through buildout the following methodology was used: A review of historical municipal AA rated interest rates for the past 30 years were in the range of 2% to 6%. A distribution was created using the historical highest and lowest interest rates as the boundaries for rates, and 4.22% was used as the most likely as this was the average of the rates published. The historic interest rate data is shown in Table 6-3. The results of the simulation are shown in Figure 6-2.

Table 6-3 Historic 30YR Bond AA Rated Interest Rates

Figure 6-2 Interest rate simulation results



	Interest Rate / FY 2025	Pert (0.0201,0.0428,
Cell	FutureDebt&..	
Minimum	2.1354%	2.0100%
Maximum	6.0912%	6.1600%
Mean	4.2150%	4.2150%
90% CI	± 0.0182%	
Mode	4.1972%	4.2800%
Median	4.2303%	4.2303%
Std Dev	0.7828%	0.7827%
Skewness	-0.0828	-0.0830
Kurtosis	2.3426	2.3425
Values	5000	
Errors	0	
Filtered	0	
Left X	3.500%	3.500%
Left P	20.0%	20.0%
Right X	5.475%	5.475%
Right P	95.0%	95.0%
Dif. X	1.9754%	1.9754%
Dif. P	75.0%	75.0%

Table 6-4 shows the project financing assumptions used. The amounts listed as CIP costs for three years on line six are taken from Table 6-2. The simulation for interest rates was put through a single 5,000 iteration simulation and the results at the 20% level of confidence were used for the bond issues from 2026 through buildout. What this means is it can be expected that with an 80% level of confidence, future interest rates will be at least 3.5%. The lower side of the interest rate simulations were used to avoid accusation of over inflating financing costs. For the nearer term planned debt issuances, the Agency has used 4.5% which is closer to what is expected for the next new money issue that is being planned as of December 2019. Line 9 shows the amounts of each planned bond issue through FY2035 after taking into consideration bond issuance costs (Line 4) and interest earnings on bond proceeds prior to expenditure (Line 7). The sum of the six bond issues shown in Table 6-4 (Line 9) is approximately $390,000,000.

Table 6-4 Project Financing Requirements Forecast FY2020-FY2035

Line		FY 2020	FY 2023	FY 2026	FY 2029	FY 2032	FY 2035
1	**Proposed Debt Terms**						
2	Interest Rate	4.50%	4.50%	3.50%	3.50%	3.50%	3.50%
3	Term (years)	30	30	30	30	30	30
4	Bond Issuance Cost	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%
5	Interest Earning Rate	2%	2%	2%	2%	2%	2%
6	CIP Costs for 3 Years	$43,547,000	$124,022,000	$102,522,000	$51,685,400	$52,942,500	$17,647,500
7	Interest on Debt Proceeds	$0	$716,940	$2,360,602	$1,068,976	$1,343,899	$1,005,094
8	Funding Needed for CIP	$43,547,000	$123,305,060	$100,161,398	$50,616,424	$51,598,601	$16,642,406
9	Proposed Debt Issue	$43,917,150	$124,353,153	$101,012,769	$51,046,664	$52,037,189	$16,783,866
10	Annual Debt Service	$2,696,142	$7,634,232	$5,492,394	$2,775,574	$2,829,432	$912,594

6.4 Cost Allocation

Table 6-5 Contains the annual capital expenditure for the projects from Table 6-2 that is attributable to growth for the time period FY2020 through FY2027. These amounts are in today's dollars. Financing costs have not been added at this point. The way to read the cost allocations in Table 6-5 is as follows: Column A is the Cost Category assigned to the project (see Section 4.4 Cost Category), Column B is the amount of the project's cost allocated to growth (see Section 4.3 Cost Allocation between Current and Future (Growth) users and Table 6-1).

Table 6-5 Allocation of Project Costs to Growth

CIP Project No.	Project Name	A Benefit Type	B Total Project Cost- Growth	C General Benefit	D Recycled Water	E WSA 1	F WSA 2	G WSA 3	H WSA 4
TBD	Water Supply Banking (10,000 AF)	General Benefit	$4,917,120	100.00%					
TBD	Stored Water Recovery Unit Replacement	General Benefit	$2,458,560	100.00%					
200963	Saugus Formation Dry Year Reliability Wells	General Benefit	$3,346,500	100.00%					
200453	Recycled Water Program Phase II, 2A (Center Park)	Recycled Water	$2,348,550		100.00%				
200454	Recycled Water Program Phase II, 2B (Vista Canyon)	Recycled Water	$723,088		100.00%				
200455	Recycled Water Program Phase II, 2C (South End)	Recycled Water	$1,780,350		100.00%				
200456	Recycled Water Program Phase II, 2D (West Ranch)	Recycled Water	$132,957		100.00%				
TBD	Recycled Water Projects (Alignments A-H)	Recycled Water	$15,882,750		100.00%				
TBD	ESFP Storage Expansion	General Benefit	$1,116,494	100.00%					
TBD	Rio Vista Reservoir Expansion	General Benefit	$2,087,318	100.00%					
TBD	Sand Canyon Reservoir Expansion I	General Benefit	$5,437,200	100.00%					
TBD	Sand Canyon Reservoir Expansion II	General Benefit	$2,572,576	100.00%					
200525	Magic Mountain Pipelines 4	General Benefit	$1,068,600	100.00%					
200526	Magic Mountain Pipelines 5	General Benefit	$1,601,700	100.00%					
200527	Magic Mountain Pipelines 6	General Benefit	$3,948,000	100.00%					
200528	Magic Mountain Reservoir	General Benefit	$8,959,500	100.00%					
TBD	Magic Mountain Reservoir II	General Benefit	$13,980,000	100.00%					
TBD	Southern Service Area Storage, Pipeline and Pump Station 12 MG	Local Benefit	$18,981,900	100.00%					
TBD	Southern Service Area Expansion	Local Benefit	$2,034,766	100.00%					
200510	Honby Parallel (Phase 2 - ext of Phase 1)	Local Benefit	$6,885,900			72.57%	26.02%		1.40%
200903	Castaic Conduit	Local Benefit	$4,256,700			38.91%	13.95%	46.38%	0.75%
NA	NR WSA Integration	Local Benefit	$6,000,000					100.00%	
			$110,520,527						

Table 6-6 The timing of project costs FY2020-FY2027 attributable to growth

CIP Project No.	Project Name	Total/Remaining Project Growth Cost	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028-Buildout
TBD	Water Supply Banking (10,000 AF)	$4,917,120	$0	$0	$0	$0	$0	$0	$0	$0	$4,917,120
TBD	Stored Water Recovery Unit Replacement	$2,458,560	$0	$0	$0	$0	$0	$0	$0	$0	$2,458,560
200963	Saugus Formation Dry Year Reliability Wells	$3,346,500	$0	$836,625	$836,625	$836,625	$836,625	$0	$0	$0	$0
200453	Recycled Water Program Phase II, 2A (Center Park)	$2,348,550	$469,710	$469,710	$469,710	$469,710	$469,710	$0	$0	$0	$0
200454	Recycled Water Program Phase II, 2B (Vista Canyon)	$723,088	$361,544	$361,544	$0	$0	$0	$0	$0	$0	$0
200455	Recycled Water Program Phase II, 2C (South End)	$1,780,350	$296,725	$296,725	$296,725	$296,725	$296,725	$296,725	$0	$0	$0
200456	Recycled Water Program Phase II, 2D (West Ranch)	$132,957	$132,957	$0	$0	$0	$0	$0	$0	$0	$0
TBD	Recycled Water Projects (Alignments A-H)	$15,882,750	$0	$0	$0	$0	$0	$0	$0	$0	$15,882,750
TBD	ESFP Storage Expansion	$1,116,494	$0	$0	$0	$0	$0	$0	$0	$0	$1,116,494
TBD	Rio Vista Reservoir Expansion	$2,087,318	$0	$0	$0	$0	$0	$0	$0	$0	$2,087,318
TBD	Sand Canyon Reservoir Expansion I	$5,437,200	$0	$217,488	$217,488	$217,488	$217,488	$217,488	$217,488	$217,488	$3,914,784
TBD	Sand Canyon Reservoir Expansion II	$2,572,576	$0	$0	$0	$0	$0	$0	$0	$0	$2,572,576
200525	Magic Mountain Pipelines 4	$1,068,600	$1,068,600	$0	$0	$0	$0	$0	$0	$0	$0
200526	Magic Mountain Pipelines 5	$1,601,700	$1,601,700	$0	$0	$0	$0	$0	$0	$0	$0
200527	Magic Mountain Pipelines 6	$3,948,000	$1,974,000	$1,974,000	$0	$0	$0	$0	$0	$0	$0
200528	Magic Mountain Reservoir	$8,959,500	$1,791,900	$1,791,900	$1,791,900	$1,791,900	$1,791,900	$0	$0	$0	$0
TBD	Magic Mountain Reservoir II	$13,980,000	$0	$1,997,143	$1,997,143	$1,997,143	$1,997,143	$1,997,143	$1,997,143	$1,997,143	$0
TBD	Southern Service Area Storage, Pipeline and Pump Station 12 MG	$18,981,900	$2,372,738	$2,372,738	$2,372,738	$2,372,738	$2,372,738	$2,372,738	$2,372,738	$2,372,738	$0
TBD	Southern Service Area Expansion	$2,034,766	$0	$0	$0	$0	$0	$0	$0	$0	$2,034,766
200510	Honby Parallel (Phase 2 - ext of Phase 1)	$6,885,900	$1,147,650	$1,147,650	$1,147,650	$1,147,650	$1,147,650	$1,147,650	$0	$0	$0
200903	Castaic Conduit	$4,256,700	$709,450	$709,450	$709,450	$709,450	$709,450	$709,450	$0	$0	$0
NA	NR WSA Integration	$6,000,000	$0	$0	$0	$0	$0	$6,000,000	$0	$0	$0
	Total	**$110,520,527**	**$11,926,973**	**$12,174,972**	**$9,839,428**	**$9,839,428**	**$9,839,428**	**$12,741,193**	**$4,587,368**	**$4,587,368**	**$34,984,366**

The cost of capital projects allocated to growth will be financed. Table 6-7 shows the cost allocation of debt service for financing the portion of capital work attributed to growth. That is to say that the capital project cost allocated to growth increases from $110,520,527 to an expected $157,455,137 once financed.

Table 6-7 Debt Service Cost Allocation to Growth

Line	Year	General Benefit	Recycled Water	WSA 1	WSA 2	WSA 3	WSA 4	Total Debt Service
1	FY 2020	$1,561,129	$195,358	$205,976	$73,861	$61,113	$3,988	$2,101,425
2	FY 2021	$1,561,129	$195,358	$205,976	$73,861	$61,113	$3,988	$2,101,425
3	FY 2022	$1,561,129	$195,358	$205,976	$73,861	$61,113	$3,988	$2,101,425
4	FY 2023	$2,709,419	$305,340	$407,833	$146,244	$472,113	$7,896	$4,048,845
5	FY 2024	$2,709,419	$305,340	$407,833	$146,244	$472,113	$7,896	$4,048,845
6	FY 2025	$2,709,419	$305,340	$407,833	$146,244	$472,113	$7,896	$4,048,845
7	FY 2026	$3,207,506	$303,965	$404,330	$144,988	$458,635	$7,828	$4,527,253
8	FY 2027	$3,207,506	$303,965	$404,330	$144,988	$458,635	$7,828	$4,527,253
9	FY 2028	$3,207,506	$303,965	$404,330	$144,988	$458,635	$7,828	$4,527,253
10	FY 2029	$3,508,086	$594,333	$404,470	$145,039	$459,174	$7,830	$5,118,933
11	FY 2030	$3,508,086	$594,333	$404,470	$145,039	$459,174	$7,830	$5,118,933
12	FY 2031	$3,508,086	$594,333	$404,470	$145,039	$459,174	$7,830	$5,118,933
13	FY 2032	$3,537,949	$1,021,090	$404,465	$145,037	$459,153	$7,830	$5,575,524
14	FY 2033	$3,537,949	$1,021,090	$404,465	$145,037	$459,153	$7,830	$5,575,524
15	FY 2034	$3,537,949	$1,021,090	$404,465	$145,037	$459,153	$7,830	$5,575,524
16	FY 2035	$3,573,248	$1,157,885	$404,465	$145,037	$459,154	$7,830	$5,747,619
17	FY 2036	$3,573,248	$1,157,885	$404,465	$145,037	$459,154	$7,830	$5,747,619
18	FY 2037	$3,573,248	$1,157,885	$404,465	$145,037	$459,154	$7,830	$5,747,619
19	FY 2038	$3,608,330	$1,158,220	$404,465	$145,037	$459,154	$7,830	$5,783,036
20	FY 2039	$3,608,330	$1,158,220	$404,465	$145,037	$459,154	$7,830	$5,783,036
21	FY 2040	$3,608,330	$1,158,220	$404,465	$145,037	$459,154	$7,830	$5,783,036
22	FY 2041	$3,643,421	$1,158,206	$404,465	$145,037	$459,154	$7,830	$5,818,113
23	FY 2042	$3,643,421	$1,158,206	$404,465	$145,037	$459,154	$7,830	$5,818,113
24	FY 2043	$3,643,421	$1,158,206	$404,465	$145,037	$459,154	$7,830	$5,818,113
25	FY 2044	$3,854,299	$1,158,207	$404,465	$145,037	$459,154	$7,830	$6,028,992
26	FY 2045	$3,854,299	$1,158,207	$404,465	$145,037	$459,154	$7,830	$6,028,992
27	FY 2046	$3,854,299	$1,158,207	$404,465	$145,037	$459,154	$7,830	$6,028,992
28	FY 2047	$4,130,029	$1,158,207	$404,465	$145,037	$459,154	$7,830	$6,304,722
29	FY 2048	$4,130,029	$1,158,207	$404,465	$145,037	$459,154	$7,830	$6,304,722
30	FY 2049	$4,130,029	$1,158,207	$404,465	$145,037	$459,154	$7,830	$6,304,722
31	FY 2050	$2,657,360	$962,849	$198,489	$71,176	$398,040	$3,843	$4,291,756
32	**Total**	**$102,657,606**	**$25,595,281**	**$11,746,690**	**$4,212,233**	**$13,015,914**	**$227,413**	**$157,455,137**

7 BV/RRB SUPPLY

7.1 Introduction

In addition to the existing debt service for all previous COPs and revenue bonds, the Agency also has outstanding payments for the BV/RRB water supply system. The BV/RRB expansion is operating under a 30-year payment stream that is divided between existing and future users.

The Agency currently has a water acquisition agreement with the Buena Vista Water Storage District and the Rosedale-Rio Bravo Storage District to increase the water supply availability. The BV/RRB payments reflect the acquisition of water supply based on this agreement.

7.2 Cost Allocation

Table 7-1 shows the final outstanding cost of the BV/RRB system at build-out in FY 2050. The total BV/RRB costs (Column B) encompass costs for all demand (Column C), which includes the annexation contribution (Column D) and current users' demand (Column E). To determine the cost allocation to future users, anticipated growth is factored into the calculation. Column F is the percentage of the future user quantity of water remaining after recognition of planned annual growth. Column G represents the annual additional amount of demand that is shifting from future users to current users as growth occurs. Column H contains the remaining quantity of water procured for future use. This amount is divided by the total amount procured (11,000) to create the factor used for determining how much of the cost of the supply should be allocated to growth. This results in the percentage of demand remaining (Column H) to eventually be reduced to zero at the end of build out in 2050. The total in Column I is allocated amount future users in the General Benefit Cost Category as the most appropriate way to allocate this cost is by the amount of growth expected for each WSA; this can be seen in Table 9-1 of the report.

The math used for the determination of the amounts in columns (H) & (I) in Table 7-1 is as follows:

Total Demand		11,000	
Less:			
Purchased for annexed properties		3,000	
Initially purchased for current users		4,560	
Amount initially purchased for future users		3,440	
Less:			
Future use allocation evolved to current use due to growth		116	
Available for future growth		3,324	(H)
Available for future growth		3,324	
Divided by	÷		
Total quantity purchased		11,000	
Cost allocation factor for growth		30.22%	
Annual Costs	$	7,990,482	
Multiplied by the cost allocation factor for growth	x	30.22%	
	$	2,414,578	(I)
Amount per schedule	$	2,414,585	
Difference due to rounding	$	7	

Table 7-1 BV/RRB Cost Allocation

Line	A Year	B Total BV/RRB Costs	C Total Demand (AF)	D Annexation Contribution (AF)	E Current Use Portion (AF)	F Percent Allocated to Future Use	G Existing Use from FY 2020 (AF)	H Future Use Portion (AF)	I Future Use Costs
1	FY 2020	$7,990,482	11,000	3,000	4,560	96.63%	116	3,324	$2,414,585
2	FY 2021	$8,390,006	11,000	3,000	4,560	96.63%	116	3,324	$2,535,314
3	FY 2022	$8,809,507	11,000	3,000	4,560	93.14%	236	3,204	$2,566,003
4	FY 2023	$9,249,982	11,000	3,000	4,560	89.93%	346	3,094	$2,601,396
5	FY 2024	$9,712,481	11,000	3,000	4,560	86.72%	457	2,983	$2,633,913
6	FY 2025	$10,198,105	11,000	3,000	4,560	83.51%	567	2,873	$2,663,179
7	FY 2026	$10,708,011	11,000	3,000	4,560	80.29%	678	2,762	$2,688,786
8	FY 2027	$11,243,411	11,000	3,000	4,560	77.08%	788	2,652	$2,710,297
9	FY 2028	$11,805,582	11,000	3,000	4,560	73.87%	899	2,541	$2,727,236
10	FY 2029	$12,395,861	11,000	3,000	4,560	70.66%	1,009	2,431	$2,739,093
11	FY 2030	$13,015,654	11,000	3,000	4,560	67.45%	1,120	2,320	$2,745,319
12	FY 2031	$13,666,436	11,000	3,000	4,560	64.23%	1,230	2,210	$2,745,319
13	FY 2032	$14,349,758	11,000	3,000	4,560	61.02%	1,341	2,099	$2,738,455
14	FY 2033	$15,067,246	11,000	3,000	4,560	57.81%	1,451	1,989	$2,724,042
15	FY 2034	$15,820,608	11,000	3,000	4,560	54.60%	1,562	1,878	$2,701,342
16	FY 2035	$16,611,639	11,000	3,000	4,560	51.39%	1,672	1,768	$2,669,562
17	FY 2036	$17,442,221	11,000	3,000	4,560	48.18%	1,783	1,657	$2,627,850
18	FY 2037	$18,314,332	11,000	3,000	4,560	44.96%	1,893	1,547	$2,575,293
19	FY 2038	$19,230,048	11,000	3,000	4,560	41.75%	2,004	1,436	$2,510,910
20	FY 2039	$20,191,551	11,000	3,000	4,560	38.54%	2,114	1,326	$2,433,652
21	FY 2040	$21,201,128	11,000	3,000	4,560	35.33%	2,225	1,215	$2,342,390
22	FY 2041	$22,261,185	11,000	3,000	4,560	32.12%	2,335	1,105	$2,235,917
23	FY 2042	$23,374,244	11,000	3,000	4,560	28.91%	2,446	994	$2,112,942
24	FY 2043	$24,542,956	11,000	3,000	4,560	25.69%	2,556	884	$1,972,079
25	FY 2044	$25,770,104	11,000	3,000	4,560	22.48%	2,667	773	$1,811,848
26	FY 2045	$27,058,609	11,000	3,000	4,560	19.27%	2,777	663	$1,630,663
27	FY 2046	$28,411,540	11,000	3,000	4,560	16.06%	2,888	552	$1,426,830
28	FY 2047	$29,832,117	11,000	3,000	4,560	12.85%	2,998	442	$1,198,537
29	FY 2048	$31,323,723	11,000	3,000	4,560	9.64%	3,109	331	$943,848
30	FY 2049	$32,889,909	11,000	3,000	4,560	6.42%	3,219	221	$660,694
31	FY 2050	$34,534,404	11,000	3,000	4,560	3.21%	3,330	110	$346,864
32	**Total**	**$565,412,842**							**$69,434,157**

8 RECYCLED WATER

8.1 Introduction

While all Agency customers benefit from the creation of recycled water, for the purposes of FCFs, WSA3 does not contribute to the cost of the capital projects in Table 8-1 as WSA3 is constructing its own source of supply and necessary infrastructure. As a result, recycled water capital projects costs are allocated between current users and future users of WSA1, WSA2, and WSA4. This is accomplished by reducing the Demand at buildout (93,900 AFY per the current UWMP) by the amount of total demand that was determined during the 2017 FCF Update Study (16,095). The result of that calculation is what the demand forecast at buildout would be if WSA3 was not included in development plans. From this number, the current demand forecast of 66,131 is deducted to arrive at the growth in demand that is attributable to WSA1, WSA2, and WSA4, 11,674 AFY which is 15% of total demand at buildout.

Table 8-1 Cost Allocation Factors for Recycled Water Projects

Recycled Water Allocation	AFY	Percentage of Total Demand
Current Demand Forecast (AFY)	66,131	**85%**
Demand at Buildout	93,900	
Less: WSA3 Demand at Buildout	(16,095)	
Subtotal	77,805	
New Users' Demand	**11,674**	**15%**

8.2 Cost Allocation

The 15% cost allocation factor is applied to the recycled water capital projects listed in Table 8-2. The remaining 85% of these projects' costs are allocated to current users.

Table 8-2 Recycled Water Projects and Cost Allocation

CIP Project No.	Project Name	Total/Remaining Project Cost	Allocation to Growth	Project Cost (Growth Only)
200453	Recycled Water Program Phase II, 2A (Center Park)	$15,657,000	15.00%	$2,348,550
200454	Recycled Water Program Phase II, 2B (Vista Canyon)	$4,820,584	15.00%	$723,088
200455	Recycled Water Program Phase II, 2C (South End)	$11,869,000	15.00%	$1,780,350
200456	Recycled Water Program Phase II, 2D (West Ranch)	$886,378	15.00%	$132,957
TBD	Recycled Water Projects (Alignments A-H)	$105,885,000	15.00%	$15,882,750
	Total	**$139,117,962**		**$20,867,694**

The project costs included in Table 8-2 will be financed. The total/remaining project costs are obtained from the Agency's Chief Engineer, the allocation factor(s) are contained in Table 8-1. Table 6-7 shows the annual financing costs (Principle and Interest) for recycled water projects that are allocated to growth ($25,595,281).

9 FEE CALCULATION

9.1 Introduction

In this section we will summarize the work documented in the previous sections to arrive at recommended FCFs for each WSA. The content of the data tables in this Section have been explained previously in this report. Table 9-1 provides a list of the cost allocation factors for each WSA for the Cost Categories used in the FCF calculation.

Table 9-1 Summary of Cost Allocation Factors

Cost Category	WSA 1	WSA 2	WSA 3	WSA 4
General Benefit	39.00%	14.00%	46.00%	1.00%
Recycled Water	72.22%	25.93%	0.00%	1.85%
WSA 1: West Valley	100.00%			
WSA 2: East Valley		100.00%		
WSA 3: Newhall Ranch			100.00%	
WSA 4: Whittaker-Bermite				100.00%

Recall that the General Benefit cost category includes costs that benefit all future customers equally and these costs are allocated to the WSAs based on the proportionate amount of growth each WSA is bringing to the Agency (Table 2-4). The recycled water projects are not allocated to WSA3 as this WSA is building its own source of recycled water; the distribution of recycled water costs to the remaining WSAs is based on their proportionate share of growth being added to the system. The remaining cost categories are the individual WSAs and have been referred to as Local Benefit costs elsewhere in this report.

The math used to arrive at the Recycled Water Cost Allocations in Table 9-1 are shown below:

	WSA 1	WSA 2	WSA 3	WSA 4	Total
Proportionate share of growth (Table 2-4)	39%	14%	46%	1%	100%
Recycled Water Participants (X)	x	x		x	
Excluding WSA 3 growth for a RW allocation factor	39%	14%	0%	1%	54%
Equations	.39/.54	.14/.54	0/.54	.01/.54	
Result	72.22%	25.93%	0.00%	1.85%	100.00%

Table 9-2 Summary of Revenue Requirement

Benefit Type	Existing Debt Service	BV/RRB Payments	Proposed Debt Service for CIP	Total Revenue Requirement
General Benefit	$194,941,376	$69,434,157	$102,657,606	$367,033,139
Recycled Water	$0	$0	$25,595,281	$25,595,281
WSA 1: West Valley	$12,011,032	$0	$11,746,690	$23,757,723
WSA 2: East Valley	$38,306,718	$0	$4,212,233	$42,518,951
WSA 3: Newhall Ranch	$1,153,817	$0	$13,015,914	$14,169,731
WSA 4: Whittaker -Bermite	$2,435,140	$0	$227,413	$2,662,553
Total	**$248,848,083**	**$69,434,157**	**$157,455,137**	**$475,737,376**

Table 9-2 is a summary list of the revenue requirement (costs) by Cost Type allocated to growth that are allocated to growth. Recall from Figure 4-4 that Recycled Water was identified as a Cost Type, for the purposes of this summary table those costs have been included in the Cost Type "Future Debt Service".

9.2 Recommended Fees

Table 9-3 Summarizes the cost allocations to the WSAs. This table is showing the amount of revenue that should be collected from each WSA from the FCFs. The amounts allocated to each WSA is divided by the modeled growth in EMU to derive a base FCF for each WSA. Table 9-4 lists these FCFs.

Table 9-3 Summary of Cost Allocation

Benefit Type	Total Revenue Requirement	WSA 1	WSA 2	WSA 3	WSA 4
General Benefit	$367,033,139	$143,142,924	$51,384,639	$168,835,244	$3,670,331
Recycled Water	$25,595,281	$18,485,481	$6,635,814	$0	$473,987
WSA 1: West Valley	$23,757,723	$23,757,723	$0	$0	$0
WSA 2: East Valley	$42,518,951	$0	$42,518,951	$0	$0
WSA 3: Newhall Ranch	$14,169,731	$0	$0	$14,169,731	$0
WSA 4: Whittaker -Bermite	$2,662,553	$0	$0	$0	$2,662,553
Total	**$475,737,376**	**$185,386,128**	**$100,539,404**	**$183,004,974**	**$6,806,871**

Table 9-4 Revenue Requirement and Proposed Base Fee by WSA

WSA	Total Revenue Requirement	Growth in EMUs	FCF per EMU 1" as a base
WSA 1: West Valley	$185,386,128	18,775	**$9,874**
WSA 2: East Valley	$100,539,404	6,740	**$14,918**
WSA 3: Newhall Ranch	$183,004,974	22,144	**$8,264**
WSA 4: Whittaker-Bermite	$6,806,871	481	**$14,140**
	$475,737,376	**48,140**	

A base FCF is the fee set for 1-inch meter connections. In order to derive FCFs for the other meter connection sizes, the American Water Works Association's hydraulic capacity ratios are used. By aligning the FCFs to the hydraulic capacity of the meter connections, the fees are proportionate to the capacity that the new service could demand from the Agency's infrastructure. Table 9-5 lists the proposed FCFs for each WSA, for each meter connection size.

Table 9-5 Proposed Facility Capacity Fee Table

Proposed Fees based on 1" as a base					
Meter Size	Meter Ratio	WSA 1	WSA 2	WSA 3	WSA 4
5/8"	0.40	$3,950	$5,967	$3,306	$5,656
3/4"	0.60	$5,925	$8,951	$4,958	$8,484
1"	1.00	$9,874	$14,918	$8,264	$14,140
1-1/2"	2.00	$19,749	$29,835	$16,528	$28,279
2"	3.20	$31,598	$47,737	$26,445	$45,247
2-1/2"	4.60	$45,422	$68,621	$38,015	$65,043
3"	6.00	$59,246	$89,506	$49,585	$84,838
4"	10.00	$98,743	$149,177	$82,642	$141,397
6"	20.00	$197,486	$298,354	$165,283	$282,795
8"	32.00	$315,977	$477,366	$264,453	$452,471
10"	46.00	$454,218	$686,214	$380,151	$650,427
12"	86.00	$849,189	$1,282,922	$710,718	$1,216,017

10 CONCLUSION

This the first time that FCFs have been fully updated since the formation of the new Santa Clarita Valley Water Agency in 2018. Determination of fair and reasonable FCFs using financial simulation modeling that result in providing results that can be interpreted with levels of confidence is new to the Agency. It is appropriate for a large retail water purveyor, with aspirations of becoming “Best in class”, to fully consider uncertainty and risk when determining a fair and reasonable fee.

Staff identified and modeled key areas of uncertainty that must be considered when developing FCFs. The model was used to simulate 5,000 independent iterations of randomly selected variations of the interest rates and levels of growth within prescribed boundaries. Staff has recommended a set of FCFs that were produced by their model at an 80% level of confidence that the revenue generated from the FCFs would cover the determined revenue requirement.

It is important to mention again that the risk parameters used in the model are not financially conservative (slanted) towards the Agency. For example, when determining the remaining amount of growth in the Santa Clarita Valley at buildout, the first step was to develop the demand forecast for 2020. This effort was explained in detail to the FCF Key Stakeholder Working Group using the same approach as the past study plus several other alternatives. The FCF Key Stakeholder Working Group agreed to use the results from a financial simulation at a 95% level of confidence that the demand in 2020 would not exceed 66,131 AF (Section 2, Table 2-1). This level of confidence for current demand resulted in a lower amount of growth in demand and a correspondingly lower percentage of capital costs being allocated to growth.

Another example is the interest rate used for financing capital expenditures. A conservative financing rate for the Agency would have been at the higher end of the observed historic values (6.1% as shown in the Statistics Grid of Figure 6.2). The Staff model used rates for future financing that averages 3.63% through buildout, compared to the observed average rate observed 4.22% resulting in lower debt service costs built into the FCFs. These decisions show that the Agency has not only taken steps to address risk in its decision making but has also kept in mind the fee setting objectives of fairness and reasonableness.

The costs associated with growth, while identified, are not guaranteed to be recovered fully through the FCFs. The quantity and sizes of meter connections that will ultimately be added is unknown. Economic conditions, regulatory mandates, technological and cultural changes over the next 30 years will contribute to modifications to full buildout meter connection count. This risk is most appropriately managed by carefully considering the number of EMUs that will be developed. For the 2020 FCF Study Update, financial simulation was used to derive a quantity of EMUs that can be expected at a selected level of confidence. Given the uncertainty recognized by all involved with this Study, as the level of confidence rises, the number of EMUs is reduced (Table 3-5 Level of Confidence, Fees, and Number of EMUs).

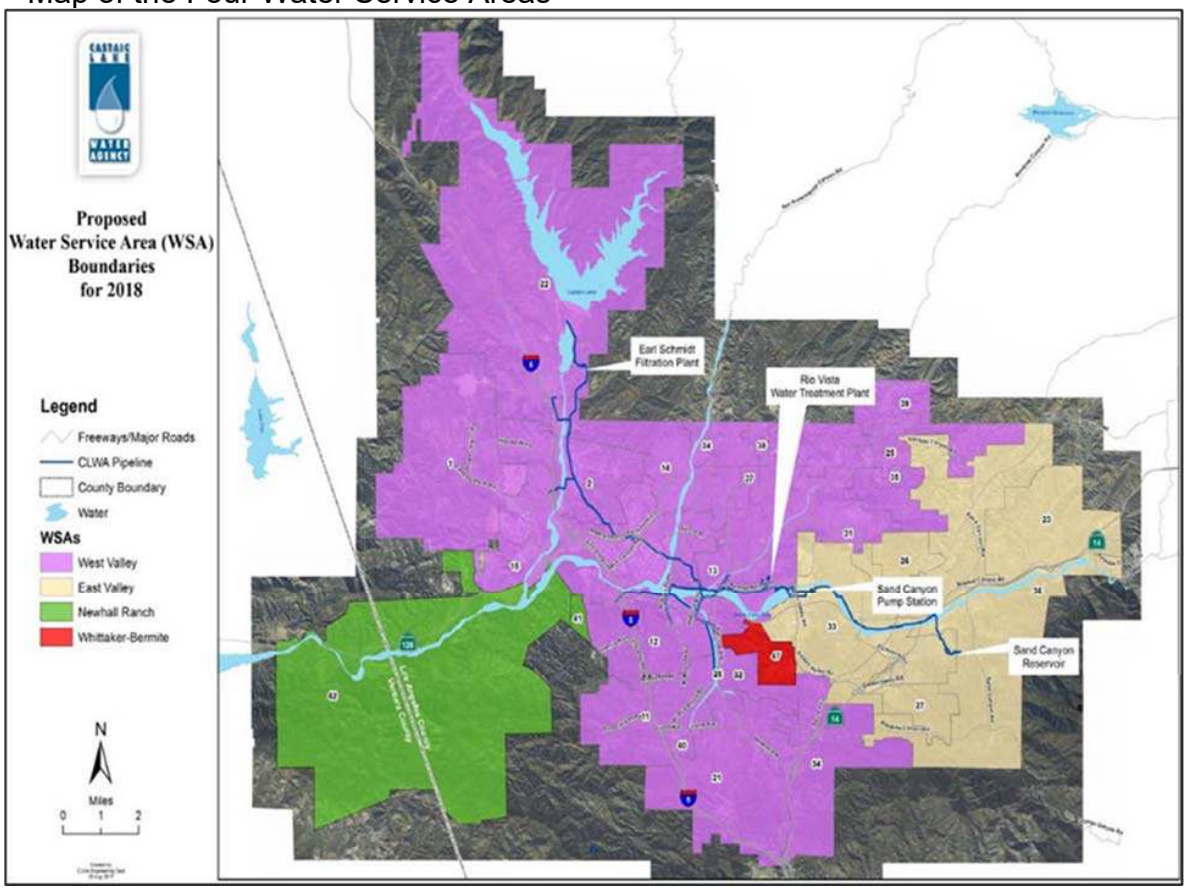
Finally, the recommendation by Staff is to use the modeled FCFs that result in an 80% level of confidence that they would collect the proper amount of revenue has been thoroughly explained in this document. The Agency's Ratepayer Advocate has reviewed the model and its underlying assumptions and has made the following statement in its December 18, 2019 report to the Board of Directors of the Agency:

> "…RDN found the FCF model developed by the Agency comprehensive and effective. We believe that the EMU forecasting methodology is defensible."

However, the model was designed to produce results at other levels of confidence (Table 3-6). There is not a single correct set of FCFs; it is a question of risk tolerance. An acceptable level of risk tolerance for FCF performance will be set by updating the existing FCFs. It is Staff's opinion that more importantly than having the recommended fees approved, output from the model be used as making a risk informed financial decision is a key indicator of growth towards becoming a "Best in Class" Agency.

APPENDIX

Map of the Four Water Service Areas



Total Capital Projects

Line	CIP Project No.	Project Name	Total/Remaining Project Cost	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	TBD	Water Supply Banking (10,000 AF)	$16,390,400	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$16,390,400
2	TBD	Stored Water Recovery Unit Replacement	$8,195,200	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
3	200963	Saugus Formation Dry Year Reliability Wells	$11,155,000	$0	$380,000	$775,000	$5,000,000	$5,000,000	$0	$0	$0	$0	$0	$0
4	200453	Recycled Water Program Phase II, 2A (Center Park)	$15,657,000	$5,000	$5,000	$5,000	$13,990,000	$1,652,000	$0	$0	$0	$0	$0	$0
5	200454	Recycled Water Program Phase II, 2B (Vista Canyon)	$4,820,584	$3,135,000	$3,627,000	$10,000	$0	$0	$0	$0	$0	$0	$0	$0
6	200455	Recycled Water Program Phase II, 2C (South End)	$11,869,000	$150,000	$150,000	$5,000	$5,000	$6,500,000	$5,059,000	$0	$0	$0	$0	$0
7	200456	Recycled Water Program Phase II, 2D (West Ranch)	$886,378	$985,000	$578,000	$10,000	$0	$0	$0	$0	$0	$0	$0	$0
8	TBD	Recycled Water Projects (Alignments A-H)	$105,885,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$17,647,500
9	TBD	ESFP Storage Expansion	$3,721,645	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
10	TBD	Rio Vista Reservoir Expansion	$6,957,725	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
11	TBD	Sand Canyon Reservoir Expansion I	$18,124,000	$0	$0	$311,000	$573,000	$487,000	$537,000	$10,476,000	$5,720,000	$20,000	$0	$0
12	TBD	Sand Canyon Reservoir Expansion II	$8,575,252	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
13	200525	Magic Mountain Pipelines 4	$3,562,000	$3,562,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
14	200526	Magic Mountain Pipelines 5	$5,339,000	$5,339,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
15	200527	Magic Mountain Pipelines 6	$13,160,000	$5,500,000	$7,650,000	$10,000	$0	$0	$0	$0	$0	$0	$0	$0
16	200528	Magic Mountain Reservoir	$29,865,000	$170,000	$315,000	$3,000,000	$16,000,000	$10,000,000	$380,000	$0	$0	$0	$0	$0
17	TBD	Magic Mountain Reservoir II	$46,600,000	$0	$0	$200,000	$700,000	$700,000	$15,000,000	$15,000,000	$15,000,000	$0	$0	$0
18	TBD	Southern Service Area Storage, Pipeline and Pump Station 12 MG	$63,273,000	$0	$0	$711,000	$1,416,000	$1,747,000	$3,247,000	$18,839,000	$37,293,000	$20,000	$0	$0
19	TBD	Southern Service Area Expansion	$6,782,552	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
20	200510	Honby Parallel (Phase 2 - ext of Phase 1)	$22,953,000	$50,000	$150,000	$100,000	$546,000	$12,084,000	$9,869,000	$77,000	$77,000	$0	$0	$0
21	200903	Castaic Conduit	$14,189,000	$200,000	$200,000	$6,259,000	$6,500,000	$950,000	$80,000	$0	$0	$0	$0	$0
22	NA	NR WSA Integration	$6,000,000	$0	$0	$0	$0	$0	$6,000,000	$0	$0	$0	$0	$0
23		**Total**	**$423,960,736**	**$19,096,000**	**$13,055,000**	**$11,396,000**	**$44,730,000**	**$39,120,000**	**$40,172,000**	**$44,392,000**	**$58,090,000**	**$40,000**	**$0**	**$34,037,900**

FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036	FY 2037	FY 2038	FY 2039	FY 2040	FY 2041	FY 2042	FY 2043	FY 2044	FY 2045	FY 2046	FY 2047	FY 2048	FY 2049	FY 2050
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,365,867	$1,365,867	$1,365,867	$1,365,867	$1,365,867	$1,365,867
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$17,647,500	$17,647,500	$17,647,500	$17,647,500	$17,647,500	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$620,274	$620,274	$620,274	$620,274	$620,274	$620,274
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,159,621	$1,159,621	$1,159,621	$1,159,621	$1,159,621	$1,159,621
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,429,209	$1,429,209	$1,429,209	$1,429,209	$1,429,209	$1,429,209
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,130,425	$1,130,425	$1,130,425	$1,130,425	$1,130,425	$1,130,425
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$17,647,500	**$17,647,500**	**$17,647,500**	**$17,647,500**	**$17,647,500**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$5,705,396**	**$5,705,396**	**$5,705,396**	**$5,705,396**	**$5,705,396**	**$5,705,396**

Total Capital Projects Allocated to Growth

Line	CIP Project No.	Project Name	Total/Remaining Project Growth Cost	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	TBD	Water Supply Banking (10,000 AF)	$4,917,120	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$4,917,120
2	TBD	Stored Water Recovery Unit Replacement	$2,458,560	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
3	200963	Saugus Formation Dry Year Reliability Wells	$3,346,500	$0	$836,625	$836,625	$836,625	$836,625	$0	$0	$0	$0	$0	$0
4	200453	Recycled Water Program Phase II, 2A (Center Park)	$2,348,550	$469,710	$469,710	$469,710	$469,710	$469,710	$0	$0	$0	$0	$0	$0
5	200454	Recycled Water Program Phase II, 2B (Vista Canyon)	$723,088	$361,544	$361,544	$0	$0	$0	$0	$0	$0	$0	$0	$0
6	200455	Recycled Water Program Phase II, 2C (South End)	$1,780,350	$296,725	$296,725	$296,725	$296,725	$296,725	$296,725	$0	$0	$0	$0	$0
7	200456	Recycled Water Program Phase II, 2D (West Ranch)	$132,957	$132,957	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
8	TBD	Recycled Water Projects (Alignments A-H)	$15,882,750	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,647,125
9	TBD	ESFP Storage Expansion	$1,116,494	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
10	TBD	Rio Vista Reservoir Expansion	$2,087,318	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
11	TBD	Sand Canyon Reservoir Expansion I	$5,437,200	$0	$217,488	$217,488	$217,488	$217,488	$217,488	$217,488	$217,488	$217,488	$217,488	$217,488
12	TBD	Sand Canyon Reservoir Expansion II	$2,572,576	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
13	200525	Magic Mountain Pipelines 4	$1,068,600	$1,068,600	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
14	200526	Magic Mountain Pipelines 5	$1,601,700	$1,601,700	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
15	200527	Magic Mountain Pipelines 6	$3,948,000	$1,974,000	$1,974,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
16	200528	Magic Mountain Reservoir	$8,959,500	$1,791,900	$1,791,900	$1,791,900	$1,791,900	$1,791,900	$0	$0	$0	$0	$0	$0
17	TBD	Magic Mountain Reservoir II	$13,980,000	$0	$1,997,143	$1,997,143	$1,997,143	$1,997,143	$1,997,143	$1,997,143	$1,997,143	$0	$0	$0
18	TBD	Southern Service Area Storage, Pipeline and Pump Station 12 MG	$18,981,900	$2,372,738	$2,372,738	$2,372,738	$2,372,738	$2,372,738	$2,372,738	$2,372,738	$2,372,738	$0	$0	$0
19	TBD	Southern Service Area Expansion	$2,034,766	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
20	200510	Honby Parallel (Phase 2 - ext of Phase 1)	$6,885,900	$1,147,650	$1,147,650	$1,147,650	$1,147,650	$1,147,650	$1,147,650	$0	$0	$0	$0	$0
21	200903	Castaic Conduit	$4,256,700	$709,450	$709,450	$709,450	$709,450	$709,450	$709,450	$0	$0	$0	$0	$0
22	NA	NR WSA Integration	$6,000,000	$0	$0	$0	$0	$0	$6,000,000	$0	$0	$0	$0	$0
23		**Total**	**$110,520,527**	**$11,926,973**	**$12,174,972**	**$9,839,428**	**$9,839,428**	**$9,839,428**	**$12,741,193**	**$4,587,368**	**$4,587,368**	**$217,488**	**$217,488**	**$7,781,733**

FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036	FY 2037	FY 2038	FY 2039	FY 2040	FY 2041	FY 2042	FY 2043	FY 2044	FY 2045	FY 2046	FY 2047	FY 2048	FY 2049	FY 2050
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$409,760	$409,760	$409,760	$409,760	$409,760	$409,760
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$2,647,125	$2,647,125	$2,647,125	$2,647,125	$2,647,125	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$186,082	$186,082	$186,082	$186,082	$186,082	$186,082
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$347,886	$347,886	$347,886	$347,886	$347,886	$347,886
$217,488	$217,488	$217,488	$217,488	$217,488	$217,488	$217,488	$217,488	$217,488	$217,488	$217,488	$217,488	$217,488	$217,488	$217,488	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$428,763	$428,763	$428,763	$428,763	$428,763	$428,763
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$339,128	$339,128	$339,128	$339,128	$339,128	$339,128
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$2,864,613	**$2,864,613**	**$2,864,613**	**$2,864,613**	**$2,864,613**	**$217,488**	**$217,488**	**$217,488**	**$217,488**	**$217,488**	**$217,488**	**$217,488**	**$217,488**	**$217,488**	**$1,929,107**	**$1,711,619**	**$1,711,619**	**$1,711,619**	**$1,711,619**	**$1,711,619**

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BOARD MEMORANDUM

ITEM NO. 6.2

DATE: February 11, 2020

TO: Board of Directors

FROM: Rochelle Patterson
Director of Finance and Administration

SUBJECT: Approve DLT Solutions, LLC Pricing Quotation for Oracle Enterprise Cloud Service

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SUMMARY

This recommendation details the process to modernize and update the Agency's existing accounting software, which currently includes three different accounting systems with four general ledgers, all of which are legacy systems of the various entities that were merged into the Agency in January 2018. To improve efficiency, the Agency recognized the need to implement new accounting software that meets the accounting and financial reporting requirements of all divisions of the Agency.

There are two components for the total implementation of a new Financial Management Information System (FMIS): 1) choosing the correct software to meet the Agency-defined functional requirements and 2) contracting with a system implementation vendor to customize the identified functional requirements. After a year of data gathering, evaluating criteria and functional requirements, developing and reviewing an RFP (Request For Proposal), participating in vendor demonstrations and confirmation sessions, staff is recommending Oracle Enterprise Performance Management Enterprise Cloud Service (Oracle) as the software vendor who best meets the Agency's needs. The Oracle project license will be purchased from DLT Solutions, LLC.

DISCUSSION

The Agency currently uses SunGard/CentralSquare, Sage 300 and Microsoft Dynamics GP for financial and accounting software. As identified in the planning stage, the current accounting and financial software that is used by each legacy division does not meet the needs of the Agency. Over the past year, Agency staff has spent hundreds of hours working on selecting a new software system and implementation vendor that allows the use of a system of integrated applications to manage all facets of financial management and operational oversight.

After reviewing eight responses to our RFP, and receiving demonstrations from the top three scoring vendors, staff determined that Oracle software best meets the Agency's primary objectives of having one integrated system.

Top 3 Scoring Vendors	Estimated 10-year Licensing Cost*
Oracle	$2,961,152
Tyler Technologies	$3,466,447
Infor	$4,040,308

*as proposed in the RFP – Oracle costs reduced during contract negotiations

The Oracle software, after full implementation, will: 1) replace the current financial and accounting systems with a single system tailored for government agencies; 2) develop a configured platform that will meet the Agency's business requirements and automatically transfer and upload data in real time; 3) streamline and improve current business processes in the new FMIS; 4) provide detailed project management accounting and reporting; and 5) integrate paperless document management into all business processes.

DLT Solutions, LLC. is contracted by Oracle to provide licensing for the product. DLT went through a competitive procurement process with Maricopa County, Arizona, in 2018, whereby Maricopa negotiated a Master Agreement for the licensing of Oracle products not only for Maricopa, but for the benefit of other federal, state and local agencies who participate in cooperative purchasing arrangements. One of these cooperative purchasing arrangements is Omnia Partners, which specializes in allowing agencies to collectively purchase goods and services from various vendors. DLT registered the Maricopa Master Agreement for Oracle products with Omnia Partners, and any member of Omnia may purchase Oracle products under the terms of this Master Agreement. The Agency is a member of Omnia Partners and is therefore eligible to participate. The Purchasing Policy of the Agency allows the Agency to purchase goods and services that have been procured by another agency using competitive purchasing practices, and staff has determined that the pricing available to the Agency under this arrangement is better than what the Agency could procure through a direct negotiation process with Oracle. Legal counsel for the Agency has reviewed the Master Agreement and the cooperative purchasing arrangement and is satisfied with the terms and conditions.

On February 10, 2020, the Finance and Administration Committee considered staff's recommendation to approve the DLT Solutions, LLC Pricing Quotation for Oracle Enterprise Performance Management Enterprise Cloud Service.

FINANCIAL CONSIDERATIONS

The software costs will be allocated to each legacy division based on the adopted FY 2019/20 and FY 2020/21 budgeted allocation plan. Staff is recommending purchasing Oracle Enterprise Performance Management Enterprise Cloud Service (through DLT Solutions, LLC.) for a 60-month (5-year) term in the amount of $1,166,243.18, paid in quarterly installments. The first quarterly invoice of $58,312.16 will be triggered by the date when the first module is provisioned. The Agency was approved for an additional, optional 60-month (5-year) term in the amount of $1,237,360.41. The total ten (10) year licensing cost for Oracle (through DLT Solutions, LLC) is $2,403,603.59, which is $557,548 less than the estimated 10-year licensing costs presented in the RFP.

RECOMMENDATION

The Finance and Administration Committee recommends that the Board of Directors approve the DLT Solutions, LLC Pricing Quotation for Oracle Enterprise Performance Management Enterprise Cloud Service in the amount of $1,166,243.18 for a 60-month (5-year) term.

RP

Attachment

M65

DLT
A TECH DATA COMPANY

Price Quotation

Quote: 4783878
Reference: 1500105
Date: 01/21/2020
Expires: 02/21/2020

To: Cris Perez
Santa Clarita (CA)
27234 Bouquet Canyon Road
Santa Clarita, CA 91350

Phone: (661) 295-6507
Fax:
Email: cperez@scvwa.org

From: Sean Sexton
DLT Solutions, LLC
2411 Dulles Corner Park
Suite 800
Herndon, VA 20171

Phone: (703) 708-9156
Fax: (866) 419-7926
Email: sean.sexton@dlt.com

#	DLT Part No.	Contract	Qty	Unit Price	Ext. Price
	NOTE				
	Please note this quote reflects a 60-month (5 year) base term at an approved 0% uplift.				
	NOTE				
	Under this order, You are ordering a total of fifty (50) Hosted Named Users of B91074 - Oracle Enterprise Performance Management Enterprise Cloud Service. Notwithstanding any statement to the contrary in the Services Specifications, this Cloud Service shall be used for Planning Business Process as described in the Service Specifications only, and may not be used for Account Reconciliation, Enterprise Data Management, Financial Consolidation and Close, Narrative Reporting, Profitability and Cost Management or Tax Reporting Business Processes. Further, the Unit Net Price for this Cloud Service applies to this order only. You may not subsequently expand this order (i) to include additional Users of B91074 - Oracle Enterprise Performance Management Enterprise Cloud Service at the Unit Net Price indicated in this quote, or (ii) to include B91077 - Oracle Additional Application for Oracle Enterprise Performance Mangement Enterprise Cloud Service - Hosted Environment. You are solely responsible for managing compliance and demonstrating compliance to Oracle upon request.				
	NOTE				
	In the event sufficient budgeted funds are not available for the end user for a new fiscal period, and because such funds are not available the end user desires to terminate its order with DLT, then DLT may terminate this order immediately without penalty or expense; provided, however, that:(a) for each of the five 12-month terms of the order, You must provide a purchase order, and (b) Your issuance of each 12-month purchase order shall signify to Oracle that all funds for the given 12-month term have been fully appropriated and are available and no longer subject to any appropriations contingency. Notwithstanding the foregoing, You agree to pay for all services performed by Oracle prior to Oracle's receipt of Your notice of non-appropriations.				
1	9891-316277	MSTATE-ORCL-USC	5	$10,309.0027	$51,545.01
	Cloud Priority Support for SaaS - Each, Monthly **Quantity reflects Priority Support (1) x years (5).**				
2	9891-250078	MSTATE-ORCL-USC	600	$7.7628	$4,657.68
	Oracle Fusion WebCenter Forms Recognition Cloud Service - Hosted 1,000 Records, Monthly **Quantity reflects licenses (10) x months (60).**				
3	9891-311103	MSTATE-ORCL-USC	3	$9,703.504	$29,110.51
	Additional Test Environment for Oracle Fusion Cloud Service - Each, Annual **Quantity reflects Hosted Environment (1) x years (3).**				
4	9891-32360519	MSTATE-ORCL-USC	3000	$59.29919	$177,897.57
	Oracle Enterprise Performance Management Enterprise Cloud Service - Hosted Named User , Monthly **Quantity reflects licenses (50) x months (60).**				
5	9891-316277	MSTATE-ORCL-USC	5	$3,557.951	$17,789.76
	Cloud Priority Support for SaaS - Each, Monthly **Quantity reflects Priority Support (1) x years (5).**				

DLT
A TECH DATA COMPANY

Price Quotation

Quote: 4783878
Reference: 1500105
Date: 01/21/2020
Expires: 02/21/2020

#	DLT Part No.	Contract	Qty	Unit Price	Ext. Price
6	9891-32360516	MSTATE-ORCL-USC	3000	$80.86253	$242,587.59
	Oracle Fusion Enterprise Resource Planning Cloud Service - Hosted Named User , Monthly **Quantity reflects licenses (50) x months (60).**				
7	9891-32360526	MSTATE-ORCL-USC	1800	$80.86253	$145,552.55
	Oracle Fusion Procurement Cloud Service - Hosted Named User, Monthly **Quantity reflects licenses (30) x months (60).**				
8	9891-32360517	MSTATE-ORCL-USC	13500	$2.5876	$34,932.60
	Oracle Fusion Enterprise Resource Planning for Self Service Cloud Service - Hosted Named User , Monthly **Quantity reflects licenses (225) x months (60).**				
9	9891-32360527	MSTATE-ORCL-USC	6000	$1.03504	$6,210.24
	Oracle Fusion Procurement Self Service Cloud Service - Hosted Named User , Monthly **Quantity reflects licenses (100) x months (60).**				
10	9891-316265	MSTATE-ORCL-USC	60000	$2.5876	$155,256.00
	Fusion Human Capital Management Base Cloud Service - Hosted Employee, Monthly **Quantity reflects Hosted Employees (1000) x months (60).**				
11	9891-316266	MSTATE-ORCL-USC	60000	$1.20755	$72,453.00
	Fusion Payroll Cloud Service for United States - Hosted Employee, Monthly **Quantity reflects Hosted Employees (1000) x months (60).**				
12	9891-240539	MSTATE-ORCL-USC	60000	$0.51752	$31,051.20
	Fusion Time and Labor Cloud Service - Hosted Named User, Monthly **Quantity reflects Hosted Employees (1000) x months (60).*				
13	9891-311103	MSTATE-ORCL-USC	3	$12,938.005	$38,814.02
	Additional Test Environment for Oracle Fusion Cloud Service - Each, Annual **Quantity reflects Hosted Environment (1) x years (3).**				
14	9891-316277	MSTATE-ORCL-USC	5	$5,175.202	$25,876.01
	Cloud Priority Support for SaaS - Each, Monthly **Quantity reflects Priority Support (1) x years (5).**				
15	9891-316278	MSTATE-ORCL-USC	60	$850.00	$51,000.00
	Cloud Priority Support for SaaS - Base Fee - Each, Monthly **Quantity reflects Priority Support Base Fee (1) x months (60).**				
16	9891-32360530	MSTATE-ORCL-USC	1800	$45.28302	$81,509.44
	Oracle Fusion Supply Chain Execution Cloud Service - Hosted Named User , Monthly **Quantity reflects licenses (30) x months (60).**				
	NOTE				
	Please note Santa Clarita was approved for an additional 60-month (5 year) priced optional term at a reduced uplift year-over-year for each year in the priced 60-month (5 year) option term. Here is an estimated breakdown: Year 6: $228,450.28 Year 7: $237,588.29 Year 8: $247,091.82 Year 9: $256,975.50 Year 10: $267,254.52 Estimated Total for 60-month (5 year) Option Term: $1,237,360.41.				

DLT
A TECH DATA COMPANY

Price Quotation

Quote: **4783878**
Reference: **1500105**
Date: **01/21/2020**
Expires: **02/21/2020**

#	DLT Part No.	Contract	Qty	Unit Price	Ext. Price

Total $1,166,243.18

Contract Serial No. 180233-001
Contract Expires: 11/30/2023
DUNS #: 78-646-8199
Federal ID #: 54-1599882
FOB: Destination
Terms: Net 30 (On Approved Credit)
DLT accepts VISA/MC/AMEX
Ship Via: Fedex Ground/UPS

THIS QUOTE IS SUBJECT TO THE TERMS AND CONDITIONS OF CONTRACT SERIAL NUMBER 180233. CUSTOMER IS DIRECTED TO INCORPORATE (BY REFERENCE) THIS QUOTE IN ANY RESULTING TASK/DELIVERY ORDER OR AWARD. THE TERMS OF THE AFOREMENTIONED CONTRACT ARE THE ONLY CONTROLLING TERMS AND ANY TERMS OR CONDITIONS CONTAINED IN AN ORDER, AWARD OR OTHER INSTRUMENT OF BUYER, WHICH ARE IN ADDITION TO OR INCONSISTENT WITH ANY OF THE TERMS OR CONDITIONS CONTAINED IN THOSE REFERENCED HEREIN, SHALL NOT BE BINDING ON DLT OR ITS MANUFACTURERS AND SHALL NOT APPLY UNLESS SPECIFICALLY AGREED TO IN WRITING BY DLT.

CPARs requests should be sent to the attention of AJ Ezersky at cpars@dlt.com.

PLEASE REMIT PAYMENT TO:

ACH: DLT Solutions, LLC
Bank of America
ABA # 111000012
Acct # 4451063799

-OR-

Mail: DLT Solutions, LLC
P.O. Box 743359
Atlanta, GA 30374-3359

Customer orders subject to applicable sales tax.

Documentation to be submitted to validate Invoice for payment:
a. Authorized Services shall be invoiced with a corresponding time report for the period of performance identifying names, days, and hours worked.
b. Authorized reimbursable expenses shall be invoiced with a detailed expense report, documented by copies of supporting receipts.
c. Authorized Education or Training shall be invoiced with a Report identifying date and name of class completed, and where applicable the name of attendees.

The Quote Number referenced above incorporates Oracle's Technical Support Policies located at: http://www.oracle.com/us/support/policies/index.html. Issuance of an order pursuant to this quote is acknowledgement and acceptance of these terms and conditions. Please reference and incorporate this Quote Number on your purchase order.

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ITEM NO.
6.3

BOARD MEMORANDUM

DATE: February 7, 2020

TO: Board of Directors

FROM: Brian J. Folsom
Chief Engineer

SUBJECT: Approve a Work Authorization for Kennedy/Jenks Consultants to Provide Preliminary Design Services for the Valley Center Well PFAS Groundwater Treatment

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SUMMARY

The Agency is planning to construct a PFAS treatment facility at the Valley Center Well. In January 2020, staff issued a Request for Proposal (RFP) to three engineering consultants for preliminary design services for the project. Two proposals were received in response to the RFP and staff is recommending that the Board of Directors authorize the General Manager to execute a work authorization for Kennedy/Jenks Consultants (K/J) to provide preliminary design services for the Valley Center Well PFAS Groundwater Treatment Project.

DISCUSSION

In response to a March 2019 Order issued by Division of Drinking Water (DDW), SCV Water collected groundwater samples from a number of its wells and received water quality results for a suite of chemicals referred to as per- and polyfluoroalkyl substances (PFAS). There are currently no regulatory standards for PFAS. However, DDW has issued health advisory levels referred to as Notification Levels (NL) and Response Levels (RL). At the October 1, 2019 Board meeting, the public notification of PFOS and PFOA level exceedances was issued and currently the Valley Center Well is out of service.

On February 6, 2020, the State Water Resources Control Board has set a new RL of 10 parts per trillion (ppt) for perfluorooctanoic acid (PFOA) and a RL of 40 ppt for perfluorooctanesulfonic acid (PFOS). Previously, the RL was 70 ppt for the total concentration of the two contaminants combined.

To determine the treatment improvements needed to restore service from the Valley Center Well, staff is recommending that K/J provide preliminary design services for the project.

CEQA DETERMINATION

The action at this time is essentially preparation of a feasibility and planning study (preliminary design) to evaluate a possible future action which SCV Water has not approved, adopted, or funded. As such the subject action is statutorily exempt under Section 15262 “Feasibility and Planning Studies” of the California Environmental Quality Act.

Additional information is needed to complete a project level CEQA determination. Additional information developed with approval of the subject work authorization includes:

a) Site survey including topography and property lines.
b) Three dimensional renderings of treatment system options.
c) Preliminary design including size and number of vessels and associated equipment.
d) Determination of available square footage for the treatment system within Agency owned property. If insufficient square footage exists, then SCV Water is anticipated to discuss lease agreements or purchase agreements with adjacent property owner(s).

Following completion of the subject preliminary design services, a project level CEQA determination will be made.

FINANCIAL CONSIDERATIONS

The project is currently not budgeted in the Agency's FY 2019/20 Budget. Work would be performed on a time and expense basis with a budget of $90,000. Funds from the Agency's Reserves will be utilized to fund the project.

RECOMMENDATION

That the Board of Directors authorize the General Manager to execute a work authorization for a not-to-exceed amount of $90,000 for Kennedy Jenks Consultants to provide preliminary design services and file a Notice of Exemption for the proposed action.

ITEM NO.
8.1

BOARD MEMORANDUM

DATE: February 11, 2020

TO: Board of Directors

FROM: Eric Campbell
Chief Financial and Administrative Officer

SUBJECT: February 10, 2020 Special Finance and Administration Committee Meeting

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The Finance and Administration Committee met at 6:00 PM on Monday, February 10, 2020 in the Training Room of the Rio Vista Water Treatment Plant. In attendance were Committee Chair Dan Mortensen, Directors B.J. Atkins, Ed Colley, Bob DiPrimio and R. J. Kelly. Staff members present were Accounting Technician Kyle Anderson, Controller Amy Aguer, Management Analyst Erika Dill, Director of Finance and Administration Rochelle Patterson and myself. Two members of the public were present. A copy of the agenda is attached.

Item 1: Public Comment – There was public comment.

Item 2: Recommend Approval of DLT Solutions, LLC Pricing Quotation for Oracle Enterprise Cloud Service – Recommended actions for this item are included in a separate report being submitted at the February 18, 2020 regular Board meeting.

Item 3: Discuss Contract for Emtec, Inc. for Customization and Implementation of the FMIS – Staff and the Committee discussed a contract for Emtec, Inc. for customization and Implementation of the FMIS.

Item 4: Recommend Approval of an Intercompany Expense Allocation for PFAS Treatment – Staff and the Committee discussed an intercompany expense allocation for PFAS treatment and will continue discussing the item at the March 16, 2020 regular Finance and Committee meeting.

Item 5: Recommend Receiving and Filing of December 2019 Monthly Financial Report – The Committee reviewed the December 2019 Monthly Financial Report and recommended that the report be received and filed.

Item 6: Committee Planning Calendar – Staff and the Committee reviewed the FY 2019/20 Committee Planning Calendar.

Item 7: General Report on Finance and Administration Activities – No report was given.

Item 8: Adjournment – The meeting was adjourned at 7:48 PM.

EC/ed

Attachment

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Date: February 4, 2020

To: **Finance and Administration Committee**
Dan Mortensen, Chair
B. J. Atkins
Ed Colley
Robert DiPrimio
Maria Gutzeit
R. J. Kelly

From: Eric Campbell
Chief Financial and Administrative Officer

A special meeting of the **Finance and Administration Committee** is scheduled to meet on **Monday, February 10, 2020** at **6:00 PM** at **Rio Vista Water Treatment Plant** located at 27234 Bouquet Canyon Road, Santa Clarita, CA 91350 in the Training Room.

SPECIAL MEETING AGENDA

ITEM			PAGE
1.		Public Comments	
2.	♦	Recommend Approval of DLT Solutions, LLC Pricing Quotation for Oracle Enterprise Cloud Service	
3.		Discuss Contract for Emtec, Inc. for Customization and Implementation of the FMIS	
4.	*	Recommend Approval of an Intercompany Expense Allocation for PFAS Treatment	3
5.	*	Recommend Receiving and Filing of December 2019 Monthly Financial Report	5
6.	*	Committee Planning Calendar	61
7.		General Report on Finance and Administration Activities	
8.		Adjournment	

* Indicates attachments
♦ To be distributed

NOTICES:

Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by telephoning (661) 297-1600, or writing to Santa Clarita Valley Water Agency at 27234 Bouquet Canyon Road, Santa Clarita, CA 91350. Requests must specify the nature of the disability and the type of accommodation requested. A telephone number or other contact information should be included so that Agency staff may discuss appropriate arrangements. Persons requesting a disability-related accommodation should make the request with adequate time before the meeting for the Agency to provide the requested accommodation.

Pursuant to Government Code Section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection at the Santa Clarita Valley Water Agency, located at 27234 Bouquet Canyon Road, Santa Clarita, California 91350, during regular business hours. When practical, these public records will also be made available on the Agency's Internet Website, accessible at http://www.yourscvwater.com.

Posted on February 4, 2020.

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