




**Date:** January 6, 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, January 13, 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

| <u>ITEM</u> |  | <u>PAGE</u> |
|-------------|--|-------------|
| 1.          | Public Comments  |             |
| 2. *        | Recommend Approval of a Resolution 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 | 3           |
| 3. *        | Recommend Approval of a Customer Service Policy and Revised Fees for Reconnection of Service   | 127         |
| 4. *        | Recommend Approval of a Community Facility District (CFD) Policy   | 233         |
| 5.          | Discuss Retail Cost-of-Service and Rate Design   |             |
| 6. *        | Recommend Approval of a Resolution to Enter Into a Contract with Fieldman Rolapp   | 239         |
| 7.          | Status of State Water Contract Fund  |             |
| 8. *        | Recommend Approval of a Revised Investment Policy  | 335         |

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|-----|---|---|-----|
| 9.  | * | Recommend Approval of a Ticket Distribution Policy      | 347 |
| 10. |   | Discuss Components of Monthly Financial Packet          |     |
| 11. | * | Committee Planning Calendar                             | 365 |
| 12. |   | General Report on Finance and Administration Activities |     |
| 13. |   | 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 January 7, 2020.






## COMMITTEE MEMORANDUM

**DATE:** January 6, 2020

**TO:** Finance and Administration Committee

**FROM:** Eric Campbell   
Chief Financial and Administrative Officer

**SUBJECT:** Recommend Approval of a Resolution 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

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### SUMMARY

As the finance team continues to prepare for the upcoming bond issuance, staff recommends the Finance and Administration Committee recommend to the Board approval of the attached resolution (Attachment 1) approving various legal documents and authorizing the sale of one or more series of revenue bonds. The proposed transaction is estimated to price in June 2020 and would close in July 2020. The attached proposed resolution does not represent a final commitment to the issuance of bonds. There are several steps remaining to be taken prior to Staff seeking approval to go forward with the bond issuance, including presentation of the Offering Document (Official Statement) to the Board in May 2020 for approval, along with seeking final approval of going forward with the bond issuance.

### DISCUSSION

#### Proposed Resolution

The proposed resolution does the following:

- 1 Authorizes the issuance of one or more series of revenue bonds to provide funding for refinancing Series 2010A, 2015A, 2016A and 2017A and provide funding for Regional capital projects over the next three years that may include:

- Castaic Conduit
- Distribution System - RV-2 Modifications
- ESFP Clearwell/CT Improvements
- ESFP Sludge Collection System
- ESIPS Pipeline Improvements
- Foothill Feeder Connection
- Honby Parallel
- Magic Mountain Pipeline No. 4
- Magic Mountain Pipeline No. 5
- Magic Mountain Pipeline No. 6
- Magic Mountain Reservoir
- Recycled Water Program Phase II, 2A - Central Park

Recycled Water Program Phase II, 2B - Vista Canyon  
Recycled Water Program Phase II, 2C - South End  
Recycled Water Program Phase II, 2D - West Ranch  
Rosedale Rio Bravo Extraction  
Solar Panel Acquisition Price  
PFAS treatment

The Santa Clarita Valley Water Agency (Agency) Resolution (Attachment 1) authorizes the following:

- 1 Approves the Installment Purchase Agreement (Attachment 2), which contains the financial covenants (such as a rate covenant, an additional debt test, etc.), these covenants are the same as prior transactions, except that the covenants now apply to the Agency as a whole, rather than as individual divisions.
- 2 Approves the Continuing Disclosure Certificate (Attachment 3) which is substantially similar to other Continuing Disclosure Certificates entered into by the Agency, (most recently in 2018).
- 3 Approves the Purchase Contract (Attachment 4) with the underwriting team of Citigroup, Goldman Sachs and Morgan Stanley.
- 4 Approves Escrow Agreement for Series 2010A (Attachment 5).
- 5 Approves the Depository Agreement (Attachment 6) which contains the “intercept” provision used to directly deposit the Agency’s share of the 1% Property Tax moneys from Los Angeles and Ventura Counties into a special bank account.
- 6 Approves Amendments to the 1999A Trust Agreement (Attachment 7) and 2018A Indenture (Attachment 8) and Installment Purchase Agreement (Attachment 9) to implement the intercept provision as described in 5 above.
- 7 Authorizes the Agency to take the required steps to execute and deliver all documents necessary to consummate the sale and delivery of bonds.

## **Refunding Overview**

The proposed refinancing of Series 2010A, 2015A, 2016A and 2017A is a critical step in the post-merger integration as it eliminates the need to maintain four separate sets of accounting records. Streamlining the accounting requirements by consolidating financial reporting will result in increased efficiency of accounting and administrative staff. By eliminating the four separate sets of accounting records, it will be possible to create a path to eliminate the wholesale rate and provide uniformity among retail rates for all Agency retail customers. No immediate rate action would be required to support the finance plan.

The refunding plan assumes the pricing of the tax-exempt refunding of Series 2010A in July of 2020, and taxable refunding of Series 2015A, 2016A and 2017A. Taxable refunding bonds are needed since the call dates of these Series are more than 90 days after the expected closing in July 2020. Under tax code restrictions, tax-exempt proceeds cannot be issued to refund outstanding tax-exempt bonds more than 90 days from the call date of the refunded bonds. Based on current market conditions, the aggregate refunding is estimated to generate over 3% in net present value savings (over \$6 million).

## Legal Documents

The proposed Installment Purchase Agreement (Attachment 2) is between the Agency and the USCVJPA and governs how the Agency would make installment payments to the USCVJPA. It requires revenues to be maintained at 120% of annual debt service and operating and maintenance costs. The proposed Continuing Disclosure Certificate (Attachment 3) provides that the Agency would provide information on any issues that may affect its debt financing transactions on annual basis. The proposed Purchase Contract (Attachment 4) governs the purchase of the Revenue Bonds by the Underwriter. The proposed Escrow Agreement (Attachment 5) govern the use of proceeds to pay and retire Series 2010A, 2015A, 2016A and 2017A.

Set forth below are **good faith estimates** of Fieldman, Rolapp & Associates, Inc., the municipal advisor, as required under Section 5852.1 of the California Government Code (the "Code"). **The following estimates have no bearing on, and should not be misconstrued as, any not-to-exceed financial parameters authorized by resolution.**

- (a) The true interest cost of the bonds is estimated at 3.04%, calculated as provided in Section 5852.1(a)(1)(A) of the Code.
- (b) The finance charge of the Bonds, including all fees and charges paid to third parties, is estimated at \$1,205,520.
- (c) Proceeds of the Bonds received by the Agency for the sale of the Bonds, including the estimated principal amount of the proposed Bonds of \$252,760,000, plus the proposed premium of \$17,565,648 and the proposed cash contribution of \$2,000,000 and the prior debt service reserve fund amount of \$5,349,556, less the finance charges set forth in (b) above, is equal to \$276,469,684.
- (d) The total payment amount calculated as provided in Section 5852.1(a)(1)(D) of the Code is estimated at \$361,911,913.

The foregoing are estimates and the final costs will depend on market conditions and can be expected to vary from the estimated amounts set forth above.

## Next Actions

The Preliminary Official Statement (POS) will be prepared by the end of April 2020. In late April 2020, the POS and legal documents will be distributed to the rating agency analysts. In May 2020, the Board and the USCVJPA will be asked to approve the POS and authorize staff to complete the transaction. The proposed transaction is estimated to price in June 2020 and close in July 2020.

## FINANCIAL CONSIDERATIONS

There are no financial obligations or commitments incurred by approving the proposed documents.

## **RECOMMENDATION**

That the Finance and Administration Committee recommends that the Board of Directors approve a resolution 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.

EC

Attachments



# ATTACHMENT 1

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

**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 \$[\_\_\_\_\_] 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 \$[\_\_\_\_\_], nor shall the underwriter's discount exceed [\_\_]% of the principal amount of the Bonds, nor shall the true interest cost of the Bonds exceed [\_\_]%.

**SECTION 11.** The Board acknowledges that the good faith estimates required by Section 5852.1 of the California Government Code are disclosed in paragraph 4 to 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.

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## **ATTACHMENT 2**

### **INSTALLMENT PURCHASE AGREEMENT**

by and between

**SANTA CLARITA VALLEY WATER AGENCY**

and

**UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY**

Dated as of February 1, 2020

Relating to

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**UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY  
REVENUE BONDS, SERIES 2020A**

\$ \_\_\_\_\_

**UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY  
REVENUE BONDS, TAXABLE SERIES 2020B**

INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, made and entered into and dated as of February 1, 2020, by and between SANTA CLARITA VALLEY WATER AGENCY, an agency duly organized and existing under and by virtue of the laws of the State of California (the “Agency”), and UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the “Authority”).

W I T N E S S E T H:

WHEREAS, the Agency proposes to undertake the acquisition of certain capital improvements to the Water System, as more particularly described in Exhibit A hereto (the “Project”);

WHEREAS, the Agency is authorized under the Santa Clarita Valley Water Agency Act, Chapter 833 of Statutes of 2017, and all laws amendatory thereof or supplemental thereto, to acquire property for the Water System;

WHEREAS, the Agency is authorized pursuant to Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code to refinance the acquisition of property for the Water System (the “Refunding Project”);

WHEREAS, the Authority has agreed to assist the Agency by financing the 2020 Project and refinancing the Refunding Project;

WHEREAS, the Authority is authorized under the Joint Exercise of Powers Act, as amended, constituting Chapter 5, Division 7, Title 1 of the Government Code of the State of California, to assist its members in the financing and refinancing of the acquisition of capital improvements;

WHEREAS, the Agency and the Authority have duly authorized the execution of this Installment Purchase Agreement; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Installment Purchase Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Installment Purchase Agreement.

NOW, THEREFORE, IN CONSIDERATION OF THESE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

## ARTICLE I

### DEFINITIONS

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Indenture.

Acquisition Fund. The term “Acquisition Fund” means the Agency account designated by the Agency as account number \_\_\_\_\_, together with other accounts created in the future and designated by action of the Board of Directors of the Agency as a part of the Acquisition Fund created pursuant to Section 3.6 hereof.

Agency. The term “Agency” means Santa Clarita Valley Water Agency, an agency duly organized and existing under and by virtue of the laws of the State of California, including the Law including as the successor to the Castaic Lake Water Agency and the Newhall County Water District.

Authority. The term “Authority” means Upper Santa Clara Valley Joint Powers Authority, a joint exercise of powers authority created pursuant to a Joint Exercise of Powers Agreement, dated as of June 1, 2011, as amended and restated pursuant to the Amended and Restated Joint Exercise of Powers Agreement, dated as of April 1, 2018, each by and between the Agency and the Devil’s Den Water District.

Bonds. The term “Bonds” means all revenue bonds or notes of the Agency authorized, executed, issued and delivered by the Agency, the payments of which are on a parity with the 2020 Installment Payments and which are secured by a pledge of and lien on the Revenues, and payable from Net Revenues, subordinate to the Senior Obligations.

Continuing Disclosure Certificate. The term “Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate, dated the date of issuance of the 2020A Bonds, of the Agency, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

Contracts. The term “Contracts” means this Installment Purchase Agreement and any amendments and supplements hereto, and all contracts of the Agency previously or hereafter authorized and executed by the Agency which are payable on a parity with the 2020 Installment Payments and which are secured by a pledge and lien on the Revenues as described in Section 5.1 hereof, including but not limited to the 2018A Installment Purchase Agreement, and any credit facility agreement that may be entered into by the Agency in connection with the issuance of tax revenue anticipation notes issued by the Agency outstanding from time to time, and which are payable from Net Revenues subordinate to the Senior Obligations.

Corporation. The term “Corporation” means Santa Clarita Valley Water Agency Financing Corporation, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California.

Debt Service. The term “Debt Service” means, for any Fiscal Year, the sum of:

(i) the interest payable during such Fiscal Year on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are prepaid or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized or is reasonably anticipated to be reimbursed to the Agency by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program);

(ii) that portion of the principal amount of all outstanding serial Bonds maturing in such Fiscal Year (but excluding Excluded Principal);

(iii) that portion of the principal amounts of all outstanding term Bonds required to be prepaid or paid in such Fiscal Year (but excluding Excluded Principal); and

(iv) that portion of the Installment Payments required to be made during such Fiscal Year (except to the extent that the interest portion of such Installment Payments is capitalized or is reasonably anticipated to be reimbursed to the Agency by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program and excluding Excluded Principal);

provided that, as to any such Bonds or Installment Payments bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall be assumed to bear interest at a fixed rate equivalent to the higher of: (i) the then current variable interest rate borne by such Bonds or Contracts plus 1%; and (ii) the highest average variable rate borne over a 6 month period during the preceding 24 months by outstanding variable rate debt issued by the Agency or, if no such variable rate debt is at the time outstanding, by variable rate debt of which the interest rate is computed by reference to an index comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued;

provided further that if any series or issue of such Bonds or Installment Payments have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year (and such principal is not Excluded Principal), Debt Service shall be determined for the Fiscal Year of determination as if the principal of and interest on such series or issue of such Bonds or Installment Payments were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of thirty (30) years from the date of calculation;

provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Bonds and Contracts for which such debt service reserve fund was established and in each preceding year until such amount is exhausted;

provided further that Debt Service shall be reduced by the amount of investment earnings credited to any debt service reserve fund created with respect to Contracts or Bonds; and

provided further that if the Bonds or Contracts constitute Paired Obligations, the interest rate on such Bonds or Contracts shall be the resulting linked rate or the effective fixed interest rate to be paid by the Agency with respect to such Paired Obligations.

Depository Agreement. The term “Depository Agreement” means the Depository Agreement, dated as of February 1, 2020, by and between the Agency and U.S. Bank National Association, as depository agent, as such Depository Agreement may be supplemented or amended in accordance with the terms thereof.

Event of Default. The term “Event of Default” means an event described in Section 8.1.

Excluded Principal. The term “Excluded Principal” means each payment of principal of any Bond or Contract for which there is on file with the Trustee (i) a certificate of an Independent Municipal Advisor to the effect that such Bond or Contract is commercial paper or otherwise of a revolving or short-term nature and has a maturity of less than 42 months and (ii) a certificate of an Authorized Representative to the effect that the Agency intends to pay such principal from the proceeds of Bonds or Contracts or other bonds, notes or other obligations of the Agency. No such determination shall affect the security for such Bonds or Contracts or the obligation of the Agency to pay such Bonds or Contracts from Net Revenues.

Fiscal Year. The term “Fiscal Year” means the period beginning on July 1 of each year and ending on the last day of June of the succeeding year, or any other twelve-month period selected and designated as the official Fiscal Year of the Agency.

Generally Accepted Accounting Principles. The term “Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures prescribed by the California State Controller or his successor for public agencies in the State of California, or failing the prescription of such procedures means generally accepted accounting principles as presented and recommended by the American Institute of Certified Public Accountants or its successor, or by the National Council on Governmental Accounting or its successor, or by any other generally accepted authority on such principles.

Indenture. The term “Indenture” means the Indenture of Trust, dated as of February 1, 2020, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

Independent Certified Public Accountant. The term “Independent Certified Public Accountant” means any firm of certified public accountants appointed by the Agency, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

Independent Municipal Advisor. The term “Independent Municipal Advisor” means a financial consultant or firm of such consultants appointed by the Agency, and who, or each of whom: (1) is in fact independent and not under domination of the Agency; (2) does not have any substantial interest, direct or indirect, with the Agency; (3) is registered as a “municipal advisor,” as defined in Section 15B of the Securities Exchange Act of 1934, as amended; and (4) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

Initial Rating Requirement. The term “Initial Rating Requirement” means a long term debt rating of A3 or better by Moody’s and A- or better by S&P.

Installment Payment Date. The term “Installment Payment Date” means any date on which Installment Payments are scheduled to be paid by the Agency under and pursuant to any Contract.

Installment Payments. The term “Installment Payments” means the installment payments of interest and principal scheduled to be paid by the Agency under and pursuant to the Contracts.

Installment Purchase Agreement. The term “Installment Purchase Agreement” means this Installment Purchase Agreement, dated as of February 1, 2020, by and between the Agency and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Law. The term “Law” means Santa Clarita Valley Water Agency Act, Chapter 833 of Statutes of 2017, and all laws amendatory thereof or supplemental thereto and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code.

Manager. The term “Manager” means the General Manager of the Agency, or any other person designated by the General Manager to act on behalf of the General Manager.

Minimum Rating Requirement. The term “Minimum Rating Requirement” means a long term debt rating of Baa2 by Moody’s or BBB by S&P.

Net Proceeds. The term “Net Proceeds” means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

Net Revenues. The term “Net Revenues” means, for any Fiscal Year, the Revenues for such Fiscal Year less Senior Debt Service, Operation and Maintenance Costs for such Fiscal Year and 1% Property Tax Receipts applied to pay amounts with respect to the 2018A Installment Purchase Agreement for such Fiscal Year.

1999 Installment Purchase Agreement. The term “1999 Installment Purchase Agreement” means the Installment Purchase Agreement, by and between the Agency and the Corporation, dated as of June 1, 1999.

1% Property Tax Account. The term “1% Property Tax Account” means account in the Revenue Fund contained pursuant to Section 5.2 hereof.

1% Property Tax Receipts. The term “1% Property Tax Receipts” means amounts received by the Agency from the counties of Los Angeles and Ventura from the levy by such counties of the 1% *ad valorem* property tax.

Operation and Maintenance Costs. The term “Operation and Maintenance Costs” means: (i) costs spent or incurred for maintenance and operation of the Water System calculated in accordance with Generally Accepted Accounting Principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of



the Agency that are charged directly or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, consultants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the Agency or charges (other than debt service payments) required to be paid by it to comply with the terms of the 2020A Bonds or of this Installment Purchase Agreement or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds, or payments, if any, required in connection with the Water Contract; and (ii) all payments with respect to Operation and Maintenance Obligations; but excluding in all cases (i) depreciation, replacement and obsolescence charges or reserves therefor, amortization of intangibles, including amortization of water rights, unrealized losses in investments, write offs of the value of any impaired assets or other bookkeeping entries of a similar nature and (ii) all payments with respect to Operation and Maintenance Obligation, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature, and any amounts transferred to the Rate Stabilization Fund.

Operation and Maintenance Obligation. The term “Operation and Maintenance Obligation” means any contractual obligation with respect to any facilities, properties, structures, works, services, water or rights to receive water, or any loan of credit to or guaranty of debts, claims or liabilities of any other person (including a joint powers agency of which the Agency is a member) with respect to any facilities, properties, structures, works, services, water or rights to receive water, so long as in each case the payments thereunder are designated as Operation and Maintenance Costs by the Board of Directors of the Agency. Bonds and Contracts shall not constitute Operation and Maintenance Obligations.

Paired Obligation Provider. The term “Paired Obligation Provider” means a party to a Paired Obligation other than the Agency.

Paired Obligations. The term “Paired Obligations” means any Bond or Contract (or portion thereof) designated as Paired Obligations in the resolution, indenture or other document authorizing the issuance or execution and delivery thereof, which are issued or executed and delivered: (i) the principal of which, at the time of adoption or execution of the resolution, indenture or other document authorizing the issuance or execution thereof, is of equal amount maturing and to be redeemed or prepaid (or cancelled after acquisition thereof) on the same dates and in the same amounts; and (ii) the interest rates with respect to which, taken together, are reasonably expected, at the time of adoption or execution of the resolution, indenture or other document authorizing the issuance or execution thereof, to result in a fixed interest rate obligation of the Agency for the term of such Bond or Contract, as certified by an Independent Municipal Advisor in writing, and which comply with the provisions of Section 10.15 hereof.

Parity Project. The term “Parity Project” means any additions, betterments, extensions or improvements to the Water System designated by the Board of Directors of the Agency as a Parity Project, the acquisition and construction of which has been or will be paid for with the proceeds of any Contracts or Bonds.

Purchase Price. The term “Purchase Price” means the principal amount plus interest thereon owed by the Agency to the Authority under the terms hereof as provided in Section 4.1.

Rate Stabilization Fund. The term “Rate Stabilization Fund” means the fund by that name continued pursuant to Section 5.5 hereof.

Refunding Project. The term “Refunding Project” means the additions, betterments, extensions and improvements to the Water System described as the Refunding Project in Exhibit B hereto.

Revenue Fund. The term “Revenue Fund” means the fund previously established by the Agency and continued by the terms of Section 5.2 hereof.

Revenues. The term “Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System on or after the date hereof, including, without limiting the generality of the foregoing:

(i) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the Agency from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System;

(ii) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including Agency reserves and the Rate Stabilization Fund;

(iii) the proceeds of any facility capacity fees or any other connection fees collected by the Agency in connection with the Water System;

(iv) the proceeds of any stand-by or water availability charges collected by the Agency in connection with the Water System;

(v) amounts received by the Agency from the counties of Los Angeles and Ventura from the levy by such counties of the 1% *ad valorem* property tax;

but excluding in all cases (w) all taxes and assessments, *ad valorem* or otherwise (including investment earnings thereon), levied and received by the Agency and restricted by law to be applied to the payment of the Water Contract and related costs, (x) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the Agency, (y) excluding any proceeds of taxes or assessments restricted by law to be used by the Agency to pay bonds hereafter issued and (z) any and all revenues derived from the ownership or operation of or a connection with Separate Facilities.

“Revenues” shall also include all amounts transferred from the Rate Stabilization Fund to the Revenue Fund with respect to any Fiscal Year in accordance with Section 5.5 hereof and shall not include any amounts transferred from the Revenue Fund to the Rate Stabilization Fund with respect to any Fiscal Year in accordance with Section 5.2(d) hereof.

Senior Debt Service. The term “Senior Debt Service” means Debt Service as such term is defined in the 1999 Installment Purchase Agreement, which definition is incorporated herein by reference.

Senior Obligations. The term “Senior Obligations” means the 1999 Installment Purchase Agreement, which contract is payable from Revenues prior to the Installment Payments, the Bonds and the Contracts.

Separate Facilities. The term “Separate Facilities” means any facilities acquired or financed by the Agency on or after the date hereof and which were not financed from the proceeds of Bonds or Contracts of the Agency and which facilities are determined by the Board of Directors of the Agency to be Separate Facilities.

Subordinate Obligations. The term “Subordinate Obligations” means all revenue bonds, notes or other obligations of the Agency and all contracts of the Agency, which are secured by a pledge and lien on the Revenues subordinate to the pledge of and lien on the Revenues securing the Installment Payments described in Section 5.1 hereof and which are payable from Net Revenues subordinate to the Installment Payments.

Trustee. The term “Trustee” means U.S. Bank National Association, Los Angeles, California, acting in its capacity as Trustee under and pursuant to the Indenture, and its successors and assigns.

2018A Installment Purchase Agreement. The term “2018A Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of January 1, 2018, by and between the Agency and the Authority, as supplemented by Supplement No. 1 to the Installment Purchase Agreement, dated as of February 1, 2020, by and between the Agency and the Corporation.

2020 Installment Payment Date. The term “2020 Installment Payment Date” means the second Business Day preceding each Interest Payment Date pursuant to the Indenture.

2020 Installment Payments. The term “2020 Installment Payments” means the Installment Payments scheduled to be paid by the Agency under and pursuant hereto.

2020 Project. The term “2020 Project” means the additions, betterments, extensions and improvements to the Water System described as the 2020 Project in Exhibit A hereto.

Water Contract. The term “Water Contract” means the Contract between the State of California Department of Water Resources and the Agency, as successor to the Castaic Lake Water Agency, dated April 30, 1963, and any renewal, amendment or supplement thereof from time to time.

Water Service. The term “Water Service” means the water distribution service made available or provided by the Water System.

Water System. The term “Water System” means the whole and each and every part of the water system of the Agency, including the portion thereof existing on the date hereof and all additions, betterments, extensions and improvements to such water system or any part thereof hereafter acquired or constructed, and including any retail water distribution facilities acquired after the date hereof unless the Board of Directors of the Agency determines by resolution that such facilities shall not be included in the Water System, but in either event not including Separate Facilities.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations by the Agency. The Agency makes the following representations:

(a) The Agency is an agency duly organized and existing under and pursuant to the laws of the State of California.

(b) The Agency has full legal right, power and authority to enter into this Installment Purchase Agreement and carry out its obligations hereunder, to carry out and consummate all other transactions contemplated by this Installment Purchase Agreement, and the Agency has complied with the provisions of the Law in all matters relating to such transactions.

(c) By proper action, the Agency has duly authorized the execution, delivery and due performance of this Installment Purchase Agreement.

(d) The Agency will not take or, to the extent within its power, permit any action to be taken which results in the interest paid for the installment purchase of the 2020 Project and the portion of the Refunding Project financed from the proceeds of the 2020A Bonds under the terms of this Installment Purchase Agreement included in the gross income of the Authority or its assigns for purposes of federal or State of California personal income taxation.

(e) The Agency has determined that it is necessary and proper for Agency uses and purposes within the terms of the Law that the Agency acquire the 2020 Project and refinance the Refunding Project in the manner provided for in this Installment Purchase Agreement.

Section 2.2. Representations and Warranties by the Authority. The Authority makes the following representations and warranties:

(a) The Authority is a joint exercise of powers authority duly organized and in good standing under the laws of the State of California, has full legal right, power and authority to enter into this Installment Purchase Agreement and to carry out and consummate all transactions contemplated by this Installment Purchase Agreement and by proper action has duly authorized the execution and delivery and due performance of this Installment Purchase Agreement.

(b) The execution and delivery of this Installment Purchase Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Authority is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority.

(c) The Authority will not take or permit any action to be taken which results in interest paid for the installment purchase of the 2020 Project and the portion of the Refunding Project financed from the proceeds of the 2020A Bonds under the terms of this Installment Purchase

Agreement being included in the gross income of the Authority for purposes of federal or State of California personal income taxation.

### ARTICLE III

#### ACQUISITION OF THE PROJECT

Section 3.1. Sale of the Refunding Project to Authority. In consideration for the Authority's assistance in refinancing the Refunding Project, the Agency agrees to sell, and hereby sells, to the Authority and the Authority agrees to purchase, and hereby purchases from the Agency, the Refunding Project.

Section 3.2. Purchase and Sale of the 2020 Project and the Refunding Project. In consideration for the 2020 Installment Payments as set forth in Section 4.2, the Authority agrees to sell, and hereby sells, to the Agency, and the Agency agrees to purchase, and hereby purchases, from the Authority, the 2020 Project and the Refunding Project at the purchase price specified in Section 4.1 hereof and otherwise in the manner and in accordance with the provisions of this Installment Purchase Agreement.

Section 3.3. Title. All right, title and interest in the Refunding Project shall vest in the Agency immediately upon execution and delivery of this Installment Purchase Agreement. Each component of the 2020 Project shall vest in the Agency immediately upon acquisition or construction thereof. Such vesting shall occur without further action by the Authority or the Agency and the Authority shall, if requested by the Agency or, if necessary to assure such automatic vesting, deliver any and all documents required to assume such vesting.

Section 3.4. Acquisition and Construction of the 2020 Project. The Authority hereby agrees to cause the 2020 Project, and any additions or modifications thereto to be constructed, acquired or installed by the Agency as its agent, and the Agency shall enter into contracts and provide for, as agent of the Authority, the complete construction, acquisition and installation of the 2020 Project. The Agency hereby agrees that the Agency will cause the construction, acquisition and installation of the 2020 Project to be diligently performed after the deposit of funds with the Trustee pursuant to Section 3.02 of the Indenture, upon satisfactory completion of design work and compliance with the California Environmental Quality Act and approval by the Board of Directors of the Agency, unforeseeable delays beyond the reasonable control of the Agency only excepted. It is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any cost of the 2020 Project and that all such costs and expenses shall be paid by the Agency, regardless of whether the funds deposited in the Acquisition Fund are sufficient to cover all such costs and expenses.

Section 3.5. Changes to the 2020 Project. The Agency may substitute other improvements for those listed as components of the 2020 Project in Exhibit A hereto, but only if the Agency first files with the Authority and the Trustee a statement of the Agency: (a) identifying the improvements to be deleted from such Exhibit and the improvements to replace such deleted improvements; and (b) stating that the estimated costs of construction, acquisition and installation of the substituted improvements are not less than such costs for the improvements previously planned to be paid from the proceeds of the 2020A Bonds.

Section 3.6. Acquisition Fund. There is hereby created with the Agency a fund to be known as the “Acquisition Fund,” which the Agency shall maintain and hold in trust separate and apart from other funds held by it. The moneys in the Acquisition Fund shall be applied to the payment of the costs of acquisition of the 2020 Project and of expenses incidental thereto. Before any payment is made from the Acquisition Fund, the Manager shall cause to be filed with the Chief Financial and Administrative Officer of the Agency a Written Requisition in the form set forth in Exhibit C hereto. Upon receipt of such Written Requisition, the Chief Financial and Administrative Officer of the Agency will pay the amount set forth therein. The Chief Financial and Administrative Officer of the Agency need not make any such payment if he or she has received notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys so to be paid, which has not been released and will not be released simultaneously with such payment.

When the 2020 Project shall have been constructed and acquired in accordance with this Installment Purchase Agreement, a statement of the Agency stating the fact and date of such acquisition, construction and acceptance and stating that all of such costs of acquisition and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition Fund is to be maintained in the full amount of such claims until such dispute is resolved), shall be delivered to the Chief Financial and Administrative Officer of the Agency and the Trustee by the Manager. Upon the receipt of such statement, the Chief Financial and Administrative Officer of the Agency shall transfer any remaining balance in the Acquisition Fund not needed for Acquisition Fund purposes (but less the amount of any such retention which shall be certified to the Chief Financial and Administrative Officer of the Agency by the Manager) to the Revenue Fund.

#### ARTICLE IV

##### SERIES 2020A INSTALLMENT PAYMENTS

###### Section 4.1. Purchase Price.

(a) The Purchase Price to be paid by the Agency hereunder to the Authority is the sum of the principal amount of the Agency’s obligations hereunder plus the interest to accrue on the unpaid balance of such principal amount from the date hereof over the term hereof, subject to prepayment as provided in Article VII.

(b) The principal amount of the payments to be made by the Agency hereunder is set forth in a certificate of the Manager to be attached hereto as Exhibit B.

(c) The interest to accrue on the unpaid balance of such principal amount to be made by the Agency hereunder is set forth in a certificate of the Manager to be attached hereto as Exhibit B, and shall be paid by the Agency as and constitute interest paid on the principal amount of the Agency’s obligations hereunder.

Section 4.2. 2020 Installment Payments. The Agency shall, subject to its rights of prepayment provided in Article VII, pay the Authority the Purchase Price in installment payments of interest and principal in the amounts and on the 2020 Installment Payment Dates as set forth in a certificate of the Manager, a copy of which shall be delivered to the Trustee by the Agency and is attached hereto as Exhibit B.

Each 2020 Installment Payment shall be paid to the Authority in lawful money of the United States of America. In the event that the Agency fails to make any of the payments required to be made by it under this section, such payment shall continue as an obligation of the Agency until such amount shall have been fully paid and the Agency agrees to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the 2020 Installment Payments if paid in accordance with their terms.

The obligation of the Agency to make the 2020 Installment Payments is absolute and unconditional, and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the Agency will not discontinue or suspend any 2020 Installment Payments required to be made by it under this section when due, whether or not the 2020 Project or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

## ARTICLE V

### SECURITY

Section 5.1. Pledge of Revenues. All Revenues, the Revenue Fund, the Rate Stabilization Fund and all amounts on deposit in such funds are hereby irrevocably pledged to the payment of the 2020 Installment Payments as provided herein, subject however to the pledge thereon securing Senior Obligations now in existence, and the Revenues shall not be used for any other purpose while any of the 2020 Installment Payments remain unpaid; provided that out of the Revenues and amounts on deposit in the Revenue Fund and the Rate Stabilization Fund, there may be apportioned such sums for such purposes as are expressly permitted herein. This pledge, together with the pledge created by all other Contracts and Bonds, shall constitute a second lien on Revenues, the Revenue Fund and the Rate Stabilization Fund and all amounts on deposit therein as permitted herein subordinate to the pledge securing Senior Obligations and, subject to the application of Revenues, in accordance with the terms hereof.

Section 5.2. Allocation of Revenues. In order to carry out and effectuate the pledge and lien contained herein, the Agency agrees and covenants that all Revenues shall be received by the Agency in trust hereunder and shall be deposited when and as received in a special fund designated as the "Revenue Fund," which fund was previously established by the Agency and is hereby continued by the terms of this Section 5.2, and which fund the Agency agrees and covenants to maintain and to hold separate and apart from other funds so long as any Contracts or Bonds remain unpaid. The Revenue Fund includes the 1% Property Tax Account described in Section 5.1(a) below and which is contained hereunder. All 1% Property Tax Receipts shall be deposited in the 1% Property Tax Account and applied in accordance with the Depository Agreement. Moneys in the Revenue Fund shall be used and applied by the Agency as provided in this Installment Purchase Agreement.

To the extent the Agency receives any 1% Property Tax Receipts from the County of Los Angeles or the County of Ventura, the Agency shall immediately transfer such amounts to the Depository Agent for deposit by the Depository Agent in the 1% Property Tax Payment Account.

The Agency shall, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. All remaining moneys in the Revenue Fund shall be used to make payments with respect to Senior Debt Service on Senior Obligations if 1% Property Tax Receipts are insufficient therefor, and thereafter shall be set aside by the Agency at the following times in the following respective special funds in the following order of priority and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this section:

(a) Bond Payment Fund. On or before each 2020 Installment Payment Date, the Agency shall, from the moneys in the Revenue Fund, transfer to the Trustee for deposit in the Bond Payment Fund a sum equal to the 2020 Installment Payment coming due on such 2020 Installment Payment Date. The Agency shall also, from the moneys in the Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of the Contract, resolution or indenture relating thereto, including but not limited to the 2018A Installment Purchase Agreement to the extent not paid from 1% Property Tax Receipts.

No deposit need be made in the Bond Payment Fund as 2020 Installment Payments if the amount in the Bond Payment Fund is at least equal to the amount of the 2020 Installment Payment due and payable on the next succeeding 2020 Installment Payment Date. All money in the Bond Payment Fund shall be used and withdrawn by the Trustee in accordance with the Indenture.

(b) Reserve Fund. On or before each 2020 Installment Payment Date, the Agency shall, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority, transfer to the applicable trustee for reserve funds and/or accounts, if any, as may have been established in connection with Senior Obligations, Bonds or Contracts, that sum, if any, necessary to restore such funds or accounts to an amount equal to the reserve requirement with respect thereto.

(c) Subordinate Obligations. On or before any date that the payment of principal and interest is due with respect to any Subordinate Obligations, the Agency shall, from moneys in the Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without discrimination or preference, payment on such Subordinate Obligations in accordance with the provisions of such Subordinate Obligation.

(d) Surplus. Moneys on deposit in the Revenue Fund on any date when the Agency reasonably expects such moneys will not be needed for the payment of Operation and Maintenance Costs or for any of the purposes described in clauses (a) through (c) above may be expended by the Agency at any time for any purpose permitted by law, including but not limited to payment of any amounts due and payable under the Water Contract or to deposit amounts in the Rate Stabilization Fund in accordance with Section 5.5 hereof.



Section 5.3. Additional Contracts and Bonds. The Agency may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided:

(a) The Net Revenues for the most recent audited Fiscal Year preceding the date of adoption by the Board of Directors of the Agency of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by the Agency and a special report prepared by an Independent Certified Public Accountant or an Independent Municipal Advisor on such calculation on file with the Agency, shall have produced a sum equal to at least one hundred twenty percent (120%) of the Debt Service for such Fiscal Year; and

(b) The Net Revenues for the most recent audited Fiscal Year preceding the date of the execution of such Contract or the date of adoption by the Board of Directors of the Agency of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year to increases or decreases in income, rents, fees, rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by both a calculation prepared by the Agency and a special report prepared by an Independent Certified Public Accountant or an Independent Municipal Advisor on such calculation on file with the Agency, shall demonstrate a sum equal to at least one hundred twenty percent (120%) of the Debt Service for such Fiscal Year plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year plus the Debt Service which would have accrued had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year; and

(c) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest date of operation of any uncompleted Parity Project financed from proceeds of such Contract or Bonds, as evidenced by a certificate on file with the Agency, including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed and prescribed for the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the Manager on file with the Agency, shall produce a sum equal to at least one hundred twenty percent (120%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects.

Notwithstanding the foregoing: (i) Bonds issued or Contracts executed to refund Bonds or Contracts may be delivered without satisfying the conditions set forth above if Debt Service in each Fiscal Year after the Fiscal Year in which such Bonds are issued or Contracts executed is not greater than 105% of Debt Service which would have been payable in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts; and (ii) Bonds issued or Contracts executed to refund Senior Obligations may be delivered without satisfying the conditions set forth above if total Debt Service and Senior Debt Service in each Fiscal Year after the Fiscal Year in which such Bonds are issued or Contracts executed is not greater than 105% of total Debt Service and Senior

Debt Service which would have been payable in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts.

Notwithstanding satisfaction of the other conditions to the execution of any Contract or the issuance of Bonds set forth in this Section 5.3, no such execution or issuance may occur if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such Event of Default shall be cured upon such execution or issuance.

Section 5.4. Investments. All moneys held by the Agency in the Revenue Fund, including the 1% Property Tax Account, shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein. All moneys held by the Agency in the Rate Stabilization Fund shall be invested in Permitted Investments and the investment earnings thereon shall be transferred to the Revenue Fund upon receipt thereof.

Section 5.5. Rate Stabilization Fund. There is hereby continued a special fund designated as the "Rate Stabilization Fund" to be held by the Agency in trust hereunder, which fund the Agency agrees and covenants to maintain and to hold separate and apart from other funds so long as any Installment Payments or Bonds remain unpaid. Money transferred by the Agency from the Revenue Fund to the Rate Stabilization Fund in accordance with Section 5.2(d) shall be held in the Rate Stabilization Fund and applied in accordance with this Installment Purchase Agreement.

The Agency may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with Section 5.2 hereof or, in the event that all or a portion of the 2020 Installment Payments are discharged in accordance with Section 9.1(b) or (c) hereof, transfer all or any portion of such amounts for application in accordance with said section.

## ARTICLE VI

### COVENANTS OF THE AGENCY

Section 6.1. Compliance with Installment Purchase Agreement and Ancillary Agreements. The Agency will punctually pay the 2020 Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the 2020 Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The Agency will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be observed and performed by it, and it is expressly

understood and agreed by and among the parties to this Installment Purchase Agreement and the Indenture that, subject to Section 10.6 hereunder, each of the agreements, conditions, covenants and terms contained in each such agreement is an essential and material term of the purchase of and payment for the 2020 Project by the Agency pursuant to, and in accordance with, and as authorized under the Law.

The Agency will faithfully observe and perform all the agreements, conditions, covenants and terms required to be observed and performed by it pursuant to all outstanding Contracts and Bonds as such may from time to time be executed or issued, as the case may be.

Section 6.2. Against Encumbrances. The Agency will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund or the Rate Stabilization Fund except as provided herein. The Agency may at any time, or from time to time, issue evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of and lien on Revenues or any moneys in the Revenue Fund as may from time to time be deposited therein or the Rate Stabilization Fund, provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

Section 6.3. Against Sale or Other Disposition of Property. The Agency will not enter into any agreement or lease which impairs the operation of the Water System or any part thereof necessary to secure adequate Revenues for the payment of the 2020 Installment Payments, or which would otherwise impair the rights of the Authority hereunder or the operation of the Water System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the Agency to pay the 2020 Installment Payments and if the proceeds of such sale are deposited in the Revenue Fund.

Nothing herein shall restrict the ability of the Agency to sell any portion of the Water System if such portion is immediately repurchased by the Agency and if such arrangement cannot by its terms result in the purchaser of such portion of the Water System exercising any remedy which would deprive the Agency of or otherwise interfere with its right to own and operate such portion of the Water System.

Section 6.4. Against Competitive System. The Agency and the Authority hereby acknowledge that Los Angeles County Waterworks District No. 36 Val Verde currently operates a retail water supply and distribution system within the boundaries of the Agency and that nothing contained in this Installment Purchase Agreement is intended to alter or affect such activities. The Agency will not, to the extent permitted by law: (a) acquire, construct, maintain or operate; or (b) within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the Agency any water importation, treatment and distribution facilities competitive with the Water System.

Section 6.5. Tax Covenants. Notwithstanding any other provision of this Installment Purchase Agreement, absent a Favorable Opinion of Special Counsel that the exclusion from gross income of interest on the 2020A Bonds will not be adversely affected for federal income tax purposes, the Agency and the Authority covenant to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenant, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Agency and the Authority will not take or omit to take any action or make any use of the proceeds of the 2020A Bonds or of any other moneys or property which would cause the 2020A Bonds to be “private activity bonds” within the meaning of Section 141 of the Code.

(b) Arbitrage. The Agency and the Authority will make no use of the proceeds of the 2020A or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the 2020A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The Agency and the Authority will make no use of the proceeds of the 2020A Bonds or take or omit to take any action that would cause the 2020A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The Agency and the Authority will take or cause to be taken all necessary action to comply with the informational reporting requirements of Section 149(e) of the Code.

(e) Hedge Bonds. The Agency and the Authority will make no use of the proceeds of the 2020A Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the 2020A Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Agency and the Authority take all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2020A Bonds for federal income tax purposes.

(f) Miscellaneous. The Agency and the Authority will take no action, or omit to take any action, inconsistent with the expectations stated in any Tax Certificate executed with respect to the 2020A Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

(g) Compliance with Tax Certificate. In furtherance of the foregoing tax covenants of this Section 6.5, the Agency covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or defeasance of the 2020A Bonds.

This section shall not be applicable to, and nothing contained herein shall be deemed to prevent the Agency and the Authority from issuing bonds, the interest with respect to which has been determined by Special Counsel to be subject to federal income taxation, including, but not limited to the 2020B Bonds.

Section 6.6. Maintenance and Operation of the Water System. The Agency will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.

Section 6.7. Payment of Claims. The Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or the funds or accounts created hereunder or under the Indenture or on any funds in the hands of the Agency pledged to pay the 2020 Installment Payments or to the Owners prior or superior to the lien of the 2020 Installment Payments or which might impair the security of the 2020 Installment Payments.

Section 6.8. Compliance with Contracts. The Agency will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in the Water Contract and all contracts for the use of the Water System and all other contracts affecting or involving the Water System, to the extent that the Agency is a party thereto.

Section 6.9. Insurance.

(a) The Agency will procure and maintain or cause to be procured and maintained insurance on the Water System with responsible insurers in such amounts and against such risks (including accident to or destruction of the Water System) as are usually covered in connection with facilities similar to the Water System so long as such insurance is available from reputable insurance companies.

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System. The Agency shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement, then the excess Net Proceeds shall be applied in part to the prepayment of 2020 Installment Payments as provided in Article VII and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of 2020 Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts. If such Net Proceeds are sufficient to enable the Agency to retire the entire obligation evidenced hereby prior to the final due date of the 2020 Installment Payments as well as the entire obligations evidenced by Bonds and Contracts then remaining unpaid prior to their final respective due dates, the Agency may elect not to reconstruct, repair or replace the damaged or destroyed portion of the Water System, and thereupon such Net Proceeds shall be applied to the prepayment of 2020 Installment Payments as provided in Article VII and to the retirement of such Bonds and Contracts.

(b) The Agency will procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the Authority, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal water systems similar to the Water System.

(c) Any insurance required to be maintained by paragraph (a) above and, if the Agency determines to procure and maintain insurance pursuant to paragraph (b) above, such insurance, may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with water systems similar to the Water System and is, in the opinion of an accredited actuary, actuarially sound.

Section 6.10. Accounting Records; Financial Statements and Other Reports. The Agency will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Water System, which records shall be available for inspection by the Authority and the Trustee at reasonable hours and under reasonable conditions. The Trustee shall have no duties to inspect such records.

Section 6.11. Protection of Security and Rights of the Authority. The Agency will preserve and protect the security hereof and the rights of the Authority to the 2020 Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.12. Payment of Taxes and Compliance with Governmental Regulations. The Agency will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System, or any part thereof or upon the Revenues when the same shall become due. The Agency will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System, or any part thereof, but the Agency shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.13. Amount of Rates and Charges.

(a) In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is less than Debt Service payable in such Fiscal Year, the Agency shall fix and prescribe rates and charges for Water Service which are reasonably expected to be sufficient to yield during such Fiscal Year Net Revenues which will equal one hundred twenty percent (120%) of the Debt Service for such Fiscal Year.

(b) In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is at least equal to Debt Service payable in such Fiscal Year, the Agency shall fix and prescribe Revenues, other than described in clause (iii) of the definition thereof, that are reasonably expected to be sufficient to yield during such Fiscal Year such Revenues equal to one hundred twenty percent (120%) of Operation and Maintenance Costs during such Fiscal Year.

(c) The Agency may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues or Revenues, as the case may be, from such reduced rates and charges will at all times be sufficient to meet the requirements of this section.

(d) So long as the Agency has complied with its obligations set forth in clause (a) and (b) above, the failure of Net Revenues to equal one hundred twenty percent (120%) of Debt Service at the end of a Fiscal Year shall not constitute a default or an Event of Default hereunder.

Section 6.14. Collection of Rates and Charges. The Agency will have in effect at all times by-laws, rules and regulations requiring each customer who purchases water from the Agency to pay the rates and charges applicable to the Water Service and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the Agency may disconnect such purchaser from the Water System, and such purchaser shall not thereafter be reconnected to the Water System except in accordance with Agency by-laws or rules and regulations governing such situations of delinquency.

Section 6.15. Eminent Domain Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If: (i) the Agency files with the Authority and the Trustee a certificate showing: (1) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the Agency by reason of such eminent domain proceedings; (2) a general description of the additions, betterments, extensions or improvements to the Water System proposed to be acquired and constructed by the Agency from such Net Proceeds; and (3) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements; and (ii) the Agency, on the basis of such certificate filed with the Authority and the Trustee, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the Agency to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the Agency shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the Agency for such purpose shall be deposited in the Revenue Fund.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied in part to the prepayment of 2020 Installment Payments as provided in Article VII and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of 2020 Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.16. Further Assurances. The Agency will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and to better assure and confirm unto the Authority the rights and benefits provided to it herein.

Section 6.17. Enforcement of Contracts. So long as any of the 2020A Bonds are outstanding, the Agency will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with the Water Contract or any other contracts previously or hereafter entered into which contracts provide for water to be supplied to the Agency which will reduce the supply of water thereunder (except as provided therein) if such rescission or amendment would in any manner impair or adversely affect the rights of the owners from time to time of the 2020A Bonds.

Section 6.18. Compliance with Water Contract. To the fullest extent permitted by law, the Agency will comply with Section 34(a) of the Water Contract.

Section 6.19. Continuing Disclosure. The Agency will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Installment Purchase Agreement, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Owners of 2020A Bonds or Beneficial Owners of at least 50% aggregate principal amount of the 2020A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this section. For purposes of this section, “Beneficial Owner” means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2020A Bonds (including persons holding 2020A Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any 2020A Bonds for federal income tax purposes.

Section 6.20. No Additional Senior Obligations. The Agency hereby covenants to not issue or enter into any additional Senior Obligations.

## ARTICLE VII

### PREPAYMENT OF SERIES 2020A INSTALLMENT PAYMENTS

#### Section 7.1. Prepayment.

(a) The Agency may or shall, as the case may be, prepay from the Net Proceeds as provided herein the 2020 Installment Payments in whole or in part in the order of payment date as directed by the Agency, at a prepayment price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment.

(b) The Agency may prepay the 2020 Installment Payments, as a whole or in part, in the order of payment date as directed by the Agency, on the date and at the prepayment price (expressed as a percentage of the principal amount of the 2020A Bonds to be prepaid) plus accrued interest thereon to the date of prepayment, as set forth in Section 4.01 of the Indenture.

Notwithstanding any such prepayment, the Agency shall not be relieved of its obligations hereunder, including its obligations under Article IV, until the Purchase Price shall have been fully paid (or provision for payment thereof shall have been provided to the written satisfaction of the Authority and the Trustee).

Section 7.2. Method of Prepayment. Before making any prepayment pursuant to Section 7.1, the Agency shall, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be paid, which date shall be not less than sixty (60) nor more than seventy-five (75) days from the date such notice is given.



## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.1. Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen:

(a) if default shall be made by the Agency in the due and punctual payment of any 2020 Installment Payment or any Contract or Bond when and as the same shall become due and payable;

(b) if default shall be made by the Agency in the performance of any of the agreements or covenants required herein or in connection with any Contract or Bond to be performed by it, and such default shall have continued for a period of thirty (30) days after the Agency shall have been given notice in writing of such default by the Authority or, if such default is not reasonably susceptible to cure within thirty (30) days after notice thereof, such default shall have continued for a period of sixty (60) days;

(c) if the Agency shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Agency seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Agency or of the whole or any substantial part of its property; or

(d) if payment of the principal of any Contract or Bond is accelerated in accordance with its terms;

then and in each and every such case during the continuance of such Event of Default specified in clause (c) and (d) above, the Authority shall, and for any other such Event of Default the Authority may, by notice in writing to the Agency, declare the entire principal amount of the unpaid 2020 Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding. This section, however, is subject to the condition that if at any time after the entire principal amount of the unpaid 2020 Installment Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered the Agency shall deposit with the Authority a sum sufficient to pay the unpaid principal amount of the 2020 Installment Payments or the unpaid payment of any other Contract or Bond referred to in clause (a) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the 2020 Installment Payments or such Contract or Bond if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid 2020 Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority, or provision deemed by the Authority to be adequate shall have been made therefor, then and in every such case the Authority, by written notice to the Agency, may

rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 8.2. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.1, all Revenues thereafter received by the Agency and all amounts on deposit in the Rate Stabilization Fund shall be applied in the following order:

First, to the payment, without preference or priority, and in the event of any insufficiency ratably without any discrimination or preference, of the fees, costs and expenses, if any of the Authority and the Trustee in carrying out the provisions of this article, including reasonable compensation to their respective accountants and counsel;

Second, to the payment of the Operation and Maintenance Costs;

Third, to the payment of Senior Obligations in accordance with the terms thereof;

Fourth, to the payment of the entire principal amount of the unpaid 2020 Installment Payments and the unpaid principal amount of all Bonds and Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the 2020 Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms; and

Fifth, to the payment of Subordinate Obligations in accordance with the terms thereof.

Section 8.3. Other Remedies of the Authority. The Authority shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Agency or any director, officer or employee thereof, and to compel the Agency or any such director, officer or employee to perform and carry out its or his duties under the Law and the agreements and covenants required to be performed by it or him contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or

(c) by suit in equity upon the happening of an Event of Default to require the Agency and its directors, officers and employees to account as the trustee of an express trust.

Notwithstanding anything contained herein, Authority shall have no security interest in or mortgage on the 2020 Project, the Water System or other assets of the Agency and no default hereunder shall result in the loss of the 2020 Project, the Water System, or other assets of the Agency.

Section 8.4. Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay the 2020 Installment Payments to the Authority at the respective due dates or upon prepayment from the Net Revenues, the Revenue Fund and the other funds herein pledged for such payment, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Authority shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by the Law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, the Agency and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 8.5. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

## ARTICLE IX

### DISCHARGE OF OBLIGATIONS

Section 9.1. Discharge of Obligations. When:

(a) all or any portion of the 2020 Installment Payments shall have become due and payable in accordance herewith or a written notice of the Agency to prepay all or any portion of the 2020 Installment Payments shall have been filed with the Trustee; and

(b) there shall have been deposited with the Trustee at or prior to the 2020 Installment Payment Dates or date (or dates) specified for prepayment, in trust for the benefit of the Authority or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the 2020 Installment Payments, sufficient moneys and non-callable Permitted Investments, issued by the United States of America and described in clauses (a) or (b) of the definition thereof, the principal of and interest on which when due will provide money sufficient to pay all principal, prepayment premium, if any, and interest of such 2020 Installment Payments to their respective 2020 Installment Payment Dates or prepayment date or dates as the case may be; and

(c) provision shall have been made for paying all fees and expenses of the Trustee;

then and in that event, the right, title and interest of the Authority herein and the obligations of the Agency hereunder shall, with respect to all or such portion of the 2020 Installment Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Trustee and the obligation of the Agency to have such moneys and such Permitted Investments applied to the payment of such 2020 Installment Payments).

In such event, upon request of the Agency, the Trustee shall cause an accounting for such period or periods as may be requested by the Agency to be prepared and filed with the Agency and shall execute and deliver to the Agency all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee shall pay over to the Agency, after payment of all amounts due the Trustee pursuant to the Indenture, as an overpayment of 2020 Installment Payments, all such moneys or such Permitted Investments held by it pursuant hereto other than such moneys and such Permitted Investments, as are required for the payment or prepayment of the 2020 Installment Payments, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of the 2020 Installment Payments and shall be applied by the Trustee to the payment of the 2020 Installment Payments of the Agency.

## ARTICLE X

### MISCELLANEOUS

Section 10.1. Liability of Agency Limited. Notwithstanding anything contained herein, the Agency shall not be required to advance any moneys derived from any source of income other than the Net Revenues and the other funds provided herein and in the Indenture for the payment of the 2020 Installment Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The Agency may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the Agency for such purpose.

The obligation of the Agency to make the 2020 Installment Payments is a special obligation of the Agency payable solely from such Net Revenues and other funds described herein, and does not constitute a debt of the Agency or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Section 10.2. Benefits of Installment Purchase Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the Agency or the Authority any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the Agency or the Authority shall be for the sole and exclusive benefit of the other party.

Section 10.3. Successor Is Deemed Included in all References to Predecessor. Whenever either the Agency or the Authority is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Agency or the Authority, and all agreements and covenants required hereby to be performed by or on behalf of the Agency or the Authority shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 10.4. Waiver of Personal Liability. No director, officer or employee of the Agency shall be individually or personally liable for the payment of the 2020 Installment Payments, but nothing contained herein shall relieve any director, officer or employee of the Agency from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.5. Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for

convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith” and other words of similar import refer to the Installment Purchase Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.6. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Agency or the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The Agency and the Authority hereby declare that they would have executed the Installment Purchase Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.7. Assignment. The Installment Purchase Agreement and any rights hereunder may be assigned by the Authority, as a whole or in part, without the necessity of obtaining the prior consent of the Agency.

Section 10.8. Net Contract. The Installment Purchase Agreement shall be deemed and construed to be a net contract, and the Agency shall pay absolutely net during the term hereof of the 2020 Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 10.9. California Law. THE INSTALLMENT PURCHASE AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 10.10. Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the Agency: Santa Clarita Valley Water Agency  
27234 Bouquet Canyon Road  
Santa Clarita, California 91350  
Attention: General Manager

If to the Authority: Upper Santa Clara Valley Joint Powers Authority  
27234 Bouquet Canyon Road  
Santa Clarita, California 91350  
Attention: Executive Director

If to the Trustee: U.S. Bank National Association  
633 West Fifth Street, 24th Floor  
Los Angeles, California 90071  
Attention: Global Corporate Trust  
Reference: Santa Clarita Valley Water Agency, Series  
2020A/B

Section 10.11. Effective Date. The Installment Purchase Agreement shall become effective upon its execution and delivery, and shall terminate when the Purchase Price shall have been fully paid (or provision for the payment thereof shall have been made to the written satisfaction of the Authority and the Trustee).

Section 10.12. Execution in Counterparts. The Installment Purchase Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 10.13. Indemnification of Authority. The Agency hereby agrees to indemnify and hold harmless the Authority and its directors, offices and employees if and to the extent permitted by law, from and against all claims, advances, damages and losses, including legal fees and expenses, arising out of or in connection with the acceptance or the performance of its duties hereunder and under the Indenture; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder or under the Indenture by the Authority.

Section 10.14. Amendments Permitted.

(a) This Installment Purchase Agreement and the rights and obligations of the Authority, the Agency, the 2020A Bond Owners and the 2020B Bond Owners, and the Trustee hereunder may be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the 2020A Bonds and 2020B Bonds then Outstanding, exclusive of 2020A Bonds and 2020B Bonds disqualified as provided in Section 9.02 of the Indenture, are filed with the Trustee. No such amendment or supplement shall: (i) reduce the rate of interest on any 2020A Bond or 2020B Bond or extend the time of payment thereof or reduce the amount of principal or redemption premium, if any, of any 2020A Bond or 2020B Bond or extend the maturity thereof or otherwise alter or impair the obligation of the Authority to pay the interest and principal and redemption premium, if any, thereon at the time and place and at the rate and in the currency and from the funds provided therein without the prior written consent of the Owner of the 2020A Bond or 2020B Bond so affected; or (ii) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

(b) This Installment Purchase Agreement and the rights and obligations of the Authority, the Agency, the 2020A Bond Owners, the 2020B Bond Owners and the Trustee hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law:

(1) to add to the agreements, conditions, covenants and terms contained herein required to be observed or performed by the Authority or the Agency other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the

Agency, or to surrender any right reserved herein to or conferred herein on the Authority or the Agency, and which in either case shall not adversely affect the interests of the Owners;

(2) to modify, amend or supplement this Installment Purchase Agreement in such a manner as to preserve the exemption of the 2020A Bonds or 2020B Bonds from the registration requirements of the Securities Act of 1933 or any similar federal statute hereafter in effect or to permit the qualification of the Indenture under the Trust Indenture Act of 1939 or any similar federal statute hereinafter in effect;

(3) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Authority or the Agency may deem desirable or necessary, and which shall not adversely affect the interests of the Owners;

(4) to the extent required to conform the procedures under this Installment Purchase Agreement to the procedures of the Depository, as such procedures may be in effect from time to time; and

(5) to make any modifications or changes necessary or appropriate in the opinion of Special Counsel to preserve or protect the exclusion from gross income for federal income tax purposes of interest on the 2020A Bonds.

The Agency shall give written notice of any amendment to the Installment Purchase Agreement and the rights and obligations of the Authority and the Agency and the Owners and the Trustee hereunder to Moody's, S&P and Fitch not less than fifteen (15) days prior to the execution thereof.

Section 10.15. Paired Obligation Provider Guidelines. For purposes of Section 5.3 and Section 6.13, Paired Obligations shall comply with the following conditions:

(a) A Paired Obligation Provider shall initially have a long-term rating equal to or better than the Initial Rating Requirement.

(b) So long as the long-term rating of the Paired Obligation Provider is not reduced below the Minimum Rating Requirement, the interest rate evidenced by such Paired Obligation shall be deemed to be equal to the irrevocable fixed interest rate attributable thereto for purposes of Section 5.3 and Section 6.13.

(c) In the event that a Paired Obligation Provider does not maintain the Minimum Rating Requirement and the Agency does not replace such Paired Obligation Provider with another Paired Obligation Provider which maintains the Initial Rating Requirement within ten (10) Business Days of notice that the Paired Obligation Provider has not maintained the Minimum Rating Requirement, interest with respect to such Paired Obligations shall be computed for purposes of Section 5.3 and Section 6.13 without regard to payments to be received from the Paired Obligation Provider.

IN WITNESS WHEREOF, the parties hereto have executed and attested this Installment Purchase Agreement by their officers thereunto duly authorized as of the day and year first written above.

SANTA CLARITA VALLEY WATER AGENCY

By: \_\_\_\_\_  
President of the Board of Directors

(SEAL)

Attest:

\_\_\_\_\_  
Secretary of the Board of Directors

UPPER SANTA CLARA VALLEY JOINT  
POWERS AUTHORITY

By: \_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Secretary



## EXHIBIT A

### DESCRIPTION OF THE 2020 PROJECT

The Project comprises the following described components:

- Castaic Conduit
- Distribution System - RV-2 Modifications
- ESFP Clearwell/CT Improvements
- ESFP Sludge Collection System
- ESIPS Pipeline Improvements
- Foothill Feeder Connection
- Honby Parallel
- Magic Mountain Pipeline No. 4
- Magic Mountain Pipeline No. 5
- Magic Mountain Pipeline No. 6
- Magic Mountain Reservoir
- Recycled Water Program Phase II, 2A - Central Park
- Recycled Water Program Phase II, 2B - Vista Canyon
- Recycled Water Program Phase II, 2C - South End
- Recycled Water Program Phase II, 2D - West Ranch
- Rosedale Rio Bravo Extraction
- Solar Panel Termination Price
- PFAS Treatment

### DESCRIPTION OF THE REFUNDING PROJECT

[TO COME]

EXHIBIT B

CERTIFICATE OF GENERAL MANAGER

I, Matthew Stone, am the duly authorized General Manager of the Santa Clarita Valley Water Agency (the “Agency”) and, pursuant to Sections 4.1(b) and (c) and 4.2 of the Installment Purchase Agreement, dated as of February 1, 2020 (the “Agreement”), by and between the Agency and the Upper Santa Clara Valley Joint Powers Authority, set forth the following:

1. The principal amount of payments to be made by the Agency under the Agreement is \$\_\_\_\_\_.

2. The installment payments are payable in the amounts and on the 2020 Installment Payment Dates with respect to the 2020A Bonds as follows:

| <i>2020 Installment Payment<br/>Date (Second Business Day<br/>Prior To)</i> | <i>Amount Attributable to<br/>Principal</i> | <i>Amount Attributable to<br/>Interest</i> | <i>Total</i> |
|---|---|--|--------------|
|   | \$  | \$   | \$           |

2. The installment payments are payable in the amounts and on the 2020 Installment Payment Dates with respect to the 2020B Bonds as follows:

| <i>2020 Installment Payment<br/>Date (Second Business Day<br/>Prior To)</i> | <i>Amount Attributable to<br/>Principal</i> | <i>Amount Attributable to<br/>Interest</i> | <i>Total</i> |
|---|---|--|--------------|
|   | \$  | \$   | \$           |

Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

Dated: \_\_\_\_\_, 2020

SANTA CLARITA VALLEY WATER  
AGENCY

By: \_\_\_\_\_  
Matthew Stone  
General Manager

EXHIBIT C

FORM OF REQUISITION NO. \_\_\_\_\_ FOR  
DISBURSEMENT FROM ACQUISITION FUND

UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY  
\$ \_\_\_\_\_  
REVENUE BONDS, SERIES 2020A

The undersigned hereby states and certifies:

(i) that the undersigned is the duly appointed, qualified and acting General Manager of the Santa Clarita Valley Water Agency, an agency duly organized and existing under and by virtue of the laws of the State of California (the "Agency"), and as such, is familiar with the facts herein certified and is authorized to certify the same;

(ii) that, pursuant to Section 3.6 of that certain Installment Purchase Agreement, dated as of February 1, 2020 (the "Installment Purchase Agreement"), by and between the Agency and the Upper Santa Clara Valley Joint Powers Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California, the undersigned hereby requests the Chief Financial and Administrative Officer of the Agency to disburse this date the following amounts from the Acquisition Fund established under the Installment Purchase Agreement, to the payees designated on the attached Exhibit 1;

(iii) that each obligation mentioned herein has been incurred by the Agency and is a proper charge against the Acquisition Fund;

(iv) that any approval required under the California Environmental Quality Act, as amended (Division 13 of the California Public Resources Code), prior to the expenditure of such amount for the purpose set forth on the attached Exhibit 1 has been received and is final;

(v) that there has not been filed with or served upon the Agency notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to any of the payees named on the attached Exhibit 1, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

SANTA CLARITA VALLEY WATER AGENCY

---

General Manager

EXHIBIT 1

ACQUISITION FUND DISBURSEMENTS

| <i>Item<br/>Number</i> | <i>Payee Name and Address</i> | <i>Purpose of<br/>Obligation</i> | <i>Amount</i> |
|------------------------|-------------------------------|----------------------------------|---------------|
| _____                  |                               |                                  | _____         |
| _____                  |                               |                                  | _____         |
| _____                  |                               |                                  | _____         |
| _____                  |                               |                                  | _____         |
| _____                  |                               |                                  | _____         |

*Table of Contents*

*Page*

ARTICLE I

DEFINITIONS

Section 1.1. Definitions..... 2

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations by the Agency..... 9  
Section 2.2. Representations and Warranties by the Authority ..... 9

ARTICLE III

ACQUISITION OF THE PROJECT

Section 3.1. Sale of the Refunding Project to Authority..... 10  
Section 3.2. Purchase and Sale of the 2020 Project and the Refunding Project ..... 10  
Section 3.3. Title ..... 10  
Section 3.4. Acquisition and Construction of the 2020 Project ..... 10  
Section 3.5. Changes to the 2020 Project ..... 10  
Section 3.6. Acquisition Fund..... 11

ARTICLE IV

SERIES 2020A INSTALLMENT PAYMENTS

Section 4.1. Purchase Price ..... 11  
Section 4.2. 2020 Installment Payments ..... 11

ARTICLE V

SECURITY

Section 5.1. Pledge of Revenues..... 12  
Section 5.2. Allocation of Revenues..... 12  
Section 5.3. Additional Contracts and Bonds ..... 14  
Section 5.4. Investments ..... 15  
Section 5.5. Rate Stabilization Fund..... 15

ARTICLE VI

COVENANTS OF THE AGENCY

Section 6.1. Compliance with Installment Purchase Agreement and Ancillary Agreements ..... 15  
Section 6.2. Against Encumbrances..... 16

*Table of Contents*  
(continued)

*Page*

|               |  |    |
|---------------|--|----|
| Section 6.3.  | Against Sale or Other Disposition of Property .....                | 16 |
| Section 6.4.  | Against Competitive System.....                                    | 16 |
| Section 6.5.  | Tax Covenants .....  | 17 |
| Section 6.6.  | Maintenance and Operation of the Water System .....                | 18 |
| Section 6.7.  | Payment of Claims .....  | 18 |
| Section 6.8.  | Compliance with Contracts.....                                     | 18 |
| Section 6.9.  | Insurance .....  | 18 |
| Section 6.10. | Accounting Records; Financial Statements and Other Reports .....   | 19 |
| Section 6.11. | Protection of Security and Rights of the Authority.....            | 19 |
| Section 6.12. | Payment of Taxes and Compliance with Governmental Regulations..... | 19 |
| Section 6.13. | Amount of Rates and Charges .....                                  | 19 |
| Section 6.14. | Collection of Rates and Charges.....                               | 20 |
| Section 6.15. | Eminent Domain Proceeds.....                                       | 20 |
| Section 6.16. | Further Assurances.....  | 20 |
| Section 6.17. | Enforcement of Contracts .....                                     | 20 |
| Section 6.18. | Compliance with Water Contract.....                                | 21 |
| Section 6.19. | Continuing Disclosure .....  | 21 |
| Section 6.20. | No Additional Senior Obligations .....                             | 21 |

ARTICLE VII

PREPAYMENT OF SERIES 2020A INSTALLMENT PAYMENTS

|              |                           |    |
|--------------|---------------------------|----|
| Section 7.1. | Prepayment .....          | 21 |
| Section 7.2. | Method of Prepayment..... | 21 |

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

|              |  |    |
|--------------|--|----|
| Section 8.1. | Events of Default and Acceleration of Maturities ..... | 22 |
| Section 8.2. | Application of Funds Upon Acceleration .....           | 23 |
| Section 8.3. | Other Remedies of the Authority .....                  | 23 |
| Section 8.4. | Non-Waiver.....  | 23 |
| Section 8.5. | Remedies Not Exclusive .....                           | 24 |

ARTICLE IX

DISCHARGE OF OBLIGATIONS

|              |                                |    |
|--------------|--------------------------------|----|
| Section 9.1. | Discharge of Obligations ..... | 24 |
|--------------|--------------------------------|----|

ARTICLE X

MISCELLANEOUS

|               |   |    |
|---------------|---|----|
| Section 10.1. | Liability of Agency Limited .....                                   | 25 |
| Section 10.2. | Benefits of Installment Purchase Agreement Limited to Parties ..... | 25 |



*Table of Contents*  
*(continued)*

|  | <i>Page</i> |
|--|-------------|
| Section 10.3. Successor Is Deemed Included in all References to Predecessor .....  | 25          |
| Section 10.4. Waiver of Personal Liability .....                                   | 25          |
| Section 10.5. Section Headings, Gender and References .....                        | 25          |
| Section 10.6. Partial Invalidity.....  | 26          |
| Section 10.7. Assignment .....   | 26          |
| Section 10.8. Net Contract.....  | 26          |
| Section 10.9. California Law .....   | 26          |
| Section 10.10. Notices .....   | 26          |
| Section 10.11. Effective Date .....  | 27          |
| Section 10.12. Execution in Counterparts.....                                      | 27          |
| Section 10.13. Indemnification of Authority .....                                  | 27          |
| Section 10.14. Amendments Permitted.....   | 27          |
| Section 10.15. Paired Obligation Provider Guidelines .....                         | 28          |
| <br>   |             |
| Exhibit A Description of the 2020 Project .....                                    | A-1         |
| Exhibit B Certificate of General Manager.....                                      | B-1         |
| Exhibit C Form of Requisition No. ____ for Disbursement from Acquisition Fund..... | C-1         |

**[This page intentionally left blank.]**

**CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Santa Clarita Valley Water Agency (the “Agency”) in connection with the issuance by the Upper Santa Clara Valley Joint Powers Authority (the “Authority”) of its \$\_\_\_\_\_ Upper Santa Clara Valley Joint Powers Authority Revenue Bonds, Series 2020A and Taxable Series 2020B (Federally Taxable) (collectively, the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of February 1, 2020 (the “Indenture of Trust”), by and between U.S. Bank National Association, as trustee (the “Trustee”) and the Authority. The Agency covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

2. Definitions. In addition to the definitions set forth in the Indenture of Trust, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report. The term “Annual Report” means any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

Beneficial Owner. The term “Beneficial Owner” means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

Fiscal Year. The term “Fiscal Year” means the one-year period ending on the last day of June of each year.

Holder. The term “Holder” means a registered owner of the Bonds.

Installment Purchase Agreement. “Installment Purchase Agreement” means that certain Installment Purchase Agreement executed and entered into as of February 1, 2020, by and between the Agency and the Authority.

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term “Official Statement” means the Official Statement dated \_\_\_\_\_, 2020 relating to the Bonds.

Participating Underwriter. The term “Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Rule. The term “Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

3. Provision of Annual Reports.

(a) The Agency shall provide not later than 270 days following the end of its Fiscal Year (commencing with Fiscal Year 2020) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Agency is unable to provide to EMMA an Annual Report by the date required in subsection (a), the Agency shall send to EMMA a notice in the manner prescribed by the Municipal Securities Rulemaking Board.

4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the Agency for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they come available.

(b) Principal amount of the Bonds outstanding.

(c) An update, for the prior Fiscal Year only, of the information in the following tables or paragraphs under the caption entitled “WATER SUPPLY” in Appendix A of the Official Statement:

[TO COME]

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to EMMA; provided, that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further, that the Agency shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;

- difficulties;
- 2. unscheduled draws on debt service reserves reflecting financial difficulties;
- 3. unscheduled draws on credit enhancements reflecting financial difficulties;
- 4. substitution of credit or liquidity providers, or their failure to perform;
- 5. adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
- 6. tender offers;
- 7. defeasances;
- 8. ratings changes;
- 9. bankruptcy, insolvency, receivership or similar proceedings; and

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- 1. unless described in Section 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- 2. modifications to the rights of Bond holders;
- 3. optional, unscheduled or contingent Bond redemptions;
- 4. release, substitution or sale of property securing repayment of the Bonds;
- 5. non-payment related defaults;

6. the consummation of a merger, consolidation, or acquisition involving the Agency or the sale of all or substantially all of the assets of the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

7. appointment of a successor or additional trustee or the change of the name of a trustee;

8. incurrence of a financial obligation, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect Bond holders.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Agency shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

(d) For purposes of the events identified in subparagraphs (a)(10) and (b)(8) under this Section 5, the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

6. Termination of Obligation. The Agency’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

9. Default. In the event of a failure of the Agency to file an annual report under Section 4 hereof or to file a report of significant event under Section 5 hereof, any Holders or Beneficial Owners of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate to make such filing. Notwithstanding the foregoing, no action may be undertaken by Holders or Beneficial Owners of the Bonds with respect to the adequacy of the

information contained in any such filing or otherwise without the approval in writing of Holders or Beneficial Owners of at least 50% of the aggregate principal amount of the Bonds. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Agency satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Agency shall have refused to comply therewith within a reasonable time.

10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: \_\_\_\_\_, 2020

SANTA CLARITA VALLEY WATER AGENCY

By: \_\_\_\_\_  
Its: President of the Board of Directors

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## ATTACHMENT 4

### PURCHASE CONTRACT

\$ \_\_\_\_\_  
UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY  
REVENUE BONDS, SERIES 2020A

\$ \_\_\_\_\_  
UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY  
REVENUE BONDS, TAXABLE SERIES 2020B

\_\_\_\_\_, 2020

Upper Santa Clara Valley Joint Powers Authority  
27234 Bouquet Canyon Road  
Santa Clarita, California 91350-2173

Santa Clarita Water Agency  
27234 Bouquet Canyon Road  
Santa Clarita, California 91350-2173

Ladies and Gentlemen:

Citigroup Global Markets Inc., as representative (the “Representative”) of itself, Goldman Sachs & Co., LLC and Morgan Stanley & Co. LLC (together, the “Underwriters”) acting on behalf of themselves and not as an agent or representative of you, offers to enter into this purchase contract (the “Purchase Contract”) with the Santa Clarita Valley Water Agency (the “Agency”) and the Upper Santa Clara Valley Joint Powers Authority (the “Authority”), which will be binding upon the Agency, the Authority and the Underwriters upon the acceptance hereof by the Agency and the Authority. This offer is made subject to its acceptance by the Agency and the Authority by execution of this Purchase Contract and its delivery to the Representative, on or before 8:00 p.m., California time, on the date hereof. All terms used herein and not otherwise defined shall have the meanings given to such terms in the Official Statement (as hereafter defined).

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriters hereby agree to purchase, and the Authority hereby agrees to cause to be delivered to the Underwriters, all (but not less than all) of \$ \_\_\_\_\_ aggregate principal amount of the Upper Santa Clara Valley Joint Powers Authority Revenue Bonds, Series 2020A (the “Series 2020A Bonds”) and \$ \_\_\_\_\_ aggregate principal amount of the Upper Santa Clara Valley Joint Powers Authority Revenue Bonds, Taxable Series 2020B (the “Series 2020B Bonds” and, together with the Series 2020A Bonds, the “Bonds”). The Bonds will mature in the amounts and on the dates and bear interest at the rates set forth on Appendix A hereto. The Underwriters will purchase the Series 2020A Bonds for the aggregate purchase price of \$ \_\_\_\_\_ (representing the

aggregate principal amount of the Series 2020A Bonds [less/plus] a [net] reoffering [discount/premium] of \$\_\_\_\_\_ and less an underwriting discount of \$\_\_\_\_\_). The Underwriters will purchase the Series 2020B Bonds for the aggregate purchase price of \$\_\_\_\_\_ (representing the aggregate principal amount of the Series 2020B Bonds less an underwriting discount of \$\_\_\_\_\_).

2. Description and Purpose of the Bonds. The Bonds shall be executed and delivered pursuant to an Indenture of Trust dated as of February 1, 2020 (the “Indenture”) by and between the Authority and U.S. Bank National Association, as trustee (“U.S. Bank”). The Series Bonds are special limited obligations of the Authority and are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues will consist primarily of amounts received by the Authority (the “Series 2020 Installment Payments”) pursuant to the Installment Purchase Agreement dated as of February 1, 2020 (the “Installment Purchase Agreement”), between the Authority and the Agency and all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture. The obligation of the Agency to make the Series 2020 Installment Payments is a special obligation of the Agency payable solely from the Net Revenues of the Water System (as such terms are defined in the Installment Purchase Agreement) of the Agency. The Bonds shall be as described in the Indenture and the Official Statement dated \_\_\_\_\_, 2020, relating to the Bonds (which, together with all exhibits and appendices included therein or attached thereto and such amendments or supplements thereto which shall be approved by the Representative, is hereinafter called the “Official Statement”).

The Bonds are being issued to (i) finance the acquisition of certain capital improvements to the Agency’s Water System, (ii) refund the certain outstanding obligations, and (iii) pay the costs of issuing the Bonds, all as more particularly described in the Official Statement.

3. Public Offering. The Underwriters agree to make an initial bona fide public offering of all the Bonds at the public offering prices set forth on the inside cover page of the Official Statement. Subsequent to the initial public offering, the Underwriters reserve the right to change the initial public offering prices as they deem necessary in connection with the marketing of the Bonds, provided that the Underwriters shall not change the interest rates set forth on Appendix A hereto. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than initial public offering prices. The Underwriters also reserve the right (i) to engage in transactions that stabilize, maintain or otherwise affect the market price of the Bonds at a level above that which might otherwise prevail in the open market and (ii) to discontinue such transactions, if commenced, at any time.

4. Establishment of Issue Price.

(a) The Representative, on behalf of the Underwriters, agrees to assist the Authority in establishing the issue price of the Series 2020A Bonds and shall execute and deliver to the Authority at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the

Representative, the Authority and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Series 2020A Bonds.

(b) [Except for the Hold-the-Price Maturities described in subsection (c) below and Schedule A attached hereto,] the Authority will treat the first price at which 10% of each maturity of the Series 2020A Bonds (the “10% test”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). Schedule I attached hereto sets forth the maturities of the Series 2020A Bonds for which the 10% test has been satisfied as of the date of this Purchase Contract (the “10% Test Maturities”) and the prices at which the Underwriters have sold such 10% Test Maturities to the public.

(c) [With respect to the maturities of the Series 2020A Bonds that are not 10% Test Maturities, as described in Schedule A attached hereto (the “Hold-the-Price Maturities”), the Representative confirms that the Underwriters have offered such maturities of the Series 2020A Bonds to the public on or before the date of this Purchase Contract at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Schedule A attached hereto. The Authority and the Representative, on behalf of the Underwriters, agree that the (i) the Representative shall retain the unsold bonds of each Hold-the-Price Maturity and shall not allocate any such bonds to any other Underwriter and (ii) the restrictions set forth in the next sentence shall apply to the Hold-the-Price Maturities, which will allow the Authority to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Hold-the-Price Maturities, the Representative will neither offer nor sell unsold bonds of such maturity of the Hold-the-Price Maturities to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (i) the close of the fifth (5<sup>th</sup>) business day after the sale date; or
- (ii) the date on which the Representative has sold at least 10% of that maturity of the Hold-the-Price Maturities to the public at a price that is no higher than the initial offering price to the public.

The Representative shall advise the Authority promptly after the close of the fifth (5<sup>th</sup>) business day after the sale date whether it has sold 10% of that maturity of the Hold-the-Price Maturities to the public at a price that is no higher than the initial offering price to the public]

- (d) The Representative confirms that:
  - (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the Representative is a party) relating to the initial sale of the Series 2020A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Series 2020A Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Series 2020A Bonds of that maturity allocated to it have been sold or it is notified by the Representative that the 10% test has been satisfied as to the Series 2020A Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative and as set forth in the related pricing wires,

(B) to promptly notify the Representative of any sales of Series 2020A Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Series 2020A Bonds to the public (each such term being used as defined below),

(C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the Representative shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Series 2020A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Series 2020A Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Series 2020A Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Series 2020A Bonds of that maturity allocated to it have been sold or it is notified by the Representative or such underwriter or dealer that the 10% test has been satisfied as to the Series 2020A Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative or such underwriter or dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative or the underwriter or the dealer and as set forth in the related pricing wires.

(e) The Authority acknowledges that, in making the representations set forth in this subsection, the Representative will rely on (i) the agreement of each underwriter to comply with the requirements for establishing the issue price of the Series 2020A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2020A Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Series 2020A Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Series 2020A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2020A Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the

initial sale of the Series 2020A Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing the issue price of the Series 2020A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2020A Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Authority further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement to adhere to the requirements for establishing issue price of the Series 2020A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2020A Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing the issue price of the Series 2020A Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2020A Bonds.

(f) The Underwriters acknowledge that sales of any Series 2020A Bonds to any person that is a related party to an underwriter participating in the initial sale of the Series 2020A Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “*public*” means any person other than an underwriter or a related party,

(ii) “*underwriter*” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2020A Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series 2020A Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Series 2020A Bonds to the public),

(iii) a purchaser of any of the Series 2020A Bonds is a “*related party*” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “*sale date*” means the date of execution of this Purchase Contract by all parties.

5. Delivery of Official Statement. Pursuant to the authorization of the Authority and the Agency, the Underwriters have distributed copies of the Preliminary Official Statement dated

\_\_\_\_\_, 2020, relating to the Bonds, which, together with the cover page and appendices thereto, is herein called the “Preliminary Official Statement.” By their execution of this Purchase Contract, the Authority hereby approves and ratifies the distribution and use by the Underwriters of the Preliminary Official Statement (other than Appendices \_\_, \_\_, \_\_, and \_\_ to the Preliminary Official Statement) and the Agency hereby approves and ratifies the distribution and use by the Underwriters of Appendices \_\_, \_\_, \_\_, and \_\_ to the Preliminary Official Statement (the “Agency Portion”). The Authority agrees to execute and deliver a final Official Statement in substantially the same form as the Preliminary Official Statement with such changes as may be made thereto with the consent of the Authority and/or the Agency and the Representative, as appropriate, and to provide copies thereof to the Underwriters as set forth in Paragraph 7(a)(xiv) hereof. The Agency and the Authority hereby authorize the Underwriters to use and distribute, in connection with the offer and sale of the Bonds: the Preliminary Official Statement, the Official Statement, the Indenture, the Installment Purchase Agreement, the Escrow Agreements (as hereinafter defined), the Continuing Disclosure Certificate (as hereinafter defined), and other documents or contracts to which the Agency or the Authority is a party in connection with the transactions contemplated by this Purchase Contract, including this Purchase Contract and all information contained herein, and all other documents, certificates and statements furnished by the Agency or the Authority to the Underwriters in connection with the transactions contemplated by this Purchase Contract.

6. The Closing. At 8:00 a.m., California time, on \_\_\_\_\_, 2020, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the Agency, the Authority and the Representative, the Agency and the Authority will cause to be executed and delivered (i) the Bonds in book-entry form through the facilities of The Depository Trust Company, or its agent, on behalf of the Representative, and (ii) the closing documents hereinafter mentioned at the offices of Stradling Yocca Carlson & Rauth, a Professional Corporation (“Bond Counsel”) in Newport Beach, California or another place to be mutually agreed upon by the Agency, the Authority and the Representative. The Underwriters will accept such delivery of the Bonds and pay the purchase price of such Bonds as set forth in Section 1 hereof in immediately available funds to the order of the Agency. This payment for and delivery of the Bonds, together with the execution and delivery of the aforementioned documents, is herein called the “Closing.”

7. (a) Agency Representations, Warranties and Covenants. The Agency represents, warrants and covenants to the Underwriters that:

(i) Due Organization, Existence and Authority. The Agency is an agency duly organized and existing under the Constitution and laws of the State of California (the “State”), with full right, power and authority to execute, deliver and perform its obligations under this Purchase Contract, the Installment Purchase Agreement, the hereinafter defined Continuing Disclosure Certificate, the Escrow Agreement (2010A), dated as of February 1, 2020 by and between the Agency and U.S. Bank as escrow agent (the “2010A Escrow Agreement”) (collectively, the “Agency Documents”) and to carry out and consummate the transactions contemplated by the Agency Documents and the Agency Portion of the Official Statement.

(ii) Due Authorization and Approval. By all necessary official action of the Agency, the Agency has duly authorized and approved the execution and delivery of and

the performance by the Agency of the obligations contained or described in the Agency Portion of the Preliminary Official Statement, the Agency Portion of the Official Statement and the Agency Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, each Agency Document will constitute the legally valid and binding obligation of the Agency enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws or equitable principles relating to or affecting creditors' rights generally or by the exercise of judicial discretion in appropriate cases or by limitations on legal remedies against public agencies in the State.

(iii) Agency Portion of Official Statement Accurate and Complete. The Agency Portion of the Preliminary Official Statement was as of its date, and the Agency Portion of the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Agency Portion of the Preliminary Official Statement and the Agency Portion of the Official Statement contain, and up to and including the Closing, will contain no misstatement of any material fact and do not, and up to and including the Closing, will not omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading (except no representation is made with respect to information relating to DTC or DTC's book-entry system or any information provided by the Underwriters for inclusion in the Preliminary Official Statement or the Official Statement, including but not limited to the information contained under the caption "Underwriting" (collectively, the "Excluded Information").

(iv) Underwriters' Consent to Amendments and Supplements to Agency Portion of the Official Statement. The Agency will advise the Representative promptly of any proposal to amend or supplement the Agency Portion of the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Representative, which consent will not be unreasonably withheld. The Agency will advise the Representative promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Agency Portion of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(v) Agency Agreement to Amend or Supplement Agency Portion of the Official Statement. If after the date of this Purchase Contract and until 25 days after the end of the "underwriting period" (as defined in Section 240 15c2-12 in Chapter II of Title 17 of the Code of Federal Regulations ("Rule 15c2-12")), any event occurs as a result of which the Agency Portion of the Official Statement as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and, in the reasonable opinion of the Representative, an amended or supplemented Official Statement should be delivered in connection with the offers or sales of the Bonds to reflect such event, the Agency promptly will prepare at its expense an amendment or supplement which will correct such statement or omission and the Agency shall promptly furnish to the Representative a reasonable number of copies of such amendment or supplement. The Underwriters hereby agree to deposit the Official Statement with the Municipal Securities

Rulemaking Board (the “MSRB”). The Underwriters acknowledge that the end of the “underwriting period” will be the date of Closing.

(vi) No Material Change in Finances. Except as otherwise described in the Agency Portion of the Official Statement, there shall not have been any material adverse changes in the financial condition of the Agency since the end of the fiscal year ending June 30, 2019.

(vii) No Breach or Default. As of the time of acceptance hereof, (A) the Agency is not in default, nor has it been in default, as to principal or interest with respect to an obligation issued or incurred by the Agency, and (B) the Agency is not and will not be, in any manner which would materially adversely affect the transactions contemplated by the Agency Documents, in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Agency is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute, in any manner which would materially adversely affect the transactions contemplated by the Agency Documents, a default or event of default under any such instrument; and, as of such time, the authorization, execution and delivery of the Agency Documents and compliance with the provisions of each of such agreements or instruments do not and will not, in any manner which would materially adversely affect the transactions contemplated by the Agency Documents, conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Agency (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the Agency Documents.

(viii) No Litigation. As of the time of acceptance hereof and as of the date of Closing, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, is pending or, except as disclosed in the Official Statement, to the best knowledge of the Agency after due investigation, threatened (A) in any way questioning the corporate existence of the Agency or the titles of the officers of the Agency to their respective offices; (B) affecting, contesting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Bonds, or in any way contesting or affecting the validity of the Bonds or the Agency Documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest on the Series 2020A Bonds from gross income for federal income tax purposes, or contesting the powers of the Agency to enter into the Agency Documents; (C) which may result in any material adverse change to the financial condition of the Agency or to its ability to pay the Series 2020 Installment Payments when due; or (D) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a



material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (A) through (D) of this sentence.

(ix) Prior Liens on Net Revenues. Other than the Senior Obligations (as defined in the Installment Purchase Agreement), the Agency does not and will not, as of the date of Closing, have outstanding any other indebtedness which indebtedness is secured by a lien on the Net Revenues (as defined in the Installment Purchase Agreement) superior to the lien of the Series 2020 Installment Payments on the Net Revenues. Other than the Installment Payments pursuant to the 2018A Installment Purchase Agreement, the Agency will not, as of the date of Closing, have outstanding any other indebtedness which indebtedness is secured by a lien on the Net Revenues on a parity with the lien of the Series 2020 Installment Payments on the Net Revenues.

(x) Further Cooperation: Blue Sky. The Agency will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request in order (A) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Representative may designate and (B) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Agency shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(xi) Consents and Approvals. All authorizations, approvals, licenses, permits, consents and orders of or filings with any governmental authority, legislative body, board, agency or commission having jurisdiction in the matters which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Agency of its obligations in connection with, the Agency Documents or the prepayments of the Refunded Obligations have been duly obtained or made, except as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(xii) No Other Obligations. Between the date of this Purchase Contract and the date of Closing and except as otherwise disclosed in the Official Statement, the Agency will not, without the prior written consent of the Representative, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, directly or contingently payable from the Net Revenues.

(xiii) Certificates. Any certificate signed by any official of the Agency and delivered to any of the Underwriters shall be deemed to be a representation and warranty by the Agency to the Underwriters as to the statements made therein.

(xiv) Compliance with Rule 15c2-12. The Agency Portion of the Preliminary Official Statement heretofore delivered to the Underwriters has been deemed final

by the Agency as of the date of the Preliminary Official Statement, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(i) of Rule 15c2-12. The Agency hereby covenants and agrees that, within seven business days from the date hereof, it shall cause a final form of the Official Statement to be delivered to the Underwriters in sufficient quantity to comply with paragraph (b)(4) of Rule 15c2-12 and Rules of the MSRB.

(xv) Continuing Disclosure. Other than as disclosed in the Official Statement, during the past five years, the Agency has not failed to comply in any material respect with any continuing disclosure undertaking previously entered into by the Agency pursuant to Rule 15c2-12 of the Securities and Exchange Commission. The Agency will undertake, pursuant to a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), to provide annual reports and notices of certain events in accordance with the requirements of Rule 15c2-12. A form of the Continuing Disclosure Certificate is set forth in an Appendix to the Official Statement relating to the Agency.

(b) Authority Representations, Warranties and Covenants. The Authority represents, warrants and covenants to the Underwriters that:

(i) Due Organization, Existence and Authority. The Authority is a joint exercise of powers agency duly organized and existing under the Constitution and laws of the State, with full right, power and authority to execute, deliver and perform its obligations under this Purchase Contract, the Installment Purchase Agreement, the Escrow Agreement (2015A), dated as of February 1, 2020, by and between the Authority and U.S. Bank, as escrow agent (the “2015A Escrow Agreement”), the Escrow Agreement (2016A), dated as of February 1, 2020, by and between the Authority and U.S. Bank, as escrow agent (the “2016A Escrow Agreement”), the Escrow Agreement (2017A), dated as of February 1, 2020, by and between the Authority and U.S. Bank, as escrow agent (the “2017A Escrow Agreement” and, collectively with the 2010A Escrow Agreement, the 2015A Escrow Agreement and the 2016A Escrow Agreement, the “Escrow Agreements”) and the Indenture (collectively, the “Authority Documents”), and to carry out and consummate the transactions contemplated by the Authority Documents and the Official Statement, excluding the Agency Portion (the “Authority Portion”).

(ii) Due Authorization and Approval. By all necessary official action of the Authority, the Authority has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations contained or described in the Preliminary Official Statement, the Official Statement and the Authority Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, each Authority Document will constitute the legally valid and binding obligation of the Authority enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws or equitable principles relating to or affecting creditors’ rights generally or by the exercise of judicial discretion in appropriate cases or by limitations on legal remedies against public agencies in the State.

(iii) Authority Portion of the Official Statement Accurate and Complete. The Authority Portion of the Preliminary Official Statement was as of its date, and the Authority Portion of the Official Statement is, and at all times subsequent to the date of the

Official Statement up to and including the Closing will be, true and correct in all material respects, and the Authority Portion of the Preliminary Official Statement and the Authority Portion of the Official Statement contain, and up to and including the Closing, will contain no misstatement of any material fact and do not, and up to and including the Closing, will not omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading (except no representation is made with respect to information relating to the Excluded Information).

(iv) Representative's Consent to Amendments and Supplements to Authority Portion of the Official Statement. The Authority will advise the Representative promptly of any proposal to amend or supplement the Authority Portion of the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Representative, which consent will not be unreasonably withheld. The Authority will advise the Representative promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Authority Portion of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(v) Authority Agreement to Amend or Supplement Authority Portion of the Official Statement. If after the date of this Purchase Contract and until 25 days after the end of the "underwriting period" (as defined in Rule 15c2-12), any event occurs as a result of which the Authority Portion of the Official Statement as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and, in the reasonable opinion of the Representative, an amended or supplemented the Official Statement should be delivered in connection with the offers or sales of the Bonds to reflect such event, the Authority promptly will prepare at its expense an amendment or supplement which will correct such statement or omission and the Authority shall promptly furnish to the Underwriters a reasonable number of copies of such amendment or supplement. The Representative hereby agrees to deposit the Official Statement with the MSRB. The Underwriters acknowledge that the end of the "underwriting period" will be the date of the Closing.

(vi) Compliance with Rule 15c2-12. The Authority Portion of the Preliminary Official Statement heretofore delivered to the Underwriters has been deemed final by the Authority as of the date of the Preliminary Official Statement, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(i) of Rule 15c2-12. The Authority hereby covenants and agrees that, within seven business days from the date hereof, it shall cause a final form of the Official Statement to be delivered to the Underwriters in sufficient quantity to comply with paragraph (b)(4) of Rule 15c2-12 and Rules of the MSRB.

8. Closing Conditions. The Underwriters have entered into this Purchase Contract in reliance upon the representations, warranties and covenants herein and the performance by the Agency and the Authority of their respective obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriters' obligations under this Purchase Contract are and shall be subject to the following additional conditions:

(a) Bring-Down Representation. The representations, warranties and covenants of the Agency and the Authority contained herein, shall be true, complete and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing.

(b) Executed Agreements and Performance Thereunder. At the time of the Closing (i) the Agency Documents and the Authority Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Representative, (ii) there shall be in full force and effect such resolutions (the “Resolutions”) as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated by the Official Statement, the Agency Documents and the Authority Documents, (iii) the Agency shall perform or have performed its obligations required or specified in the Agency Documents to be performed at or prior to Closing, (iv) the Authority shall perform or have performed its obligations required or specified in the Authority Documents to be performed at or prior to Closing, and (v) the Official Statement shall not have been supplemented or amended, except pursuant to Paragraphs 7(a)(iv), 7(a)(v), 7(b)(iv), and 7(b)(v) hereof or as otherwise may have been agreed to in writing by the Representative.

(c) No Default. At the time of the Closing, no default, or any event that with the passage of time would be reasonably likely to result in default, shall have occurred or be existing under the Resolutions, the Authority Documents, the Agency Documents, or any other agreement or document pursuant to which any of the Agency’s financial obligations were issued and the Agency shall not be in default in the payment of principal or interest on any of its financial obligations which default would materially adversely impact the ability of the Agency to make the Series 2020 Installment Payments.

(d) Termination Events. The Representative shall have the right to terminate this Purchase Contract, without liability therefor, by written notification to the Agency if at any time at or prior to the Closing:

(i) any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(ii) the marketability of the Bonds or the market price thereof, in the opinion of the Representative, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Purchase Contract in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a

Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority materially adversely affecting the federal or State tax status of the Agency, or the status of the interest on bonds or notes or obligations of the general character of the Bonds; or

(iii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Representative, materially adversely affects the market price of the Bonds; or

(iv) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the execution, delivery, offering or sale of obligations of the general character of the Bonds, or the execution, delivery, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(v) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions in the reasonable opinion of the Representative materially adversely affect the Underwriters' ability to market, sell or trade the Bonds; or

(vi) a general banking moratorium shall have been established by federal or state authorities or any material disruption in commercial banking or securities settlement or clearance services shall have occurred which moratorium or disruption in the reasonable opinion of the Representative materially adversely affects the Underwriters' ability to market or deliver the Bonds; or

(vii) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency or there has occurred any other outbreak or escalation of currently existing hostilities or a national or international calamity or crises, financial or otherwise, the effect of such outbreak, escalation, calamity or crisis on the financial markets of the United States, being such as, in the reasonable opinion of the Representative, would affect materially and adversely the ability of the Underwriters to market or deliver the Bonds; or

(viii) any rating of the securities of the Authority or the Agency reflecting the creditworthiness of the Agency shall have been downgraded, suspended or

withdrawn by a national rating service, which, in the reasonable opinion of the Representative, materially adversely affects the marketability or market price of the Bonds; or

(ix) the commencement of any action, suit or proceeding described in Paragraph 7(a)(viii) hereof which, in the reasonable judgment of the Underwriters, materially adversely affects the market price of the Bonds; or

(x) there shall be in force a general suspension of trading on the New York Stock Exchange.

(e) Closing Documents. At or prior to the Closing, the Underwriters shall receive with respect to the Bonds the following documents:

(i) Bond Opinion. An approving opinion of Bond Counsel dated the date of the Closing and substantially in the form included as Appendix \_\_ to the Official Statement, together with a letter from such counsel, dated the date of the Closing and addressed to the Representative, to the effect that the foregoing opinion addressed to the Authority may be relied upon by the Underwriters to the same extent as if such opinion were addressed to it.

(ii) Supplemental Opinion. A supplemental opinion or opinions of Bond Counsel addressed to the Representative, in form and substance acceptable to the Representative, and dated the date of the Closing substantially to the following effect:

(A) The Purchase Contract has been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties thereto is a valid and binding agreement of the Agency enforceable in accordance with its terms, except that the rights and obligations under the Purchase Contract are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State; and

(B) The statements contained in the Official Statement on the cover page and under the captions ["INTRODUCTION," "THE 2020 BONDS," "SECURITY FOR THE 2020 BONDS," "CONSTITUTIONAL PROVISIONS," and "TAX MATTERS"] and in Appendix \_\_ and Appendix \_\_ thereto, insofar as such statements purport to summarize certain provisions of the Bonds, the Indenture, the Installment Purchase Agreement, State law and Bond Counsel's opinions concerning certain federal tax matters relating to the Bonds, present a fair and accurate summary of such provisions.

(iii) Defeasance Opinion. A defeasance opinion of Bond Counsel with respect to the obligations refunded from proceeds of the Bonds to the extent required by the instruments authorizing such obligations.

(iv) Agency Counsel Opinion. An opinion of Best Best & Krieger, LLP, co-general counsel to the Agency, dated the date of the Closing and addressed to the Representative, in form and substance acceptable to the Representative substantially to the following effect:

(A) The Agency is a public entity duly organized and validly existing under the Constitution and the laws of the State, and has all the necessary power and authority to enter into and perform its duties under the Agency Documents;

(B) The resolution authorizing the Agency Documents has been duly adopted or ratified by the Agency;

(C) Each of the Agency Documents has been duly authorized, executed and delivered by the Agency and each constitutes a legal, valid, binding and enforceable obligation of the Agency;

(D) The execution and delivery of the Agency Documents by the Agency and compliance by the Agency with the provisions thereof, will not conflict with, or constitute or with the giving of notice or the passage of time would constitute, a breach of or default under the Agency's duties under Article 34(a) of the Contract between the State of California Department of Water Resources and Castaic Lake Water Agency for a Water Supply, entered into on April 30, 1963, by and between the State of California Department of Water Resources and the Agency and Resolution No. 178 of the Agency adopted on December 8, 1976 or the Purchase Agreement with Buena Vista Water Storage District and Rosedale-Rio Bravo Water Storage District for 11,000 acre feet of water per year for a term ending December 31, 2036 and as extended consistent with the extension of the State Water Contract or under any existing law or administrative rule or regulation, or, to the best knowledge of such counsel, any court order or decree, or any agreement, contract or other instrument to which the Agency is a party or is otherwise subject or bound;

(E) Because the primary purpose of such counsel's professional engagement was not to establish factual matters and because of the wholly or partially non-legal character of many determinations involved in the preparation of the Preliminary Official Statement and the Official Statement, such counsel is not passing upon and does not assume any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement and the Official Statement and makes no representation that it has independently verified the accuracy, completeness or fairness of any such statements. However, in such counsel's capacity as general counsel for the Agency, such counsel advises that no information has come to its attention to lead it to believe that, as of its date the Preliminary Official Statement, and as of the date hereof and as of the Closing Date, the Official Statement (excluding therefrom all reports, financial and statistical data and forecasts therein, and the appendices thereto, the information contained under the caption "UNDERWRITING," and "CONTINUING DISCLOSURE UNDERTAKING" and the Excluded Information (as to which such counsel expresses no opinion)) contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(F) Except as otherwise disclosed in the Official Statement, there is no litigation, proceeding, action, suit, or investigation (or any basis therefor) at law or in equity before or by any court, governmental agency or body, pending or, to such counsel's best knowledge, threatened, against the Agency challenging the creation, organization or existence of the Agency, or the validity of the Agency Documents or seeking to restrain or enjoin the

payment of the Series 2020 Installment Payments or in any way contesting or affecting the validity of the Agency Documents or any of the transactions referred to therein or contemplated thereby or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, or contesting the authority of the Agency to enter into or perform its obligations under any of the Agency Documents, or under which a determination adverse to the Agency would have a material adverse effect upon the financial condition or the revenues of the Agency, or which, in any manner, questions or affects the right or ability of the Agency to enter into the Agency Documents or affects in any manner the right or ability of the Agency to make the Series 2020 Installment Payments.

(v) Authority Counsel Opinion. An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, special counsel to the Authority, dated the date of the Closing and addressed to the Representative, in form and substance acceptable to the Representative substantially to the following effect:

(A) The Authority is a joint exercise of powers agency, duly created and lawfully existing under the laws and Constitution of the State;

(B) The Authority Documents have been authorized by all necessary corporate action on the part of the Authority, have been duly executed and delivered by the Authority and, assuming due authorization, execution and delivery by the other parties thereto, the Authority Documents constitute legally valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations or legal remedies against public agencies in the State;

(C) To the best of such counsel's knowledge after due inquiry, the execution and delivery of the Authority Documents and compliance with the provisions thereof; under the circumstances contemplated thereby, do not and will not conflict with any existing law, regulation, court order or consent decree to which the Authority is subject or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound;

(D) The Authority Portion of the Official Statement has been prepared by, or on behalf of, the Authority and the Official Statement has been executed on its behalf by the President of the Authority's Board of Directors; and

(E) Based on the information made available to such counsel, and without having undertaken to determine independently or assume any responsibility for the accuracy, completeness or fairness of the statements contained therein, the information in the Official Statement relating to the Authority under the captions "INTRODUCTION," "THE AUTHORITY," and "LITIGATION—The Authority" is true and accurate to the best of such counsel's knowledge at and as of the date of the Official Statement and at and as of the date of Closing.



(vi) U.S. Bank Counsel Opinion. The opinion of counsel to U.S. Bank, dated the date of the Closing, addressed to the Agency and the Representative, to the effect that:

(A) U.S. Bank is a national banking association duly organized and validly existing under the laws of the jurisdiction of its origin and has the corporate power to execute and deliver the Indenture and the Escrow Agreements (together, the “U.S. Bank Documents”) and to perform its obligations under the U.S. Bank Documents;

(B) The execution and delivery by U.S. Bank of the U.S. Bank Documents and any other documentation relating to the U.S. Bank Documents and its performance of its obligations under the U.S. Bank Documents, have been and are as of the date hereof duly authorized by all necessary corporate action;

(C) No approval, authorization or other action by, or filing with, any governmental body or regulatory authority (which has not been obtained) is required in connection with the due execution, delivery and performance by U.S. Bank of the U.S. Bank Documents; and

(D) The U.S. Bank Documents have been duly executed and delivered and constitute the valid and legally binding obligations of U.S. Bank enforceable against it in accordance with their terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors’ rights generally and by general principles of equity (regardless of whether enforcement is sought as a proceeding in equity or at law).

(vii) Underwriters’ Counsel Opinion. A letter from Gilmore & Bell, P.C., counsel to the Underwriters (“Underwriters’ Counsel”), dated the date of Closing and addressed to the Underwriters to the effect that:

(A) Such counsel is of the opinion that the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(B) Such counsel is of the opinion that the provisions of the Continuing Disclosure Certificate comply with the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended; and

(C) While such counsel has not verified and is not passing upon and does not assume responsibility for, the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement and the Official Statement, such counsel has participated in conferences with representatives of and counsel for the Agency and the Authority and Bond Counsel and representatives of the Underwriters at which the contents of the Preliminary Official Statement and the Official Statement were discussed and revised. Based on such counsel’s representation of the Underwriters in connection with the issuance of the Bonds, no facts came to the attention of the attorneys in such firm rendering legal services in connection with such representation which caused such counsel to believe that the Preliminary Official Statement contained, as of its date, or the Official Statement contained as of its date or as of the date of Closing contains any untrue statement of a material fact or omitted or omits to state a

material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion or belief is expressed as to (i) the expressions of opinion, the assumptions, the projections, the financial statements, or other financial, numerical, economic, demographic or statistical data contained in the Official Statement, (ii) the information with respect to DTC and its book-entry system, (iii) the information contained in Appendices \_\_, \_\_, and \_\_ to the Official Statement) or (iv) the Excluded Information.

(viii) Agency Certificate. A certificate of the Agency, dated the date of the Closing, signed on behalf of the Agency by the General Manager or other duly authorized officer of the Agency to the effect that:

(A) The representations, warranties and covenants of the Agency contained in the Purchase Contract are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the Agency has complied with all of, the terms and conditions of the Purchase Contract required to be complied with by the Agency at or prior to the date of the closing;

(B) No event affecting the Agency has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements in the Agency Portion of the Official Statement, in the light of the circumstances under which they were made, not misleading (except no representation is made with respect to information relating to the Excluded Information); and

(C) No event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute an event of default under the Agency Documents.

(ix) Authority Certificate. A certificate of the Authority, dated the date of the Closing, signed on behalf of the Authority by a duly authorized officer of the Authority to the effect that:

(A) The representations, warranties and covenants of the Authority contained in the Purchase Contract are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the Authority has complied with all of the terms and conditions of the Purchase Contract required to be complied with by the Authority at or prior to the date of the closing;

(B) No event affecting the Authority has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements in the Authority Portion of the Official Statement, in the light of the circumstances under which they were made, not misleading (except no representation is made with respect to information relating to the Excluded Information); and

(C) No event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute an event of default under the Authority Documents.

(x) Certificate of U.S. Bank. A certificate, dated the date of Closing, signed by a duly authorized official of U.S. Bank satisfactory in form and substance to the Representative, to the effect that:

(A) U.S. Bank is duly organized and existing as a national banking association under the laws of the United States of America, having the full corporate power and authority to enter into and perform its duties under the U.S. Bank Documents;

(B) U.S. Bank is duly authorized to enter into the U.S. Bank Documents and has duly executed and delivered the U.S. Bank Documents, and assuming due authorization and execution by the other parties thereto, the U.S. Bank Documents are legal, valid and binding upon U.S. Bank, and enforceable against U.S. Bank in accordance with their terms;

(C) U.S. Bank, acting as the trustee under the Indenture, has duly executed the Bonds under the Indenture and delivered the Bonds to or upon the order of the Underwriters; and

(D) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of U.S. Bank that has not been obtained is or will be required for the execution and delivery of the Bonds or the consummation by U.S. Bank of its obligations under the U.S. Bank Documents.

(xi) Transcripts. Two transcripts of all proceedings relating to the authorization, execution and delivery of the Bonds.

(xii) Official Statement. The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the Authority by duly authorized officers thereof.

(xiii) Documents. An original executed copy of each of the Authority Documents and each of the Agency Documents.

(xiv) Agency Resolution. A certified copy of each resolution of the Agency authorizing the Agency Documents, certified by the Secretary for the Agency.

(xv) Authority Resolution. A certified copy of each Authority Resolution, certified by the Secretary or Assistant Secretary of the Authority.

(xvi) Resolution of U.S. Bank. A certified copy of the general resolution of U.S. Bank authorizing the execution and delivery of certain documents by certain officers and employees of U.S. Bank, which resolution authorizes the execution and delivery of the U.S. Bank Documents by U.S. Bank.

(xvii) 15c2-12 Certificates of the Agency and the Authority. Certificates of the Agency and the Authority “deeming final” their respective portions of the Preliminary Official Statement for purposes of Rule 15c2-12.

(xviii) Tax Certificate. A tax certificate with respect to the Series 2020A Bonds in form satisfactory to Bond Counsel.

(xix) 8038-G. Evidence that the federal tax information form 8038-G relating to the Series 2020A Bonds has been prepared for filing.

(xx) CDIAC Statements. A copy of Notices of Sale required to be delivered to the California Debt Investment Advisory Commission pursuant to Sections 8855(g) and 53583 of the California Government Code.

(xxi) Rating. Evidence from S&P Global Ratings, a Standard & Poor’s Financial Services LLC business that the Bonds have been assigned a rating of “\_\_\_\_\_.”

(xxii) Continuing Disclosure Certificate. An executed copy of the Continuing Disclosure Certificate.

(xxiii) Verification Report. A verification report of \_\_\_\_\_, certified public accountants, as described in the Official Statement.

(xxiv) Additional Documents. Such additional certificates, instruments and other documents as the Underwriters may reasonably deem necessary.

If the Agency or the Authority shall be unable to satisfy the conditions contained in this Purchase Contract, or if the obligations of the Underwriters shall be terminated by the Representative for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and none of the Representative, the Underwriters, the Agency nor the Authority shall be under further obligation hereunder, except as further set forth in Section 9 hereof.

9. Expenses. (a) The Underwriters shall be under no obligation to pay and the Agency shall pay or cause to be paid the expenses incident to the performance of the obligations of the Agency hereunder including but not limited to (a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the Agency Documents and the Authority Documents and the cost of preparing, printing, issuing and delivering the Bonds; (b) the fees and disbursements of any counsel, municipal advisors, accountants or other experts or consultants retained by the Agency and the Authority; (c) the fees and disbursements of Bond Counsel, general counsel to the Agency, and special counsel to the Authority; (d) the fees and disbursements of the rating agency; (e) the cost of printing and distributing the Preliminary Official Statement and any supplements and amendments thereto and the cost of printing and distributing the Official Statement and any supplements and amendments thereto, including a reasonable number of copies thereof for distribution by the Underwriters; (f) expenses (included in the expense component of the Underwriters’ spread) incurred on behalf of the Agency’s officers or employees which are incidental to implementing this Purchase Contract, including, but not limited to, meals, transportation, and lodging of those officers or employees; (g) CUSIP Service Bureau fees and charges; and (h) Trustee fees.

(b) The Underwriters are required to pay fees to the CDIAC in connection with the offering of the Bonds. Notwithstanding that such fees are solely the legal obligation of the Underwriters, the Agency agrees to reimburse the Underwriters for such fees.

(c) The Underwriters shall pay (from the expense component of the underwriting spread): (i) the cost of preparation and printing of this Purchase Contract and the Preliminary and Supplemental Blue Sky Memorandum; (ii) all advertising expenses and Blue Sky filing fees in connection with the public offering of the Bonds; and (iii) the fees of Digital Assurance Certification, L.L.C. for a continuing disclosure undertaking compliance review; and (iv) all other expenses incurred by the Underwriters in connection with the public offering of the Bonds, including the fees and disbursements of Underwriters' Counsel.

10. Notice. Any notice or other communication to be given to the Agency under this Purchase Contract may be given by delivering the same in writing to:

Santa Clarita Valley Water Agency,  
27234 Bouquet Canyon Road  
Santa Clarita, California 91350-2173  
Attention: General Manager

Any notice or other communication to be given to the Authority under this Purchase Contract may be given by delivering the same in writing to:

Upper Santa Clara Valley Joint Powers Authority  
27234 Bouquet Canyon Road  
Santa Clarita, California 91350-2173  
Attention: Executive Director

Any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to the Representative:

Citigroup Global Markets Inc.  
444 South Flower Street, 27th Floor  
Los Angeles, California 90071  
Attention: Cameron Parks, Director

11. Entire Agreement. This Purchase Contract, when accepted by the Agency and the Authority, shall constitute the entire agreement among the Agency, the Authority and the Underwriters with respect to the subject matter hereof and is made solely for the benefit of the Agency, the Authority and the Underwriters (including the successors of the Underwriters). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All of the representations, warranties and agreements of the Agency and the Authority in this Purchase Contract shall remain operative and in full force and effect except as otherwise provided herein, regardless of any investigations made by or on behalf of the Underwriters and shall survive the delivery of and payment for the Bonds.

12. No Advisory or Fiduciary Role. The Agency and Authority acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-

length commercial transaction among the Agency, the Authority and the Underwriters, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriters are and have been acting solely as a principal and are not acting as the agent, advisor or fiduciary of the Agency or the Authority, (iii) the Underwriters have not assumed an advisory, fiduciary or municipal advisory responsibility in favor of the Agency or the Authority with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters have provided other services or are currently providing other services to the Agency and the Authority on other matters) and the Underwriters have no obligation to the Agency or the Authority with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract and (iv) the Agency and Authority have consulted their own legal, financial, municipal advisory, and other advisors to the extent deemed appropriate.

13. Counterparts. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

14. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

15. STATE LAW GOVERNS. THE VALIDITY, IN INTERPRETATION AND PERFORMANCE OF THIS PURCHASE CONTRACT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

16. No Assignment. The rights and obligations created by this Purchase Contract shall not be subject to assignment by the Underwriters, the Authority or the Agency without the prior written consent of the other party hereto.

CITIGROUP GLOBAL MARKETS INC., as  
Representative of itself GOLDMAN  
SACHS & CO., LLC and MORGAN  
STANLEY & CO. LLC

By: \_\_\_\_\_  
Director

Accepted as of the date  
first stated above:

SANTA CLARITA VALLEY WATER AGENCY

By: \_\_\_\_\_  
General Manager

UPPER SANTA CLARA VALLEY JOINT  
POWERS AUTHORITY

By: \_\_\_\_\_  
Treasurer

APPENDIX A

\$ \_\_\_\_\_  
UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY  
REVENUE BONDS, SERIES 2020A

| <u>Maturity Date</u><br><u>(August 1)</u> | <u>Principal</u><br><u>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>Price</u> | <u>Pricing</u><br><u>Rule</u> |
|---|-----------------------------------|----------------------|--------------|--------------|-------------------------------|
|---|-----------------------------------|----------------------|--------------|--------------|-------------------------------|

\$ \_\_\_\_\_  
UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY  
REVENUE BONDS, TAXABLE SERIES 2020B

| <u>Maturity Date</u><br><u>(August 1)</u> | <u>Principal</u><br><u>Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>Price</u> |
|---|-----------------------------------|----------------------|--------------|--------------|
|---|-----------------------------------|----------------------|--------------|--------------|



EXHIBIT B

\$ \_\_\_\_\_  
UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY  
REVENUE BONDS,  
SERIES 2020A

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Citigroup Global Markets Inc., on behalf of itself and as representative (the “Representative”) of Goldman Sachs & Co., LLC and Morgan Stanley & Co. LLC (together, the “*Underwriting Group*”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “*Series 2020A Bonds*”).

The Representative, Santa Clarita Valley Water Agency and the Upper Santa Clara Valley Joint Powers Authority (the “*Issuer*”), have executed a Purchase Contract (the “*Purchase Contract*”) in connection with the Series 2020A Bonds on the Sale Date. The Representative has not modified the Purchase Contract since its execution on the Sale Date.

1. ***Sale of the Series 2020A Bonds.*** As of the date of this certificate, for each Maturity of the Series 2020A Bonds, the first price at which at least 10% of such Maturity of the Series 2020A Bonds was sold to the Public is the respective price listed in Schedule A.

a) [Initial Offering Price of the Hold-the-Offering-Price Maturities.

i) The Underwriters offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Series 2020A Bonds is attached to this certificate as Schedule B.

ii) As set forth in the Purchase Contract, the Underwriters have agreed in writing that, (i) the Representative would retain the unsold Series 2020A Bonds of each Hold-the-Offering-Price Maturity and not allocate any such Series 2020A Bonds to any other Underwriter, (ii) for each Maturity of the Hold-the-Offering-Price Maturities, the Representative would neither offer nor sell any of the unsold Series 2020A Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (iii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution

agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, the Representative has not offered or sold unsold Series 2020A Bonds of any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Series 2020A Bonds during the Holding Period.]

## 2. Defined Terms

a) *Issuer* means Upper Santa Clara Valley Joint Powers Authority.

b) *General Rule Maturities* means those Maturities of the Series 2020A Bonds listed in Schedule A hereto as the “*General Rule Maturities*.”

c) *Maturity* means Series 2020A Bonds with the same credit and payment terms. Series 2020A Bonds with different maturity dates, or Series 2020A Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

d) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter. A person is a “*Related Party*” to an Underwriter if the Underwriter and the person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Series 2020A Bonds. The Sale Date of the Series 2020A Bonds is \_\_\_\_\_, 2020.

f) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2020A Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Series 2020A Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2020A Bonds to the Public).

3. Disclaimer.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder (collectively, the "Code") and we make no warranty regarding the sufficiency of the foregoing representations for purposes of such provisions of the Code. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Series 2020A Bonds, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with rendering its opinion that the interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer from time to time relating to the Series 2020A Bonds. Notwithstanding the foregoing, we remind you that we are not accountants or actuaries, nor are we engaged in the practice of law. The representations set forth herein are not necessarily based on personal knowledge and, in certain cases, the undersigned is relying on representations made by the other members of the Underwriting Group.

**CITIGROUP GLOBAL MARKETS  
INC.**, as representative of the Underwriting  
Group

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Dated: \_\_\_\_\_, 2020.

*To Be Attached:*

SCHEDULE A — Sale Prices

SCHEDULE B — Final Pricing Wire

**[This page intentionally left blank.]**

**ESCROW AGREEMENT (SERIES 2010A)**

THIS ESCROW AGREEMENT (SERIES 2010A), dated as of February 1, 2020 (the “Agreement”), by and between the Santa Clarita Valley Water Agency (successor to Castaic Lake Water Agency) (the “Agency”) and U.S. Bank National Association, Los Angeles, California, as escrow agent (the “Escrow Agent”), is entered into in accordance with Resolution No. 2020-\_\_ of the Agency adopted on February 4, 2020, and a Trust Agreement, dated as of May 1, 2006 (the “2010A Trust Agreement”), by and among U.S. Bank National Association, as trustee (the “2010A Trustee”), the Agency and the Castaic Lake Water Agency Financing Corporation (the “Corporation”) to defease the outstanding Refunding Revenue Certificates of Participation, Series 2010A (2001 Refunding Project) (the “2010A Certificates”).

**WITNESSETH:**

WHEREAS, the Agency previously authorized the execution and delivery of the 2010A Certificates pursuant to the 2010A Trust Agreement;

WHEREAS, the Agency and the Upper Santa Clara Valley Joint Powers Authority (the “Authority”) have determined that a portion of the proceeds of the \$\_\_\_\_\_ aggregate principal amount of the Upper Santa Clara Valley Joint Powers Authority Revenue Bonds, Series 2020A (the “Bonds”) issued pursuant to an Indenture of Trust, dated as of February 1, 2020, by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), will be used to provide a portion of the funds to pay the regularly scheduled payment of interest with respect to the 2010A Certificates on August 1, 2020 (the “Prepayment Date”), and to pay on the Prepayment Date the principal of the 2010A Certificates maturing on and after the Prepayment Date, without premium (the “Prepayment Price”); and

WHEREAS, by irrevocably depositing with the Escrow Agent moneys (as permitted by, in the manner prescribed by, and all in accordance with the 2010A Trust Agreement), which moneys will be used to purchase securities meeting the criteria set forth in clause (A) of the definition of Permitted Investments in the 2010A Trust Agreement and are as described on Schedule A hereto (the “Federal Securities”), which Federal Securities satisfy the criteria set forth in Section 10.1 of the 2010A Trust Agreement, provided the principal of and the interest on which when paid will provide money which, together with the moneys deposited with the Escrow Agent at the same time pursuant to this Agreement, will be fully sufficient to pay and discharge the 2010A Certificates;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Agency and the Escrow Agent agree as follows:

SECTION 1. Deposit of Moneys. The Escrow Agent hereby acknowledges receipt of \$\_\_\_\_\_ from the Trustee from a portion of the net proceeds of the sale of the Bonds. The Agency hereby instructs the Escrow Agent to deposit the foregoing amounts into the 2010A Escrow Fund established hereunder.

The Escrow Agent shall hold all such amounts in irrevocable escrow separate and apart from other funds of the Authority, the Agency and the Escrow Agent in a fund hereby created and established to be known as the “2010A Escrow Fund” and to be applied solely as provided in this

Agreement. The Agency represents that the moneys set forth above are at least equal to an amount sufficient to purchase the Federal Securities listed in Schedule A hereto.

SECTION 2. Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees immediately to invest \$\_\_\_\_\_ in the Federal Securities listed on Schedule A hereto and to deposit such Federal Securities in the 2010A Escrow Fund and to hold \$\_\_\_\_\_ in the 2010A Escrow Fund in cash. The Escrow Agent shall be entitled to rely upon the conclusion of \_\_\_\_\_ (the "Verification Agent"), that the Federal Securities listed on Schedule A hereto mature and bear interest payable in such amounts and at such times as, together with cash on deposit in the 2010A Escrow Fund, will be sufficient to pay the regularly scheduled payment of interest with respect to the 2010A Certificates on the Prepayment Date and to pay on the Prepayment Date the Prepayment Price of the 2010A Certificates maturing on and after the Prepayment Date.

SECTION 3. Investment of Any Remaining Moneys. At the written direction of the Agency, the Escrow Agent shall reinvest any other amount of principal and interest, or any portion thereof, received from the Federal Securities prior to the date on which such payment is required for the purposes set forth herein, in noncallable Federal Securities maturing not later than the date on which such payment or portion thereof is required for the purposes set forth in Section 5, at the written direction of the Agency, as verified in a report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the 2010A Escrow Fund to pay when due the regularly scheduled payment of interest with respect to the 2010A Certificates on the Prepayment Date, and to pay on the Prepayment Date, the Prepayment Price of the 2010A Certificates maturing on and after the Prepayment Date, and provided that the Agency has obtained and delivered to the Escrow Agent an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of the interest portion of the Installment Payments (as such term is defined in the 2010A Trust Agreement) or interest on the Bonds. Any interest income resulting from investment or reinvestment of moneys pursuant to this Section 3 which is not required for the purposes set forth in Section 5, as verified in the letter of the Verification Agent originally obtained by the Agency with respect to the refunding of the 2010A Certificates or in any other report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of tax-exempt obligations of political subdivisions, shall be paid to the Agency promptly upon the receipt of such interest income by the Escrow Agent. The determination of the Agency as to whether an accountant qualifies under this Escrow Agreement shall be conclusive.

SECTION 4. Substitution of Securities. Upon the written request of the Agency, and subject to the conditions and limitations herein set forth and applicable governmental rules and regulations, the Escrow Agent shall sell, redeem or otherwise dispose of the Federal Securities, provided that there are substituted therefor from the proceeds of the Federal Securities other Federal Securities, but only after the Agency has obtained and delivered to the Escrow Agent: (i) an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, to the effect that the substitution of securities is permitted under the legal documents in effect with respect to the 2010A Certificates and that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of the interest portion of the Installment Payments (as such term is defined in the 2010A Trust Agreement) or interest on the Bonds; and (ii) a report by a firm of

independent certified public accountants to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the 2010A Escrow Fund to pay the regularly scheduled payment of interest with respect to the 2010A Certificates on the Prepayment Date, and to pay on the Prepayment Date, the Prepayment Price of the 2010A Certificates maturing on and after the Prepayment Date. The Escrow Agent shall not be liable or responsible for any loss resulting from any reinvestment made pursuant to this Agreement and in full compliance with the provisions hereof.

SECTION 5. Payment of 2010A Certificates.

(a) Payment. From the maturing principal of the Federal Securities and the investment income and other earnings thereon and other moneys on deposit in the 2010A Escrow Fund, the Escrow Agent shall apply the amounts on deposit in the 2010A Escrow Fund to pay the regularly scheduled payment of interest with respect to the 2010A Certificates on the Prepayment Date, and to pay on the Prepayment Date, the Prepayment Price of the 2010A Certificates maturing on and after the Prepayment Date.

(b) Irrevocable Instructions to Provide Notice. The forms of the notice required to be mailed pursuant to Sections 4.3 and 10.1 of the 2010A Trust Agreement are substantially in the forms attached hereto as Exhibits A and B. The Agency hereby irrevocably instructs the Escrow Agent to provide a notice of prepayment and a notice of defeasance of the 2010A Certificates in accordance with Sections 4.3 and 10.1, respectively, of the 2010A Trust Agreement, as required to provide for the prepayment of the 2010A Certificates in accordance with this Section 5, and to file such notices with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System, maintained on the Internet at <http://emma.msrb.org/> at such times that such notices are provided pursuant to Sections 4.3 and 10.1 of the 2010A Trust Agreement.

(c) Unclaimed Moneys. Any moneys which remain unclaimed for two years after the Prepayment Date shall be repaid by the Escrow Agent to the Agency.

(d) Priority of Payments. The owners of the 2010A Certificates shall have a first and exclusive lien on all moneys and securities in the 2010A Escrow Fund until such moneys and such securities are used and applied as provided in this Agreement.

(e) Termination of Obligation. As provided in the 2010A Trust Agreement, upon deposit of moneys with the Escrow Agent in the 2010A Escrow Fund as set forth in Section 1 hereof and the purchase of the various Federal Securities as provided in Section 2 hereof, all obligations of the Agency under the 2010A Trust Agreement with respect to the 2010A Certificates shall cease, terminate and become void except as set forth in the 2010A Trust Agreement. As provided in Section 9.1 of the Installment Purchase Agreement, dated as of May 1, 2006 (the "2010A Installment Purchase Agreement"), by and between the Agency and the Corporation, the obligations of the Agency under the 2010A Installment Purchase Agreement with respect to the Series 2010A Installment Payments (as such term is defined in the 2010A Trust Agreement) shall cease, terminate, become void and be completely discharged and satisfied (except for the rights of the 2010A Trustee and the obligation of the Agency to have the Federal Securities and moneys on deposit in the 2010A Escrow Fund applied to Installment Payments).

SECTION 6. Application of Certain Terms of the 2010A Trust Agreement. All of the terms of the 2010A Trust Agreement relating to the making of payments of principal of and interest

with respect to the 2010A Certificates and relating to the exchange or transfer of the 2010A Certificates are incorporated in this Agreement as if set forth in full herein. The procedures set forth in Section 8.3 of the 2010A Trust Agreement relating to the resignation and removal and merger of the 2010A Trustee under the 2010A Trust Agreement are also incorporated in this Agreement as if set forth in full herein and shall be the procedures to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

SECTION 7. Performance of Duties. The Escrow Agent agrees to perform only the duties set forth herein and shall have no responsibility to take any action or omit to take any action not set forth herein.

SECTION 8. Escrow Agent's Authority to Make Investments. Except as provided in Section 2 hereof, the Escrow Agent shall have no power or duty to invest any funds held under this Agreement or to sell, transfer or otherwise dispose of the moneys or Federal Securities held hereunder.

SECTION 9. Indemnity. The Agency hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the Agency or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the 2010A Escrow Fund, the acceptance of the funds and securities deposited therein, the retention of the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the Agency shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's respective employees or the willful breach by the Escrow Agent of the terms of this Agreement. In no event shall the Agency or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Agreement.

SECTION 10. Responsibilities of Escrow Agent. The Escrow Agent and its agents and employees shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the 2010A Escrow Fund, the acceptance of the moneys or securities deposited therein, the retention of the Federal Securities or the proceeds thereof, the sufficiency of the Federal Securities to pay the 2010A Certificates or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the Agency, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the proceeds to accomplish the refunding of the 2010A Certificates or to the validity of this Agreement as to the Agency and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under



this Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the Authority or the Agency, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an officer of the Agency.

SECTION 11. Amendments. This Agreement is made for the benefit of the Agency and the owners from time to time of the 2010A Certificates and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent and the Agency; provided, however, that the Agency and the Escrow Agent may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement, the Law (as such term is defined in the 2010A Installment Purchase Agreement), or the 2010A Trust Agreement, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the 2010A Certificates, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional funds. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the various 2010A Certificates or that any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 12. Notice to Rating Agencies. In the event that this Agreement or any provision thereof is severed, amended or revoked the Escrow Agent shall provide written notice of such severance, amendment or revocation to the rating agencies then rating the 2010A Certificates.

SECTION 13. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the 2010A Certificates have been paid in accordance with this Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 5(c) of this Agreement.

SECTION 14. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to by the Escrow Agent, the Agency, and the Agency and any other reasonable fees and expenses of the Escrow Agent approved by the Agency; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien or assert any lien whatsoever on any moneys or obligations in the 2010A Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred by the Escrow Agent under this Agreement.

SECTION 15. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the Agency or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 16. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

SECTION 17. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 18. Insufficient Funds. If at any time the Escrow Agent has actual knowledge that the moneys and investments in the 2010A Escrow Fund, including the anticipated proceeds of and earnings thereon, will not be sufficient to make all payments required by this Agreement, the Escrow Agent shall notify the Agency and the Agency in writing, of the amount thereof and the reason therefor to the extent known to it. The Escrow Agent shall have no responsibility regarding any such deficiency.

SECTION 19. Notice to Authority, the Agency and Escrow Agent. Any notice to or demand upon the Escrow Agent may be served or presented, and such demand may be made, at the principal corporate trust office of the Escrow Agent at U.S. Bank National Association, 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Global Corporate Trust, Reference: Castaic Lake Water Agency, Series 2010A. Any notice to or demand upon the Authority or the Agency shall be deemed to have been sufficiently given or served for all purposes by being mailed by registered or certified mail, and deposited, postage prepaid, in a post office letter box, addressed to the Authority or the Agency, as the case may be, at Santa Clarita Valley Water Agency, 27234 Bouquet Canyon Road, Santa Clarita, California 91350, Attention: General Manager (or such other address as may have been filed in writing by the Authority or the Agency with the Escrow Agent).

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

SANTA CLARITA VALLEY WATER AGENCY

\_\_\_\_\_  
President of the Board of Directors

U.S. BANK NATIONAL ASSOCIATION,  
as Escrow Agent

By: \_\_\_\_\_  
Authorized Officer

**SCHEDULE A**

Federal Securities

| <i>Purchase<br/>Date</i> | <i>Type of<br/>Security</i> | <i>Maturity<br/>Date</i> | <i>Par<br/>Amount</i> | <i>Rate</i> | <i>Price</i> |
|--------------------------|-----------------------------|--------------------------|-----------------------|-------------|--------------|
|                          |                             |                          | \$                    | %           |              |

## EXHIBIT A

### NOTICE OF PREPAYMENT

REFUNDING REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2010A  
(2001 REFUNDING PROJECT)

BASE CUSIP NO. 14837Q

NOTICE IS HEREBY GIVEN to the owners of the above-captioned Certificates (the “Certificates”) pursuant to the Trust Agreement, dated as of May 1, 2006 (the “2010A Trust Agreement”), by and among the Castaic Lake Water Agency (the “Agency”), the Castaic Lake Water Agency Financing Corporation (the “Corporation”) and U.S. Bank National Association, as trustee (the “2010A Trustee”), that the Certificates in the amount of \$27,460,000 have been called for prepayment on August 1, 2020 (the “Prepayment Date”).

| <u>CUSIP</u> | <u>MATURITY</u><br><u>(August 1)</u> | <u>RATE</u> | <u>AMOUNT</u> | <u>PRICE</u> |
|--------------|--------------------------------------|-------------|---------------|--------------|
| 148370BZ1    | 2021                                 | 4.00%       | \$1,000,000   | 100%         |
| 148370CZ0    | 2021                                 | 5.00        | 2,405,000     | 100          |
| 148370CA5    | 2022                                 | 5.00        | 3,560,000     | 100          |
| 148370CB3    | 2023                                 | 4.50        | 500,000       | 100          |
| 148370DB2    | 2023                                 | 5.00        | 3,240,000     | 100          |
| 148370CC1    | 2024                                 | 4.00        | 3,925,000     | 100          |
| 148370DD8    | 2025                                 | 5.00        | 3,080,000     | 100          |
| 148370CD9    | 2025                                 | 4.25        | 1,000,000     | 100          |
| 148370CE7    | 2026                                 | 4.25        | 2,785,000     | 100          |
| 148370DE6    | 2026                                 | 4.50        | 1,500,000     | 100          |
| 148370CF4    | 2027                                 | 4.375       | 4,465,000     | 100          |

The Certificates will be payable on the Prepayment Date at a Prepayment Price of 100% of the principal amount prepaid (the “Prepayment Price”). The Prepayment Price of the Certificates will become due and payable on the Prepayment Date. Interest on the Certificates to be prepaid will cease to accrue on and after the Prepayment Date, and such Certificates will be surrendered to the 2010A Trustee.

All Certificates are required to be surrendered to the principal corporate office of the 2010A Trustee, on the Prepayment Date at the following location. If the Certificates are mailed, the use of registered, insured mail is recommended:

U.S. Bank National Association  
633 West Fifth Street, 24th Floor  
Los Angeles, California 90071  
Attention: Global Corporate Trust

Reference: Upper Santa Clara Valley Joint Powers Authority, Series 2010A

If the Owner of any Certificate subject to optional prepayment fails to deliver such Certificate to the 2010A Trustee on the Prepayment Date, such Certificate shall nevertheless be deemed prepaid

on the Prepayment Date and the Owner of such Certificate shall have no rights in respect thereof except to receive payment of the Prepayment Price from funds held by the 2010A Trustee for such payment.

A form W-9 must be submitted with the Certificates. Failure to provide a completed form W-9 will result in 31% backup withholding pursuant to the Interest and Dividend Tax Compliance Act of 1983. Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, 28% will be withheld if the tax identification number is not properly certified.

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

DATED this \_\_\_ day of \_\_\_\_\_, 2020.

## EXHIBIT B

### NOTICE OF DEFEASANCE

#### REFUNDING REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2010A (2001 REFUNDING PROJECT)

BASE CUSIP NO. 148370

NOTICE IS HEREBY GIVEN to the owners of the above-captioned Certificates (as further defined below, the “2010A Certificates”) that the Santa Clarita Valley Water Agency (successor to Castaic Lake Water Agency) (the “Agency”), has deposited with U.S. Bank National Association, as trustee (the “2010A Trustee”) under the Trust Agreement, dated as of May 1, 2006 (the “2010A Trust Agreement”), by and among the Agency, the Castaic Lake Water Agency Financing Corporation (the “Corporation”) and the 2010A Trustee, cash and federal securities, the principal of and interest on which when paid will provide moneys sufficient to pay the regularly scheduled payment of interest with respect to the 2010A Certificates on August 1, 2020, and to pay on August 1, 2020, the principal of the 2010A Certificates maturing on and after August 1, 2020, without premium.

The 2010A Certificates to be defeased are as follows:

| <u>CUSIP</u> | <u>MATURITY</u><br><u>(August 1)</u> | <u>RATE</u> | <u>AMOUNT</u> |
|--------------|--------------------------------------|-------------|---------------|
| 148370BY4    | 2020                                 | 4.00%       | \$1,560,000   |
| 148370CY3    | 2020                                 | 5.00        | 1,700,000     |
| 148370BZ1    | 2021                                 | 4.00        | 1,000,000     |
| 148370CZ0    | 2021                                 | 5.00        | 2,405,000     |
| 148370CA5    | 2022                                 | 5.00        | 3,560,000     |
| 148370CB3    | 2023                                 | 4.50        | 500,000       |
| 148370DB2    | 2023                                 | 5.00        | 3,240,000     |
| 148370CC1    | 2024                                 | 4.00        | 3,925,000     |
| 148370DD8    | 2025                                 | 5.00        | 3,080,000     |
| 148370CD9    | 2025                                 | 4.25        | 1,000,000     |
| 148370CE7    | 2026                                 | 4.25        | 2,785,000     |
| 148370DE6    | 2026                                 | 4.50        | 1,500,000     |
| 148370CF4    | 2027                                 | 4.375       | 4,465,000     |

In accordance with the 2010A Trust Agreement, the 2010A Certificates are deemed to have been paid in accordance with Section 10.1 thereof and the obligations of the Agency under the 2010A Trust Agreement and the Installment Purchase Agreement, dated as of May 1, 2006, by and between the Agency and the Corporation, with respect to the 2010A Certificates shall thereupon cease, terminate and become void and be discharged and satisfied.

DATED this \_\_th day of \_\_\_\_\_, 2020.

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**DEPOSITORY AGREEMENT**

THIS DEPOSITORY AGREEMENT dated as of February 1, 2020 (the “Agreement”) by and between Santa Clarita Valley Water Agency (“Depositor”), an agency duly organized and existing under and by virtue of the laws of the State of California, and U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws to the United States of America (“Depository Agent”).

Terms not otherwise defined herein shall have the meaning assigned to such terms in the Indenture (as such term is defined below).

WHEREAS, the Depositor previously: (i) caused to be executed and delivered its Castaic Lake Water Agency (Water System Improvement Project) Revenue Certificates of Participation, Series 1999A (the “1999A Certificates”) pursuant to the Trust Agreement, dated as of June 1, 1999, as amended by Amendment No. 1 to Trust Agreement, dated as of February 1, 2020, each by and among the Depositor (as successor to Castaic Lake Water Agency), Santa Clarita Valley Water Agency Financing Corporation (formerly known as Castaic Lake Water Agency Financing Corporation) (the “Corporation”) and U.S. Bank National Association (formerly known as U.S. Bank Trust National Association), as trustee (the “1999A Trustee”) (collectively, the “1999A Trust Agreement”); and (ii) caused the Upper Santa Clara Valley Joint Powers Authority (the “Authority”) to issue Revenue Bonds, Taxable Series 2018A (the “2018A Bonds” and, together with the 1999A Certificates, the “Obligations”) pursuant to the Indenture of Trust, dated as of January 1, 2018, as amended by Amendment No. 1 to Indenture of Trust, dated as of February 1, 2020, each by and between the Authority and U.S. Bank National Association, as trustee (the “2018A Trustee” and, together with the 1999A Trustee, the “Trustee”) (together, the “2018A Indenture” and, collectively with the 1999A Trust Agreement, the “Indenture”);

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto, intending to be legally bound, do hereby covenant and agree as follows:

Section 1 Appointment of Depository Agent. Depositor hereby appoints Depository Agent to act as depository agent in accordance with the terms and conditions set forth herein, and Depository Agent hereby accepts such appointment.

Section 2 Establishment of Account. Depository Agent will open and maintain an account on the terms and conditions set forth herein (the “Account”). The Account shall constitute the “1% Property Tax Account” which is an account in the fund previously established by the Depositor and referred to as the “Revenue Fund” as described in the Indenture. Moneys on deposit in the Revenue Fund have previously been pledged to the payment of the Installment Payments (as such term is defined in the 1999A Trust Agreement and the 2018A Indenture) and shall be applied as set forth in the documents under which such moneys have been pledged. The Funds (as such term is defined below) held in the Account will not bear interest independently of the interest, dividends and other distributions and payments that may arise from Permitted Investments (as defined below) made pursuant to Section 5 hereof.

Section 3 Wire Instructions. Wire transfer instructions for sending the Funds, as hereinafter defined, to Depository Agent are set forth in Schedule III.

Section 4 Deposits into the Account. Depositor has directed (i) the County of Los Angeles to transfer all amounts allocated by the County of Los Angeles from time to time constituting the Depositor's share of the County of Los Angeles 1% ad valorem property tax directly to the Depository Agent for deposit to the Account set forth in Section 2 hereof and (ii) the County of Ventura to transfer all amounts allocated by the County of Ventura from time to time constituting the Depositor's share of the County of Ventura 1% ad valorem property tax directly to the Depository Agent for deposit to the Account set forth in Section 2 hereof. In addition, to the extent the Depositor receives any amounts from the County of Los Angeles or the County of Ventura representing its share of the 1% ad valorem property taxes allocated by the respective county, the Depositor shall immediately transfer such amounts to the Depository Agent for deposit to the Account set forth in Section 2 hereof. All such amounts transferred to the Depository Agent shall be in immediately available funds (the "Funds"), which Funds will be held by Depository Agent for the benefit of the Owners of the Obligations and any other Bonds and Contracts which are Outstanding from time to time as provided in Section 6 hereof. The Funds, plus all interest, dividends and other distributions and payments thereon received by Depository Agent from time to time, less any property distributed and/or disbursed in accordance with this Agreement, from time to time are collectively referred to hereinafter as the "Account Property". Depository Agent will have no duty to solicit delivery of the Funds. For purposes of this Agreement "Business Day" will mean any day U.S. Bank National Association is open for business at the address set forth herein, excluding Saturdays and Sundays.

Section 5 Investment of the Account Property.

(a) As soon as practicable after the receipt thereof, Depository Agent will cause the Account Property to be invested in such Permitted Investments as defined below as Depositor may specify in writing from time to time. During the term of this Agreement, Depositor will bear and retain the sole responsibility for the selection of the investments of the Account Property and all risks from any such investments.

(b) "Permitted Investments" will be one or more of the following:

- i. Money market or mutual funds registered under the Investment Company Act of 1940,<sup>1</sup> excluding such funds with a floating net asset value, including any fund for which Depository Agent or an affiliate of Depository Agent serves as an investment advisor, administrator, shareholder servicing agent, custodian or sub-custodian, notwithstanding that (A) Depository Agent or an affiliate of Depository Agent charges and collects fees and expenses from such funds for services rendered (provided that such charges, fees and expenses are on terms consistent with terms negotiated at arm's length) and (B) Depository Agent charges and collects fees and expenses for services rendered, pursuant to this Agreement;
- ii. direct obligations of, or obligations fully guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof,

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<sup>1</sup> Depositor hereby acknowledges that it has received and read the Prospectus for the selected investment of the Account Property and understands that investments in the Money Market or Mutual Fund are not insured by the Federal Deposit Insurance Corporation and are not obligations of or guaranteed by Depository Agent.

provided such obligations are backed by the full faith and credit of the United States; or

iii. a deposit account of Depository Agent.

(c) If Depository Agent does not receive written instructions for the Account Property, the Account Property shall remain uninvested with no liability for interest therein. The Depositor hereby instructs the Depository Agent to initially invest all amounts on deposit in the 1% Property Tax Account in [a deposit account identified in section 5(b)(iii)]. Depository Agent will have no obligation to cause the Account Property to be invested on the day of deposit if the Account Property or instructions are not delivered to Depository Agent within a reasonable amount of time prior to the applicable cut-off time for any Permitted Investment. In any event, instructions received after 10:30 a.m. Pacific Time /1:30 p.m. Eastern Time will be treated as if received on the following Business Day and the Account Property will be invested on such day. Depository Agent will have no responsibility for any investment losses resulting from the investment, reinvestment or liquidation of the Account Property. Any interest or other income received on such investment and reinvestment of the Account Property will become part of the Account Property and losses incurred on such investment and reinvestment of the Account Property will be reflected in the value of the Account Property from time to time. Notwithstanding any other provision herein, Depository Agent will have the power to sell or liquidate the foregoing investments whenever Depository Agent is required to release all or any portion of the Account Property pursuant to this Agreement. In no event will Depository Agent be deemed an investment manager or adviser in respect of any selection of investments hereunder.

Section 6 Distribution of the Account Property. Depository Agent will hold the Account Property in its possession and disburse the Account Property or any specified portion thereof only as follows:

(a) Not later than ten (10) Business Days prior to each Interest Payment Date (as such term is defined in the 1999A Trust Agreement), the 1999A Trustee shall direct the Depository Agent (which direction need not be in writing if the Depository Agent and the 1999A Trustee are the same entity), from Account Property on deposit in the 1% Property Tax Account, to transfer to the 1999A Trustee an amount of Account Property necessary to cause the amount on deposit in the payment fund created with respect to the 1999A Certificates to be equal to the next Installment Payment (as such term is defined in the 1999A Trust Agreement).

(b) Not later than ten (10) Business Days prior to each Interest Payment Date (as such term is defined in the 2018A Indenture), the 2018A Trustee shall direct the Depository Agent (which direction need not be in writing if the Depository Agent and the 2018A Trustee are the same entity), from Account Property on deposit in the 1% Property Tax Account, to transfer to the 2018A Trustee an amount of Account Property necessary to cause the amount on deposit in the payment fund created with respect to the 2018A Bonds to be equal to the next Installment Payment (as such term is defined in the 2018A Indenture).

(c) On the date that the Depository Agent receives written notice from the Depositor (a copy of such notice shall be provided to the Trustee) that the amount of Account Property on deposit in the 1% Property Tax Account is equal to or greater than the Installment Payments due

during the remainder of the calendar year, the Depository Agent shall transfer the excess to the Depositor. In addition, on each August 2, the Depository Agent shall transfer any Account Property to the Depositor for deposit by the Depositor in the Revenue Fund. To the extent that Account Property remains after the making of such transfers required by this Section 6(c) of this Agreement, additional disbursements of Account Property shall be made at the direction of the Depositor in the following manner: Depositor may deliver a written notice signed by an authorized person as set forth on Schedule I attached hereto (“Authorized Representative”) to disburse all or a portion of the Account Property to the Depositor for deposit by the Depositor in the Revenue Fund as specified therein (the “Disbursement Instruction”). Depository Agent will and is hereby authorized to withdraw and pay said disbursement as specified in a Disbursement Instruction. Depository Agent will act upon a Disbursement Instruction received pursuant to Section 11 hereunder and will rely upon the content in the Disbursement Instruction without making further inquiry and will assume due execution thereof and the truth and correctness of any information or statement contained therein. Further, Depository Agent will rely upon the signature(s) thereon of an Authorized Representative regardless of by whom or by what means the actual or purported signature(s) thereon may have been affixed thereto if such signature(s) resemble the specimen on Schedule I attached hereto or as provided to Depository Agent from time to time. Depository Agent will incur no liability to Depositor or otherwise for having acted in accordance with instructions on which it is authorized to rely pursuant to the provisions hereof.

(d) All payments of the Account Property will be effected by wire transfer in immediately available funds; provided that transfers to the Trustee may be made by internal transfer.

Section 7 Compensation of Depository Agent. Depository Agent will be entitled to receive payment from Depositor for fees, costs and expenses for all services rendered by Depository Agent hereunder in accordance with Schedule II to this Agreement. Depositor will reimburse Depository Agent on demand for all losses, liabilities, damages, disbursements, advances or expenses paid or incurred by Depository Agent in the administration of its duties hereunder, including, but not limited to, all counsel, advisor and agent fees and disbursements. At all times, Depository Agent will have a right of set off and first lien upon the Account for payment of customary fees, costs and expenses and all such losses, liabilities, damages or expenses from time to time. Such fees, costs and expenses will be paid from the Account Property to the extent not otherwise paid hereunder and Depository Agent may sell, convey or otherwise dispose of any Account Property for such purpose.

Section 8 Resignation or Removal of Depository Agent.

Depository Agent may resign and be discharged from its duties hereunder at any time by giving written notice thirty (30) calendar days prior to such resignation to Depositor as provided in this Section. Depositor may remove Depository Agent at any time by giving written notice signed by the Authorized Representative at least thirty (30) calendar days prior to such removal to Depository Agent. Following such resignation or removal, a successor Depository Agent will be appointed by Depositor, who will provide written notice of such to the resigning or removed Depository Agent. Such successor Depository Agent will become Depository Agent hereunder, and all Account Property will be transferred to it upon the resignation or removal date specified in such notice. If Depositor is unable to appoint a successor Depository Agent within thirty (30)

calendar days after such notice, Depository Agent may, in its sole discretion, deliver the Account Property to Depositor at the address provided herein or may petition any court of competent jurisdiction for the appointment of a successor Depository Agent or for other appropriate relief. The costs and expenses (including but not limited to its attorney fees and expenses) incurred by Depository Agent in connection with such proceeding will be paid by Depositor. On the resignation/removal date and after receipt of the identity of the successor Depository Agent, Depository Agent will either deliver and/or disburse the Account Property then held hereunder to the successor Depository Agent, less Depository Agent's fees, costs and expenses or other obligations owed to Depository Agent. Upon its resignation or removal and delivery and/or disbursement of the Account Property in its entirety as set forth in this Section, Depository Agent will be discharged of and from any and all future obligations arising in connection with the Account Property or this Agreement.

Section 9 Indemnification of Depository Agent. Depositor agrees to indemnify and hold Depository Agent harmless against any and all liabilities, losses, claims, damages or expenses, including reasonable attorney's fees, that Depository Agent may incur by reason of or based upon its actions under this Agreement other than as a result of the gross negligence or willful misconduct of Depository Agent.

Section 10 Rights, Duties and Immunities of Depository Agent. Acceptance by Depository Agent of its duties under this Agreement is subject to the following terms and conditions, which all parties to this Agreement hereby agree will govern and control the rights, duties and immunities of Depository Agent.

(a) General Duties. The duties and obligations of Depository Agent will be determined solely by the express provisions of this Agreement and Depository Agent will not be liable except for the performance of such duties and obligations. Depository Agent is not a party to, and is not bound by, or required to comply with any agreement or other document out of which this Agreement may arise. Depository Agent will not be required to inquire as to the performance or observance of any duty, obligation, term or condition under any other agreements or arrangements between Depositor and any other party. Depository Agent will not be under any liability to the party hereto by reason of any failure on the part of Depositor or any maker, guarantor, endorser or other signatory of any document or any other third party to perform, such party's obligations under any such document. Except for amendments to this Agreement referred to herein, and except for notifications or instructions to Depository Agent under this Agreement, Depository Agent will not be obliged to recognize or be chargeable with knowledge of any of the terms or conditions of any agreement between Depositor and any other party, notwithstanding that references thereto may be made herein and whether or not it has knowledge thereof. Depository Agent will not be liable for the accuracy of any calculations or the sufficiency of any funds for any purpose. The Depository Agent may establish additional accounts or subaccounts within the Funds as the Depository Agent shall deem necessary and prudent in furtherance of its duties under this Agreement upon written notification to Depositor.

(b) Depository Agent Funds. Depository Agent will not be required to expend or risk any of its own funds or otherwise incur any liability, financial or otherwise, in the performance of any of its duties hereunder.

(c) Validity of Communications to Depository Agent. Except for comparisons with the signature specimen provided by the parties in Schedule I, Depository Agent will not have any responsibility to determine the authenticity or validity of any notice, direction, instruction, instrument, document or other items delivered to it by any party, or for the identity, authority or rights of persons executing or delivering any such notice, direction, instruction, instrument, document, or other items delivered to it by such party or parties. Depository Agent is authorized to comply with and rely upon any notice, direction, instruction or other communication believed by it to have been sent or given by Depositor and will be fully protected in acting in accordance with such written direction or instructions given to it under, or pursuant to, this Agreement.

(d) No Fiduciary Relationship. This Agreement will not be deemed to create a fiduciary relationship among the parties hereto under state or federal law.

(e) Judicial, Regulatory or Governmental Acts. If at any time Depository Agent is served with any judicial or administrative order, judgment, decree, writ or other form of judicial or administrative process which in any way affects the Account Property (including but not limited to orders of attachment or any other forms of levies or injunctions or stays relating to the transfer of the Account Property), Depository Agent is authorized to comply therewith in any manner as it or its legal counsel of its own choosing deems appropriate; and if Depository Agent complies with any such judicial or administrative order, judgment, decree, writ or other form of judicial or administrative process, Depository Agent will not be liable to any of the parties hereto or to any other person or entity even though such order, judgment, decree, writ or process may be subsequently modified or vacated or otherwise determined to have been without legal force or effect.

(f) Liability. Depository Agent will not be liable for any action taken or omitted or for any loss or damage resulting from its actions or its performance of its duties hereunder in the absence of gross negligence or willful misconduct on its part. In no event will Depository Agent be liable (i) for acting in accordance with or relying upon any instructions on which it is authorized to rely pursuant to the provisions hereof, (ii) for any consequential, punitive or special damages, (iii) for the acts or omissions of its nominees, designees, subagents or subcustodians who are appointed with due care, or (iv) for an amount in excess of the value of the Account Property, valued as of the date of loss.

(g) Ambiguity or Disputes. If any ambiguity or uncertainty should arise hereunder or in any notice or other communication received by Depository Agent, Depository Agent is hereby authorized by Depositor to refrain from taking any action other than to retain possession of the Account Property, unless Depository Agent receives a joint written instruction, signed by an Authorized Representative, eliminates such ambiguity or uncertainty.

(h) Legal Counsel. Depository Agent may consult with legal counsel of its own choosing, at the expense of Depositor, as to any matter relating to this Agreement and Depository Agent will incur no liability and will be fully protected in respect of any action taken, omitted or suffered by it in good faith in accordance with the advice or opinion of such counsel.

(i) Conflicting Claim. If any dispute or conflicting claim should arise with respect to the payment, ownership or right of possession of the Account or the Account Property, Depository Agent will be entitled, in its sole discretion, to refuse to comply with any and all

claims, demands or instructions. Depository Agent is authorized and directed to retain in its possession, without liability to anyone, except for its own gross negligence or willful misconduct, all or any part of the Account Property until such dispute will have been settled either by mutual agreement of the parties concerned or by final order, decree or judgment of a court or other tribunal of competent jurisdiction in the United States of America (as notified to Depository Agent in writing by the parties to the dispute or their Authorized Representatives and setting forth the resolution of the dispute). Depository Agent will be under no duty whatsoever to institute, defend or partake in such proceedings. The rights of Depository Agent under this paragraph are in addition to all other rights which it may have by law or otherwise including, without limitation, the right to file an action in interpleader.

(j) Force Majeure. Depository Agent will not incur liability for not performing any act or not fulfilling any duty, obligation or responsibility hereunder by reason of any occurrence beyond the control of Depository Agent (including but not limited to any act or provision of any present or future law or regulation or governmental authority, natural catastrophes, civil or military disturbances, loss or malfunctions of utilities, any act of God or war, terrorism or the unavailability of the Federal Reserve Bank or other wire or communication facility).

(k) Electronic Communication. When Depository Agent acts on any communication (including, but not limited to, communication with respect to the delivery of securities or the wire transfer of funds) sent by electronic transmission, Depository Agent, absent gross negligence or willful misconduct, will not be responsible or liable in the event such communication is not an authorized or authentic communication of the party involved or is not in the form the party involved sent or intended to send (whether due to fraud, distortion or otherwise). Depository Agent will not be liable for any losses, costs or expenses arising directly or indirectly from Depository Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. Depositor agrees to assume all risks arising out of the use of such electronic transmission to submit instructions and directions to Depository Agent, including without limitation the risk of Depository Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(l) Statements. Depository Agent will furnish Depositor periodic cash transaction statements which include detail for all investment transactions effected by Depository Agent or brokers selected by Depositor or any investment advisor. Upon Depositor's election, such statements will be delivered via Depository Agent's Online Trust and Custody service and upon electing such service, paper statements will be provided only upon request. Statements will be deemed to be correct and final upon receipt thereof by Depositor unless Depositor notifies Depository Agent in writing to the contrary within thirty (30) Business Days of the date of such statement. Depositor agrees and acknowledges that it will be deemed to have been "furnished", "delivered" and/or "in receipt" of a statement at the earlier of: (a) five (5) calendar days after it is mailed to Depositor via U.S. Postal Service; (b) Depositor actually receives it; or (c) Depository Agent makes it available via electronic means. Also, for purposes of this Agreement, the words "delivered" includes, but is not limited to, statements returned to the Depository Agent as a result of a bad mailing address. If statements are returned due to error outside of Depository Agent, Depositor agrees that: (a) Depository Agent may hold all future statements until the mailing address is properly updated in the records of Depository Agent; (b) returned and held statements will be held by the Depository Agent for thirty (30) calendar days from the date of receipt by

Depository Agent of the returned statement and/or date the statement was generated by Depository Agent; and (c) Depository Agent is authorized to destroy returned and held paper statements after sixty (60) calendar days have elapsed from the date of receipt by Depository Agent of the returned statement and/or date the statement was generated by Depository Agent. Depositor agrees that its obligation to review statements within the required time frame is not excused in the event Depository Agent holds and/or destroys any returned or held paper statement pursuant to this Agreement. Depositor and waives the right to receive brokerage confirmations of security transactions effected by Depository Agent as they occur, to the extent permitted by law. Depositor further understand that trade confirmations for securities transactions effected by Depository Agent will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

(m) Degree of Care. Depository Agent will not be under any duty to give the Account Property held by it hereunder any greater degree of care than it gives property held by it in similar transactions.

(n) Confidentiality. All non-public information and advice furnished by the party to Depository Agent shall be treated as confidential and will not be disclosed to third parties unless required by law, except that Depository Agent may disclose (a) the identity of Depositor as a client or client reference of Depository Agent; (b) any information required to be disclosed to any government regulator of Depository Agent or its affiliates; and (c) any information to Depository Agent's affiliated entities and product and service providers to the extent necessary to provide the financial products and services under the Agreement.

Section 11 Notices. All notices, consents, requests, instructions, approvals and other communications provided for in this Agreement must be in writing, signed by the Authorized Representative and sent by: (i) personal delivery, overnight delivery by a recognized courier or delivery service, (ii) mailed by registered or certified mail, return receipt requested, postage prepaid, or (iii) electronic transmission, which includes email with an imaged or scanned attachment (such as a .pdf) or other similar electronic transmission, (receipt confirmed); and become effective when delivered to the addresses noted below or such other address as may be substituted therefor by written notification by the Authorized Representative. Notices to Depository Agent will be deemed to be effective when actually received by Depository Agent's Corporate Trust Department.

If to Depositor, to:

Santa Clarita Valley Water Agency  
27234 Bouquet Canyon Road  
Santa Clarita, California 91350  
Attention: General Manager  
Email: mstone@scvwa.org  
Phone: (661) 297-1600



with a copy to:

Stradling Yocca Carlson & Rauth  
660 Newport Center Drive, Suite 1600  
Newport Beach, California 92660  
Attention: Douglas S. Brown, Esq.  
Email: dbrown@sycr.com  
Phone: (949) 725-4106

If to Depository Agent, to:

U.S. Bank National Association  
633 West Fifth Street, 24th Floor  
Los Angeles, California 90071  
Attention: Global Corporate Trust  
Email: alicia.estrada@usbank.com

If Depository Agent receives notices or information other than as required by this Agreement, Depository Agent will disregard such information.

Section 12 Wiring Instructions. If fund transfer instructions are given other than as set forth on Schedule III attached hereto, such instructions must be communicated to Depository Agent in a writing delivered pursuant to Section 11. Depository Agent shall seek confirmation of such instructions by telephone call-back to an Authorized Representative, and Depository Agent may rely upon the confirmations of anyone purporting to be the Authorized Representative so designated. Depository Agent and the beneficiary's bank with respect to any funds transfer will rely solely upon any account numbers or similar identifying numbers provided by Depositor to identify (i) the beneficiary, (ii) the beneficiary's bank, or (iii) an intermediary bank. Depository Agent may apply any of the Funds for any payment order it executes using any such identifying number, even when its use may result in a person other than the beneficiary being paid, or the transfer of funds to a bank other than the beneficiary's bank or an intermediary bank designated. The party to this Agreement acknowledges that such security procedure is commercially reasonable.

Should Depositor propose to direct or direct Depository Agent to make a payment to any other party, including a foreign financial institution (as defined in section 1471(d)(4) of the Internal Revenue Code) or a non-financial institution (as defined in section 1472(d) of the Internal Revenue Code), then Depositor shall provide Depository Agent with each certification described in subparagraph (ii) of Section 21(a).

Without assuming any responsibility to make any such determination, if Depository Agent determines that any withholding (as provided in Section 21) applies to any fund transfer based on the withholding certificates (or lack thereof) or other information that Depository Agent obtains or has in its possession, Depository Agent shall withhold the taxes as applicable and shall not be obligated to increase any amount transferred or otherwise compensate the transfer's recipient for any amounts withheld.

Section 13 Termination. This Agreement will terminate on the date the Depository Agent receives notice from the Depositor or the Trustee that none of the Obligations or any other Contracts or Bonds remain Outstanding.

Section 14 Continuing Obligations. The obligations under Sections 6 – 10, 15, and 18 – 23 hereof will survive the resignation or removal of Depository Agent, the termination of this Agreement and the payment of all amounts hereunder.

Section 15 Inconsistent Provisions. Depositor agrees that to the extent that the provisions of any other agreement relating to the Account Property are inconsistent with the terms of this Agreement, the terms of this Agreement will control.

Section 16 Counterparts. This Agreement and any amendments hereto may be executed in any number of counterparts each of which will be deemed to be an original, and all of which together will constitute but one and the same instrument. Executed copies of this Agreement and any amendments hereto delivered pursuant to Section 11 above will be as effective as an original to bind the parties.

Section 17 Severability. The invalidity, illegality or unenforceability of any provision of this Agreement will in no way affect the validity, legality or enforceability of any other provision; and if any provision is held to be unenforceable as a matter of law, the other provisions will not be affected thereby and will remain in full force and effect.

Section 18 Authorized Representative. Depositor hereby identifies to Depository Agent the officers, employees or agents designated on Schedule I attached hereto as an Authorized Representative with respect to any notice, certificate, instrument, demand, request, direction, instruction, waiver, receipt, consent or other document or communication required or permitted to be furnished to Depository Agent. Such Schedule I may be amended and updated by written notice to Depository Agent with a copy to the other party to this Agreement provided that failure to furnish such copy to any other party will not affect the validity of such notice to Depository Agent. Depository Agent will be entitled to rely on such original or amended Schedule I with respect to any party until a new Schedule I is furnished by such party to Depository Agent.

Section 19 Governing Law. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 20 Jurisdiction. Each of the parties hereto hereby irrevocably agrees that any action, suit or proceedings against any of them by any of the other aforementioned parties with respect to this Agreement will be brought before the jurisdiction of any federal or state court of competent jurisdiction located in the County of Los Angeles, California. Each party hereto further irrevocably consents to the service of any complaint, summons, notice or other process relating to any such action or proceeding by delivery thereof to it by hand or by registered or certified mail, return receipt requested, in the manner provided for herein. Each party hereto hereby expressly and irrevocably waives any claim or defense in any such action or proceeding based on improper venue or forum non conveniens or any similar basis. To the extent permitted by law, in connection with any claim, cause of action, proceeding or other dispute concerning this Agreement (each a “Claim”), the parties to this Agreement expressly, intentionally, and

deliberately waive any right each may otherwise have to trial by jury. In the event that the waiver of jury trial set forth in the previous sentence is not enforceable under the law applicable to this Agreement, the parties to this Agreement agree that any Claim, including any question of law or fact relating thereto, will, at the written request of any party, be determined by judicial reference pursuant to California law. The parties will select a single neutral referee, who will be a retired state or federal judge. If the parties are unable to agree upon a referee, the court will appoint the referee. The referee will report a statement of decision to the court. Nothing in this paragraph will limit the right of any party at any time to exercise self-help remedies, foreclose against collateral or obtain provisional remedies. The parties will bear the fees and expenses of the referee equally, unless the referee orders otherwise. The referee will also determine all issues relating to the applicability, interpretation, and enforceability of this paragraph. The parties acknowledge that if a referee is selected to determine the Claims, then the Claims will not be decided by a jury.

#### Section 21 Tax Matters.

(a) Withholding Forms. (i) Depository Agent does not have any interest in the Account Property deposited hereunder but is serving as depository holder only and having only possession thereof. Depositor will pay or reimburse Depository Agent upon request for any taxes relating to the Account Property incurred in connection herewith and will indemnify and hold harmless Depository Agent from any amounts that it is obligated to pay in the way of such taxes. Any payments of income from this Account will be subject to withholding regulations then in force with respect to United States taxes. Due to the requirement that all accounts have Taxpayer Identification Numbers documented by appropriate W-8 or W-9 forms, Depositor agrees to provide the appropriate form to Depository Agent, duly completed and signed by its Authorized Representative. Depositor acknowledges that failure to provide such forms may prevent or delay disbursement of the Account Property hereunder. The Depositor agrees to submit new Forms W-8 or W-9 (as the case may be) should the jurisdiction of its domicile or residence change or any other change in circumstances make the applicable withholding tax consequence incorrect during the terms of this Agreement.

(ii) Additionally, if Depositor proposes to direct or direct Depository Agent to make a payment to any other party, including a foreign financial institution (as defined in section 1471(d)(4) of the Internal Revenue Code) or a non-financial institution (as defined in section 1472(d) of the Internal Revenue Code) then Depositor shall provide Depository Agent with a certification in form and substance satisfactory to Depository Agent acting in its sole discretion that it has obtained valid documentation sufficient to determine the Chapter 3 and Chapter 4 (FATCA) status of the payee and that any payment to the payee is not subject to Chapter 3 and Chapter 4 (FATCA) withholding.

(iii) If Depository Agent does not receive either a Form W-8 or Form W-9 required by subparagraph (i) of this Section 21(a) or each certification required by subparagraph (ii) of this Section 21(a) from Depositor regarding the beneficiary of any payment made hereunder, then Depository Agent shall treat the recipient as a foreign financial institution.

(b) Tax Reporting. Depository Agent will report payments of income from the Account, and if required and applicable, of principal, to Depositor or other payment recipients on an annual basis as required by law, by providing the applicable IRS Form 1099 or Form 1042-S.

(c) Owner(s) of Income. For purposes of reporting the aggregate amount of income on the Account Property, Depositor will be considered owner of such income.

(d) Withholding. Depository Agent will withhold any taxes as and to the extent required by sections 1471 through 1474 of the Internal Revenue Code (“FATCA”), sections 1441 through 1464 of the Internal Revenue Code (“Chapter 3 withholding”) or any provision of the Internal Revenue Code and the regulations thereunder. In transferring any funds or payment to any entity pursuant to this Agreement, Depository Agent will transfer the funds net of any FATCA, Chapter 3 withholding or other withholding taxes. Depository Agent will not be required to increase any payment in respect of which it withholds U.S. taxes or otherwise compensate the recipient of the payment for any amount so withheld withholding. Each of Depositor agrees to provide Depository Agent with information sufficient to identify the type of payment, allocation statement to each party and a certification of the Chapter 3 and Chapter 4 (FATCA) status of each payee and whether any U.S. withholding taxes (including but not limited to FATCA withholding taxes and Chapter 3 withholding taxes) apply to payments being made to any such payee. Depositor has the primary responsibility to determine the validity of Forms W-8 and W-9 obtained from the beneficiary of any payment and any applicable withholding tax consequence thereto. Notwithstanding any identification by Depositor of the type of payment or the rate of withholding applicable thereto, if Depository Agent determines that the payment is subject to withholding taxes, Depository Agent will withhold the applicable tax.

Section 22 USA PATRIOT Act. Depositor will provide to Depository Agent such information as Depository Agent may reasonably require to permit Depository Agent to comply with its obligations under the federal USA PATRIOT Act (Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001) and any other law, statute, regulation or regulation relating to prohibited practices. Depository Agent will not credit any amount of the Funds or any interest or investment proceeds earned thereon, or make any payment of all or a portion of the Funds or any interest or investment proceeds earned thereon, to any person unless and until such person has provided to Depository Agent such documents as Depository Agent may require to permit Depository Agent to comply with its obligations under such Act or any other such law, statute, regulation or regulation relating to prohibited practices.

Section 23 Miscellaneous.

(a) The rights and remedies conferred upon the parties hereto shall be cumulative, and the exercise or waiver of any such right or remedy will not preclude or inhibit the exercise of any additional rights or remedies. The waiver of any right or remedy hereunder will not preclude the subsequent exercise of such right or remedy.

(b) This Agreement is for the exclusive benefit of the parties hereto and their respective successors hereunder, and will not be deemed to give, either express or implied, any legal or equitable right, remedy, or claim to any other entity or person whatsoever.

(c) Each party hereby represents and warrants (i) that this Agreement has been duly authorized, executed and delivered on its behalf and constitutes its legal, valid and binding obligation and (ii) that the execution, delivery and performance of this Agreement by the parties hereto does not and will not violate any applicable law or regulation.

(d) The headings contained in this Agreement are for convenience of reference only and will have no effect on the interpretation or operation hereof.

(e) Except as otherwise permitted herein, this Agreement may be modified only by a written amendment signed by the Authorized Representative and Depository Agent, and no waiver of any provision hereof will be effective unless expressed in a writing signed by the proper party's Authorized Representative and Depository Agent.

(f) No party may assign any of its rights or obligations under this Agreement without the written consent of the other parties.

(g) Any entity into which Depository Agent may be merged or converted or with which it may be consolidated, or any entity resulting from any merger, conversion or consolidation to which Depository Agent will be a party, or any entity succeeding to all or substantially all of the corporate trust business of Depository Agent will be the successor of Depository Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SANTA CLARITA VALLEY WATER AGENCY  
as Depositor

By: \_\_\_\_\_  
President

U.S. BANK NATIONAL ASSOCIATION  
as Depository Agent

By: \_\_\_\_\_  
Authorized Officer

SCHEDULE I

**Account Signing Authority**

**Authorized Representative(s) of Depositor**

Signature: \_\_\_\_\_  
Print: Matt Stone  
Title: General Manager  
  
Phone: (661) 297-1600  
Email: mstone@scvwa.org

Signature: \_\_\_\_\_  
Print: Eric Campbell  
Title: Chief Financial and  
Administrative Officer  
  
Phone: (661) 297-1600  
Email: ecampbell@scvwa.org

Certification: The undersigned certifies that each of the individuals listed above is an authorized representative of Depositor with respect to any instruction or other action to be taken in connection with the Agreement and U.S. Bank National Association will be entitled to rely on such list until a new list is furnished to U.S. Bank National Association. The undersigned further certifies that he or she is duly authorized to sign this Account Signing Authority.

Signature: \_\_\_\_\_  
Name: April Jacobs  
Its: Secretary  
Date: \_\_\_\_\_, 2020

Schedule II

**DEPOSITORY AGENT COMPENSATION**

**Acceptance Fee** - The acceptance fee includes the administrative review of document, initial setup of the account, and other reasonably required services up to and including the closing. This is a one-time, non-refundable fee, payable at closing. Does not include legal fees. **Amount \$1,000**

**Depository** - Annual fee for standard depository services **Amount \$2,000**

**Direct Out of Pocket Expenses.** Reimbursement of expenses associated with the performance of our duties, including but not limited to publications, legal counsel's fees and expenses after the initial closing, travel expenses, and filing fees will be billed at cost.

**Extraordinary Administration Services.** Extraordinary Administration Services ("EAS") are duties, responsibilities or activities not expected to be provided by the trustee or agent at the outset of the transaction, not routine or customary, and/or not incurred in the ordinary course of business, and may require analysis or interpretation. Billing for fees and expenses related to EAS is appropriate in instances where particular inquiries, events or developments are unexpected, even if the possibility of such circumstances could have been identified at the inception of the transaction, or as changes in law, procedures, or the cost of doing business demand. At our option, EAS may be charged on an hourly (time expended multiplied by current hourly rate), flat or special fee basis at such rates or in such amounts in effect at the time of such services, which may be modified by us in our sole and reasonable discretion from time to time. In addition, all fees and expenses incurred by the trustee or agent, in connection with the trustee's or agent's EAS and ordinary administration services and including without limitation the fees and expenses of legal counsel, financial advisors and other professionals, charges for wire transfers, checks, internal transfers and securities transactions, travel expenses, communication costs, postage (including express mail and overnight delivery charges), copying charges and the like will be payable, at cost, to the trustee or agent. EAS fees are due and payable in addition to annual or ordinary administration fees. Failure to pay for EAS owed to U.S. Bank when due may result in interest being charged on amounts owed to U.S. Bank for extraordinary administration services fees and expenses at the prevailing market rate.

**General.** Your obligation to pay under this Fee Schedule shall govern the matters described herein and shall not be superseded or modified by the terms of the governing documents and survive any termination of the transaction or governing documents and the resignation or removal of the trustee or agent. This Fee Schedule shall be construed and interpreted in accordance with the laws of the state identified in the governing documents without giving effect to the conflict of laws principles thereof. You agree to the sole and exclusive jurisdiction of the state and federal courts of the state identified in the governing documents over any proceeding relating to or arising regarding the matters described herein. Payment of fees constitutes acceptance of the terms and conditions described herein.

Account approval is subject to review and qualification. Fees are subject to change at our discretion and upon written notice. Fees paid in advance will not be prorated. The fees set forth above and any subsequent modifications thereof are part of your agreement. Finalization of the transaction constitutes agreement to the above fee schedule, including agreement to any subsequent changes upon proper written notice. In the event your transaction is not finalized, any related out-of-pocket expenses will be billed to you directly. Absent your written instructions to sweep or otherwise invest, all sums in your account will remain uninvested and no accrued interest or other compensation will be credited to the account. Payment of fees constitutes acceptance of the terms and conditions set forth.

**IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT:**

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account.

For a non-individual person such as a business entity, a charity, a Trust or other legal entity we will ask for documentation to verify its formation and existence as a legal entity. We may also ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.



SCHEDULE III

Wire Instructions:

If to Depositor:

ABA No.:

Bank Name:

Account No.:

Account Name:

If to Depository Agent:

ABA: 091000022

Bank Name: U.S. Bank National Association

Account No.: 180121167365

BNF: U.S. Bank Trust N.A.

Account Name: 1% Property Tax Account

Attention: Global Corporate Trust

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**ATTACHMENT 7**

**AMENDMENT NO. 1 TO TRUST AGREEMENT**

**dated as of**

**February 1, 2020**

**by and among**

**U.S. BANK NATIONAL ASSOCIATION  
(formerly known as U.S. Bank Trust National Association),  
as Trustee,**

**AND**

**SANTA CLARITA VALLEY WATER AGENCY FINANCING CORPORATION,  
formerly known as Castaic Lake Water Agency Financing Corporation**

**AND**

**SANTA CLARITA VALLEY WATER AGENCY,  
as successor to Castaic Lake Water Agency**

**relating to**

**CASTAIC LAKE WATER AGENCY  
(WATER SYSTEM IMPROVEMENT PROJECT)  
REVENUE CERTIFICATES OF PARTICIPATION  
SERIES 1999A**

## **AMENDMENT NO. 1 TO TRUST AGREEMENT**

This AMENDMENT NO. 1 TO TRUST AGREEMENT (the “Amendment”) is made and entered into as of February 1, 2020 by and among SANTA CLARITA VALLEY WATER AGENCY, as successor to Castaic Lake Water Agency (the “Agency”), SANTA CLARITA VALLEY WATER AGENCY FINANCING CORPORATION, formerly known as Castaic Lake Water Agency Financing Corporation (the “Corporation”) and U.S. BANK NATIONAL ASSOCIATION (formerly known as U.S. Bank Trust National Association), as trustee (the “Trustee”).

### **WITNESSETH:**

**WHEREAS**, the Agency, the Corporation and the Trustee entered into the Trust Agreement, dated as of June 1, 1999 (the “Trust Agreement”), relating to the Castaic Lake Water Agency Revenue Certificates of Participation (Water System Improvement Project) Series 1999A (the “Certificates”);

**WHEREAS**, the Agency has opened an account with U.S. Bank National Association, as depository agent (the “Depository Agent”) titled the “1% Property Tax Account” which is an account in the fund previously established by the Agency and referred to as the “Revenue Fund” and which deposit account is subject to a Depository Agreement dated as of February 1, 2020, by and between the Agency and the Depository Agent (the “Depository Agreement”);

**WHEREAS**, the Agency and the Corporation desire to amend the Trust Agreement pursuant to Section 9.1(b) thereof to provide for the application of the 1% Property Tax Account;

**NOW, THEREFORE, IN CONSIDERATION OF THESE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:**

**SECTION 1.** This Amendment hereby incorporates by reference all terms and conditions set forth in the Trust Agreement unless specifically modified by this Amendment. All terms and conditions set forth in the Trust Agreement which are not specifically modified by this Amendment shall remain in full force and effect.

**SECTION 2.** The capitalized terms set forth in this Amendment not otherwise defined herein shall have the meanings set forth in the Trust Agreement.

**SECTION 3.** A new subsection (d) is hereby added to Section 5.2 of the Trust Agreement as follows:

(d) Notwithstanding anything in the Trust Agreement to the contrary and in order to enhance the security for the payment of the Certificates, the Agency hereby agrees (i) to provide written instruction and direction to the County of Los Angeles to transfer all amounts allocated by the County of Los Angeles from time to time constituting the Agency’s share of the County of Los Angeles 1% ad valorem property tax directly to the Depository Agent for deposit in

the 1% Property Tax Account, and (ii) to provide written instruction and direction to the County of Ventura to transfer all amounts allocated by the County of Ventura from time to time constituting the Agency's share of the County of Ventura 1% ad valorem property tax directly to the Depository Agent for deposit in the 1% Property Tax Account. In connection therewith, the Agency hereby covenants to maintain the 1% Property Tax Account so long as the Certificates remain Outstanding. In addition, so long as the Certificates remain Outstanding:

(1) The Agency shall not terminate or otherwise discontinue or suspend its instruction and direction to the County of Los Angeles or the County of Ventura to transfer the amounts associated in Section 5.2(d) directly to the Depository Agent for deposit in the 1% Property Tax Account;

(2) The Agency shall enter into such agreements or take such further actions reasonably necessary from time to time to implement the instruction and direction to the County of Los Angeles and the County of Ventura to transfer the amounts described in Section 5.2(d) directly to the Depository Agent; and

(3) The Agency shall maintain the Trustee as the trustee for all other indebtedness or obligations which are payable from and secured by a subordinate pledge of and lien on the Revenues or any moneys in the Revenue Fund.

**SECTION 4.** Section 5.8 is hereby added to the Trust Agreement as follows.

Section 5.8 1% Property Tax Account.

Not later than ten (10) Business Days prior to each Interest Payment Date, the Trustee shall direct the Depository Agent (which direction need not be in writing if the Depository Agent and the Trustee are the same entity), from moneys on deposit in the 1% Property Tax Account, to transfer to the Trustee an amount necessary to cause the amount on deposit in the payment fund created with respect to the Certificates to be equal to the next Installment Payment.

**SECTION 5.** THIS AMENDMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

**SECTION 6.** This Amendment shall become effective upon its execution and delivery.

**SECTION 7.** This Amendment may be executed in several counterparts, each of which shall be deemed as an original, all of which shall constitute but one of the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment by their officers thereunto duly authorized as of the day and year first written above.

U.S. BANK NATIONAL ASSOCIATION,  
formerly known as U.S. Bank Trust National  
Association, as Trustee

By: \_\_\_\_\_  
Authorized Officer

SANTA CLARITA VALLEY WATER AGENCY,  
as successor to Castaic Lake Water Agency

By: \_\_\_\_\_  
President

SANTA CLARITA VALLEY WATER AGENCY  
FINANCING CORPORATION,  
formerly known as the Castaic Lake Water Agency  
Financing Corporation

By: \_\_\_\_\_  
President

**ATTACHMENT 8**

**AMENDMENT NO. 1 TO INDENTURE OF TRUST**

**dated as of**

**February 1, 2020**

**by and between**

**U.S. BANK NATIONAL ASSOCIATION,  
as Trustee,**

**AND**

**UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY**

**relating to**

**UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY  
REVENUE BONDS, TAXABLE SERIES 2018A**

## AMENDMENT NO. 1 TO INDENTURE OF TRUST

This AMENDMENT NO. 1 TO INDENTURE OF TRUST (the “Amendment”) is made and entered into as of February 1, 2020 by and between UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY (the “Authority”) and U.S. BANK NATIONAL ASSOCIATION, as trustee (the “Trustee”).

### **WITNESSETH:**

**WHEREAS**, the Authority and the Trustee entered into the Indenture of Trust, dated as of January 1, 2018 (the “Indenture”), relating to the Upper Santa Clara Valley Joint Powers Authority Revenue Bonds, Series 2018A (the “Bonds”);

**WHEREAS**, the Authority and the Santa Clarita Valley Water Agency (the “Agency”) entered into the Installment Purchase Agreement, dated as of January 1, 2018 (the “Installment Purchase Agreement”), relating to the Bonds;

**WHEREAS**, the Agency has opened an account with U.S. Bank National Association, as depository agent (the “Depository Agent”) titled the “1% Property Tax Account” which is an account in the fund previously established by the Agency and referred to as the “Revenue Fund” and which deposit account is subject to a Depository Agreement dated as of February 1, 2020, by and between the Agency and the Depository Agent (the “Depository Agreement”);

**WHEREAS**, the Authority desires to amend the Indenture pursuant to Section 9.01(b) thereof to provide for the application of the 1% Property Tax Account;

**NOW, THEREFORE, IN CONSIDERATION OF THESE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:**

**SECTION 1.** This Amendment hereby incorporates by reference all terms and conditions set forth in the Indenture unless specifically modified by this Amendment. All terms and conditions set forth in the Indenture which are not specifically modified by this Amendment shall remain in full force and effect.

**SECTION 2.** The capitalized terms set forth in this Amendment not otherwise defined herein shall have the meanings set forth in the Indenture.

**SECTION 3.** Section 5.8 is hereby added to the Indenture as follows.

#### Section 5.8 1% Property Tax Account.

Not later than ten (10) Business Days prior to each Interest Payment Date, the Trustee shall direct the Depository Agent (which direction need not be in writing if the Depository Agent and the Trustee are the same entity), from moneys on deposit in the 1% Property Tax Account, to transfer to the Trustee an amount necessary



to cause the amount on deposit in the payment fund created with respect to the Bonds to be equal to the next Installment Payment.

**SECTION 4.** THIS AMENDMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

**SECTION 5.** This Amendment shall become effective upon its execution and delivery.

**SECTION 6.** This Amendment may be executed in several counterparts, each of which shall be deemed as an original, all of which shall constitute but one of the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment by their officers thereunto duly authorized as of the day and year first written above.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: \_\_\_\_\_  
Authorized Officer

UPPER SANTA CLARA VALLEY JOINT  
POWERS AUTHORITY,

By: \_\_\_\_\_  
President

**THE AGENCY HERETO CONSENTS AND AGREES TO THE OBLIGATIONS OF THE AGENCY SET FORTH IN SECTION 3 HEREOF:**

SANTA CLARITA VALLEY WATER AGENCY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

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**ATTACHMENT 9**

**AMENDMENT NO. 1 TO INSTALLMENT PURCHASE AGREEMENT**

**dated as of**

**February 1, 2020**

**by and between**

**SANTA CLARITA VALLEY WATER AGENCY**

**AND**

**UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY**

**relating to**

**UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY  
REVENUE BONDS, TAXABLE SERIES 2018A**

**AMENDMENT NO. 1 TO INSTALLMENT PURCHASE AGREEMENT**

This AMENDMENT NO. 1 TO INSTALLMENT PURCHASE AGREEMENT (the “Amendment”) is made and entered into as of February 1, 2020 by and between UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY (the “Authority”) and SANTA CLARITA VALLEY WATER AGENCY (the “Agency”).

**W I T N E S S E T H:**

**WHEREAS**, the Authority and U.S. Bank National Association, as trustee (the “Trustee”) entered into the Indenture of Trust, dated as of January 1, 2018, relating to the Upper Santa Clara Valley Joint Powers Authority Revenue Bonds, Series 2018A (the “Bonds”);

**WHEREAS**, the Authority and the Santa Clarita Valley Water Agency (the “Agency”) entered into the Installment Purchase Agreement, dated as of January 1, 2018 (the “Installment Purchase Agreement”), relating to the Bonds;

**WHEREAS**, the Agency has opened an account with U.S. Bank National Association, as depository agent (the “Depository Agent”) titled the “1% Property Tax Account” which is an account in the fund previously established by the Agency and referred to as the “Revenue Fund” and which deposit account is subject to a Depository Agreement dated as of February 1, 2020, by and between the Agency and the Depository Agent (the “Depository Agreement”);

**WHEREAS**, the Authority and the Agency desire to amend the Installment Purchase Agreement pursuant to Section 10.14(b) thereof to provide for the application of the 1% Property Tax Account;

**NOW, THEREFORE, IN CONSIDERATION OF THESE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:**

**SECTION 1.** This Amendment hereby incorporates by reference all terms and conditions set forth in the Installment Purchase Agreement unless specifically modified by this Amendment. All terms and conditions set forth in the Installment Purchase Agreement which are not specifically modified by this Amendment shall remain in full force and effect.

**SECTION 2.** The capitalized terms set forth in this Amendment not otherwise defined herein shall have the meanings set forth in the Installment Purchase Agreement.

**SECTION 3.** A new Section 6.21 is hereby added to the Installment Purchase Agreement as follows:

1% Property Tax. Notwithstanding anything in the Installment Purchase Agreement to the contrary and in order to enhance the security for the payment of the Bonds, the Agency hereby agrees (i) to provide written instruction and direction to the County of Los Angeles to transfer all amounts allocated by the County of Los Angeles from time to time constituting the Agency’s share of the

County of Los Angeles 1% ad valorem property tax directly to the Depository Agent for deposit in the 1% Property Tax Account, and (ii) to provide written instruction and direction to the County of Ventura to transfer all amounts allocated by the County of Ventura from time to time constituting the Agency's share of the County of Ventura 1% ad valorem property tax directly to the Depository Agent for deposit in the 1% Property Tax Account. In connection therewith, the Agency hereby covenants to maintain the 1% Property Tax Account so long as the Bonds remain Outstanding. In addition, so long as the Bonds remain Outstanding:

(a) The Agency shall not terminate or otherwise discontinue or suspend its instruction and direction to the County of Los Angeles or the County of Ventura to transfer the amounts associated in Section 6.21 directly to the Depository Agent for deposit in the 1% Property Tax Account;

(b) The Agency shall enter into such agreements or take such further actions reasonably necessary from time to time to implement the instruction and direction to the County of Los Angeles and the County of Ventura to transfer the amounts described in Section 6.21 directly to the Depository Agent; and

(c) The Agency shall maintain the Trustee as the trustee for all Contracts and Bonds and all other indebtedness or obligations which are payable from and secured by a subordinate pledge of and lien on the Revenues or any moneys in the Revenue Fund.

**SECTION 4.** THIS AMENDMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

**SECTION 5.** This Amendment shall become effective upon its execution and delivery.

**SECTION 6.** This Amendment may be executed in several counterparts, each of which shall be deemed as an original, all of which shall constitute but one of the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment by their officers thereunto duly authorized as of the day and year first written above.

SANTA CLARITA VALLEY WATER AGENCY

By: \_\_\_\_\_  
President of the Board of Directors

UPPER SANTA CLARA VALLEY JOINT  
POWERS AUTHORITY

By: \_\_\_\_\_  
President



## COMMITTEE MEMORANDUM

**DATE:** January 6, 2020

**TO:** Finance and Administration Committee

**FROM:** Rochelle Patterson *[Signature]*  
Director of Finance and Administration

**SUBJECT:** Recommend Approval of a Customer Service Policy and Revised Fees for Reconnection of Service

---

### SUMMARY

Since the merger on January 2018, the retail divisions (Newhall Water Division, Santa Clarita Water Division and Valencia Water Division) were operating under their legacy rules and regulations pertaining to retail customers. Over the past couple of years, the Agency has been able to align customer service practices and processes across all three divisions and has developed a new Customer Service Policy for all retail customers of the Santa Clarita Valley Water Agency which includes the new provisions of Senate Bill 998 regarding discontinuation of domestic water service for non-payment. The residential disconnection policy required by SB 998 is Appendix A-13, and this is a uniform policy, which has already been translated into the required languages.

### DISCUSSION

Senate Bill 998 was signed into law at the end of last year's legislative session and the Agency will be required to comply with the Act by February 1, 2020. The purpose of the Act is to provide additional procedural protections to residential water customers before the discontinuation of water service. Under Senate Bill 998, the Agency must adopt a written policy on discontinuation of water service for nonpayment and make it available on the Agency's website. The policy on discontinuation of residential water service for non-payment must be available in English, Spanish, Chinese, Tagalog, Vietnamese, and Korean, and must contain the following information:

1. A plan for deferred or reduced payments;
2. Alternative payment schedules;
3. A formal mechanism for a customer to contest or appeal a bill; and
4. A telephone number for a customer to contact to discuss options for averting discontinuation of residential service for nonpayment.

The attached Customer Service Policy has been reviewed by legal counsel and determined to be compliant with current laws and Senate Bill 998.

In addition to requiring the Agency to adopt a policy on the discontinuation of water service for nonpayment, the Act defines specific procedural requirements that must be undertaken by the Agency before a customer may have service terminated for nonpayment. Many of the Agency's current procedures and practices are in compliance.

Key procedural requirements necessitating revisions to the Regulations Governing Domestic Water Service are:

- Sixty (60) Days Required Before Discontinuation of Service

Current practice would permit the Agency to terminate service for nonpayment about forty-five (45) days after the bill was rendered. This procedural requirement will extend the termination day about fifteen (15) days, to sixty (60) days after the bill was rendered. The proposed amendments to the Regulations Governing Domestic Water Service state that bills are due upon presentment and define delinquency as beginning the day after the date the bill is rendered.

- Agency Unable to Contact Customer or Adult at the Residence

If the Agency is unable to make contact with the customer, the Agency must make a good faith effort to visit the residence and leave, or make arrangements for placement in a conspicuous place, (a) a notice of imminent discontinuation of service for nonpayment and (b) a copy of the water system’s policy on discontinuation for nonpayment. The Agency will provide this notice prior to termination of service.

- Limit on Reconnection Fees for Low-Income Customers

If a customer demonstrates that he or she has a household income below 200% of the federal poverty level, the Agency must limit the customer’s reconnection fees to no more than \$50 during regular business hours, and \$150 during non-regular hours. The revised fees are reflected in Appendix A-8. Customers that claim to meet the 200% standard will be able to enter into an alternative payment arrangement.

- Annual Reporting

The Agency will be required to annually report to the State Water Resources Control Board the number of times service is discontinued due to inability to pay. This information must also be posted on the Agency’s website. The Agency does not assess income levels and is unable to determine the circumstances that lead to disconnection due to inability to pay, but staff will report all disconnections.

#### Timeline for Termination of Service

| Day     | Action                                   | Notes                  |
|---------|--|------------------------|
|         | Bill is generated                        | Becomes payable        |
| 1       | Bill is Delinquent                       |                        |
| 28 - 35 | Second Bill Mailed with Past Due Balance |                        |
| 45      | Overdue Notice Generated                 | Late Fee \$25          |
| 60      | Termination of Service                   | Disconnection Fee \$30 |

Customer will be charged a Restoration Fee of \$30 - \$90 (Appendix A-8) to restore service after termination.



## **FINANCIAL CONSIDERATIONS**

Staff expects a minimal loss of revenue due to customers 200% or below the federal poverty line but will expect some revenue delays due to the extension of the discontinuation requirements.

## **RECOMMENDATION**

That the Finance and Administration Committee recommends that the Board of Directors approve the attached Customer Service Policy and revised fees for reconnection of service.

RP

Attachments



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## POLICIES, RULES AND REGULATIONS

Title: **CUSTOMER SERVICE POLICY**

Approval Date: February 2020

Effective Date: February 2020

Approved By: Board of Directors

DMS #18986

The attached “POLICY ON DISCONTINUATION OF RESIDENTIAL WATER SERVICE FOR NON-PAYMENT” in Appendix 13 is provided in English. If you require the attached Policy in a different language, please contact our office at (661) 294-0828 and we will provide you with a translated Policy in that language.

Se proporciona la “POLITICA SOBRE INTERRUPCIÓN DE SERVICIO RESIDENCIAL DE AGUA POR FALTA DE PAGO” adjunta en inglés. Aviso adjunto en inglés. Si usted requiere la Política adjunta en español, favor de comunicarse con nuestra oficina al (661) 294-0828; [www.yourscvwater.com](http://www.yourscvwater.com) y le proporcionaremos una política traducida al español.

隨附的“停止為不付款人士提供住宅供水服務政策”是以英文提供。如果您需要中文版的政策，請撥打 (661) 294-0828 [www.yourscvwater.com](http://www.yourscvwater.com) 聯繫我們的辦公室，我們會為您提供一份翻成中文的政策。

Kèm theo đây là bản tiếng Anh “ĐIỀU KHOẢN VỀ VIỆC NGỪNG CẤP NƯỚC TRONG NHÀ KHI KHÔNG TRẢ TIỀN”. Nếu bạn cần Điều Khoản kèm theo trong tiếng Việt, xin liên lạc văn phòng chúng tôi tại (661) 294-0828 [www.yourscvwater.com](http://www.yourscvwater.com) và chúng tôi sẽ cung cấp cho bạn bản Điều Khoản được dịch sang tiếng Việt.

“미납에 따른 주거용 수도 공급 중단에 관한 정책” 첨부 문서는 영어로 제공됩니다. 첨부된 정책 문서를 한국어로 받으시려면, 저희 사무실에 (661) 294-0828 [www.yourscvwater.com](http://www.yourscvwater.com) 으로 연락하시고 저희가 한국어로 번역된 정책 문서를 제공하겠습니다.

Ang nakalakip na “PATAKARAN SA PAGTIGIL SA RESIDENSIAL NA SERBISYO NG TUBIG DAHIL SA HINDI PAGBABAYAD” ay ibinibigay sa Ingles. Kung kailangan mo ang nakalakip na Patakaran sa Tagalog, makipag-ugnay sa aming tanggapan sa numerong (661) 294-0828 [www.yourscvwater.com](http://www.yourscvwater.com) at bibigyan ka namin ng Paunawang isinalin sa wikang Tagalog.

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| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

## **CUSTOMER SERVICE POLICY**

### **Table of Contents**

---

| <b>PART 1 – DEFINITION OF TERMS</b>                                | <b>PAGE</b> |
|--|-------------|
| 1.1 DEFINITION OF TERMS.....                                       | 10          |
| <b>PART 2 – AUTHORITY</b>  |             |
| 2.1 GENERAL PROVISIONS.....  | 15          |
| 2.1.1 Board.....   | 15          |
| 2.1.2 General Manager.....   | 15          |
| 2.2 INSPECTORS.....  | 15          |
| 2.2.1 Entry to Premises.....                                       | 15          |
| 2.2.2 Credentials.....   | 15          |
| 2.3 FEES, CHARGES AND SERVICES.....                                | 15          |
| 2.4 POLICY EXCEPTIONS AND EXEMPTIONS.....                          | 15          |
| <b>PART 3 – SERVICE CONNECTION</b>                                 |             |
| 3.1 GENERAL PROVISIONS.....  | 16          |
| 3.1.1 Types.....   | 16          |
| 3.1.2 Installation.....  | 16          |
| 3.1.3 Responsibility.....  | 16          |
| 3.2 PERMANENT SERVICE CONNECTION.....                              | 16          |
| 3.2.1 General Provisions.....                                      | 16          |
| 3.2.2 Location and Size.....                                       | 17          |
| 3.2.3 Request for Changes in Meter Size, Removal and Land Use..... | 20          |
| 3.3 TEMPORARY SERVICE CONNECTIONS.....                             | 21          |
| 3.3.1 General Provisions.....                                      | 21          |
| <b>PART 4 – APPLICATION FOR SERVICE</b>                            |             |
| 4.1 TEMPORARY SERVICE CONNECTION.....                              | 24          |
| 4.2 APPLICATION FOR SERVE.....                                     | 24          |
| 4.2.1 Property Damage Waiver Agreement.....                        | 24          |
| 4.2.2 Establishment of Credit.....                                 | 24          |
| 4.2.3 Deposit Based Upon Poor Payment History.....                 | 25          |



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

|  |  |    |
|--|--|----|
| 4.2.4  | Waiver of Deposit .....  | 25 |
| 4.2.5  | Return of Deposit .....  | 25 |
| 4.2.6  | Bankruptcy.....  | 25 |
| 4.2.7  | Refusal to Serve .....   | 26 |
| 4.2.8  | Notification to Applicant .....                                | 26 |
| 4.2.9  | Property Owner Responsibility .....                            | 26 |
| 4.2.10   | Description of Property .....                                  | 27 |
| 4.2.11   | Description of Water Use .....                                 | 27 |
| 4.3  | SPECIAL PROVISION .....  | 27 |
| 4.4  | PRIOR SERVICE .....  | 27 |
| <b>PART 5 – RULES APPLICABLE TO EXISTING CUSTOMERS</b> |  |    |
| 5.1  | QUANTITIES.....  | 29 |
| 5.2  | QUALITY.....   | 29 |
| 5.3  | RESPONSIBILITY FOR LOSS OR DAMAGE .....                        | 29 |
| 5.4  | CONDITIONS OF SERVICE .....                                    | 29 |
| 5.4.1  | Notices.....   | 29 |
| 5.4.2  | Ownership of Facilities on Customer’s Premises .....           | 31 |
| 5.4.3  | Agency Access to Customer’s Premises.....                      | 31 |
| 5.4.4  | Service Calls .....  | 31 |
| 5.4.5  | Agency’s Responsibilities for Damage or Loss to Customer ..... | 31 |
| 5.4.6  | Customer’s Responsibility for Agency Property .....            | 31 |
| 5.4.7  | Control Valve on the Customer Property .....                   | 32 |
| 5.4.8  | Resale of Water .....  | 32 |
| <b>PART 6 – RATES AND CHARGES</b>                      |  |    |
| 6.1  | GENERAL PROVISION – DOMESTIC WATER SERVICE.....                | 33 |
| 6.2  | MONTHLY SERVICE CHARGE .....                                   | 33 |
| 6.2.1  | General Provisions.....  | 33 |
| 6.2.2  | Miscellaneous Charges .....                                    | 34 |
| 6.2.3  | Late Fee.....  | 34 |
| 6.2.4  | Restoration Fee .....  | 34 |
| 6.2.5  | Returned Check Charge .....                                    | 34 |
| 6.2.6  | Overdue Notice .....   | 35 |
| 6.2.7  | Meter Test/Charge/Deposit .....                                | 35 |
| 6.2.8  | Pulled Meter Charge .....                                      | 35 |



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

|        |   |    |
|--------|---|----|
| 6.2.9  | Unauthorized Connection and/or Water Use .....                                | 35 |
| 6.2.10 | Charge for Turn off at Main .....   | 36 |
| 6.2.11 | Property Damage .....   | 36 |
| 6.2.12 | Temporary Construction Meter Water Service .....                              | 36 |
| 6.3    | PASS-THROUGH OF INCREASED/DECREASED COST OF WHOLESALE<br>PURCHASED WATER..... | 36 |

**PART 7 - CREDIT**

|     |                                  |    |
|-----|----------------------------------|----|
| 7.1 | ESTABLISHING CREDIT.....         | 37 |
| 7.2 | AMOUNT OF DEPOSIT.....           | 37 |
| 7.3 | REFUND OF DEPOSIT .....          | 37 |
| 7.4 | JOINT SERVICE .....              | 38 |
| 7.5 | RE-ESTABLISHMENT OF CREDIT ..... | 38 |
| 7.6 | BANKRUPTCY OF CUSTOMER .....     | 38 |
| 7.7 | DELINQUENT ACCOUNT .....         | 38 |

**PART 8 – BILLING**

|       |  |    |
|-------|--|----|
| 8.1   | GENERAL PROVISIONS.....                            | 40 |
| 8.2   | RENDERING OF PAYMENT OF BILLS .....                | 40 |
| 8.3   | DOMESTIC WATER SERVICE INFORMATION ON BILL .....   | 40 |
| 8.4   | PERSON TO BE BILLED .....                          | 40 |
| 8.5   | PAYMENT .....                                      | 41 |
| 8.6   | ADJUSTMENT TO BILL .....                           | 41 |
| 8.6.1 | Estimated Meter Reading .....                      | 41 |
| 8.6.2 | Water Meter Accuracy .....                         | 41 |
| 8.6.3 | Adjustment of Bills for Excessive Consumption..... | 41 |
| 8.7   | ESTIMATED METER READING .....                      | 41 |
| 8.8   | OPENING BILLS .....                                | 41 |



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

|      |   |    |
|------|---|----|
| 8.9  | CLOSING BILLS .....   | 41 |
| 8.10 | SEPARATE BILLINGS FOR EACH METER .....                                    | 42 |
| 8.11 | LATE FEE .....  | 42 |
| 8.12 | DELINQUENCY .....   | 42 |
| 8.13 | ALTERNATIVE PAYMENT PLANS .....   | 42 |
|      | 8.13.1 Amortization Payment Plan .....                                    | 42 |
|      | 8.13.2 Certification by Physician.....                                    | 43 |
|      | 8.13.3 Compliance with Plan .....   | 43 |
| 8.14 | DISPUTED BILLS .....  | 43 |
| 8.15 | ADJUSTMENT OF BILLS FOR EXCESSIVE CONSUMPTION.....                        | 43 |
|      | 8.15.1 Verified Adjustments.....  | 43 |
| 8.16 | AGENCY INITIATED BILLING ADJUSTMENT.....                                  | 44 |
| 8.17 | ADJUSTMENT OF BILLS FOR METER ERROR .....                                 | 44 |
|      | 8.17.1 Fast Meters .....  | 45 |
|      | 8.17.2 Slow Meters .....  | 45 |
|      | 8.17.3 Non-Registering Meters.....  | 45 |
|      | 8.17.4 General .....  | 45 |
| 8.18 | DELINQUENT BILLS .....  | 45 |
|      | 8.18.1 Small Balance Accounts .....                                       | 45 |
|      | 8.18.2 Overdue Notice .....   | 45 |
|      | 8.18.3 Notice to Residential Tenants/Occupants Individually Metered ..... | 46 |
|      | 8.18.4 Notice to Tenants/Occupants Multiunit Residential .....            | 46 |
|      | 8.18.5 Turn-Off Deadline.....   | 46 |
|      | 8.18.6 Waiver of Overdue Notices to Public Agencies .....                 | 46 |
| 8.19 | NOTIFICATION OF RETURNED PAYMENT DISPOSITION.....                         | 46 |
| 8.20 | RETURNED CHECKS FOR PREVIOUSLY DISCONNECTED SERVICE .....                 | 47 |
| 8.21 | RETURNED CHECKS REQUIRING CASH OR CERTIFIED FUNDS.....                    | 47 |
| 8.22 | PRE-PAYMENT UPON RECEIPT OF A NON-NEGOTIABLE CHECK.....                   | 47 |
| 8.23 | CREATE A LIEN.....  | 47 |





| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**PART 9 – TERMINATION OF DOMESTIC WATER SERVICE**

- 9.1 AGENCY INITIATED .....48
- 9.2 TERMINATION PROCEDURES .....48
  - 9.2.1 Notice of Termination of Domestic Water Service .....48
  - 9.2.2 Customer Appeal.....49
  - 9.2.3 Domestic Water Service through a Residential Master Meter .....49
  - 9.2.4 No Notice Required .....49
- 9.3 TERMINATION OF DOMESTIC WATER SERVICE INITIATE BY AGENCY .....49
  - 9.3.1 Termination of Domestic Water Service .....49
- 9.4 MEDICAL PROVISION .....50
  - 9.4.1 Residential Termination for Nonpayment Exclusions.....50
  - 9.4.2 Residential Termination may be Discontinued.....50
- 9.5 AT CUSTOMERS REQUEST .....51
- 9.6 PERMANENT TERMINATION OF SERVICE .....51

**PART 10 – RESTORATION OF DOMESTIC WATER SERVICE**

- 10.1 GENERAL PROVISIONS .....52
- 10.2 UNAUTHORIZED RESTORATION.....52

**PART 11 – TURN ON AND OFF PROCEDURES AND CHARGES**

- 11.1 PERMANENTLY DISCONTINUE WATER SERVICE .....53
- 11.2 TEMPORARY TURN-OFF OF WATER SERVICE “EMERGENCY” .....53
- 11.3 TURN-OFF BY THE AGENCY.....53
  - 11.3.1 Non-Payment of Bills.....53
  - 11.3.2 Non-Compliance with Rules .....53
  - 11.3.3 Water Waste .....54
  - 11.3.4 Unsafe or Hazardous Conditions.....54
  - 11.3.5 Fraudulent Use of Service.....54
  - 11.3.6 Emergency.....54

**PART 12 – WATER EFFICIENCY AND CONSERVATION**

- 12.1 GENERAL PROVISIONS .....56



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

|         |   |    |
|---------|---|----|
| 12.2    | PROHIBITED PRACTICES .....                            | 56 |
| 12.2.1  | State Prohibited Practices .....                      | 56 |
| 12.2.2  | Enforcement Actions and Penalty Fees.....             | 56 |
| 12.2.3  | Notices.....  | 57 |
| 12.2.4  | Hearing .....   | 57 |
| 12.2.5  | Reservation of Rights.....                            | 57 |
| 12.3    | USE OF WATER SAVING DEVICES AND PRACTICES .....       | 57 |
| 12.4    | USE OF RECYCLED WATER .....                           | 57 |
| 12.5    | RULES AND REGULATIONS.....                            | 57 |
| 12.6    | CROSS CONNECTIONS.....                                | 58 |
| 12.7    | UNLAWFUL ACTS .....                                   | 58 |
| 12.7.1  | CA Penal Code Section 498.....                        | 58 |
| 12.7.2  | CA Penal Code Section 624.....                        | 58 |
| 12.7.3  | CA Penal Code Section 625.....                        | 58 |
| 12.7.4  | CA Health and Safety Code Sections 4450 to 4457 ..... | 58 |
| 12.8    | FIRE HYDRANT DAMAGE.....                              | 58 |
| 12.9    | PRIVATE FIRE PROTECTION SERVICE .....                 | 59 |
| 12.10   | USE AND TESTING .....                                 | 59 |
| 12.10.1 | No Connection to Other System.....                    | 59 |
| 12.10.2 | Rates.....  | 59 |
| 12.10.3 | Water for Fire Storage Tanks .....                    | 59 |
| 12.11   | WATER LEAK ADJUSTMENT POLICY.....                     | 59 |
| 12.12   | IDENTIFY THEFT PREVENTION POLICY.....                 | 60 |

**PART 13 – CONDITIONS OF DOMESTIC WATER SERVICE**

|        |  |    |
|--------|--|----|
| 13.1   | GENERAL PROVISION.....                     | 61 |
| 13.1.1 | Maintenance of Domestic Water Service..... | 61 |
| 13.1.2 | Suspension of Domestic Water Service.....  | 61 |
| 13.1.3 | Pressure.....                              | 61 |
| 13.1.4 | Responsibility .....                       | 62 |
| 13.1.5 | Liability .....                            | 62 |
| 13.1.6 | Damage to Meter by Hot Water.....          | 62 |



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

- 13.1.7 Transfer of Meters ..... 63
- 13.2 CHANGE IN WATER USAGE ..... 63
- 13.3 COMMUNICATION..... 63
  - 13.3.1 To Customer ..... 63
  - 13.3.2 To Agency ..... 64
- 13.4 CONFLICT WITH AGENCY DOMESTIC WATER INFRASTRUCTURE ..... 64
- 13.5 RE SALE OF WATER..... 64
- 13.6 UNAUTHORIZED USE OF DOMESTIC WATER OR THE WATER SYSTEM ..... 65
- 13.7 GROUND WIRE ATTACHMENT ..... 66
- 13.8 UNUSED SERVICE CONNECTION ..... 66
- 13.9 QUICK CLOSING VALVE..... 67
  - 13.9.1 Operating Conditions..... 67
  - 13.9.2 Notice of Correction..... 67
- 13.10 RESPONSIBILTIY FOR EQUIPMENT ..... 67
- 13.11 DAMAGE..... 67

**PART 14 – PRIVATE FIRE PROTECTION SERVICE CONNECTION AND RESIDENTIAL FIRE SPRINKLER SYSTEM**

- 14.1 GENERAL PROVISIONS ..... 68
- 14.2 SPECIAL PROVISIONS ..... 68
  - 14.2.1 PFPSC-Larger than Two-inch (2-inch)..... 68
  - 14.2.2 PFPSC Charges..... 68
- 14.3 AUTHORIZED PURPOSE ..... 68
- 14.4 INSPECTION AND TESTS..... 68
- 14.5 OPTION TO BILL..... 68
- 14.6 TERMINATION OF SERVICE..... 69
  - 14.6.1 PFPSC-Larger than Two-inch (2-inch)..... 69
  - 14.6.2 PFPSC-Two-inch (2-inch) or Less ..... 69



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

|        |  |    |
|--------|--|----|
| 14.7   | RESIDENTIAL FIRE SPRINKLER SYSTEM..... | 69 |
| 14.7.1 | General Provisions .....               | 69 |
| 14.7.2 | Special Provisions .....               | 70 |
| 14.7.3 | Termination of Service .....           | 70 |

**PART 15 – CROSS-CONNECTION CONTROL PLAN**

|      |                          |    |
|------|--------------------------|----|
| 15.1 | GENERAL PROVISIONS ..... | 71 |
|------|--------------------------|----|

**PART 16 – ENFORCEMENT AND APPEALS**

|        |  |    |
|--------|--|----|
| 16.1   | GENERAL PROVISIONS.....                    | 72 |
| 16.2   | CORRECTIVE ACTION .....                    | 72 |
| 16.3   | APPEALS.....                               | 72 |
| 16.3.1 | Hearing and Administrative Procedures..... | 72 |
| 16.4   | ENFORCEMENT.....                           | 73 |

**PART 17 – VALIDITY**

|      |               |    |
|------|---------------|----|
| 17.1 | VALIDITY..... | 74 |
|------|---------------|----|

**APPENDIX**

|              |   |    |
|--------------|---|----|
| APPENDIX A-1 | CHARGES.....  | 75 |
| APPENDIX A-2 | PERMANENT SERVICE CONNECTION MONTHLY SERVICE CHARGE   | 76 |
| APPENDIX A-3 | SPECIAL FIRE MONTHLY SERVICE CHARGE.....              | 77 |
| APPENDIX A-4 | TEMPORARY SERVICE CONNECTION MONTHLY SERVICE CHARGE   | 78 |
| APPENDIX A-5 | PERMANENT SERVICE CONNECTION CONSUMPTION CHARGE.....  | 79 |
| APPENDIX A-6 | TEMPORARY SERVICE CONNECTION CONSUMPTION CHARGE ..... | 80 |
| APPENDIX A-7 | TEMPROARY SERVICE CONNECTION INSTALLATION CHARGE..... | 81 |
| APPENDIX A-8 | RESTORATION OF SERVICE CHARGE.....                    | 82 |



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

APPENDIX A-9 FIRE FLOW TEST CHARGE .....83

APPENDIX A-10 PENALTIES FOR UNAUTHORIZED USE OF THE AGENCY’S  
DOMESTIC WATER SYSTEM.....84

APPENDIX A-11 DOMESTIC WATER SERVICE APPLICATION FEE AND DEPOSIT.....85

APPENDIX A-12 DOMESTIC WATER SERVICE MISCELLANEOUS FEES.....86

APPENDIX A-13 POLICY ON DISCONTINUATION OF RESIDENTIAL WATER SERVICE  
FOR NON-PAYMENT .....87

DRAFT



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**PART 1 – DEFINITION OF TERMS**

**1.1 AGENCY DEFINITIONS**

Unless the context specifically indicates otherwise, the meaning of words or terms used in these Regulations shall be as follows:

**AGENCY** – The Santa Clarita Valley Water Agency, organized and operated pursuant to the provisions of Senate Bill 634.

**APPLICANT (PROPOSED CUSTOMER)** – Any person, firm, corporation, association or agency who desires to obtain Domestic Water Service from the Agency.

**APPURTENANCES** – Meter stop, check valve, back flow prevention device, shut-off valve and any other devices.

**ASSESSOR’S PARCEL NUMBER** – A number assigned by tax assessor in order to identify a particular Property.

**BILLING** – Monthly statement sent to account holder(s) which includes bill detail, bill summary, account information, water use history and water efficiency target.

**BOARD** – The Board of Directors of the Santa Clarita Valley Water Agency.

**BUILDING UNIT** – Any unit of nonresidential development.

**CLASS OF SERVICE** – Based on intended usage of meter.

**CONSUMPTION CHARGE** – A monthly quantitative charge for the amount of water delivered to a Property, either metered or estimated. Consumption charge shall be billed as a price per 100 cubic feet of water delivered in accordance with the rate structure.

**CROSS CONNECTION** – Any unprotected actual or potential connection between any part of a potable water system used or intended to supply water for drinking purposes and any source or system containing water or a substance that is not or cannot be approved as safe, wholesome and potable for human consumption. Bypass arrangements, jumper connections, or other devices through which backflow could occur shall be considered cross connections.

**CUSTOMER** – Any Person, Property Owner, Tenant, firm, corporation, association or agency who uses or desires to obtain Domestic Water Service from the Agency.



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**CUSTOMER SERVICE LINE** – The Customer’s facilities including pipe, fittings and appurtenances extending from the outlet of the shut-off valve downstream of the Agency’s meter, check valve or backflow prevention device.

**DELINQUENCY** - The bill for Domestic Water Service is due upon presentation and Domestic Water Service is subject to termination if the bill is not paid within sixty (60) days from such presentation.

**DEPOSIT** – Monies required to be deposited with the Agency for the purpose of guaranteeing payment of monthly bills rendered for water service.

**DISCONNECTION/RESTORATION FEE** – A disconnection or restoration fee will be charged to turn off or on Domestic Water Service that is shut off or turned on due to involuntary termination.

**DIVISION** – Identifies legacy retail divisions: Newhall Water Division (NWD), Santa Clarita Water Division (SCWD), Valencia Water Division (VWD).

**DOMESTIC WATER SERVICE** – Domestic Water Service shall include the delivery of domestic water for any purpose to a residential Customer, nonresidential Customer, commercial or industrial Customer, governmental Customer or institutional Customer, and the delivery of domestic water for public and private fire protection service.

**DOMESTIC WATER SERVICE INFRASTRUCTURE (WATER SYSTEM)** – The water pipelines, booster stations, wells, treatment facilities, reservoirs, and appurtenances, constructed by or for the Agency, whether acquired by the Agency, for the purpose of providing Domestic Water Service.

**DWELLING** – Any building that contains one or two dwelling units, intended or designed to be built, used, rented, leased, let, hired out to be occupied or that is occupied for living purposes.

**DWELLING UNIT** – A single unit requiring Domestic Water Service and intended to be a complete independent living facility for one or more persons, including permanent provisions for living, sleeping, eating, cooking and sanitation, including but not limited to, family residence, each unit of a duplex, each unit of an apartment, condominium, each recreational vehicle and each trailer park space.

**GENERAL MANAGER** – The General Manager of the Agency or his/her appointed representative.

**LIEN** – The process of levying property to recapture unpaid charges for water and other services.



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**MASTER METER LOCATION** – (master account/master location) a collection of subaccounts whose meters are all of the same class of service, sharing an aggregated water target, for which the customer receives one bill.

**METER INSTALLATION CHARGE** – The Agency’s charge for installing only the meter.

**MONTHLY SERVICE CHARGE** – The monthly charge levied to a Property for the benefit of having Domestic Water Service available to the Customer. This does not include the consumption charge for water.

**OFF-SITE FACILITIES** – Facilities under the ultimate control of the Agency including but not limited to water pipelines, reservoirs, pumping stations, fire hydrants, valves, connections, supply interties, treatment facilities, and other appurtenances and Property up to the point of connection with the On-site Facilities.

**ON-SITE FACILITIES** – Facilities under the ultimate control of the Agency including but not limited to water pipelines, reservoirs, pumping stations, fire hydrants, valves, connections, supply interties, treatment facilities, and other appurtenances and Property located within a Subdivision or Tract.

**PARCEL** – Generally refers to a piece of land that cannot be designated by a lot number.

**PERMANENT SERVICE CONNECTION** – A Service Connection that is intended to provide continuous Domestic Water Service.

**PERSON** – Any individual, firm, company, corporation, association, political subdivision, city, county, Agency, the State of California, or the United States of America or any department or agency of any thereof. The singular in each case shall include the plural.

**POTABLE WATER** – Water furnished to the Customer which meets applicable local, state and federal standards for drinking water.

**PRIVATE FIRE PROTECTION SERVICE CONNECTION** – The Agency’s facilities including pipe, fittings and appurtenances, extending from the Domestic Water System to the private fire protection system.

**PRIVATE FIRE PROTECTION SYSTEM** – The Customer’s facilities including pipe, fittings and appurtenances extending from the outlet of the gate valve downstream of the Agency’s meter, check valve or backflow prevention device used exclusively for fire protection and/or suppression.





| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**PROPERTY** – Any Property, including any lot, parcel, premises, dwelling unit or building unit or portion thereof that is the subject of a request for service or to which service is being rendered.

**PROPERTY OWNER or OWNER** – Any person, agent, firm or corporation having legal or equitable interest in the Property.

**REGULATIONS or POLICY** – The current edition of, and any amendments or revisions to, the Agency’s Regulations or Policy Governing Domestic Water Service.

**RENDERED** – Presented for payment or consideration. A bill is considered rendered when it is delivered to the U.S. Post Office, sent electronically or by other means is presented for payment.

**RESIDENTIAL DISCONTINUATION POLICY** – The Agency’s Policy on Discontinuation of Residential Water Service for Non-Payment, in the form attached as Appendix A-13 and related translations into Spanish, Chinese, Korean, Vietnamese and Tagalog.

**RESIDENTIAL FIRE SPRINKLER SYSTEM** – A fire sprinkler system required by California Residential Code, Title 24, Part 2.5 which is incorporated as part of the Customer Service Line.

**RESTORE** – To reestablish water delivery to a Property or parcel when water has been terminated.

**SERVICE AREA** – The area within the current Agency Domestic Water Service Boundary as approved by the Los Angeles County Local Agency Formation Commission (LAFCO).

**SERVICE CONNECTION** – The Agency’s facilities including pipe, fittings, meter, meter box and check valve or backflow prevention device and shut-off valve, extending from the Agency’s domestic water main to the outlet of the shut-off valve downstream of the meter, check valve or backflow prevention device.

**TEMPORARY SERVICE CONNECTION** – A Service Connection that is intended to provide Domestic Water Service during construction or other use of a limited duration.

**TENANT** – A person who rents or leases a unit which he/she does not own.

**WATER AVAILABILITY** – Domestic Water Service is considered to be available to Property or to premises if the Water System has been constructed and is available for Service as provided for in these Regulations.



| POLICIES, RULES AND REGULATIONS       |                               |
|---------------------------------------|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b> |                               |
| Approval Date: February 2020          | Effective Date: February 2020 |
| Approved By: Board of Directors       | DMS #18986                    |

**WATER AVAILABILITY CHARGE** – The annual charge levied against lands to which Domestic Water Service is available whether the Service is used or not.

**WATER TARGET** – Amount of water designated to a specific property based on water use efficiency.

DRAFT



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**PART 2 – AUTHORITY**

2.1 General Provisions

2.1.1 Board

The Board may change these regulations as it deems necessary.

2.1.2 General Manager

The General Manager may prescribe and enforce additional regulations not in conflict with these Regulations to implement the application, administration, interpretation and enforcement of these Regulations.

2.2 Inspectors

2.2.1 Entry to Premises

The General Manager and other duly authorized employees of the Agency bearing proper credentials and identification shall be permitted to enter upon all Property for any purpose properly connected with the Agency’s operation.

2.2.2 Credentials

No Person who is not an authorized officer or employee of the Agency shall have, wear, or exhibit any badge or credentials of the Agency. Authorized Agency staff, officers and employees shall have, wear or exhibit badge and/or Agency credentials.

2.3 Fees, Charges and Services

Fees, charges and services are nonrefundable and nontransferable; however, under special circumstances, the General Manager or designee may grant a refund of fees or charges at his/her discretion.

2.4 Policy Exceptions and Exemptions

Exceptions or exemptions from these Regulations shall be approved by the Board of Directors. This provision does not apply to the waiver of one-time charges or fees.



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**PART 3 – SERVICE CONNECTION**

3.1 General Provisions

3.1.1 Types

The Agency will install two types of Service Connections, a Permanent Service Connection or a Temporary Service Connection.

1. Class of Service

A Class of Service will be assigned to each meter at the time of application. This Class of Service will be assigned based upon the intended usage of this meter. Change of intended usage must be reported to the Agency by the Customer within five (5) business days. Change in intended usage must be approved by the Agency and may be subject to additional fees and/or charges.

3.1.2 Installation

Only authorized employees or agents of the Agency shall install a Service Connection to active water mains. In special circumstances, Contractors are permitted to install Service Connections to water mains when prior approval is given by the Agency.

3.1.3 Responsibility

The Agency owns, operates, and maintains the Service Connection. The Property Owner is responsible for the Customer Service Line.

3.2 Permanent Service Connection

3.2.1 General Provisions

1. Water Service for New, Single and Multiunit Residential and Mixed-Use Structures:

The Agency policy requires all individually owned residential properties to be metered individually through an Agency meter. Master meters are not allowed for individually owned residential properties. Multiunit Residential or Mixed-use Structures that are sublet may be eligible for master meter(s) at the sole discretion of the Agency. In the event the Agency allows for the installation of a master meter, it is the Developer’s responsibility to comply with all laws and regulations governing the approval of submeters for new Multiunit Residential



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

and Mix-used Structures where the Agency is providing master meter(s), including, but not limited to, the California Plumbing Code, California Water Code and Senate Bill-7 (SB-7).

Before the Agency will provide water service to the Development (or a portion or phase thereof), the Developer shall provide the Agency with a written plan for compliance with SB-7. The written plan must describe the provisions for the installation of submeters for each unit in compliance with all laws and regulations governing the approval of submeters, including the maintenance, reading, billing, and testing requirements. The Agency policy also requires separate meters for irrigated landscapes in accordance with California Code of Regulations Section 492.7 and California Water Code Section 535.

Refer to the Agency’s Master Service Agreement, General Provisions, Section 5.6 for additional information.

All restaurants require a single Service Connection, regardless of whether the restaurant is located within a commercial/industrial building already being supplied water service through a single Service Connection.

2. Responsibility

The Customer and/or Property Owner is responsible for loss or damage to a meter and any Agency owned appurtenances associated with the Service Connection from the time it is installed until the time it is removed.

3.2.2 Location and Size

1. Location

Service Connections in conventional lot Subdivisions shall be installed within five (5) feet of the side Property line except when such placement conflicts with other utilities. In addition, Service Connections shall be installed perpendicular to the water main unless prior approval is obtained by the Agency.

New Service Connections shall not be installed in driveways without prior approval by the Agency. If such approval is granted, then the following conditions shall be met prior to installation:

- a. Property Owner executes a recordable hold harmless agreement for liability and agreeing that the Agency is not responsible for the repair of driveways and other improvements should the repair of the Service



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

Connection be necessary.

- b. Installation of a larger traffic-grade meter box with a metal traffic cover.
- c. Property Owner shall be responsible for payment of an additional charge for the installation of the larger traffic-grade meter box and metal traffic cover.

The above conditions are applicable to all existing service connections without meters installed.

Service connections shall be installed outside decorative paving areas whenever possible. The Property Owner will be required to execute a recordable hold harmless agreement for liability and agree that the Agency is not responsible for the repair of decorative paving and other improvements should the repair of the Service Connection be necessary.

Where the Property does not directly abut on a public thoroughfare, the Agency, at its option, may provide a Service Connection of conventional length, not exceeding 100 feet, and terminating at some practicable location in public right-of-way and the Applicant shall obtain any required easements and provide its connection thereto.

Under no circumstance shall Service Connections be installed in medians and/or islands in any public thoroughfare.

**2. Looped Metered Connections**

Service provided to a location that has its own distribution system that is looped and connected to Agency facilities by two (2) or more meters shall be provided with an approved type backflow prevention device immediately downstream of each metered connection as specified in Appendix E.

**3. Size**

The size (diameter in inches) of a Service Connection shall be based upon required flow and intended use for the Property. Service Connections to a Dwelling Unit shall be a minimum of 1 inch in diameter unless otherwise approved by the Agency. The Agency reserves the right to determine the type of any backflow preventer or other appurtenances required for the installation.



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

4. Appurtenances

Meter Stop, Check Valve, Backflow Prevention Device and Shut-off Valve:

All Service Connections will have a meter stop on the inlet side of the meter, for exclusive use by the Agency, and a shut-off valve downstream of the meter, check valve or backflow prevention device. If the meter stop, check valve, backflow prevention device or shut-off valve is damaged, the Property Owner will be responsible for the costs to replace the damaged component(s).

5. Meter

Each Service Connection shall be metered. Customarily, the meter will be installed in public Property adjacent to the curb or Property line, but, at the option of the Agency, it may be installed on the Property in an appropriate meter box. No rent or other charge will be paid by the Agency for a meter located on the Property.

If a meter is damaged or tampered with, the Agency will charge the Property Owner for the replacement or repair of the meter.

6. Meter Box

If the meter box is damaged by the Customer, the Agency may charge the Property Owner for the replacement or repair of the meter box.

The meter box shall be accessible to the Agency at all times. The Agency will not be responsible for damage to improvements (i.e. landscaping, decorative paving) installed by the Property Owner or Customer within public Property or an easement around the meter box.

7. Additional Appurtenances

In some locations within the Service Area, additional appurtenances, including but not limited to pressure reducing valves, may be required. The additional appurtenances are always installed on the Customer Service Line; therefore, the Property Owner is responsible for operation and maintenance of the appurtenance once installed.

8. Charge

The charge for installation of a Permanent Service Connection is the responsibility of the Customer.



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

9. Relocation or Extension

The charge for relocation or extension of a Permanent Service Connection will be the responsibility of the Customer.

3.2.3 Request for Changes in Meter Size, Removal, Land Use or Inclusion of Additional Land Area

A request for changes in meter size, removal, land use or inclusion of additional land must be made in writing by the Customer of record in such format as defined by the Agency. The Customer shall be solely responsible for all costs associated with changes in meter size, removal, land use or inclusion of additional land area. The Agency may approve requests to remove, increase or reduce meter sizes, in its reasonable discretion, and may impose conditions including, but not limited to, the following: 1) submission of minimum fire flow requirements for the subject Property and compliance with said requirements; and 2) submission of landscape plans in accordance with the Agency’s landscape and irrigation practices.

1. Meter Size Increase or Reduction

There is a fee to install a new meter to achieve the requested meter size change. Customer shall pay for the actual costs incurred by the Agency.

2. Meter Location Change

If the Customer desires a change in location of the meter, such change may be affected with the mutual agreement of the Agency and the property owner, and the owner/Customer shall pay for the actual costs incurred by the Agency.

3. Meter Removal

Customer must sever their connection from the water meter and appurtenances prior to the Agency removing the meter. The Agency will not perform any plumbing work on the Customer Service Line. The Customer will be required to perform any and all plumbing work necessary to prepare for the meter and appurtenance removal, including securing/capping off the Customer Service Line. Customer shall pay for the actual costs incurred by the Agency.





| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

#### 4. Change in Land Use

The Customer/property owner shall notify the Agency of any change in the character or use of the property or buildings from that for which the service connection was originally obtained. If a residential property is to be reclassified or used as commercial or industrial or vice versa, the property owner shall pay any additional charges that may be applicable by reason of the reclassification. In all cases the Agency's determination of the property's zoning classification or use will be final, subject to an appeal to the Board.

#### 5. Inclusion of Additional Land Area

The Customer/property owner shall notify the Agency of any additional land area or adjacent lots not served at the time of original commencement of service that are to be served from the existing service connection. The Agency reserves the right to designate the type of meter, limit the number of buildings, separate houses, living or business quarters, and the area of land under one ownership to be supplied by one service connection.

### 3.3 Temporary Service Connection

#### 3.3.1 General Provisions

##### 1. Purpose

Provided no undue hardship is caused to customers, the Agency will furnish temporary service for construction purposes when the applicant has requested service on this basis, or the Agency reasonably expects the service to be temporary and the applicant has paid advances and established credit. The Agency contemplates temporary service will be provided for a term of six (6) months or less, and requires the applicant to comply with the following:

##### 2. Advances

The applicant must advance to the Agency the estimated net cost of installing and removing the facilities necessary to furnish the service.

##### 3. Deposits/Establishment of Credit

The applicant must deposit a sum of money equal to the cost of the meter and the estimated bill as established by the Board. If the duration of service is to exceed one month, then the applicant must establish credit in the same



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

manner as is prescribed for permanent service.

4. Rates, Charges and Conditions of Service (Construction Meter)

The rates, charges and conditions for temporary service will be the same as those prescribed for permanent service, plus additional costs as set forth in Appendix A-7. The monthly service charge will be prorated and charged on a daily basis.

5. Connections to Fire Hydrants

Fire hydrants connected to Agency mains are for use by the Agency and by organized fire protection agencies. Other parties desiring to use water from fire hydrants for any purpose must obtain written permission from the Agency and from the appropriate fire protection agency prior to use and shall operate the hydrant according to the instructions issued by the Agency. Unauthorized Water Use will be subject to penalty as prescribed in Section 6.2.10 and will be prosecuted according to law. Notwithstanding all other penalties, charges for unauthorized use of water through fire hydrants will be subject to the appropriate penalty specified in Appendix A-10 along with any applicable charges.

6. Water for Construction Needs

All requests for construction water shall be made on an approved application form available in the Agency office and accompanied by the appropriate deposit amounts as stated in that form. Any costs involved in supplying such connections will be prepaid by the applicant.

7. Tank Trucks – Back Flow Devices

Service to tank trucks will be provided only where an approved backflow prevention device is used, in accordance with the Agency’s Cross-Connection Control Program.

8. Duration

A Temporary Service Connection will be disconnected and terminated within six (6) months after installation unless the Customer applies for and receives a written extension of time from the Agency. The Agency has the right to terminate a Temporary Service Connection at any time without notice to the Customer.



| POLICIES, RULES AND REGULATIONS       |                               |
|---------------------------------------|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b> |                               |
| Approval Date: February 2020          | Effective Date: February 2020 |
| Approved By: Board of Directors       | DMS #18986                    |

9. Responsibility

The Customer is responsible for loss or damage to a meter and any Agency owned appurtenances associated with the Temporary Service Connection from the time it is installed until it is removed, or until 48 hours after notice in writing has been received by the Agency that the Customer wants the Temporary Service Connection disconnected.

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|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**PART 4 – APPLICATION FOR SERVICE**

4.1 General Provisions

A person who takes possession of premises and uses water without applying for water service is liable for all water delivered from the date of the last recorded meter reading; if the meter is found inoperative, the quantity of water delivered will be estimated. If proper application for service is not made within 48 hours after initial notification that failure to do so will result in termination of water service to said location, or if accumulated bills are not paid upon presentation, water service shall be discontinued as provided in the notice.

4.2 Application for Service:

A request for service must be made by each Applicant for Domestic Water Service in such format as defined by the Agency. The Agency may establish reasonable means to verify Applicant’s identity. Upon verification of Applicant’s identity, the Agency may provide for written applications to be completed and accepted electronically, by mail, in person or other appropriate means of delivery. An Applicant may be required to establish credit worthiness as provided in Section 4.2.2. There is a fee to establish or transfer an account if the Agency approves the application for service. The fee is listed in Appendix A-11. Upon Agency’s acceptance of application, Domestic Water Service will be established within two business days. The Agency may discontinue service if an application is erroneous, not complete, and the errors are not cured by the Property Owner after notice deemed adequate by the Agency. All Applicants will be advised of this provision when the Agency is contacted for service.

Each time there is a change of Customer (either Property Owner or Tenant) on any commercial or industrial Property, the new or previous Property Owner or Customer shall notify the Agency immediately.

4.2.1 Property Damage Waiver Agreement

Applicants will be required to execute the Application Agreement, by which the customer acknowledges receipt of certain information regarding the chemical analysis of Agency water and waives any claim for damages to their pipes and plumbing fixtures as a result of their use of Agency water.

4.2.2 Establishment of Credit

The Agency requires Applicants to provide the Agency with information sufficient to determine the credit worthiness of the Applicant. Upon determining the Applicant’s credit worthiness, the Agency may require the Applicant to deposit



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

with the Agency such sums of money as determined by the Board from time to time.

1. Upon receipt of completed Application for Service form and connection for water service has been established, said Applicant is considered a Customer.
2. Deposits will be refunded to a Customer at the termination of water service, provided all water charges have been paid. No interest will be paid on Customer deposits.
3. A new Application for Service for any Customer will be granted only if all assessments, fees, charges, delinquent water bills, and penalties due and charged to or against said Customer, have been fully paid.

4.2.3 Deposit Based Upon Poor Payment History

The Customer shall be required to deposit with the Agency such sums as specified in Appendix A-11 in the event: (i) the Customer's service is disconnected for non-payment, as provided in Section 9; or (ii) upon the Customer having been assessed a Late Fee for an Overdue Notice, as provided in Section 6.2.3, twice in a 12-month period.

4.2.4 Waiver of Deposit

Public Agencies will not be subject to the deposit requirements stated above.

4.2.5 Return of Deposit

Where the Customer has maintained their payment history in good standing for one year, the deposit will be credited against their bill.

4.2.6 Bankruptcy

The following rules apply upon receipt of a Customer's bankruptcy notice identifying the Agency as a creditor:

1. The Agency will notify the Customer that their existing account will be closed effective the first available date after receipt of the bankruptcy notice.
2. A new account will be opened for this Customer and is subject to the rules applied to all new individual Applicants for service as stated in Section 7.6 herein.



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

3. Any existing Customer’s deposit on file with the Agency will be applied to any outstanding balance on the original account.

#### 4.2.7 Refusal to Serve

The Agency may refuse to serve an applicant for service under the following conditions:

1. If the applicant fails to comply with any of the rules and regulations contained herein.
2. If the intended use of the service is of such a nature that it will be detrimental or injurious to existing Customers.
3. If, in the judgment of the Agency, the applicant's installation for utilizing the service is unsafe or hazardous, or of such nature that satisfactory service cannot be rendered or exceeds the normal capacity of the meter service.
4. Where service has been discontinued for fraudulent use, the Agency will not serve an applicant until it has determined that all conditions of fraudulent use or practice have been corrected.

#### 4.2.8 Notification to Applicant

When an applicant is refused service under the provisions of this rule, the Agency will notify the applicant promptly of the reason for the refusal to serve and of the right of applicant to appeal that decision to the Board.

#### 4.2.9 Property Owner Responsibility

Domestic Water Service, and the payment thereof, in all cases, shall be the responsibility of the Property Owner. The Property Owner may authorize, in writing, that a second party, such as a Tenant may establish service in their name and a Tenant or Tenants may establish service as provided in the Residential Discontinuation Policy. The Property Owner shall be held responsible for payment of all amounts due for Domestic Water Service, including all bills, costs, loss, damage, penalties, charges, or fees regardless of user or use. If the Property Owner has authorized a second party, such as a tenant to establish service and receive billing for service, a completed application form shall be required from the second party.

The Agency, as a courtesy, may allow the Property Owner to authorize a Tenant to be billed for service. This courtesy is at the discretion of the Agency and as such, the Agency may transfer service from a Tenant back to the Property Owner



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

and refuse to allow future service to be billed to a Tenant. In such circumstances the Property Owner will receive all billing statements.

#### 4.2.10 Description of Property

The Applicant shall describe the Property to be served and only the Property described will receive domestic water through such Service Connection. The description shall include street address, city, Assessor's Parcel Number and other information, including plumbing and building plans, to enable the Agency to determine the level of Cross Connection protection required. The Agency may refuse Domestic Water Service to any Property where apparatus, appliances or equipment using water are dangerous, unsafe or not in conformity with pertinent laws, ordinances, or regulations. The Agency will not assume responsibility for inspecting the Property.

Any alterations to existing facilities on the Property that may affect the level of Cross Connection protection required must be reported immediately to the Agency.

#### 4.2.11 Description of Water Usage

The Applicant shall describe the domestic water demand for the Property to be served, including the required maximum flow (in gallons per minute) and minimum pressure (in pounds per square inch) required at the meter. For Dwelling Units required to install a Residential Fire Sprinkler System, the Applicant shall also provide the type of Residential Fire Sprinkler System (multipurpose or stand-alone), the maximum flow (in gallons per minute) and minimum pressure (in pounds per square inch) required for the Residential Fire Sprinkler System.

#### 4.3 Special Provision

Properties, other than residential, with landscaped areas will be served with a separate service for irrigation purposes.

#### 4.4 Prior Service

An Applicant for service may be subject to the provisions of Section 7.7 if a delinquency has occurred at the Property or another Property owned by the Property Owner. This provision shall apply to all Domestic Water Services including business and landscape.

The Applicant will not be held liable for any unpaid charges from a prior Customer or Property Owner except those unpaid charges which have been filed as a lien against the Property by the Agency under the provisions of California Water Code Section 31701.5.



| POLICIES, RULES AND REGULATIONS       |                               |
|---------------------------------------|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b> |                               |
| Approval Date: February 2020          | Effective Date: February 2020 |
| Approved By: Board of Directors       | DMS #18986                    |

A new Property Owner assuming existing liens on Property shall be required to pay all unpaid charges that remain as liens against the Property purchased, prior to new Domestic Water Service being established.

DRAFT





|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**PART 5 - RULES APPLICABLE TO EXISTING CUSTOMERS**

5.1 Quantities

The Agency will endeavor to supply water dependably and safely in adequate quantities and pressures to meet the reasonable needs and requirements of Customers.

5.2 Quality

The Agency will endeavor to supply water for domestic use or human consumption that is potable, not harmful to human health, free from objectionable taste, odor or color, and within health standards.

5.3 Responsibility for Loss or Damage

Customers shall accept such conditions of pressure and service as are provided by the Agency system and hold the Agency harmless for any loss or damage to Customers resulting from the Agency's failure to meet the service goals stated within this section, or due to any interruptions in service. Customers shall at all times be in compliance with current California Plumbing Code.

5.4 Conditions of Service

5.4.1 Notices

1. Notice to Customers

Notice to a Customer will normally be by telephone or in writing and may be delivered electronically or mailed to the customer's last known address. In emergencies or when circumstances warrant, the Agency, where feasible, will endeavor to promptly notify the customer affected and may make such notification orally, either in person or by telephone, or by leaving a written notice on the door.

2. Notice from Customers

Customer may make notification in person, by telephone or by letter to the Agency at its office.

Change in Customer's Equipment, Operations or Land Use

- a. A Customer making any material change in the size, character, or extent of the equipment, operations, or nature of land use shall immediately give the Agency written notice of the nature and extent



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

of the change, and if necessary, amend their application for water service. Any and all modifications to the service must be approved by the Agency.

### 3. Continuity of Service

The Agency expressly reserves the right to restrict, curtail, allocate or apportion Agency water supplies as necessary, in the sole discretion of the Agency.

#### a. Emergency Interruptions

The Agency will make all reasonable efforts to prevent interruptions to service and, when such interruptions occur, will endeavor to re-establish service with minimal delay consistent with the safety of the Agency's customers and the general public.

Where an emergency interruption of service affects the service to any public fire protection device, the Agency will promptly endeavor to notify the Fire Chief, or other public official responsible for fire protection, of such interruption and of subsequent restoration of normal service.

#### b. Scheduled Interruptions

Whenever the Agency finds it necessary to schedule an interruption to its service, it will, where feasible, notify all Customers to be affected by the interruption, stating the approximate time and anticipated duration of the interruption. Scheduled interruptions will be made at such hours as will be least inconvenient to the Customers consistent with reasonable utility operations.

Where public fire protection is provided by the mains affected by the interruptions, the Agency will promptly endeavor to notify the Fire Chief, or other officials responsible for fire protection, of the interruption. In addition, the Fire Chief or other official responsible for fire protection will be notified upon restoration of service.

#### c. Apportionment of Supply during Water Shortages

During times of impending or actual water shortage, the Agency will apportion its available water supply among its Customers as directed by the appropriate state and local authorities. In the absence of direction from such authorities, it will apportion the supply in the



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

manner that appears most equitable under the circumstances, with due regard to public health and safety.

**5.4.2 Ownership of Facilities on Customer's Premises**

The service lateral, meter, and meter box or other facilities furnished at the Customer's expense, whether located wholly or partially upon a Customer's premises, are the property of the Agency. No rent or other charge will be paid by the Agency where the Agency-owned service facilities are located on a Customer's premises.

**5.4.3 Agency Access to Customer's Premises**

The Agency shall at all reasonable hours have access to meters, service connections and other equipment or facilities owned by it which may be located on Customer's premises for purposes of installation, maintenance, operation or removal of the equipment at the time service is to be terminated. The property owner or customer shall maintain the meter box area free and clear of any obstruction preventing clear access to Agency facilities.

The Customer's system shall be open for inspection at all reasonable times to authorized representatives of the Agency. Any inspection work or recommendations made by the Agency or its agents in connection with plumbing or appliances, cross-connections or any use of water on the Customer's premises, either as a result of a complaint or otherwise, may result in a charge to the Customer.

**5.4.4 Service Calls**

Where the Agency requires access to the Customer's premises for maintenance, service, or otherwise, and the Customer's presence is required for such service call, the Agency shall give the Customer a four-(4) hour period during which the service call shall be made.

**5.4.5 Agency's Responsibilities for Damage or Loss to Customer**

The Agency will not be responsible for any loss or damage caused by any negligence or wrongful act of a Customer or of a Customer's authorized representatives in installing, maintaining, operating or using any or all appliances, facilities or equipment that is supplied.

**5.4.6 Customer's Responsibility for Agency Property**

The Customer may be charged for damage to Agency's meters and other property



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

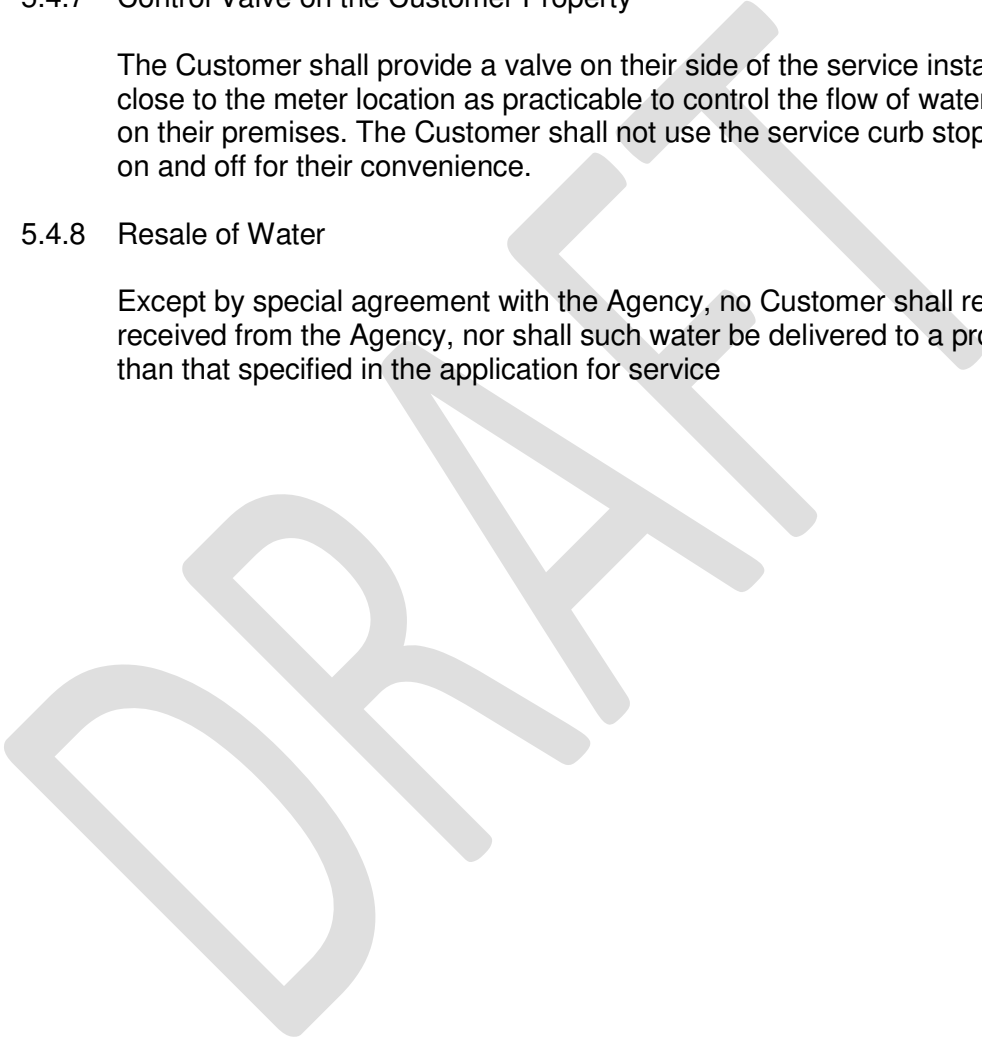
resulting from the use or operation of appliances and facilities on Customer's premises, including but not limited to damage caused by steam, hot water or chemicals, or the breaking or destruction of locks on or near a meter. The Agency at the customer's expense shall repair all such damage. Costs for repairs may be added to the customer's water bill.

**5.4.7 Control Valve on the Customer Property**

The Customer shall provide a valve on their side of the service installation, as close to the meter location as practicable to control the flow of water to the piping on their premises. The Customer shall not use the service curb stop to turn water on and off for their convenience.

**5.4.8 Resale of Water**

Except by special agreement with the Agency, no Customer shall resell water received from the Agency, nor shall such water be delivered to a property other than that specified in the application for service





|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**PART 6 – RATES AND CHARGES**

6.1 General Provisions

For all metered Service Connections located within or outside the boundaries of the Agency, the monthly charge for service will consist of a Monthly Service Charge based on the size of the meter and a Consumption Charge (quantitative charge). Property owners with an installed meter, whether the water service is on or off, are held responsible for and required to pay the Monthly Service Charge. In addition to these charges a Cross Connection protection charge will be applicable to all meters with such devices installed.

6.2 Monthly Service Charge

6.2.1 General Provisions

Rates and charges for water service and other miscellaneous charges are set by the Board of Directors. When Service is started or terminated during the month, the Monthly Service Charge will be prorated by day based on a 30-day billing period. Current rates and charges are set forth in Appendix A-2.

1. Water Availability Charge

The availability charge is a "base" monthly charge, and depends on the size of a Customer's meter, and is fixed regardless of the quantity of water consumed. Current rates are set forth in Appendix A-2.

2. Quantity Rates

The quantity rate is applied to the Customer's water consumption. Current applicable rates are set forth in Appendix A-5.

3. Water Revenue Adjustment Surcharge/credit

Any increase/decrease in the water revenues which recovers any shortage of commodity revenue due to inflation attributed to fluctuations in real demand through application of the revenue adjustment formula may, at the discretion of the Board, be passed through directly to Agency customers as a rate adjustment per Government Code Section 53756, on the basis of volume of water consumed.



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

4. Out of Agency Service

Customers located outside of the Agency may be charged rates for water service that are different than those charged to customers within the Agency, based upon the reasonable cost to the Agency of providing service to property outside its service area, as determined by the Board from time to time. Rates are set forth in Appendix A-12.

5. Tank Truck Service Rates

Any person desiring service for tank trucks may, upon application and payment of a deposit equal to the cost of the meter plus a non-reimbursable charge for meter installation and removal may obtain water from such places as the Agency shall from time to time designate, and shall pay monthly in accordance with the rates set forth in Section 6.2.13 and Appendix A-7.

In the event said construction meter is damaged, lost or stolen, or not returned, the deposit shall be forfeited.

6.2.2 Miscellaneous Fees and Charges

In order to recover the cost associated with late payments, disconnections and other damages sustained by the Agency, the specified items listed below are charged to Customers; the dollar amounts associated with each item are determined by the Board and set forth in Appendix A-12.

6.2.3 Late Fee

A Late Fee shall be assessed and applied to the Customer's bill at the time the Overdue Notice is generated as set forth in Section 8.11.

6.2.4 Restoration Fee

If a Customer requests resumption or continuance of service after such service has been disconnected, then the Customer shall pay a restoration fee in addition to any past due user charges, advance payments, or meeting any other conditions set forth by the Agency.

6.2.5 Returned Payment Charge

When a Customer's payment of water service and other charges is returned as non-negotiable for any reason, the Agency shall proceed as set forth in Section II(B)(5) of the Residential Discontinuation Policy.



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**6.2.6 Overdue Notice**

Where the Agency has been compelled to provide notification of an impending disconnection of water service provided in Section II(B) of the Residential Discontinuation Policy, the Customer shall pay a Late Fee when an Overdue Notice has been generated, in addition to any other applicable charges provided hereunder.

**6.2.7 Meter Test Charge/Deposit**

The Agency shall endeavor to keep the meters in good condition and registering accurately. Any Customer may request that his meter be examined and tested to see if it is correctly recording water delivered through it. Said request shall be made in writing and shall be accompanied by a deposit, set forth in Appendix A-12.

Upon receipt of such demand and deposit, it shall be the duty of the Manager to cause the meter to be examined and tested. If upon such examination and test the meter shall be found to register over two percent more water than actually passes through it, the meter shall be properly adjusted or another meter substituted therefore, and the deposit shall be returned to the person making the demand and the water bill shall be adjusted proportionately.

If the meter is found to register not more than two percent more water or less water than actually passes through it, said deposit shall be retained by the Agency to partially defray the expense of making the test. All other tests and examinations of meters shall be at the Agency's expense.

**6.2.8 Pulled Meter Charge**

If a Customer's service has been disconnected and the meter has been "pulled" or removed from the premises, then the Customer shall pay at the Agency office a pulled meter charge equal to the actual expense to the Agency of pulling the meter, and any other applicable charges, before the service and meter can be reconnected.

**6.2.9 Unauthorized Connection and/or Water Use**

Any person or entity found connecting and/or taking water from or through any of the Agency's facilities without Agency authorization will be assessed a fine payable to the Agency, as set forth in Appendix A-12, in addition to applicable Agency charges for the quantity of water taken. Written notice of the assessment of such fine shall be given by personal service or by registered or certified mail.



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**6.2.10 Charge for Turn off at Main**

If the water to a property is turned on more than once without Agency authorization, the service may be shut off at the main, and the Customer shall be required to pay, in addition to any other applicable charges, a charge equal to the actual expense to the Agency of restoration prior to the re-establishment of service.

**6.2.11 Property Damage**

If a Customer, new applicant or developer is found to be responsible for any damage done to Agency property; such damages shall be reimbursed to the Agency at cost plus administrative overhead. If responsibility for damage is not known, charges will be made to the current Customer or property owner.

**6.2.12 Temporary Construction Meter Water Service**

A Customer, new applicant or developer shall supply a photograph of the construction meter number, numerical read and register to the Agency each month and comply with all terms and conditions as stated on the service application.

Failure to comply with this requirement will result in a monthly Unread Meter Charge as set forth in Appendix A-12.

**6.3 Pass-through of Increased/Decreased Cost of Wholesale Purchased Water**

Any increase/decrease in the cost of purchased water shall be passed through directly to Agency customers as a rate adjustment per Government Code Section 53756. Such pass through shall be automatically passed through to customers pro rata on the basis of volume of water consumed in accordance with the adopted rates of each division.





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|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**PART 7 – CREDIT**

7.1 Establishing

As provided in Section 4.2, the payment of Domestic Water Service, including all bills, costs, loss, damage, penalties, charges, or fees regardless of user or use, in all cases shall be the responsibility of the Property Owner. Each Applicant for Domestic Water Service may be required to establish credit worthiness to the satisfaction of the Agency before service will be rendered. Applicant may establish credit worthiness with no deposit required if the Applicant can show that most recent prior service was not terminated for nonpayment for twelve (12) consecutive months from his/her previous Domestic Water Service provider, even if that provider was not the Agency. Prior service must have been in the Applicant’s name in order to be used for the credit worthiness test.

7.2 Amount of Deposit

Where credit worthiness cannot be established to the satisfaction of the Agency pursuant to Section 4.2, a deposit may be required as provided in Appendix A-11 or an amount equal to, or projected to be, three (3) times the average monthly bill for the preceding twelve-month (12-month) period.

7.3 Refund of Deposit

Residential deposits will be held by the Agency for a period of one (1) year from the date Domestic Water Service is provided to the subject Property. All other deposits will be held until the completion of the project or service is terminated. If Domestic Water Service is terminated during that one-year (1-year) period for nonpayment, the Agency shall retain the deposit until Domestic Water Service is ordered terminated by the Customer. If Domestic Water Service is not terminated during the first year, the Agency shall apply the deposit to the water billing or billings until the amount of the deposit is used in full. In the event the Customer requests termination, the Agency shall refund the remaining balance of any deposit, without interest, and less any accrued but unpaid water billing, within a reasonable time after termination of service. The remaining balance in excess of \$5.00 will be mailed in the form of a check to the customer’s last known address. In the event the Agency discovers damage, theft and/or unauthorized use of Agency facilities, services will be immediately discontinued, and billing of services terminated. All applicable charges and penalties will be deducted from the Customer’s deposit as provided under Conditions of Domestic Water Service, Part 13. Applicable charges and penalties are provided in Appendix’s A-10 and A-12. Any unclaimed deposit shall be held or retained by Agency pursuant to Section 50650, et seq., of the California Government Code or any successor statutes thereto.



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

#### 7.4 Joint Service

No joint service is allowed. An individual party will be solely liable for payment of bills. In those instances where more than one party applies for service, each party shall be severally liable for payment of bills.

#### 7.5 Re-establishment of Credit

Subject to the provisions of the Residential Discontinuation Policy, a Customer whose service has been discontinued for nonpayment of bills will be required to pay any unpaid balance due the Agency for the premises for which service is to be restored and may be required to pay a restoration fee as prescribed in Sections 6.2.4 and 6.2.5 under "Late or Restoration Fee" before service is restored by Agency personnel. In addition, the Customer will be required to deposit with the Agency such sums of money as determined by the Board from time to time, as specified in Appendix's A-11 and A-12. Deposits collected by the Agency are deposited into an account which does not accrue interest.

#### 7.6 Bankruptcy of Customer

Pursuant to the Bankruptcy Code (Title 11, U.S.C., as amended from time to time), the Agency shall not alter, refuse or discontinue service to, or discriminate against, a Customer, or a trustee of a Customer, solely on the basis that a debt owed by the Customer to the Agency for service rendered before the order for relief was not paid when due. It shall be the responsibility of the Customer to supply the Agency with a copy of any applicable order for relief.

The Agency shall discontinue service if neither the Customer or the trustee, within 20 days after the date of the order for relief, furnishes adequate assurance of payment in the form of an advance payment for service after such date. As used herein, "adequate assurance of payment" shall mean an advance payment in an amount equal to the highest of the last 6 billings rendered to the Customer, or for the Customer's property if Customer has not occupied the property for that period of time, prior to the order for relief.

As used herein, "order for relief" shall have the same meaning as given to it in the Bankruptcy Code. The commencement of a voluntary case under the Bankruptcy Code shall constitute an order for relief. Service may be discontinued in accordance with the rules of the Agency upon non-payment for service rendered after the order for relief.

#### 7.7 Delinquent Account

The bill for Domestic Water Service is due upon presentation and Domestic Water Service is subject to termination if the bill is not paid within sixty (60) days from such



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

presentation.

Services terminated for delinquency shall not be restored until all outstanding charges are paid in full, including a fee for restoration of service as provided for in Section 6.2.4 and a late fee as provided for in Section 6.2.3. An updated application may be required.

If the manner of payment of the delinquent amount is not accepted by the paying bank for any reason, and the Agency had properly notified the customer of a pending termination of service per these Rules and Regulations prior to receipt of the rejected payment, Domestic Water Service may be terminated immediately without further notice. Domestic Water Service will not be restored until all outstanding charges are paid in full, including a returned payment charge, as applicable and provided in Section 6.2.5.

A Customer having a delinquent account on one Property may not receive Domestic Water Service on another Property until the delinquent account has been paid, including penalties, if any. A Customer whose Domestic Water Service has been terminated for nonpayment of a delinquent account or whose deposit has been applied in whole or in part to the payment of any delinquent account, will be required to make a cash deposit in accordance with Section 8.21. Additionally, when Domestic Water Service has been terminated for nonpayment, all charges may be transferred to another account held in the sole name of the same Owner and the Owner shall be given written notice of that transfer. This account shall become delinquent if payment is not made within sixty (60) days from the date of delinquency transfer and will be subject to Part 9, Termination of Domestic Water Service. The Agency may file liens against the Property, or any properties owned by the delinquent Customer within the state of California to enforce collection of delinquent accounts as provided in Water Code Section 31701.5.



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**PART 8 – BILLING**

8.1 General Provisions

The Property Owner is liable for payment of bills, costs, loss, damage, penalties, charges, or fees regardless of user or use for water or other services provided to the Property for all Domestic Water Service from the acquisition date of the property until such time as the property is transferred to new ownership. The Property Owner is responsible to provide the Agency with a notice to stop Domestic Water Service in a form and manner determined by the Agency in accordance with Section 4.2.9.

8.2 Rendering and Payment of Bills

Bills for service will be rendered on a monthly basis, at the option of the Agency. Bills for service are due and payable upon presentation and Domestic Water Service is subject to termination if the bill is not paid within sixty (60) days from the date of the invoice. In the event the payment is not received by the forty-fifth (45<sup>th</sup>) day after presentation, the Customer will be assessed a late charge as specified in Appendix A-12.

Payment may be made at the office of the Agency or to any representative of the Agency authorized to make collections. However, it is the Customer's responsibility to assure that payments are received at the Agency's office in a timely manner.

8.3 Domestic Water Service Information on Bill

The bill may show one or more of the following charges: Consumption Charge, Service Charge, or Special Charge and Total Amount Due. In addition, the bill will show the Customer's account number, the date of billing, the service location, and the address to which the bill was mailed.

The following information may also be included on the bill: Customer's water target for the period, Customer's actual water usage for the period, Customer's water efficiency rating and the Customer's water usage history.

Information shown on the Customer's bill may change at the General Manager's discretion.

8.4 Person to be Billed

Charges will be the responsibility of the Property Owner. The Property Owner may authorize, in writing, that a second party, such as a Tenant may establish service in their name as provided for in Section 4.2.9, or a Tenant or Tenants may establish service as provided in the Residential Discontinuation Policy. The Property Owner shall be held



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

responsible for payment of all amounts due for Domestic Water Service, including all bills, costs, loss, damage, penalties, charges, or fees regardless of user or use. The Property Owner may request for a copy of the bill to be sent to the Owner's mailing address as well. The Property Owner shall notify the Agency of any change in the ownership or occupancy of the Property at least two days prior to such change in a manner deemed acceptable by the Agency.

**8.5 Payment**

The bill for Domestic Water Service is due and payable upon presentation. A bill will become subject to a late charge if it is not paid within forty-five (45) from the date it is rendered. Domestic Water Service is subject to termination if a bill is not paid within sixty (60) days after it is rendered.

**8.6 Adjustment of Bill**

The Customer may request, in a manner deemed acceptable by the Agency and as specified in Section IV of the Residential Discontinuation Policy, an adjustment to the Domestic Water Service charges billed for one of the following reasons:

- 8.6.1 Estimated meter reading
- 8.6.2 Water meter accuracy
- 8.6.3 Adjustment of bills for excessive consumption

**8.7 Estimated Meter Reading**

A bill based upon an estimated meter reading, as provided in Section 8.6, may be adjusted at the Customer's request and as approved by the Agency. Billing adjustments related to an estimated meter reading will be limited to the period for which the meter reading was estimated.

**8.8 Opening Bills**

Opening Bills for less than the normal billing period shall be prorated both as to minimum charges and water consumption.

**8.9 Closing Bills**

Closing bills for less than the normal billing period shall be prorated both, as to minimum charges and water consumption.



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**8.10 Separate Billings for Each Meter**

Each meter on a Customer's premises will be considered separately and the readings of two or more meters will not be combined except where the Agency's operating convenience or necessity may require the use of more than one meter or a battery of meters. In the latter case, the meter readings will be combined for billing purposes.

**8.11 Late Fee**

A late fee of twenty-five (\$25) dollars will be charged when an account has not been paid before the Overdue Notice is generated.

**8.12 Delinquency**

A Late Fee will be charged as a domestic water account becomes delinquent provided that: (a) the account has a delinquent balance exceeding twenty dollars (\$20); and (b) are not paid within forty-five (45) days from the date the bill is rendered. Customers with timely payment histories during the previous 12-month period prior to being charged a Late Fee may have the Late Fee waived upon request. The amount of the Late Fee is set forth in Appendix A-12, as said amount may be revised from time to time.

**8.13 Alternative Payment Plans**

As set forth in Section III of the Residential Discontinuation Policy, any Customer, who is unable to pay for water service within the normal payment period, may request amortization of the unpaid balance over a period not to exceed twelve months in order to avoid disconnection of domestic service for nonpayment, or may request another type of alternative payment arrangement described in that section. The Agency will consider all circumstances surrounding the request and make a determination as to whether amortization or any other specified alternative payment arrangement is warranted.

**8.13.1 Amortization Payment Plan**

Upon request from the Customer, an amortization plan or other alternative payment arrangement will be entered into between the Agency and the Customer. The amortization plan will amortize the unpaid balance over a period determined by the Agency, not to exceed twelve (12) months, with payments added to the Customer's regular bill. Any other alternative payment arrangement selected by the Agency shall ensure repayment of unpaid amounts within twelve (12) months, subject to further extension at the Agency's discretion.

The Customer will be charged an administrative fee representing the cost to the Agency of initiating and administering the plan. The plan shall include a charge for interest of ten percent (10%) per annum or the maximum legal rate,



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

whichever is lower, on the unpaid balance, subject to waiver as specified in the Residential Discontinuation Policy.

**8.13.2 Certification by Physician**

See Section II(C) of the Residential Discontinuation Policy with respect to the potential to defer termination of Domestic Water Service.

**8.13.3 Compliance with Plan**

The Customer must comply with the amortization plan, or other alternative payment arrangement, and remain current as charges accrue in each subsequent billing period. The Customer may not request further amortization of any subsequent unpaid charges while paying delinquent charges pursuant to an amortization plan. Failure to comply with the terms of an amortization plan for at least sixty (60) days will result in termination of Domestic Water Service as specified in Section III of the Residential Discontinuation Policy and further requests for amortization will not be granted for a period of at least twelve (12) months.

**8.14 Disputed Bills**

See Section IV of the Residential Discontinuation Policy for the required appeals procedures.

**8.15 Adjustment of Bills for Excessive Consumption**

It is the Customer’s responsibility to properly maintain the property’s private plumbing water system, including irrigation systems and water features. A leak in the Customer’s water system is the sole responsibility of the Customer and the Agency charges for all water that records and passes through the water meter. In addition to the appeals process set forth in Section IV of the Residential Discontinuation Policy, if a Customer requests the Agency to review a bill for water service due to excessive consumption, the Agency may grant an adjustment subject to the conditions below.

**8.15.1 Verified Adjustments**

Verified adjustments for high consumption may be granted to Customers when there is explained high consumption such as a water leak on the Customer’s property. The Agency, after investigation, shall find all of the following:

1. The meter must be re-read, may be field tested, and verified as accurate.
2. The Customer made the request for billing review within 60 days of the first



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

bill date reflecting excessive consumption.

3. Upon notification of excessive water consumption, the Customer took prompt action to locate the leak and complete repairs within 30 days. Notification to the Customer may take the form of a billing statement, written communication to the Customer, a courtesy phone call or a notice left at the property.
4. Proof of repair, including copies of repair bills or photographs, is required.
5. The Customer did not have a verified adjustment in the previous 12-month period prior to the bill with excessive consumption.
6. No adjustment shall be made for any period longer than two consecutive billing periods or for water delivered 30 days after the Agency notifies the Customer of the excessive use.
7. Consumption must have returned to historical use.
8. No more than one verified adjustment shall be made for excessive consumption within a rolling 60-month period.

**8.16 Agency Initiated Billing Adjustment**

If the Agency discovers that a billing error has been made related to meter reading against a Customer’s account, the Agency will immediately take all reasonable steps to correct the billing. If the Customer has been under-billed, the Agency reserves the right to go back six (6) months to recalculate the amount due and payable and the General Manager, or designee may provide for reasonable payment arrangements for the balance due to be paid. If the Agency has over-billed the Customer, the Agency shall go back no longer than six (6) months to recalculate the amount of over-billing refund due to the Customer.

**8.17 Adjustment of Bills for Meter Error**

In addition to the appeals process set forth in Section IV of the Residential Discontinuation Policy, the Customer may request an adjustment of the bill because of meter error. Such a request must be made in writing and the rules set forth in Section 6.2.6, Meter Test Charge, will apply. The Agency will proceed, within one week, to test the Customer's meter; the meter will be tested in an "as found" condition, in order to determine the average meter error. If the average meter error is found to exceed 2 percent, that is if quantities of water recorded by the meter are outside of a range between 98 percent and 102 percent of the actual quantities of water passed through the meter during the test, the following billing adjustments will be made.





|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

#### 8.17.1 Fast Meters

The Agency will refund to the Customer the amount of the overcharge based on corrected meter readings of the period the meter was in use and determined to be incorrect, but not to exceed a period of six months.

#### 8.17.2 Slow Meters

The Agency may bill the Customer, at its option, for the amount of the undercharge based upon corrected meter readings for the period the meter was in service and determined to be incorrect, but not to exceed a period of six months.

#### 8.17.3 Non-Registering Meters

The Agency may bill the Customer according to an estimate of water consumed while the meter was not registering, but not exceeding a period of six months. This estimate will be based on the Customer's prior use during the same season of the previous year if conditions were unchanged during the year, or on a reasonable comparison of consumption of other similar Customers during the same period.

#### 8.17.4 General

If the meter error is caused by some event, the date of which can be determined, then the billing adjustment will be made for the period of time since the date of such event; such a period may exceed the six-month limitation for fast meters and the six-month limitation for slow or non-registering meters, as stated in 1 through 3 above.

### 8.18 Delinquent Bills

The following rules apply to Customers whose bills remain not paid after forty-five (45) days from the date of invoice.

#### 8.18.1 Small Balance Accounts

In any billing, if less than a minimum bill remains unpaid, it may be carried over, and added to, the next billing period.

#### 8.18.2 Overdue Notice

If payment for a billing period is not received by the forty-fifth (45<sup>th</sup>) day after the billing period invoice date, an Overdue Notice will be mailed to the water service



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

Customer at least seven (7) business days prior to actual disconnection. The Notice will include a late fee. Upon receipt of an Overdue Notice and up to the date set for disconnection, the Customer may request an amortization payment plan or other alternative payment arrangement, as the Agency may select, pursuant to Section 8.13.

**8.18.3 Notice to Residential Tenants/Occupants in an Individually Metered Residence**

See Section II(F) of the Residential Discontinuation Policy.

**8.18.4 Notice to Tenants/Occupants in a Multiunit Residential Structure with Service through a Master Meter**

See Section II(F) of the Residential Discontinuation Policy.

**8.18.5 Disconnection Deadline**

Water service charges and late fees must be paid on or prior to 4:30 p.m. on the day specified in the Overdue Notice.

**8.18.6 Waiver of Overdue Notices to Public Agencies**

Public agencies, because of usual sound financial base and variations in warrant payment procedures, will not be sent delinquent notices for delinquent payment of current accounts.

**8.19 Notification of Returned Payment Disposition**

Upon receipt of a returned check taken as remittance of water service or other charges, the Agency will consider the account not paid and may terminate Domestic Water Service as specified in Section II(B)(6) of the Residential Discontinuation Policy. If an Overdue Notice has already been provided to the customer, the Agency may proceed with termination of Domestic Water Service in accordance with that notice if payment is not subsequently made. If an Overdue Notice has not already been provided to the customer and the bill is not yet forty-five (45) days past due, the Agency will promptly notify the customer of the returned check and all applicable charges. If the bill remains unpaid as of the forty-fifth (45<sup>th</sup>) day after the bill is rendered, then the Agency will issue an Overdue Notice to the customer.

Water service will be disconnected if the amount of the returned payment and returned payment charge are not paid on or before the date specified in the Notice of Termination. All amounts paid to redeem a returned check and to pay the returned check charge must be cash or certified funds.



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**8.20 Returned Checks for Previously Disconnected Service**

In the event the Customer tenders a non-negotiable check as payment to restore water service previously disconnected for non-payment, and as a result, the Agency restores service, the Agency may disconnect service notice upon at least three (3) days' written notice.

**8.21 Returned Checks Requiring Cash or Certified Funds**

Any Customer issuing a non-negotiable check for payment to restore service turned off for non-payment, may be required to pay, for one year, cash or certified funds to have service restored if turned off again within this time period for non-payment.

**8.22 Pre-Payment upon Receipt of a Non-Negotiable Check**

Any customer issuing a non-negotiable check as payment for water charges may be required to deposit with the Agency such sums as the Agency may establish for re-establishment of credit, as provided in Sections 7.5.

**8.23 Create a Lien**

If the Customer's bill remains unpaid for sixty (60) days, after notice to the Customer or the property owner, the Agency may file a Certificate in the Office of the County Recorder specifying the amount of the charges and the name and address of the person liable therefore, which Certificate shall create a lien.

A lien created pursuant to this procedure shall, in the sole discretion of the Agency, attach either to the property to which service was provided, or to any property in the County owned by the individual responsible for payment.



## POLICIES, RULES AND REGULATIONS

Title: **CUSTOMER SERVICE POLICY**

Approval Date: February 2020

Effective Date: February 2020

Approved By: Board of Directors

DMS #18986

### PART 9 – TERMINATION OF DOMESTIC WATER SERVICE

#### 9.1 Agency Initiated

The Agency has the right to terminate Domestic Water Service if the Customer fails to comply with these Regulations, including the Residential Discontinuation Policy. In addition, if the Customer receives and fails to pay for Agency services or fees, the Agency has the right to terminate Domestic Water Service.

#### 9.2 Termination Procedures

When delinquency occurs, the Agency will provide to the Customer notice of the delinquency and impending termination of Domestic Water Service in accordance with the Residential Discontinuation Policy at least seven (7) business days prior to the proposed termination by telephone, or a notice mailed, postage prepaid, to the Customer's service and billing address. The Agency shall notify the Property Owner or authorized agent of impending termination if Property owners has authorized a second party to receive billing statements.

If the Agency is unable to make contact with the customer by telephone, and written notice is returned through the mail as undeliverable, the Agency shall make a reasonably good faith effort to visit the residence and leave or make other arrangements for placement in a conspicuous place, a notice of imminent termination of domestic service for nonpayment.

9.2.1 As set forth in Section II(B)(1) of the Residential Discontinuation Policy, the Overdue Notice shall constitute notice of the impending termination of Domestic Water Service and shall include:

1. The Customer's name and address.
2. The amount of the delinquency.
3. The date by which payment or arrangement for payment is required in order to avoid discontinuation of residential service.
4. A description of the process to apply for an extension of time to pay the delinquent charges.
5. A description of the procedure to petition for bill review and appeal.
6. A description of the procedure by which the customer may request a deferred, reduced, or alternative payment schedule, including an amortization of the delinquent residential service charges, consistent with the Agency's



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

policy to avoid discontinuation of domestic service for nonpayment.

9.2.2 Customer Appeal

If the Customer appeals their bill and submits a request for account review in accordance with Section IV of the Residential Discontinuation Policy, Domestic Water Service shall not be discontinued while an appeal is pending. The Agency will thereafter determine if Domestic Water Service shall be continued or terminated.

9.2.3 Domestic Water Service through a Residential Master Meter

Before terminating Domestic Water Service to residential Customers served through a master meter or individually metered Domestic Water Service connection in a multiunit residential structure, mobile home park or farm labor camp where the owner, manager or farm labor employer is listed by the Agency as the Customer of record for the Domestic Water Service, the Agency shall provide notice as specified in Section II(F) of the Residential Discontinuation Policy.

9.2.4 No Notice Required

Prior to termination of Domestic Water Service, notice is not required when the illegal noncompliance (i.e., tampering), violation or infraction of these Regulations by the Customer results, or is likely to result, in dangerous or unsanitary conditions on the Property or in the water system or elsewhere. In such cases, the Agency may order immediate termination of Domestic Water Service.

9.3 Termination of Domestic Water Service initiated by the Agency

9.3.1 Termination of Domestic Water Service may also be initiated by the Agency under the following circumstances:

1. Where conditions of use have changed materially to the point where new or additional fees or charges are due or other charges in the Domestic Water Service are required or appropriate but the Customer refuses to agree to the additional fees or charges in the Domestic Water Service, the Agency may terminate the Domestic Water Service; provided, however, that if the reason for the termination is the non-payment of such fees or charges after imposition by the Agency, then the Agency shall comply with the procedures set forth in the Residential Discontinuation Policy.
2. Where excessive demands by one Customer may result in inadequate Domestic Water Service to others or;



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

3. To protect itself against fraud or abusive conduct on the part of the Customer and,
4. As provided in this Section and in Parts 4 and 13 of these Regulations.

The Agency shall not terminate Domestic Water Service by reason of delinquency in payment or otherwise cause cessation of Domestic Water Services on any Saturday, Sunday, legal holiday, or at any time when Agency business offices are not open to the public.

9.4 Medical Provision

9.4.1 As provided in Section II(C) of the Residential Discontinuation Policy, Residential Service will not be terminated for nonpayment if all of the following conditions are met:

1. Customer submits certification of a primary care provider that discontinuation of residential service will be life threatening to, or pose a serious threat to the health and safety of, a resident of the premises where service is provided;
2. Customer demonstrates he or she is financially unable to pay for water service within the Agency’s normal billing cycle, including if the customer or any member of the customer’s household is (a) a current recipient of the following benefits: CalWORKS, CalFresh, general assistance, Medi-Cal, SSI/State Supplementary Program or California Special Supplemental Nutrition Program for Women, Infants and Children; or (b) the customer declares the household’s annual income is less than 200% of the federal poverty level; and
3. Customer is willing to enter into an amortization agreement, alternative payment schedule, or a plan for a deferred or reduced payment with respect to all delinquent charges consistent with the Rules and Regulations. The repayment option provided should result in repayment of any remaining outstanding balance within twelve (12) months.

9.4.2 Residential service may be discontinued if:

1. Final notice of intent to disconnect service is posted at the property at least five (5) business days prior to the termination date where either of the following has occurred:
  - a. Customer fails to comply and is at least sixty (60) days delinquent on the amortization agreement, alternative payment schedule or deferred or



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

reduced payment plan; or

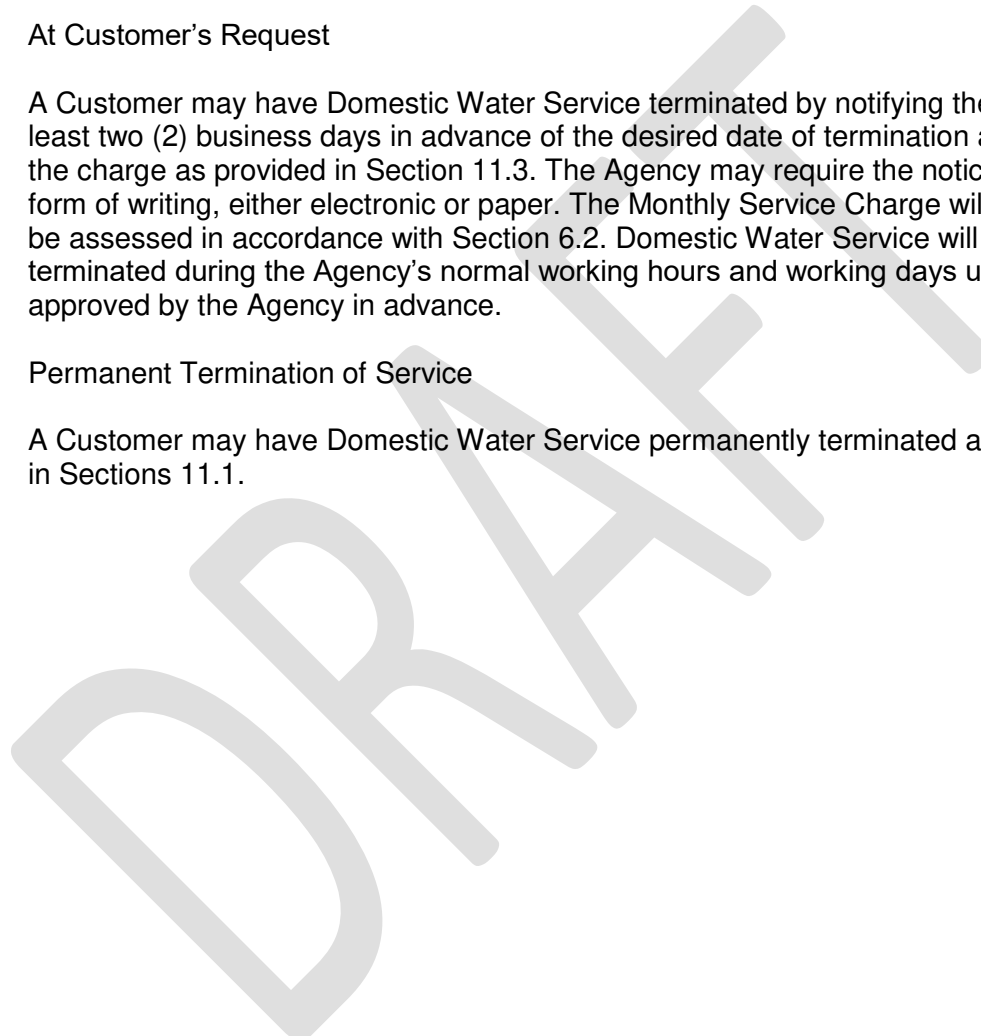
- b. Customer fails to pay current residential service charges for sixty (60) days or more while participating in an amortization agreement, alternative payment schedule, or a deferral or a reduction in payment plan for delinquent charges.

9.5 At Customer’s Request

A Customer may have Domestic Water Service terminated by notifying the Agency at least two (2) business days in advance of the desired date of termination and by paying the charge as provided in Section 11.3. The Agency may require the notice to be in the form of writing, either electronic or paper. The Monthly Service Charge will continue to be assessed in accordance with Section 6.2. Domestic Water Service will only be terminated during the Agency’s normal working hours and working days unless approved by the Agency in advance.

9.6 Permanent Termination of Service

A Customer may have Domestic Water Service permanently terminated as provided for in Sections 11.1.





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|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**PART 10 – RESTORATION OF DOMESTIC WATER SERVICE**

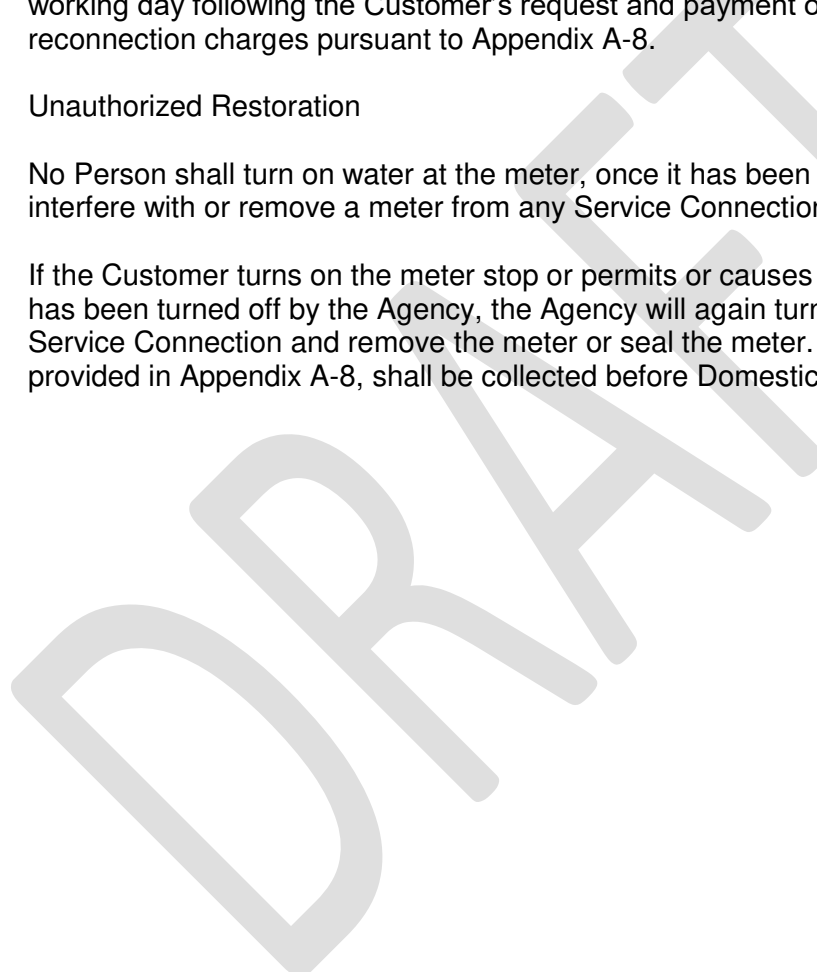
10.1 General Provisions

A Customer whose Domestic Water Service has been terminated may have it Restored and must pay a restoration fee as set forth in Section 6.2.4. The Agency will endeavor to make reconnections as soon as practicable, to suit the Customer’s convenience; however, the Agency shall make the reconnection before the end of the next regular working day following the Customer’s request and payment of any applicable reconnection charges pursuant to Appendix A-8.

10.2 Unauthorized Restoration

No Person shall turn on water at the meter, once it has been shut off by the Agency, or interfere with or remove a meter from any Service Connection.

If the Customer turns on the meter stop or permits or causes it to be turned on after it has been turned off by the Agency, the Agency will again turn off the Domestic Water Service Connection and remove the meter or seal the meter. An additional charge, as provided in Appendix A-8, shall be collected before Domestic Water Service is Restored.







|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**PART 11 – TURN ON AND TURN OFF PROCEDURES AND CHARGES**

**11.1 Permanently Discontinue Water Service**

A Customer must request that water service be discontinued permanently. Such a request must be made by giving at least two working day’s advance notice to the Agency. If such notice is not given, all charges applied to the Customer’s account will be the sole responsibility of the current Customer until the Agency is notified, the account is closed and the water service is either turned off or at which time a new Customer has accepted responsibility by completing the necessary application forms as set forth in Section 4.2. The Agency does not backdate any disconnection of water service.

**11.2 Temporary Turn-off of Water Service “Emergency”**

A Customer must request that the water service be turned off for any emergency that causes water to flow from the meter or Customer’s property due to a water leak. Water service that is turned off by any person other than Agency personnel or without Agency authorization is prohibited and may be subject to fines or additional charges or fees.

**11.3 Turn-off by the Agency**

The Agency may disconnect a Customer's service for various reasons that are listed below. Such involuntary disconnections are affected by turning off and locking the meter, thereby stopping the water service; the Agency will make a reasonable attempt to notify the Customer of disconnection in person or will place a disconnection notice on the premises served by the disconnected meter prior to termination. Any disconnection by the Agency shall result in a charge to the Customer, as provided in Section 6.2.3.

Reasons for involuntary disconnection include, but are not limited to, the following:

**11.3.1 Non-Payment of Bills**

A service may be disconnected for non-payment of periodic bills as specified in the Residential Discontinuation Policy. Before a service is disconnected, the Customer will be notified by an Overdue Notice as set forth in Sections 8.18.2. A service may be disconnected for non-payment of bills of a Customer whether or not the payment delinquency is associated with water service at that service connection or at any other water service connection of that same Customer.

**11.3.2 Non-Compliance with Rules**

The Agency may discontinue service to any Customer for violation of the Agency's rules and regulations after it has given the Customer at least five days' written notice of such intention and the violation remains uncured. Where safety



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

of water supply is endangered, service may be discontinued immediately without notice.

### 11.3.3 Water Waste

In order to protect against serious and or negligent water waste, the Agency may at its discretion, temporarily turn off the water service to the property at which said water waste is taking place as provided in Section 12.1. The Agency may require any leaks or water waste practices to be remedied or the flow of water mitigated prior to the reconnection of water service to the property as to not promote or prolong any water waste event to the detriment of the Agency and its Customers.

Upon reconnection of water service by any non-Agency personnel and the failure of the Customer to correct any water waste event, the Customer's water service shall be terminated. Service will be restored only after the water waste has been remedied, and Customer has paid the reconnection charge as set forth in Appendix A-8. Any damage caused by the temporary or permanent disconnection of water service due to any serious and or negligent water waste shall be the sole responsibility of the Customer.

### 11.3.4 Unsafe or Hazardous Conditions

The Agency may disconnect a service without notice if unsafe or hazardous conditions are found to exist on the Customer's premises. The Agency will immediately notify the Customer of the reasons and the necessary corrections required before reconnection. Such unsafe or hazardous conditions may exist due to defective appliances or equipment that may be detrimental to the Customer, the Agency or to the Agency's other customers.

### 11.3.5 Fraudulent Use of Service

When the Agency has discovered that a Customer has obtained service by fraudulent means, or has diverted the water service for unauthorized use, the service to that Customer may be discontinued without notice. The Agency will not restore service to such Customer until that Customer has complied with all applicable rules and reasonable requirements of the Agency and the Agency has been reimbursed for the full amount of the service rendered and the actual cost to the Agency incurred by reason of the fraudulent use.

### 11.3.6 Emergency

The Agency has personnel on call twenty-four (24) hours a day, seven (7) days a week to assist Customer's whose water service has previously been turned off



| POLICIES, RULES AND REGULATIONS       |                               |
|---------------------------------------|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b> |                               |
| Approval Date: February 2020          | Effective Date: February 2020 |
| Approved By: Board of Directors       | DMS #18986                    |

for an emergency. The Customer must contact the Agency to request that the water service be turned back on to ensure that no damage occurs when turning the water back on. Water service that is turned on by any person other than Agency personnel or without Agency authorization is in violation of Section 10.2 and may be subject to fines or additional charges or fees.

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|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**PART 12 – WATER EFFICIENCY AND CONSERVATION**

12.1 General Provisions

Water efficiency and conservation are critical components in the Agency’s comprehensive strategy for meeting current and future water needs to its Customers. Water use regulations effectively reduce waste and fulfill regulatory requirements of the Agency’s applicable ordinances and the State of California as stated in EO-B-37.16, Making Water Conservation a California Way of Life. As a condition of service, Customers of the Agency must use water delivered through the Agency’s system in a manner that promotes efficiency and avoids waste.

12.2 Prohibited Practices

12.2.1 State Prohibited Practices

1. Hosing off sidewalks, driveways, and other hardscapes;
2. Washing automobiles with hoses not equipped with a shut-off nozzle;
3. Using non-recirculated water in a fountain or other decorative water feature;
4. Watering lawns in a manner that causes runoff, or within 48 hours after measurable precipitation; and
5. Irrigating ornamental turf on public street medians.

12.2.2 Enforcement Actions and Penalty Fees. If a customer commits any of the State Prohibited Practices, the Agency may take the following enforcement actions:

1. First Violation: A written courtesy notice or Door tag delivered to the Customer along with water conservation material.
2. Second Violation. For a second complaint within six (6) calendar months of the courtesy notice, a written warning in the form of a non-compliance, corrective-action letter sent to the customer.
3. Third and Subsequent Violations. For a third violation, the Agency at its discretion may charge a water waste penalty fee of \$50.00 per day and increase of \$50.00 for each subsequent violation up to a maximum of \$500.00 per day.
4. Separate Violations. Each day a violation occurs is a separate violation.



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

### 12.2.3 Notices

All notices shall contain, in addition to the facts of the violation, a statement of the possible penalties for the present violation for which the notice was written and each subsequent violation, a statement of the anticipated date of the penalty, if any, will be enacted for the present violation, and a statement informing the customer of the customer's right to a hearing on the violation.

### 12.2.4 Hearing

Any customer against whom a restriction or limitation is levied has the right to a hearing and a right to appeal to the Board of Directors. Written request from customer to the Agency must be received within fifteen (15) working days of the date of notification of the violation. Enactments of the appropriate penalty shall be deferred until the appeal is resolved.

### 12.2.5 Reservation of Rights

The rights of the Agency hereunder shall be cumulative to any other right of the Agency to discontinue service. All monies collected by the Agency pursuant to any of the penalty provisions of the chapter shall be deposited in the water revenue fund as reimbursement for the Agency's costs and expenses of administering and enforcing this regulation.

## 12.3 Use of Water Saving Devices and Practices

Each Customer of the Agency is urged to install devices to reduce the quantity of water to flush toilets and to reduce the flow rate of showers. Each Customer is further urged to adopt such other water usage and re-usage practices and procedures as are feasible and reasonable.

## 12.4 Use of Recycled Water

Where recycled water is available and, where consistent with applicable law, the Customer shall use such recycled water for landscape irrigation and other non-potable applications. Separate facilities shall be utilized for the transportation and delivery of recycled water.

## 12.5 Rules and Regulations

The Agency may adopt such rules and regulations imposing restrictions on the use and consumption of water as it may deem appropriate. Violation of Agency regulations governing water conservation may result in termination of service, as provided in Section 9.1.



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

## 12.6 Cross Connections

The Agency has a Cross-Connection Control Program (CCCP). The CCCP incorporates such a plan and can be requested from the Agency.

## 12.7 Unlawful Acts

In order to protect public water supplies, certain acts are, by state law, misdemeanors and in some instances, penalties are punishable by imprisonment in the county jail for not more than one year or in the state prison. Among the more significant statutes involving criminal acts with respect to water systems are:

### 12.7.1 CA Penal Code Section 498

It is a misdemeanor to tamper, divert, and make connection or reconnection to any Agency meters, hydrants or facilities with intent to obtain for himself or herself utility services without paying the full lawful charge and without the authorization or consent of the utility.

### 12.7.2 CA Penal Code Section 624

Every person who willfully breaks, digs up, obstructs, or injures any pipe or main for conducting water, or any works erected for supplying buildings with water, or any appurtenances or appendages connected thereto, is guilty of a misdemeanor.

### 12.7.3 CA Penal Code Section 625

Every person who, with intent to defraud or injure, opens or causes to be opened, or draws water from any stopcock or faucet by which the flow of water is controlled, after having been notified that the same has been closed or shut for specific cause, by order of competent authority, is guilty of a misdemeanor.

### 12.7.4 CA Health and Safety Code Sections 4450 to 4457

Any act that leads to the pollution of any conduit or reservoir.

## 12.8 Fire Hydrant Damage

When any person, company, or agency is determined to be the responsible party that has caused damage of a fire hydrant or blow off valve, the Agency may charge that party with all costs necessary to repair the damages and the cost of water loss computed on basis of duration of flow and flow rate.



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

### 12.9 Private Fire Protection Service

All facilities utilized by the Customer in providing private fire protection to the premises are the property of the Customer, who shall be responsible for the costs of installation, repair and maintenance of the private fire protection system.

### 12.10 Use and Testing

Upon prior written request and approval of the Agency, the Customer may test the system at no cost. Testing a private fire protection system without prior Agency approval constitutes Unauthorized Water Use and shall result in a fine as provided in Section 6.2.10.

There shall be no water used through the private fire protection system, except to extinguish fires and for testing.

#### 12.10.1 No Connection to Other System

There shall be no connection between the private fire protection system and any other water distribution system on the premises.

#### 12.10.2 Rates

The monthly charge depends on the size of the detector check, as set forth in Appendix A-2. Allowable uses are for testing with prior Agency approval, or to fight a fire, which has been reported to the fire department.

For testing, consumption charges are waived. No charge will be made for water used to fight a fire.

#### 12.10.3 Water for Fire Storage Tanks

Occasionally, water may be obtained from a private fire protection system to fill a storage tank that is part of the fire protection system, but only with prior written authorization from the Agency and only where an approved means of measuring the flow quantities is available. Water so used will be billed at regular service rates.

### 12.11 Water Leak Adjustment Policy

Occasionally, the Agency is asked to adjust a customer's bill because of high water consumption on the customer's side of the meter due to unanticipated water leakage. The primary responsibility to maintain and monitor water use, plumbing, and security



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

from vandalism belongs to the customer or property owner with respect to water on the customer’s side of the meter.

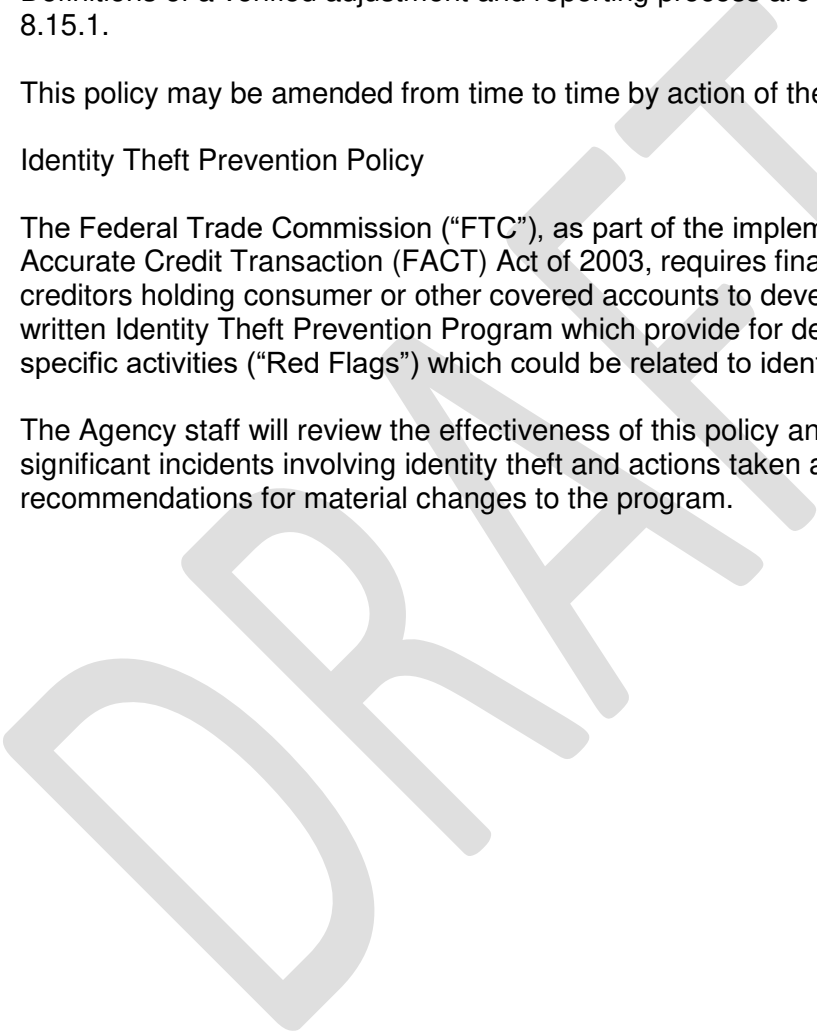
As set forth in Section 8.15, excessive water use due to leaks may qualify for a leak adjustment. This is an effort to relieve the customer from the rare occurrence of those leaks uncommon or catastrophic in nature and beyond the control of the customer. Definitions of a verified adjustment and reporting process are presented in Section 8.15.1.

This policy may be amended from time to time by action of the Board of Directors.

12.12 Identity Theft Prevention Policy

The Federal Trade Commission (“FTC”), as part of the implementation of the Fair and Accurate Credit Transaction (FACT) Act of 2003, requires financial institutions and creditors holding consumer or other covered accounts to develop and implement a written Identity Theft Prevention Program which provide for detection of and response to specific activities (“Red Flags”) which could be related to identity theft.

The Agency staff will review the effectiveness of this policy annually, document any significant incidents involving identity theft and actions taken and include recommendations for material changes to the program.







|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

## **PART 13 – CONDITIONS OF DOMESTIC WATER SERVICE**

### 13.1 General Provisions

#### 13.1.1 Maintenance of Domestic Water Service

The Agency will exercise reasonable diligence and care to furnish and deliver a continuous and sufficient supply of water to the Customer and to avoid any shortage or interruption of delivery of same. The Agency is not liable for interruption, shortage, insufficiency of supply or any loss or damage occasioned thereby, if same is caused by accident, act of God, fire, strike, riot, war or any other cause not within its control.

#### 13.1.2 Suspension of Domestic Water Service

The Agency, whenever it finds it necessary for the purpose of making repairs or improvements to the Water System, may suspend Domestic Water Service temporarily. This temporary suspension of service will inactivate a fire suppression system that is provided water through the Customer's service connection. In all such cases, a reasonable notice thereof, as circumstances will permit, will be given to the Customer. The making of such repairs or improvements will be done as rapidly as practicable and, if practicable, at such times as will cause the least inconvenience to the Customers.

#### 13.1.3 Pressure

The Agency attempts to operate the Domestic Water System within a static pressure range between forty (40) to one hundred fifty (150) pounds per square inch (psi). However, there are times and areas where static water pressure is outside this range. Applicants connecting to the Domestic Water System in an area with a static water pressure below sixty (60) psi will be required to execute a Low-Pressure Agreement. If the static water pressure exceeds eighty (80) psi, an individual pressure regulating valve is required on the Customer Service Line as required by the Uniform Plumbing Code.

The Agency assumes no obligation to deliver water to elevations higher than its existing facilities serve. Where Properties are situated at such an elevation that the Applicant cannot be assured of a dependable supply from the Domestic Water System and/or the desired rates of flow and/or pressure required by the particular operation to be conducted on the Property cannot be assured by the Agency, the Applicant, in consideration of Agency approval of a Service Connection, accepts such Domestic Water Service as the Agency is able to render from its Water System. The Applicant agrees to construct, if necessary, and maintain at its sole expense on its Property a tank and/or a booster pump of



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

sufficient capacity to furnish an auxiliary supply of water at such times as pressure in the Domestic Water System may be insufficient to supply the Property with water. In addition, a backflow prevention device may be required in accordance with the Agency’s Cross Connection Control Plan. The Applicant will be required to execute a written release to the Agency for all claims for failure to furnish an adequate water supply.

Due to topography, and other causes, the water pressure is not uniform over the Agency’s Service Area. The installation of new Domestic Water Infrastructure and/or modifications to the Water System operation, may result in water pressure changes to various areas within the Service Area. The Agency will attempt to maintain adequate pressure and/or flow at all existing Service Connections; however, Customers dependent upon a continuous water supply shall provide adequate storage for emergencies and to prevent damage, at their sole expense, if required by the Agency.

**13.1.4 Responsibility**

The Agency owns, operates and maintains the Service Connection, up to and including the meter. The Property Owner is responsible for the Customer Service Line after the meter.

The Agency is not responsible for the delivery of water through private pipelines or any damage resulting from the operation of same.

**13.1.5 Liability**

The Customer waives any and all claims of any nature against the Agency, except those related to gross negligence on the part of the Agency and releases the Agency from any liability for damage to the Customer’s system, Property and appliances from any cause whatsoever not resulting from gross negligence on the part of the Agency. The Customer further waives any and all claims of any nature against the Agency and releases the Agency from any liability for losses or damage to the Property receiving Domestic Water Service, which may involve quantity, quality, foreign material, time or occasion of the delivery of domestic water by the Agency.

**13.1.6 Damage to Meter by Hot Water**

The Customer shall be liable for damage to the meter caused by hot water from the Property. The deformation or warp of a disc or a registered figured disc of any meter shall be held to be prima facie evidence of such damage having been caused by the action of heat. Should such damage occur, the Customer will be notified to correct the plumbing conditions causing such damage and will be



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

charged for the cost of repairs to the meter. Should the condition not be corrected, and the meter repair bill not paid within ten (10) days after notice, Domestic Water Service to the Property may be terminated and Domestic Water Service will not be Restored until the bill is paid, together with a charge for restoration of service, as provided for in Section 10.1.

**13.1.7 Transfer of Meters**

No Person shall transfer or move a meter to a new location without Agency authorization once it has been installed by the Agency at any Service Connection. Such transfer or removal will constitute an unauthorized connection or installation. The Customer is responsible for loss or damage to a meter from the time it is installed until it is removed by the Agency. Any Person who is determined by Agency staff to have violated the provisions of this section shall be subject to a penalty as provided in Appendix A-10; Domestic Water Service may be terminated, Agency facilities removed or locked off and the Agency may also file a civil action to recover damages as authorized by Water Code Sections 31080 and 31102.

**13.2 Change in Water Usage**

A Customer making any change to a Property that may result in a material increase of water demand originally described on the Domestic Water Service application shall immediately give the Agency a written notice of the nature of the change. Any such changes must then be approved by the Agency and/or modifications must be made at the Owner’s expense and in conformance with Agency requirements. Failure to notify the Agency of such change or failure to comply with these regulations is considered an unauthorized use of domestic water and shall result in costs and penalties as provided for in Appendix A-10.

**13.3 Communication**

**13.3.1 To Customer**

Nonemergency notifications from the Agency to a Customer will normally be given by telephone or in writing and either mailed or delivered to the street address described in the application for service. In cases where the Property Owner has authorized another party, such as a Tenant, to be billed, the Agency will also provide a copy of the notice to the Property Owner, at its request, as provided in Section 8.4.

Emergency notifications for small service areas including schools, hospitals, health care centers, day care centers, convalescent homes and other critical facilities will be accomplished by door-to-door contact, email, phone calls and



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

door hangers using available domestic water, water service and water quality personnel and the billing information available to the Agency from the Customer’s application form. Notification in the affected service area(s) will be completed within twenty-four (24) hours of being directed by the County Department of Public Health (CDPH).

Emergency notifications for large service areas including schools, hospitals, health care centers, day care centers, convalescent homes and other critical facilities will be performed through electronic communication. Agency Resources personnel will conduct a press conference where a notice by CDPH will be furnished to the news media. This includes all radio and television stations broadcasting in the area and all local and general area newspapers. Notification in the affected service area(s) will be completed within twenty-four (24) hours of being directed by the CDPH.

A map of the affected service area will be on display at the press conference and distributed to the media and to special telephone answering personnel who accept calls and answer questions from consumers twenty-four (24) hours a day. In addition, the map of the affected service area will be posted on the Agency’s website.

**13.3.2 To Agency**

Nonemergency notifications from the Customer to the Agency may be given and accepted by any appropriate means of delivery, including but not limited to, electronically, by phone call, by mail or in person.

Customers shall contact the Agency’s twenty-four-hour (24-hour) emergency operators at (661) 294-0828 to request immediate assistance.

**13.4 Conflict with Agency Domestic Water Infrastructure**

Any Person making improvements or changes to its Property which may interfere with Agency easement rights, endanger Domestic Water Infrastructure or cause additional funds to be expended on operation and maintenance, shall be approved by the Agency.

**13.5 Resale of Water**

No Person shall enter into any contract or agreement to resell domestic water it receives from the Agency. No Person shall deliver or cause to be delivered domestic water acquired from the Agency, to any Property other than that described in the application for Domestic Water Service. Discovery of such action by the Agency may be cause for immediate termination of service without additional notification.



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

### 13.6 Unauthorized Use of Domestic Water or the Water System

The actions listed below are prohibited by these Regulations; penalties are provided for in Appendix A-10. Unpaid penalties shall be included on the Customer’s bill and will be due and payable before Domestic Water Service will be restored. The Property Owner is liable for payment of all unpaid bills, costs, loss, damage, penalties, charges, or fees regardless of user or use associated with the Unauthorized Use of Domestic Water or the Water System.

- 13.6.1 To operate or attempt to operate a public or private fire hydrant or detector check, except for the suppression of fire or except when a permit for a Temporary Service Connection is issued, as provided for in Section 14.3.
- 13.6.2 To cause or permit the waste of water from the Water System or to maintain or cause or permit to be maintained any leaky outlets, apparatus or plumbing fixtures through which water is permitted to waste including, but not limited to, detector checks.
- 13.6.3 To use water for washing sidewalks and driveways in a manner that prevents the usual and customary use of public streets and sidewalks by others.
- 13.6.4 To permit water sprinklers to spray onto sidewalks and streets or to permit water to run from the Customer’s Property onto public sidewalks and streets in such a manner as to cause risk and/or damage to the public or to public and private Property.
- 13.6.5 To cause or permit the waste of water by operating any equipment that uses water in a “single pass” operation. Examples of this use include, but are not limited to, water cooled equipment (i.e. refrigerators, freezers, ice machines, chillers, cooling towers, air conditioners, heat exchangers, ice cream dispensers, yogurt dispensers and precoolers) and commercial vehicle washes (i.e. car and/or truck washes).
- 13.6.6 To change or alter the original intended use of the meter and what it serves.

In addition to assessing penalties provided for in Appendix A-10, the Agency may seek criminal prosecution, as authorized by Section 498 of the California Penal Code for which any Person who, with intent to obtain for himself or herself Domestic Water Service without paying the full lawful charge therefor, or with intent to enable another Person to do so, or with intent to deprive the Agency of any part of the full lawful charge for Domestic Water Service it provides, commits, authorizes, solicits, aids or abets any of the following:

1. Divert or causes to be diverted Domestic Water Service, by any means.



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

2. Prevents any Domestic Water Service meter, or other device used in determining the charge for Domestic Water Services, from accurately performing its measuring function by tampering or by any other means.
3. Tampers with any Property owned by or used by the Agency to provide Domestic Water Service.
4. Makes or causes to be made any connection with or reconnection with Property owned or used by the Agency to provide Domestic Water Service without the authorization or consent of the Agency.
5. Uses or owns the property that receives the direct benefit of all or a portion of Domestic Water Service and/or has knowledge or reason to believe that the diversion, tampering, or unauthorized connection existed at the time of that use, or that the use or receipt was otherwise without the authorization or consent of the Agency.

Furthermore, the Agency may seek criminal prosecution for the presence of any of the following objects, circumstances or conditions on Property controlled by the Customer or by the Person using or receiving the direct benefit of all or a portion of Domestic Water Service obtained in violation of Section 498 of the California Penal Code shall permit an inference that the Customer or Person intended to and did violate Section 498 of the California Penal Code:

- a. Any instrument, apparatus or device primarily designed to be used to obtain Domestic Water Service without paying the full lawful charge therefor.
- b. Any meter that has been altered, tampered with or bypassed so as to cause no measurement or inaccurate measurement of Domestic Water Service.

### 13.7 Ground Wire Attachment

Any Person is liable for any damage to the Water System or Agency personnel which may be occasioned by the attachment of any ground wire or wires to any plumbing which is or may be connected to the Water System.

### 13.8 Unused Service Connection

A Permanent Service Connection which has been inactive for a period of one hundred eighty (180) consecutive days may be considered unused and the meter may be



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

removed by the Agency. Thereafter, any Person desiring service for the Property, or any portion thereof, formerly supplied by such inactive Service Connection shall make application for Domestic Water Service. In cases where the Agency has removed the meter from the Property, the Applicant will be required to pay the applicable charge for a permanent Service Connection installation. In cases where the meter has not been removed from the Property, the Applicant will be required to pay the current charge for Restoration of service as provided for in Section 10.1.

### 13.9 Quick Closing Valve

#### 13.9.1 Operating Conditions

No Person shall install or use a quick closing valve or other device when such valve or device during its operation causes a water hammer or an abrupt change of pressure in the Water System. When such a condition exists, the Customer will be required to discontinue use of such valve or device immediately upon notification by the Agency and may be liable for costs to repair any damage caused to the Agency's Domestic Water Service Infrastructure.

#### 13.9.2 Notice of Correction

If the notice of correction of such condition is not complied with, service will be discontinued until the correction is made by a proper installation to eliminate all such water hammer or abrupt change of pressure.

### 13.10 Responsibility for Equipment

The Customer shall, at its own risk and expense, furnish, install and keep in good and safe condition all of the equipment on the Customer's side of the meter that may be required for receiving, controlling, applying and utilizing water. The Agency is not responsible for any loss or damage caused by improper installation of such equipment, negligence, want of proper care or wrongful act of the Customer or of any of its Tenants, agents, employees, contractors, licensees or permittee in installing or maintaining, using, operating or interfering with such equipment. The Agency is not responsible for damage to Property caused by spigots, faucets, valves and other equipment that are open when water is turned on at the meter.

### 13.11 Damage

Any Person who is determined by Agency staff to have violated the provisions of this section shall be subject to a penalty as provided in Appendix A-12, Domestic Water Service may be terminated, Agency facilities removed or locked off and the Agency may also file a civil action to recover damages as authorized by Water Code Sections 31080 and 31102.



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**PART 14 – PRIVATE FIRE PROTECTION SERVICE CONNECTION AND RESIDENTIAL FIRE SPRINKLER SYSTEM**

14.1 General Provisions

When a Private Fire Protection Service Connection (PFPS) is installed, the control valve will be left closed and sealed until a written order to turn on the water is received from the Property Owner. The Agency is not liable for damage of any kind or for any reason that may occur on or to the Property served.

14.2 Special Provisions

14.2.1 PFPS -Larger than Two-inch (2-inch)

For PFPS larger than two-inch (2-inch) in diameter, a single detector check, double check detector assembly, or required pressure detector assembly must be installed in accordance with the Agency's Cross Connection Control Plan.

14.2.2 PFPS Charges

The Agency's charges for a PFPS, as noted in this Section, are set out in Appendix A-2.

14.3 Authorized Purpose

A PFPS shall be used for no other purpose than for the discharge of water in case of fire. Except for PFPS installed in accordance with Section 14.2, water for firefighting purposes will be provided without charge in amounts as required.

14.4 Inspection and Tests

Agency employees have the right to enter the Property to make investigations and tests of the PFPS. The Customer, or its designated representative, shall accompany the Agency employee(s) during such inspections and tests.

The Customer shall be responsible to conduct inspections and tests of its private fire protection system.

14.5 Option to Bill

If the Agency determines that a PFPS is being used for purposes other than fire extinguishing or the testing of the fire line, the Agency will send a warning letter to the Owner of the PFPS. If, after thirty (30) days from the date the notice is sent, the unauthorized use continues, the Owner of the PFPS shall be subject to a penalty as





| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

provided in Appendix A-10 and service may be terminated, and Agency facilities removed or locked off. The Agency may also file a civil action to recover damages as authorized by Water Code Sections 31080 and 31102. The General Manager may waive this penalty based upon good cause arising from the circumstances involved.

**14.6 Termination of Service**

**14.6.1 PFPSC -Larger Than Two-inch (2-inch)**

If water is used for purposes other than permitted herein, the Agency may terminate the PFPSC or may install a domestic or fire flow meter at the Customer's expense, and thereafter, the service shall be classified as a Permanent Service Connection and will be billed at the prevailing charge as provided in Section 6.2. The Agency is not liable for damage which may result from said termination of service.

**14.6.2 PFPSC -Two-inch (2-inch) or Less**

**1. Installed in Accordance with Section 14.2.1**

The Agency may terminate service in accordance with Section 11.3, Termination of Service. The Agency is not liable for damage which may result from said termination of service.

If water is used for purposes other than permitted herein, the Agency may terminate the PFPSC, or the service shall be classified as a Permanent Service Connection and will be billed at the prevailing charge as provided in Section 6.2.

The Agency is not liable for damage which may result from said termination of service.

**14.7 Residential Fire Sprinkler System**

Effective January 1, 2011, Residential Fire Sprinklers are required by California Residential Code, Title 24, Part 2.5 for new construction.

**14.7.1 General Provisions**

A single Permanent Service Connection shall provide water service for both the domestic water and residential fire sprinkler portions of the Customer Service Line. The customer will provide the Agency with the required domestic water and residential fire sprinkler water demands and minimum pressures at the time of application for service. The Permanent Service Connection will be sized to meet



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

these demands and pressure requirements.

#### 14.7.2 Special Provisions

A reduced pressure backflow device will be required when the premise is also served by a non-potable water source.

#### 14.7.3 Termination of Service

The Agency may terminate service in accordance with Section 11.3, Termination of Service. The Agency is not liable for damage which may result from said termination of service.

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|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**PART 15 – CROSS CONNECTION CONTROL PLAN**

15.1 General Provisions

The Agency has developed a Cross-Connection Control Plan (CCCP) to protect the potable water supply against actual or potential Cross Connections by isolating, within the Property, contamination or pollution that may occur because of undiscovered or unauthorized Cross Connection on the Property. The provisions set forth in the CCCP are in accordance with Titles 17 and 22 of the California Code of Regulations.

The provisions set forth the CCCP shall be in addition to and not in lieu of the controls and requirements of other provisions of these Regulations or of other regulatory agencies, such as local governmental agencies and local and State Health Departments but may report same to other appropriated agencies if discovered: The Agency is not responsible for abatement of Cross Connections which may exist within the Customer's Property.

The Agency has developed an active Cross-Connection Control Plan with a certified Cross Connection Control program coordinator to administer the program. Any questions or notifications regarding Cross Connections shall be directed to the Agency's CCCP and its Cross-Connection Control coordinator.

DRAFT



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**PART 16 – ENFORCEMENT AND APPEALS**

16.1 General Provisions

Any Person found to be violating any provision of these Rules and Regulations or the terms and conditions of the Applicant’s service agreement, permit or any and all applicable federal, state, or local statutes, regulations, ordinances or other requirement shall be served by the Agency with written notice that 1) states the nature of the violation, 2) provides a time limit to correct and 3) refers to Sections 8.14 and 9.2 of these Regulations, and to the Residential Discontinuation Policy, where applicable, as describing the hearing and appeals procedures for customers wishing to contest a notice of violation.

16.2 Corrective Action

The Customer shall, within the time limit stated in such notice, permanently correct the violation. Failure to do so within the time stated may result in termination of Domestic Water Service by the Agency as provided for in Section 11.3.

The Agency has the right to terminate Domestic Water Service immediately if the violation impacts the Agency’s obligation to protect public health.

Domestic Water Service will not be Restored until such conditions or defects are corrected. A charge will be made for the restoration of service as provided for in Section 10.1.

16.3 Appeals (other than appeals relating to the discontinuation of Domestic Water Service for non-payment, which shall be governed by the provisions of Section IV of the Residential Discontinuation Policy)

16.3.1 Hearing and Administrative Procedures

A customer may appeal a decision, enforcement of a policy or procedure, rate, fee, charge, or penalty by submitting a written appeal to the General Manager of the Agency. However, the appeal rights set forth in this Section shall not apply to termination of service for non- payment of a domestic water bill. An appeal must be made in writing and submitted to the General Manager within five (5) business days of the effective date of service termination, or within thirty (30) days of the effective date of any other enforcement action or decision. Any such appeal shall include the specific decision, policy, procedure, rate, charge, or penalty being challenged, a detailed description regarding the nature of the challenge, evidence supporting the challenge, and the remedy requested.



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

The hearing on the Customer’s appeal will be conducted by the Agency's General Manager, or his or her designated representative. The hearing shall be held as soon as reasonably possible. If service has been terminated, reasonable efforts should be made to hold the hearing within five (5) business days of receipt of the written appeal and the Customer shall be promptly notified of the date, time and place of the hearing. At the hearing, the Customer shall be given a reasonable opportunity to present information in support of the Customer's appeal. Agency staff will be given the opportunity to reply.

Absent extenuating circumstances, written notice of the decision by the General Manager, or his or her designated representative, should be given to the Customer within five (5) business days of the close of the hearing. The decision by the General Manager, or his or her designated representative, will be final.

A failure to file a timely appeal in accordance with this Section shall be deemed a waiver of the right to appeal and will be considered a failure to exhaust administrative remedies which may impact any attempt by the Customer for any judicial review.

**16.4 Enforcement**

In the event a Customer submits an appeal under the procedures set forth in Section 16.3 above, enforcement of the violation shall be suspended until written notice of the decision by the General Manager or his or her designated representative has been submitted to the Customer. The notice of the decision shall be deemed to be submitted to the Customer upon the Agency depositing it in the U.S. mail. Termination for nonpayment of a water bill is not subject to appeal under these provisions and as a result, such enforcement will not be suspended.



| POLICIES, RULES AND REGULATIONS       |                               |
|---------------------------------------|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b> |                               |
| Approval Date: February 2020          | Effective Date: February 2020 |
| Approved By: Board of Directors       | DMS #18986                    |

## **PART 17 - VALIDITY**

### 17.1 Validity

If any portion of these Regulations or the application thereof to any Person or circumstance is for any reason held to be unconstitutional or invalid, such decision shall not affect the validity of the remaining portions of these Regulations or the application of such provision to other Persons or circumstances.

The Board hereby declares that in the event that a court of competent jurisdiction determines that any provision of these Regulations to be unconstitutional or otherwise invalid, it would nevertheless have adopted the remaining provisions.

DRAFT



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**Appendix A-1 - Charges**

A-1 General Provisions

The charges applicable to Domestic Water Service are listed in the following appendices. Reference to the applicable part, section, or subsection of these Regulations is included.

The charges set forth in this part are hereby established and fixed. In accordance with Section 53750(h)(2)(b) of the California Government Code and subject to approval of the Board of Directors, the Agency may institute an increase or decrease of any charges listed in the following appendices.

DRAFT



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**Appendix A-2 - Permanent Service Connection Monthly Service Charge**

The Monthly Service Charge for a Permanent Service Connection is assessed on a monthly basis. See adopted rate reports by Division for additional information.

Table A-2 Effective January 1, 2020

| Meter Size (inches) | Newhall Water Division | Santa Clarita Water Division | Valencia Water Division |
|---------------------|------------------------|------------------------------|-------------------------|
| 5/8 x 3/4           | N/A                    | \$ 22.32                     | \$ 16.81                |
| 3/4                 | \$ 16.14               | \$ 30.28                     | \$ 25.22                |
| 1                   | \$ 26.96               | \$ 46.16                     | \$ 42.03                |
| 1 1/2               | \$ 53.75               | \$ 85.90                     | \$ 84.06                |
| 2                   | \$ 86.04               | \$ 133.56                    | \$ 134.50               |
| 2 1/2               | \$ 129.13              | N/A                          | N/A                     |
| 3                   | \$ 161.42              | \$ 260.72                    | \$ 252.19               |
| 4                   | \$ 269.08              | \$ 403.74                    | \$ 420.31               |
| 6                   | \$ 538.00              | \$ 801.04                    | \$ 840.63               |
| 8                   | \$ 860.84              | \$1,277.81                   | \$1,345.00              |
| 10                  | \$1,237.58             | N/A                          | \$1,933.44              |
| 12                  | N/A                    | N/A                          | \$2,774.07              |
| 14                  | N/A                    | N/A                          | \$3,782.82              |





| POLICIES, RULES AND REGULATIONS       |                               |
|---------------------------------------|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b> |                               |
| Approval Date: February 2020          | Effective Date: February 2020 |
| Approved By: Board of Directors       | DMS #18986                    |

### Appendix A-3 – Special Fire Monthly Service Charge

The Monthly Service Charge for a Special Fire Service is assessed on a monthly basis. See adopted rate reports by Division for additional information.

Table A-3 Effective January 1, 2020

| Meter Size (inches) | Newhall Water Division | Santa Clarita Water Division | Valencia Water Division |
|---------------------|------------------------|------------------------------|-------------------------|
| 1                   | N/A                    | \$ 3.08                      | N/A                     |
| 2                   | \$ 22.97               | \$ 6.15                      | \$ 8.36                 |
| 4                   | \$ 73.78               | \$ 12.28                     | \$ 16.72                |
| 6                   | \$ 139.55              | \$ 18.41                     | \$ 25.08                |
| 8                   | \$ 218.31              | \$ 24.54                     | \$ 33.44                |
| 10                  | N/A                    | \$ 30.66                     | \$ 41.80                |
| 12                  | N/A                    | \$ 36.79                     | \$ 50.16                |
| 14                  | N/A                    | \$ 42.92                     | \$ 58.52                |
| 16                  | N/A                    | \$ 49.05                     | N/A                     |
| 18                  | N/A                    | \$ 55.18                     | N/A                     |
| 20                  | N/A                    | \$ 61.30                     | N/A                     |



| POLICIES, RULES AND REGULATIONS       |                               |
|---------------------------------------|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b> |                               |
| Approval Date: February 2020          | Effective Date: February 2020 |
| Approved By: Board of Directors       | DMS #18986                    |

**Appendix A-4 - Temporary Service Connection Monthly Service Charge**

The Monthly Service Charge for a Temporary Service Connection is assessed on a monthly basis. See adopted rate reports by Division for additional information.

Table A-4

| Temporary Connection      |                        |                              |                         |
|---------------------------|------------------------|------------------------------|-------------------------|
| From a Fire Hydrant       | Newhall Water Division | Santa Clarita Water Division | Valencia Water Division |
| 2 ½ - 3 inch              | \$ 129.13              | \$ 260.72                    | \$ 252.19               |
| 6 inch                    | \$ 538.00              | \$ 801.04                    | N/A                     |
| Jumper                    |                        |                              |                         |
| 3/4 inch                  | \$ 24.00               | N/A                          | \$ 34.42*               |
| 1 inch                    | N/A                    | \$ 56.11*                    | \$ 51.23*               |
|                           |                        |                              |                         |
| *includes 5 billing units |                        |                              |                         |



| POLICIES, RULES AND REGULATIONS       |                               |
|---------------------------------------|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b> |                               |
| Approval Date: February 2020          | Effective Date: February 2020 |
| Approved By: Board of Directors       | DMS #18986                    |

**Appendix A-5 - Permanent Service Connection Consumption Charge**

The Consumption Charge is quantitative and assessed on a monthly basis per unit of water (748 gallons). See adopted rate reports by Division for additional information.

Table A-5 Effective January 1, 2020

|  | <b>Newhall Water Division</b> | <b>Santa Clarita Water Division</b> | <b>Valencia Water Division</b> |
|--|-------------------------------|-------------------------------------|--------------------------------|
| Domestic Water Supply per Billing Unit | \$ 2.8542                     | \$ 1.99                             | \$ 1.839                       |
| Recycled Water per Billing Unit        | N/A                           | N/A                                 | \$ 1.577                       |

DRAFT



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**Appendix A-6 - Temporary Service Connection Consumption Charge**

The Consumption Charge is quantitative and assessed on a monthly basis. See adopted rate reports by Division for additional information.

Table A-6 Effective January 1, 2020

|  | <b>Newhall Water Division</b> | <b>Santa Clarita Water Division</b> | <b>Valencia Water Division</b> |
|--|-------------------------------|-------------------------------------|--------------------------------|
| Domestic Water Supply per Billing Unit | \$ 2.8542                     | \$ 1.99                             | \$ 1.839                       |

DRAFT



| POLICIES, RULES AND REGULATIONS       |                               |
|---------------------------------------|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b> |                               |
| Approval Date: February 2020          | Effective Date: February 2020 |
| Approved By: Board of Directors       | DMS #18986                    |

**Appendix A-7 - Temporary Service Connection Installation Charge**

The Temporary Service Connection charge is assessed on a one-time basis and payment is required prior to the Agency providing Domestic Water Service.

The cost to relocate an existing Temporary Service Connection is listed below.

Table A-7

| Installation Type                | Deposit by Meter Size |             |
|----------------------------------|-----------------------|-------------|
|                                  | 2 ½-3 inch            | 6 inch      |
| From a Fire Hydrant (Meter Only) | \$ 1,200.00           | \$ 1,500.00 |
| Fire Hydrant (Billing Deposit)   | \$ 500.00             | \$ 500.00   |



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**Appendix A-8 Restoration or Reconnection of Service Fee**

The Restoration or Reconnection of Service fee is assessed on a one-time basis and payment is required prior to the Agency reactivating Domestic Water Service. In addition, all other outstanding charges must be paid in full prior to reactivation. Charges described below are only applicable to existing Customers.

Table A-8

| <b>Restoration Time Description</b>                                 | <b>Amount</b> |
|---|---------------|
| Standard Next Day Restoration (during normal Agency business hours) | \$ 30.00      |
| Express Restoration (after normal Agency business hours)            | \$ 70.00      |
| Agency observed holidays  | \$ 90.00      |

DRAFT



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**Appendix A-9 Fire Flow Test Charge**

The Fire Flow Test charge is assessed at the time of request by any person and payment is required prior to the Agency performing the test.

Table A-9

| Fire Flow Test | Amount    |
|----------------|-----------|
| All locations  | \$ 175.00 |

DRAFT



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**Appendix A-10 - Penalties for Unauthorized Use of the Agency's Domestic Water System**

Table A-10

| Description of Unauthorized Use  | Penalty Charge  |
|--|---|
| Unauthorized Installation/Connection/Use Penalty   | \$ 1,000 each offense                                   |
| Unauthorized use of a Private Fire Protection Service Connection   | \$ 1,000 each offense                                   |
| Cutting Agency lock or bypassing meter   | \$ 50.00  |
| Damage to meter, pipeline, tank, well site or other component of the Domestic Water Service Infrastructure | \$525.00 or actual cost of repair, whichever is greater |
| Broken meter stop/shut off valve   | \$ 300.00   |

DRAFT





|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**Appendix A-11 - Domestic Water Service Application Fee and Deposit**

Domestic Water Service Application Fee and Deposit (when required).

Table A-11

| Account Description | Deposit Amount         |
|---------------------|------------------------|
| Fee                 | \$ 20.00               |
| Deposit*            | 3-months average usage |

DRAFT



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**Appendix A-12 - Domestic Water Service Miscellaneous Fees**

Table A-12

| <b>Fee Description</b>              | <b>Amount</b>  |
|-------------------------------------|--|
| Returned Payment Fee                | \$ 35.00   |
| Late Fee – Overdue Notice generated | \$25.00  |
| Disconnection/Restoration Fee       | \$ 30.00   |
| Out of Agency Fee                   | To Be Determined   |
| Meter Test Fee*                     | \$ 112.00  |
| Pulled Meter Fee                    | Actual cost to Agency  |
| Turn off at Main                    | Actual cost to Agency  |
| Property Damage                     | Actual cost to Agency plus 10% overhead  |
| Unread Meter Fee                    | \$ 200.00  |
| Water Waste Penalty Fee             | \$50.00/day – Additional \$50.00/day for each subsequent violation up to a max of \$500.00 |

\*No charge if meter is inaccurate



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

**Appendix A-13 – Policy on Discontinuation of Residential Water Service for Non-Payment**

Notwithstanding any other policy or rule, this Policy on Discontinuation of Residential Water Service for Non-Payment shall apply to the discontinuation of residential water service for non-payment under the provisions set forth herein. In the event of any conflict between this Policy and any other policy or rule, this Policy shall prevail.

- I. **Application of Policy; Contact Telephone Number:** This policy shall apply only to residential water service for non-payment and all existing policies and procedures shall continue to apply to commercial and industrial water service accounts. Further assistance concerning the payment of water bills and the potential establishment of the alternatives set forth in this policy to avoid discontinuation of service can be obtained by calling (661) 294-0828.
  
- II. **Discontinuation of Residential Water Service for Non-Payment:**
  - A. **Rendering and Payment of Bills:** Bills for water service will be rendered to each consumer on a monthly basis unless otherwise provided for in the rate schedules. Bills for service are due and payable upon presentation and become overdue and subject to discontinuation of service if not paid within sixty (60) days from the date of the bill. Payment may be made at the office or to any representative authorized to make collections. However, it is the consumer’s responsibility to assure that payments are received at the specified location in a timely manner. Partial payments are not authorized unless prior approval has been received. Bills will be computed as follows:
    - 1. Meters will be read at regular intervals for the preparation of periodic bills and as required for the preparation of opening bills, closing bills, and special bills.
    - 2. Bills for metered service will show the meter reading for the current and previous meter reading period for which the bill is rendered, the number of units, date, and days of service for the current meter reading.
    - 3. Billings shall be paid in legal tender of the United States of America. Notwithstanding the foregoing, the Supplier shall have the right to refuse any payment of such billings in coin.
  
  - B. **Overdue Bills:** The following rules apply to consumers whose bills remain unpaid for more than sixty (60) days following the invoice date:



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

1. Overdue Notice: If payment for a bill rendered is not made on or before the forty-fifth (45<sup>th</sup>) day following the invoice date, a notice of overdue payment (the “Overdue Notice”) will be mailed to the water service consumer approximately at least seven (7) business days prior to the possible discontinuation of service date identified in the Overdue Notice. For purposes of this policy, the term “business days” shall refer to any days on which the Supplier’s office is open for business. If the consumer’s address is not the address of the property to which the service is provided, the Overdue Notice must also be sent to the address of the property served, addressed to “Occupant.” The Overdue Notice must contain the following:

- a. Consumer’s name and address;
- b. Amount of delinquency;
- c. Date by which payment or arrangement for payment must be made in order to avoid discontinuation of service;
- d. Description of the process to apply for an extension of time to pay the amount owing (see Section III(D), below);
- e. Description of the procedure to petition for review and appeal of the bill giving rise to the delinquency (see Section IV, below); and
- f. Description of the procedure by which the consumer can request a deferred, amortized, reduced or alternative payment schedule (see Section III, below).

The Supplier may alternatively provide notice to the consumer of the impending discontinuation of service by telephone. If that notice is provided by telephone, the Supplier shall offer to provide the consumer with a copy of this policy and also offer to discuss with the consumer the options for alternative payments, as described in Section III, below, and the procedures for review and appeal of the consumer’s bill, as described in Section IV, below.

2. Unable to Contact Consumer: If the Supplier is not able to contact the consumer by written notice (e.g., a mailed notice is returned as undeliverable) or by telephone, the Supplier will make a good faith effort to visit the residence and leave, or make other arrangements to place in a conspicuous location, a notice of imminent discontinuation of service for non-payment, and a copy of this Policy.
3. Late Charge: A Late Charge, as specified in the Supplier’s schedule of fees and charges, shall be assessed and added to the outstanding balance on the consumer’s account if the amount owing on that account is not paid before the Overdue Notice is generated.



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

4. Turn-Off Deadline: Payment for water service charges must be received in the Supplier's offices no later than 4:30 p.m. on the date specified in the Overdue Notice. Postmarks are not acceptable.
  
5. Notification of Returned Check: Upon receipt of a returned check rendered as remittance for water service or other charges, the Supplier will consider the account not paid. The Supplier will attempt to notify the consumer in person and leave a notice of termination of water service at the premises. Water service will be disconnected if the amount of the returned check and returned check charge are not paid by the due date specified on the notice, which due date shall not be sooner than the date specified in the Overdue Notice; or if an Overdue Notice had not been previously provided, no sooner than the sixtieth (60<sup>th</sup>) day after the invoice for which payment by the returned check had been made. To redeem a returned check and to pay a returned check charge, all amounts owing must be paid by cash or certified funds.
  
6. Returned Check Tendered as Payment for Water Service Disconnected for Nonpayment:
  - a. If the check tendered and accepted as payment which resulted in restoring service to an account that had been disconnected for nonpayment is returned as non-negotiable, the Supplier may disconnect said water service upon at least three (3) calendar days' written notice. The consumer's account may only be reinstated by receipt of outstanding charges in the form of cash or certified funds. Once the consumer's account has been reinstated, the account will be flagged for a one-year period indicating the fact that a non-negotiable check was issued by the consumer.
  
  - b. If at any time during the one-yea period described above, the consumer's account is again disconnected for nonpayment, the Supplier may require the consumer to pay cash or certified funds to have that water service restored.
  
- C. Conditions Prohibiting Discontinuation: The Supplier shall not discontinue residential water service if all of the following conditions are met:
  1. Health Conditions – The consumer or tenant of the consumer submits certification of a primary care provider that discontinuation of water service



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

would (i) be life threatening, or (ii) pose a serious threat to the health and safety of a person residing at the property;

2. Financial Inability – The consumer demonstrates he or she is financially unable to pay for water service within the water system’s normal billing cycle. The consumer is deemed “financially unable to pay” if any member of the consumer’s household is: (i) a current recipient of the following benefits: CalWORKS, CalFresh, general assistance, Medi-Cal, SSI/State Supplementary Payment Program or California Special Supplemental Nutrition Program for Women, Infants and Children; or (ii) the consumer declares the household’s annual income is less than 200% of the federal poverty level (see this link for the federal poverty levels applicable in California: <https://www.healthforcalifornia.com/covered-california/income-limits>); and
3. Alternative Payment Arrangements – The consumer is willing to enter into an amortization agreement, alternative payment schedule or a plan for deferred or reduced payment, consistent with the provisions of Section III, below.

- D. Process for Determination of Conditions Prohibiting Discontinuation of Service: The burden of proving compliance with the conditions described in Subdivision (C), above, is on the consumer. In order to allow the Supplier sufficient time to process any request for assistance by a consumer, the consumer is encouraged to provide the Supplier with the necessary documentation demonstrating the medical issues under Subdivision (C)(1), financial inability under Subdivision (C)(2) and willingness to enter into any alternative payment arrangement under Subdivision (C)(3) as far in advance of any proposed date for discontinuation of service as possible. Upon receipt of such documentation, the Supplier’s General Manager, or his or her designee, shall review that documentation and respond to the consumer within



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

seven (7) calendar days to either request additional information, including information relating to the feasibility of the available alternative arrangements, or to notify the consumer of the alternative payment arrangement, and terms thereof, under Section III, below, in which the Supplier will allow the consumer to participate. If the Supplier has requested additional information, the consumer shall provide that requested information within five (5) calendar days of receipt of the Supplier’s request. Within five (5) calendar days of its receipt of that additional information, the Supplier shall either notify the consumer in writing that the consumer does not meet the conditions under Subdivision (C), above, or notify the consumer in writing of the alternative payment arrangement, and terms thereof, under Section III, below, in which the Supplier will allow the consumer to participate. Consumers who fail to meet the conditions described in Subdivision (C), above, must pay the delinquent amount, including any penalties and other charges, owing to the Supplier within the latter to occur of: (i) two (2) business days after the date of notification from the Supplier of the Supplier’s determination the consumer failed to meet those conditions; or (ii) the date of the impending service discontinuation, as specified in the Overdue Notice.

E. Special Rules for Low Income Consumers: Consumers are deemed to have a household income below 200% of the federal poverty line if: (i) any member of the customer’s household is a current recipient of the following benefits: CalWORKS, CalFresh, general assistance, Medi-Cal, SSI/State Supplementary Payment Program or California Special Supplemental Nutrition Program for Women, Infants and Children; or (ii) the consumer declares the household’s annual income is less than 200% of the federal poverty level (see this link for the federal poverty levels applicable in California: <https://www.healthforcalifornia.com/covered-california/income-limits>). If a consumer demonstrates either of those circumstances, then the following apply:

1. Reconnection Fees: If service has been discontinued and is to be reconnected, then any reconnection fees during the Supplier’s normal operating hours cannot exceed \$50, and reconnection fees during non-operational hours cannot exceed \$150. Those fees cannot exceed the actual cost of reconnection if that cost is less than the statutory caps. Those caps may be adjusted annually for changes in the Consumer Price Index for the Los Angeles-Long Beach-Anaheim metropolitan area beginning January 1, 2021.
2. Interest Waiver: The Supplier shall not impose any interest charges on delinquent bills.



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

F. Landlord-Tenant Scenario: The below procedures apply to individually metered detached single-family dwellings, multi-unit residential structures and mobile home parks where the property owner or manager is the customer of record and is responsible for payment of the water bill.

1. Required Notice:

- a. At least 10 calendar days prior if the property is a multi-unit residential structure or mobile home park, or 7 calendar days prior if the property is a detached single-family dwelling, to the possible discontinuation of water service, the Supplier must make a good faith effort to inform the tenants/occupants at the property by written notice that the water service will be discontinued.
- b. The written notice must also inform the tenants/occupants that they have the right to become customers to whom the service will be billed (see Subdivision 2, below), without having to pay any of the then delinquent amounts.

2. Tenants/Occupants Becoming Customers:

- a. The Supplier is not required to make service available to the tenants/occupants unless each tenant/occupant agrees to the terms and conditions for service and meets the Supplier’s requirements and rules.
- b. However, if (i) one or more of the tenants/occupants assumes responsibility for subsequent charges to the account to the Supplier’s satisfaction, or (ii) there is a physical means to selectively discontinue service to those tenants/occupants who have not met the Supplier’s requirements, then the Supplier may make service available only to those tenants/occupants who have met the requirements.
- c. If prior service for a particular length of time is a condition to establish credit with the Supplier, then residence at the property and proof of prompt payment of rent for that length of time, to the Supplier’s satisfaction, is a satisfactory equivalent.
- d. If a tenant/occupant becomes a customer of the Supplier and the tenant’s/occupant’s rent payments include charges for residential water service where those charges are not separately stated, the tenant/occupant may deduct from future rent payments all





| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

reasonable charges paid to the Supplier during the prior payment period.

**III. Alternative Payment Arrangements:** For any consumer who meets the three conditions under Section II(C), above, in accordance with the process set forth in Section II(D), above, the Supplier shall offer the consumer one or more of the following alternative payment arrangements, to be selected by the Supplier in its discretion: (i) amortization of the unpaid balance under Subdivision (A), below; (ii) alternative payment schedule under Subdivision (B), below; (iii) partial or full reduction of unpaid balance under Subdivision (C), below; or (iv) temporary deferral of payment under Subdivision (D), below. The General Manager, or his or her designee, shall, in the exercise of reasonable discretion, select the most appropriate alternative payment arrangement after reviewing the information and documentation provided by the consumer and taking into consideration the consumer's financial situation and Supplier's payment needs.

A. Amortization: Any consumer who is unable to pay for water service within the normal payment period and meets the three conditions under Section II(C), above, as the Supplier shall confirm, may, if the Supplier has selected this alternative, enter into an amortization plan on the following terms:

1. Term: The consumer shall pay the unpaid balance, with the administrative fee and interest as specified in Subdivision (2), below, over a period not to exceed twelve (12) months, as determined by the General Manager or his or her designee; provided, however, that the General Manager or his or her designee, in their reasonable discretion, may apply an amortization term of longer than twelve (12) months to avoid undue hardship on the consumer. The unpaid balance, together with the applicable administrative fee and any interest to be applied, shall be divided by the number of months in the amortization period and that amount shall be added each month to the consumer's ongoing monthly bills for water service.
2. Administrative Fee; Interest: For any approved amortization plan, the consumer will be charged an administrative fee, in the amount established by the Supplier from time to time, representing the cost of initiating and administering the plan. At the discretion of the General Manager or his or her designee, interest at an annual rate not to exceed eight percent (8%) shall be applied to any amounts to be amortized under this Subsection A.
3. Compliance with Plan: The consumer must comply with the amortization plan and remain current as charges accrue in each



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

subsequent billing period. The consumer may not request further amortization of any subsequent unpaid charges while paying delinquent charges pursuant to an amortization plan. Where the consumer fails to comply with the terms of the amortization plan for sixty (60) calendar days or more, or fails to pay the consumer's current service charges for sixty (60) calendar days or more, the Supplier may discontinue water service to the consumer's property at least five (5) business days after posting at the consumer's residence a final notice of its intent to discontinue service.

B. Alternative Payment Schedule: Any consumer who is unable to pay for water service within the normal payment period and meets the three conditions under Section II(C), above, as the Supplier shall confirm, may, if the Supplier has selected this alternative, enter into an alternative payment schedule for the unpaid balance in accordance with the following:

1. Repayment Period: The consumer shall pay the unpaid balance, with the administrative fee and interest as specified in Subdivision (2), below, over a period not to exceed twelve (12) months, as determined by the General Manager or his or her designee; provided, however, that the General Manager or his or her designee, in their reasonable discretion, may extend the repayment period for longer than twelve (12) months to avoid undue hardship on the consumer.
2. Administrative Fee; Interest: For any approved alternative payment schedule, the consumer will be charged an administrative fee, in the amount established by the Supplier from time to time, representing the cost of initiating and administering the schedule. At the discretion of the General Manager or his or her designee, interest at an annual rate not to exceed eight percent (8%) shall be applied to any amounts to be paid under this Subsection B.
3. Schedule: After consulting with the consumer and considering the consumer's financial limitations, the General Manager or his or her designee shall develop an alternative payment schedule to be agreed upon with the consumer. That alternative schedule may provide for periodic lump sum payments that do not coincide with the established payment date, may provide for payments to be made more frequently than monthly, or may provide that payments be made less frequently than monthly, provided that in all cases, subject to Subdivision (1), above, the unpaid balance and administrative fee shall be paid in full within twelve (12) months of establishment of the payment schedule.



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

The agreed upon schedule shall be set forth in writing and be provided to the consumer.

4. Compliance with Plan: The consumer must comply with the agreed upon payment schedule and remain current as charges accrue in each subsequent billing period. The consumer may not request a longer payment schedule for any subsequent unpaid charges while paying delinquent charges pursuant to a previously agreed upon schedule. Where the consumer fails to comply with the terms of the agreed upon schedule for sixty (60) calendar days or more, or fails to pay the consumer’s current service charges for sixty (60) calendar days or more, the Supplier may discontinue water service to the consumer’s property at least five (5) business days after posting at the consumer’s residence a final notice of its intent to discontinue service.
- C. Reduction of Unpaid Balance: Any consumer who is unable to pay for water service within the normal payment period and meets the three conditions under Section II(C), above, as the Supplier shall confirm, may, if the Supplier has selected this alternative, receive a reduction of the unpaid balance owed by the consumer, not to exceed thirty percent (30%) of that balance without approval of and action by the Board of Directors; provided that any such reduction shall be funded from a source that does not result in additional charges being imposed on other customers. The proportion of any reduction shall be determined by the consumer’s financial need, the Supplier’s financial condition and needs and the availability of funds to offset the reduction of the consumer’s unpaid balance.
1. Repayment Period: The consumer shall pay the reduced balance by the due date determined by the General Manager or his or her designee, which date (the “Reduced Payment Date”) shall be at least fifteen (15) calendar days after the effective date of the reduction of the unpaid balance.
  2. Compliance with Reduced Payment Date: The consumer must pay the reduced balance on or before the Reduced Payment Date, and must remain current in paying in full any charges that accrue in each subsequent billing period. If the consumer fails to pay the reduced payment amount within sixty (60) calendar days after the Reduced Payment Date, or fails to pay the consumer’s current service charges for sixty (60) calendar days or more, the Supplier may discontinue water service to the consumer’s property at least five (5) business days after posting at the consumer’s residence a final notice of its intent to discontinue service.



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

- D. Temporary Deferral of Payment: Any consumer who is unable to pay for water service within the normal payment period and meets the three conditions under Section II(C), above, as the Supplier shall confirm, may, if the Supplier has selected this alternative, have payment of the unpaid balance temporarily deferred for a period of up to six (6) months after the payment is due. The Supplier shall determine, in its discretion, how long of a deferral shall be provided to the consumer.
1. Repayment Period: The consumer shall pay the unpaid balance by the deferral date (the “Deferred Payment Date”) determined by the General Manager or his or her designee. The Deferral Payment Date shall be within twelve (12) months from the date the unpaid balance became delinquent; provided, however, that the General Manager or his or her designee, in their reasonable discretion, may establish a Deferred Payment Date beyond that twelve (12) month period to avoid undue hardship on the consumer.
  2. Compliance with Reduced Payment Date: The consumer must pay the reduced balance on or before the Deferred Payment Date, and must remain current in paying in full any charges that accrue in each subsequent billing period. If the consumer fails to pay the unpaid payment amount within sixty (60) calendar days after the Deferred Payment Date, or fails to pay the consumer’s current service charges for sixty (60) calendar days or more, the Supplier may discontinue water service to the consumer’s property at least five (5) business days after posting at the consumer’s residence a final notice of its intent to discontinue service.

IV. Appeals: The procedure to be used to appeal the amount set forth in any bill for residential water service is set forth below. A consumer shall be limited to three (3) unsuccessful appeals in any twelve (12) month period and if that limit has been reached, the Supplier is not required to consider any subsequent appeals commenced by or on behalf of that consumer.

- A. Initial Appeal: Within ten (10) days of receipt of the bill for water service, the consumer has a right to initiate an appeal or review of any bill or charge. Such request must be made in writing and be delivered to the Supplier’s office. For so long as the consumer’s appeal and any resulting investigation is pending, the Supplier cannot discontinue water service to the consumer.
- B. Overdue Notice Appeal: In addition to the appeal rights provided under Subsection A, above, any consumer who receives an Overdue Notice



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

may request an appeal or review of the bill to which the Overdue Notice relates at least five business (5) days after the date of the Overdue Notice if the consumer alleges the bill is in error with respect to the quantity of water consumption set forth on that bill; provided, however, that no such appeal or review rights shall apply to any bill for which an appeal or request for review under Subsection A, above, has been made. Any appeal or request for review under this Subsection B must be in writing and must include documentation supporting the appeal or the reason for the review. The request for an appeal or review must be delivered to the Supplier's office within that five (5) business day period. For so long as the consumer's appeal and any resulting investigation is pending, the Supplier cannot discontinue water service to the consumer.

C. Appeal Hearing: Following receipt of a request for an appeal or review under Subsections A or B, above, a hearing date shall be promptly set before the General Manager, or his or her designee (the "Hearing Officer"). After evaluation of the evidence provided by the consumer and the information on file with the Supplier concerning the water charges in question, the Hearing Officer shall render a decision as to the accuracy of the water charges set forth on the bill and shall provide the appealing consumer with a brief written summary of the decision.

1. If water charges are determined to be incorrect, the Supplier will provide a corrected invoice and payment of the revised charges will be due within ten (10) calendar days of the invoice date for revised charges. If the revised charges remain unpaid for more than sixty (60) calendar days after the corrected invoice is provided, water service will be disconnected, on the next regular working day after expiration of that sixty (60) calendar day period; provided that the Supplier shall provide the consumer with the Overdue Notice in accordance with Section II(B)(1), above. Water service will only be restored upon full payment of all outstanding water charges, fees, and any and all applicable reconnection charges.

- a. If the water charges in question are determined to be correct, the water charges are due and payable within two (2) business days after the Hearing Officer's decision is rendered. At the time the Hearing Officer's decision is rendered, the consumer will be advised of the right to further appeal before the Board of Directors. Any such appeal must be filed in writing within seven (7) calendar days after the Hearing Officer's decision is rendered if the appeal



| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
|--|-------------------------------|
| <b>Title: CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

or review is an initial appeal under Subdivision A above, or within three (3) calendar days if the appeal or review is an Overdue Notice appeal under Subdivision B, above. The appeal hearing will occur at the next regular meeting of the Board of Directors, unless the consumer and Supplier agree to a later date.

- b. For an initial appeal under Subdivision A, above, if the consumer does not timely appeal to the Board of Directors, the water charges in question shall be immediately due and payable. In the event the charges are not paid in full within sixty (60) calendar days after the original billing date, then the Supplier shall provide with the Overdue Notice in accordance with Section II(B)(1), above, and may proceed in potentially discontinuing service to the consumer’s property.
- c. For an Overdue Notice appeal under Subdivision B, above, if the consumer does not timely appeal to the Board of Directors, then water service to the subject property may be discontinued on written or telephonic notice to the consumer to be given at least twenty-four (24) hours after the latter to occur of: (i) expiration of the original sixty (60) calendar day notice period set forth in the Overdue Notice; or (ii) the expiration of the appeal period.
  - 2. When a hearing before the Board of Directors is requested, such request shall be made in writing and delivered to the Supplier at its office. The consumer will be required to personally appear before the Board and present evidence and reasons as to why the water charges on the bill in question are not accurate. The Board shall evaluate the evidence presented by the consumer, as well as the information on file with the Supplier concerning the water charges in question, and render a decision as to the accuracy of said charges.
    - a. If the Board finds the water charges in question are incorrect, the consumer will be invoiced for the revised charges. If the revised charges remain unpaid for more than sixty (60) calendar days after the corrected invoice is provided, water service will be disconnected, on the next regular working day after expiration of that sixty (60) calendar day period; provided that the Supplier shall provide the consumer with the Overdue Notice in accordance with Section II(B)(1), above. Water service will be restored only after outstanding water charges and



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b> |                               |
| Title: <b>CUSTOMER SERVICE POLICY</b>  |                               |
| Approval Date: February 2020           | Effective Date: February 2020 |
| Approved By: Board of Directors        | DMS #18986                    |

any and all applicable reconnection charges are paid in full.

- b. If the water charges in question are determined to be correct, the water charges are due and payable within two (2) business days after the decision of the Board is rendered. In the event the charges are not paid in full within sixty (60) calendar days after the original billing date, then the Supplier shall provide with the Overdue Notice in accordance with Section II(B)(1), above, and may proceed in potentially discontinuing service to the consumer's property.
- c. Any overcharges will be reflected as a credit on the next regular bill to the consumer, or refunded directly to the consumer, at the sole discretion of the Board.
- d. Water service to any consumer shall not be discontinued at any time during which the consumer's appeal to the Supplier or its Board of Directors is pending.
- e. The Board's decision is final and binding.

V. **Restoration of Service:** In order to resume or continue service that has been discontinued due to non-payment, the consumer must pay a security deposit and a Reconnection Fee established by the Supplier, subject to the limitation set forth in Section II(E)(1), above. The Supplier will endeavor to make such reconnection as soon as practicable as a convenience to the consumer. The Supplier shall make the reconnection no later than the end of the next regular working day following the consumer's request and payment of any applicable Reconnection Fee.

*(Originally adopted February 2020)*

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## COMMITTEE MEMORANDUM

**DATE:** January 6, 2019  
**TO:** Finance and Administration Committee  
**FROM:** Eric Campbell   
Chief Financial and Administrative Officer  
**SUBJECT:** Recommend Approval of a Community Facility District (CFD) Policy

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### SUMMARY

At the September 16, 2019 Finance and Administration Committee meeting, staff and the Committee discussed the creation of a Community Facility District (CFD) Policy that would establish requirements that must be met for the Santa Clarita Valley Water Agency (Agency) to participate in financing infrastructure costs through a CFD.

The policy describes the conditions that will determine if the Agency will participate in a CFD financing, how risk to the Agency is managed, and the CFD structures that the Agency may elect to participate in.

### DISCUSSION

CFDs are often created for establishing a method of financing public improvements, fees, or services by imposing a "special tax" on real property in a defined geographic area. CFDs issue bonds, repaid by homeowners through an annual levy of the CFD special tax. The special tax is commonly referred to as a "Mello-Roos" tax. The Agency has historically not facilitated capacity fees or regional facilities for new development to be financed through a CFD, whether the CFD was created by the Agency or an overlapping public agency.

Some public agencies, such as school districts, utilize CFDs to accelerate funding of fees or improvements. Theoretically, financing fees through a CFD should result in lower housing prices in the development area as the related infrastructure costs that are financed are excluded from the housing development costs.

The attached policy has been reviewed by the Agency's general counsel.

### FINANCIAL CONSIDERATIONS

None at this time.

### RECOMMENDATION

That the Finance and Administration Committee recommends that the Board of Directors review and discuss the attached proposed CFD policy.

Attachment

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|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b>                 |                               |
| Title: <b>COMMUNITY FACILITY DISTRICT (CFD) POLICY</b> |                               |
| Approval Date: February 2020                           | Effective Date: February 2020 |
| Approved By: Board of Directors                        |                               |

## **COMMUNITY FACILITY DISTRICT (CFD) POLICY**

### **1.0 INTRODUCTION**

This policy has been developed to formally establish requirements that must be met for the Santa Clarita Valley Water Agency (Agency or SCV Water) to participate in financing infrastructure costs through a Community Facility District (CFD). Community Facility Districts are often created for establishing a method of financing public improvements, fees, or services by imposing a “special tax” on real property in a defined geographic area. CFDs issue bonds, repaid by homeowners through an annual levy of the CFD special tax. The special tax is commonly referred to as a “Mello-Roos” tax. SCV Water has not utilized CFDs in the past, whether the CFD was created by the Agency or another public agency. The Agency’s primary benefit of participating in CFDs is that CFDs are a source of financing critical infrastructure that would not impact its existing debt coverage ratios. A secondary benefit of CFD financing is that it ensures that the new development property owners pay their share of the cost of growth in the Agency’s capacity to serve its customers.

This policy describes the conditions that will determine if the Agency will participate in a CFD financing, how risk to the Agency is managed, and the CFD structures that SCV Water may elect to participate in.

### **2.0 STATEMENT OF PURPOSE**

The purpose of SCV Water’s Community Facilities District Financing Policy is to ensure the Agency’s: prudent management of risk; financial stability; access to an additional financing tool during a period of significant infrastructure investment, while managing the equitable allocation of costs to its customers.

### **3.0 LIMITS AND CONSTRAINTS FOR CFD PARTICIPATION**

For the Agency to consider participating in a CFD, the following conditions must be met:

- Facility Capacity Fees will not be financed
- There must be a benefit to the Agency’s customers
- Staff time must be available to carry out the Agency’s responsibilities in establishing and administering the CFD, and the Agency’s ongoing administration costs must be included in the special tax
- A Deposit and Reimbursement Agreement between the Agency and the developer must be agreed upon whereby the developer pays all the Agency’s costs, including third party consultant and legal costs
- Prior to the formation of the CFD or the issuance or sale of special tax bonds, the Agency and Developer will have a completed an Acquisition Agreement, setting forth the terms upon which the Agency will acquire the specific infrastructure to be funded by the CFD and acquired using proceeds of the special taxes and/or bonds



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b>                 |                               |
| Title: <b>COMMUNITY FACILITY DISTRICT (CFD) POLICY</b> |                               |
| Approval Date: February 2020                           | Effective Date: February 2020 |
| Approved By: Board of Directors                        |                               |

- All Agreements shall be governed by, construed and enforced under the Constitution and laws of the State of California. Venue for any legal actions involving this Agreement shall rest with the Superior Court, County of Sacramento
- Another public agency must be the primary administrators

4.0 **PRUDENT MANAGEMENT OF RISK**

The risks and issues that the Agency has discussed regarding participation in CFD Financings are:

- Issue: What project development costs will the Agency not allow for inclusion in a CFD Financing?
  - The Agency will not allow its Facility Capacity Fees (FCFs) to be included in CFD Financing. FCFs must be paid by the developer when building permits are issued. CFDs may only be used to pay for the costs of infrastructure.
- Risk of developer default: What if the bonds are issued and the work is not undertaken? What if the water infrastructure is built but the homes are not built?
  - In either case, the developer would have title to the property. If the developer does not make timely debt service payments, the property may be foreclosed on and sale proceeds used to pay off the related debt. There will be no obligation or requirement for the Agency to pay the bonds.
- Risk of developer default: What steps are taken to ensure the creditworthiness of the bond issue?
  - The CSCDA works with advisors, consultants, and an underwriter to determine the credit quality and economic viability.
  - Specific credit quality requirements are mandated and documented in Section 53345.8 of Mello-Roos Community Facilities Act of 1982. (Bonding requirements)
  - The value of the real property subject to the special tax to pay debt service on the bonds would be at least four times the principal amount of the bonds to be sold, plus the principal amount of all other bonds outstanding that are secured by a special tax
  - In order to enhance the credit quality of bond issues, the Authority will require that each bond issue be secured by a reserve fund, funded in an amount no less than the least of: (a) 10% of the original proceeds of the bond issue, (b) maximum annual debt service on the bonds of such issue, or (c) 125% of the average annual debt service on the bonds of such issue.



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b>                 |                               |
| Title: <b>COMMUNITY FACILITY DISTRICT (CFD) POLICY</b> |                               |
| Approval Date: February 2020                           | Effective Date: February 2020 |
| Approved By: Board of Directors                        |                               |

- Risk of Developer default: How does the CSCDA manage the risk of environmental approval to construct?
  - Prior to the issuance of any CFD bonds, all environmental and/or land-use planning approvals, special permits (e.g. permits required by the Army Corps of Engineers, California Fish and Game, and other agencies), and approval by the city or county in whose jurisdiction the development lies of a tentative map must be obtained.
  
- Risk of ultimate property owner (residential/commercial) default on payment: What happens if the purchasers of the developed properties default on their special assessment tax?
  - Special taxes are secured by a notice of special tax lien recorded on each parcel of property special to the special taxes. The CFD bond shall provide for the judicial foreclosure of delinquent payments of special taxes. The ability to commence foreclosure shall be without further Commission action, and subsequent to notification to the property owner of a delinquency in form prescribed by law. Any costs advanced by the Authority to collect special taxes, including any actions taken related to foreclosure, shall be reimbursed by the proceeds of the foreclosure sale or other legally available funds from the CFD.
  
- Credit rating risk: How would financing through a CFD impact SCV Water credit rating and borrowing capacity?
  - There would be no impact. CFD bonds are secured by real property owned by the Developer and ultimately by the purchaser of the developed property. Additionally, given that the Agency will not be forming any CFDs, the Agency will not be associated with any debt issued by such CFDs. This is an important point as the Agency is planning significant capital infrastructure expenditure over the next ten years, and CFDs are a potential tool for funding some projects without driving up all customer rates.
  
- Cost recovery: How will the Agency ensure that all costs incurred in establishing the CFD and its role in administration of the CFD process are recovered?
  - The Agency will enter into a “Deposit and Reimbursement Agreement” with the Developer requiring the Developer to deposit an initial amount of funds into an account for the Agency to use to pay preliminary incidental costs and expenses incurred in connection with proceedings to implement a CFD. Should the account be drawn down to a determined amount, the Agency will notify the Developer to provide an additional deposit to enable continuing payments of preliminary expenses. Limited administrative costs may also be recovered from special tax proceeds.



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b>                 |                               |
| Title: <b>COMMUNITY FACILITY DISTRICT (CFD) POLICY</b> |                               |
| Approval Date: February 2020                           | Effective Date: February 2020 |
| Approved By: Board of Directors                        |                               |

- Cost of service impact on new customers: What is the dollar limit that SCV Water should set for financing water infrastructure projects in a CFD?
  - The total tax burden (that is, the maximum annual CFD special tax, together with ad valorem property taxes, special assessments, special taxes for any overlapping CFD , and any other taxes, fees and charges payable from and secured by the property) on any residential owner-occupied parcel in a CFD, shall not exceed 2% (the basic property tax levy of 1%, plus 1%) of the expected assessed value of such parcel upon completion of the public and private improvements relating thereto.

*(Originally adopted February 2020)*

DRAFT



## COMMITTEE MEMORANDUM

**DATE:** January 6, 2020

**TO:** Finance and Administration Committee

**FROM:** Rochelle Patterson *[Signature]*  
Director of Finance and Administration

**SUBJECT:** Recommend Approval to Enter Into a Contract with Fieldman Rolapp & Associates for Financial Advisor Services

### SUMMARY

Staff recommends a new one-year contract with Fieldman Rolapp & Associates (FRA) for as-needed debt management, municipal and financial advisory services in the amount not to exceed \$125,000 for the period of January 1, 2020 through December 31, 2020. The Agency first engaged FRA in 2008 to assist with the Agency's interest rate swap. In the last five years, the Agency has expensed \$68,044 with FRA for financial advisory services. (Expenses incurred for bond issuances will be recovered through bond proceeds.)

|            |             |
|------------|-------------|
| FY 2018/19 | \$14,562.08 |
| FY 2017/18 | \$16,369.42 |
| FY 2016/17 | \$13,664.30 |
| FY 2015/16 | \$ 3,281.25 |
| FY 2014/15 | \$20,166.50 |

### DISCUSSION

Staff recommends a new one-year contract based on FRA's continued good service, familiarity with the Agency's finances, its relationship with the rating agencies and its ongoing rapport with the Agency, as well as the good service and support that it has provided. Examples of ongoing work include obtaining ratings from the rating agencies for debt issuance as well as for ongoing rating agency surveillance, interpretation of Frank-Dodd rules and regulations and updating the Debt Management and Derivative policies. FRA resources can assist staff with upcoming projects, such as creating forecasting models for budgets, rates and capital planning.

FRA was the financial advisor for the Santa Clarita Water Division's issuance of new debt in 2017 (Series 2017A) and the Valencia Water Division issuance in 2018 (Series 2018A).

As the Agency considers the issuance of new bonds in 2020 to continue the Capital Improvement Program projects and refunding of existing debt, FRA will be instrumental in analyzing the Agency's options including sizing the potential bond issuance.

### FINANCIAL CONSIDERATIONS

The new contract would cover charges for services based on hourly rates as shown in the attached proposal (Attachment 1). Should the Agency issue debt, the fees would be based on

transaction size, and those fees would be covered by bond proceeds. Based on activity to date, staff recommends an amount not to exceed \$125,000 for on-going, as-needed debt management, municipal and financial advisory services.

**RECOMMENDATION**

That the Finance and Administration Committee recommends that the Board of Directors approve 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.

RP

Attachment







# Fieldman, Rolapp & Associates, Inc.

PROPOSAL TO PROVIDE

**MUNICIPAL ADVISORY SERVICES**

TO

**SANTA CLARITA VALLEY WATER AGENCY**



**December 13, 2019**

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December 13, 2019

Mr. Matt Stone, General Manager  
Santa Clarita Valley Water Agency  
27234 Bouquet Canyon Road  
Santa Clarita, CA 91350

Re: **Proposal for Contract Extension in Connection with Municipal Advisory Services**

Dear Mr. Stone:

We are pleased to submit this proposal to Santa Clarita Valley Water Agency (“SCVWA”, or the “Agency”) for Municipal Advisory Services. The experience of Fieldman, Rolapp & Associates, Inc. (the “Firm” or “FRA”) with water finance and providing municipal advisory services to the Agency for more than a decade will permit us to continue to provide unparalleled services and advice to the Agency. As you are aware, we are small enough to give you personalized service, yet large enough to offer that service in a very sophisticated manner.

Over the last ten years, FRA is one of California’s leading municipal financial advisors having advised on more California public utility related finance issues than any other financial advisory firm. The proposed team of professionals has in-depth knowledge of the Agency and has a proven record of delivering high quality advisory services and work products. Our commitment to supplying detailed quantitative analyses underlying each recommendation will facilitate the making of prudent decisions by SCVWA. We trust that the material contained herein will conclusively demonstrate the usefulness of engaging our team for another year.

FRA is the right advisor for SCVWA:

- We have provided advice that has (i) guided the Agency through the liquidity crisis in 2008; (ii) resulted in high credit ratings for the wholesale and retail issuers; and (iii) provided favorable results in numerous transactions.
- We have a long history of successful service to California municipalities, with an emphasis on water and wastewater enterprises, and have been providing independent financial advice to our clients for over 50 years.
- We are the most experienced financial advisor for water and wastewater financings in California. Since 2008, we have advised on 169 water/wastewater transactions totaling nearly \$5.3 billion in par amount of obligations sold.
- We develop debt issuance strategies that achieve high credit ratings, enabling issuers to access capital at the lowest possible cost.
- We have significant experience in developing financial models in support of reserve policy levels, long-range financial plans, and short-term funding plans.

The team is highly experienced and will seamlessly continue to work for SCVWA. We are confident that our unparalleled depth of knowledge and experience with SCVWA and the industry will provide the Agency with extraordinary service.

Respectfully submitted,  
**FIELDMAN, ROLAPP & ASSOCIATES, INC.**



Robert A. Porr  
Executive Vice President

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## TABLE OF CONTENTS

|                                       |   |
|---------------------------------------|---|
| 1. Statement of Firm Experience ..... | 1 |
| 2. Proposed Team .....                | 3 |
| 3. Proposed Fees .....                | 4 |

APPENDIX A: Project Team Resumes

APPENDIX B: Standard Proposal Regulatory Disclaimers & Disclosures

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## 1. STATEMENT OF FIRM EXPERIENCE

Fieldman, Rolapp & Associates, Inc. (“FRA” or the “Firm”) founded in 1966, is a full service, independent, financial advisory firm that is headquartered in Orange County, California. As an independent advisor, FRA neither underwrites bonds nor has a relationship, direct or otherwise, with any municipal bond underwriter, broker/dealer or financial institution. The Firm represents public entities and non-profit organizations only and does not represent for profit enterprises. Our staff of 15 (10 financial advisors), are all based in Irvine with one Partner of the firm now residing in Northern California. Through our Employee Stock Ownership Program (ESOP), our employees, as beneficial owners of the Firm, participate in an ownership culture. Each of us has a strong interest in being efficient and providing responsive service on each and every assignment.

For more than 50 years, FRA has provided financial advisory services to California municipalities and has had a dedicated focus on special districts providing California water and/or wastewater services. The results of our commitment to the California water industry are demonstrated by our rankings: FRA leads all other financial advisory firms in completing water/wastewater related financings for California entities, both special districts and California cities with water enterprises. The table to the right shows Refinitiv rankings of the top ten financial advisors’ experience with California water and/or wastewater bond issues over the past ten years.

| TOP 10 FINANCIAL ADVISORS IN CALIFORNIA<br>Water & Wastewater Financings, 2008 - 2018* |             |                          |
|--|-------------|--------------------------|
| FINANCIAL ADVISOR  | # of Issues | Par Amount<br>(US\$ mil) |
| 1 Fieldman Rolapp & Associates   | 169         | \$5,257                  |
| 2 Public Resources Advisory Group  | 137         | \$14,921                 |
| 3 PFM Financial Advisors LLC   | 114         | \$7,701                  |
| 4 Montague DeRose & Associates LLC   | 108         | \$14,475                 |
| 5 KNN Public Finance   | 43          | \$3,329                  |
| 6 Backstrom McCarley Berry & Co  | 32          | \$3,054                  |
| 7 Bartle Wells Associates  | 26          | \$871                    |
| 8 Hilltop Securities   | 20          | \$1,378                  |
| 9 Kitahata & Company   | 13          | \$1,294                  |
| 10 Frasca & Associates   | 9           | \$1,095                  |
| <b>TOP TEN TOTALS</b>  | <b>671</b>  | <b>\$53,375</b>          |

\* Source: Refinitiv, the Financial & Risk Business of Thomson Reuters as of May 16, 2019.  
Includes sole advisory roles only.

The number of transactions and assignments that we have completed and the diversity of our clients have given our professionals a better understanding of the business side of the municipal water/wastewater industry and the challenges faced. Challenges facing California utilities not only come from providing essential services, but from the financial markets. Our understanding of the water industry and thorough understanding of public finance permits us to address challenges with practical, yet effective financial solutions.

FRA concentrates its consulting activities in the following areas:

- Creating financial plans, whether short or long term, that allow our clients to successfully and economically fund capital needs.
- Developing debt management and reserve policies necessary to form a strong financial foundation.
- Preparing models that use alternative funding sources and clearly present financial outcomes to allow clients to make fully informed decisions.
- Establishing credit rating objectives and strategies to ensure capital market access at the lowest cost possible.
- Timely execution of financing plans by aggressively managing the capital funding process.
- Advising on investing capital and operating moneys to maximize earnings without risk to principal or sacrificing liquidity.
- Advising on using (or terminating) interest rate swaps and other hedging mechanisms to address specific financial risks.

Although each activity can be addressed individually, our approach views each of our consulting activities as an integral component of a global strategy. Our advice addresses every aspect of a client’s financial status. By

concentrating on a client's global strategy, the Firm provides practical and cost-effective advice in every aspect of the capital process.

## Customized Financial Models

Some examples of customized financial models we frequently create include:

**Financial modeling to determine optimal debt structures.** FRA is familiar with each of the traditional public funding structures – private placements, direct loans and publicly issued bonds. We have extensive experience with designing a financial model capable of using alternative funding sources to meet a variety of client objectives. We work with our clients to determine which outputs of a model are most important to a client, for example key credit metrics and overall cost. We then design the model to have outputs that show overall debt service costs from competing funding sources, as well as debt service coverage and other key credit rating metrics. We utilize the model outputs to advise our clients on their best options, including a comparison of potential overall funding costs.

**Federal WIFIA Loan Experience.** In 2017, we were retained by Orange County Water District to provide assistance and guidance in the creation of the required 40-year financial model related to obtaining a Federal Loan through the EPA's Water Infrastructure Finance and Innovation Act ("WIFIA"). We subsequently advised the District on the implementation, documentation, and financial modeling related to closing of the \$135 million WIFIA Loan in July of 2018. Our role included quantifying the benefits of the Federal Loan compared to a traditional capital market transaction.

FRA has also advised Silicon Valley Clean Water in the development of a long-range financial plan and financial model in support of its submission of a Letter of Interest for WIFIA Loan financing in 2017 and 2018. The model analyzes funding alternatives for its \$600 million capital improvement plan required to fully replace certain key wastewater conveyance tunnels and upgrade treatment plant facilities. The model allows for the pairing of different proportions of various funding alternatives to optimize debt issuance. FRA developed the responses and content for the financial section of the LOI. Our customized financial model produced the necessary data and information to meet or exceed the level of information required by the LOI. In October 2018 Silicon Valley Clean Water was invited by EPA to file an application for a WIFIA Loan; the loan closed in July 2019 for a total amount of \$218 million.

**Credit Metric Analysis Model.** Our financial modeling integrates key rating agency credit metrics. This information allows us to advise clients in connection with rate structures, debt capacity, reserve levels and overall credit rating strategy. Within the past five years this approach has been used for the Agency, Cucamonga Valley Water District, El Dorado Irrigation District, Merced Irrigation District, Mesa Water District, Olivenhain Municipal Water District, Orange County Water District, Rancho California Water District and South Coast Water District.

**Reserve Policy Models.** We create financial models to specifically assess various reserve policy funding options and levels. We have utilized these models for engagements with the Agency, Cucamonga Valley Water District, Mesa Water District, Merced Irrigation District, Orange County Water District and Santa Ana Watershed Project Authority, among others.

**Board Presentations.** On our engagements we typically provide at least one public presentation to the Board or Finance Committee. Our objective is to concisely present our analysis and recommendations regarding any proposed financial transactions or strategies. We seek to engage in questions and discussion so the Board members are comfortable with all options presented.



## FRA Technical and Data Resources

Our market data and technical resources include a live Bloomberg Professional terminal and a subscription to Thomson Reuters Municipal Market Data website (TM3) that provides us with the most up-to-date market events and data. Each of these allows us to gather and analyze the fixed-income markets for use in debt pricing, spread negotiations and forecasting economic conditions. These sources are ideal for research and have been utilized in several customized models.

**Historic Data Analysis.** We have numerous charts and databases which track various key interest rates over time, including municipal bond specific rates such as the Revenue Bond Index and the floating rate SIFMA index. We provide our clients customized information out of this data to assist in decision-making.

**Bond Sizing Software and Customized Refunding Analysis.** We maintain DBC Finance software licenses for bond sizing and to analyze refunding opportunities. Within the software framework, we generate customized reports for the needs of our clients. In particular, we have developed a framework for analysis of refunding opportunities which includes detailed reports on interest rate sensitivity and differing scenarios.

## 2. PROPOSED TEAM

Our experience has proven to us that the best structure to serve clients is best accomplished by assigning professional staff with a variety of talents, each of whom will assume different duties and responsibilities. Using a team approach assures SCVWA that several individuals will be familiar with its needs and requirements. This approach offers superior service, better turnaround times and more efficient use of staff time.

Our team for SCVWA consists of our most experienced utility professionals. Mr. Porr has served as an advisor to SCVWA since 2008 and Ms. Carpenter has been involved with all the SCVWA work since 2014.

**Robert Porr, J.D., Executive Vice President** will serve as the Engagement Manager and will be the leader of our advisory team. Robert's role is to ensure that the Agency's objectives related to our engagements are met and that our resources are deployed to optimize our service to SCVWA. Mr. Porr will be supported by **Lora Carpenter, Assistant Vice President**. The roles and responsibilities, in connection with a bond transaction, of each team member, as well as their experience, are listed below. In addition, detailed resumes for each of our team members can be found in **Appendix A**.

Robert and Lora will be available daily to SCVWA.

| MEMBER   | ROLE/RESPONSIBILITY   | EXPERIENCE & SKILLS   |
|--|---|---|
| <p><b>Robert A. Porr, J.D.</b><br/><b>Executive Vice President</b></p> <p>949.660.7323 direct<br/>949.751.8445 cell<br/><a href="mailto:rporr@fieldman.com">rporr@fieldman.com</a></p> <p>60% of time expended</p> | <p><u>Engagement Manager</u></p> <ul style="list-style-type: none"> <li>✓ Responsible for understanding objectives of SCVWA; organizing and directing the overall team and the process.</li> <li>✓ Primary responsibility of creating funding and credit rating strategies.</li> <li>✓ Provide strategic direction for presentations, bond structures, and managing the sale process.</li> <li>✓ Presenting work-product to Staff and Board Members.</li> </ul> | <p><u>Qualifications</u></p> <ul style="list-style-type: none"> <li>✓ 33 years of experience in municipal finance including 8 years as an investment banker.</li> <li>✓ 17 years of experience as a financial advisor with Fieldman.</li> <li>✓ Solely focused on California utility practice.</li> <li>✓ Has completed more than \$7.5 billion of municipal transactions.</li> <li>✓ Financial advisory clients include Silicon Valley Clean Water, Mojave Water Agency, Orange County Water District and Rancho California Water District.</li> </ul> |

| MEMBER  | ROLE/RESPONSIBILITY  | EXPERIENCE & SKILLS   |
|---|--|---|
| <p><b>Lora Carpenter</b><br/>Assistant Vice President</p> <p>949.660.7312 direct<br/>949.892.8617 cell<br/><a href="mailto:lcarpenter@fieldman.com">lcarpenter@fieldman.com</a></p> <p>40% of time expended</p> | <p><u>Project Manager and Lead Quantitative Consultant</u></p> <ul style="list-style-type: none"> <li>✓ Responsible for creation of financial analyses; directing and overseeing all quantitative analyses.</li> <li>✓ Supervise credit analysis.</li> <li>✓ Supporting Mr. Porr during presentations to SCVWA.</li> </ul> | <p><u>Qualifications</u></p> <ul style="list-style-type: none"> <li>✓ Over 5 years of experience in municipal finance with Fieldman Rolapp &amp; Associates, Inc.</li> <li>✓ Experience in debt-sizing and refunding analysis.</li> <li>✓ Experience in cash flow and debt modeling analysis and credit analysis and metrics.</li> <li>✓ Has provided quantitative and technical analysis on numerous transactions for numerous utility clients.</li> </ul> |

### 3. PROPOSED FEES

#### *Non-Transactional Fees*

For non-transactional engagements, we propose to be paid on a non-contingent hourly basis, plus reimbursement for verifiable expenses. FRA agrees to hold the hourly rates, shown below, in effect through December 2020.

| <u>Personnel</u>                     | <u>Hourly Rate</u> |
|--------------------------------------|--------------------|
| Executive Officer .....              | \$370.00           |
| Principal .....                      | \$340.00           |
| Executive/Senior Vice President..... | \$325.00           |
| Vice President .....                 | \$270.00           |
| Assistant Vice President.....        | \$230.00           |
| Senior Associate .....               | \$195.00           |
| Associate .....                      | \$175.00           |
| Analyst.....                         | \$110.00           |
| Administrative Assistants.....       | \$85.00            |
| Clerical.....                        | \$50.00            |

#### *Expenses*

Expenses will be billed for separately and will cover, among other things, travel, lodging, subsistence, overnight courier, computer, and fax transmission charges.

#### *Transactional Fees*

| <u>Transaction Size</u> |    |              | <u>Negotiated Sale Fees</u> | <u>Competitive Sale Fees</u> |
|-------------------------|----|--------------|-----------------------------|------------------------------|
| \$1                     | to | \$10,000,000 | \$36,000                    | \$45,000                     |
| \$10,000,001            | to | \$20,000,000 | \$46,000                    | \$55,000                     |
| \$20,000,001            | to | \$30,000,000 | \$55,000                    | \$65,000                     |
| \$30,000,001            | to | \$60,000,000 | \$65,000                    | \$75,000                     |
| \$60,000,001            | to | And above    | To be negotiated            | To be negotiated             |

With respect to the proposed transaction that will refund the Series 2010, 2015, 2016 and 2017 and generate approximately \$50 million for capital improvements, including \$14 million for the purchase of certain solar panels, FRA proposes to be compensated on an hourly basis with an estimated fee of \$125,000 plus expenses.

***Expenses***

Expenses will be billed for separately and will cover, among other things, travel, lodging, subsistence, overnight courier, computer, and fax transmission charges.

***Abandonment***

If, once commenced, the services of the Consultant are terminated prior to completion of our final report for any reason, we are to be reimbursed for professional services and direct expenses incurred up to the time we receive notification of such termination at the standard hourly rates shown above.

## APPENDIX A

### PROJECT TEAM RESUMES

#### Engagement Manager



**ROBERT A. PORR**

949.660.7323 direct  
949.751.8445 cell  
rporr@fieldman.com

**Mr. Robert A. Porr, Executive Vice President**, returned to the firm in May 2005 after spending eight years as a public finance investment banker. Since re-joining the firm, he has focused on serving the firm's utility clients. He has been advisor to Santa Clarita Valley Water Agency (formerly Castaic Lake Water Agency), Eastern Municipal Water District, Rancho California Water District, Orange County Water District, Cucamonga Valley Water District, Western Municipal Water District, Mesa Water District, Nevada Irrigation District, Azusa Light & Water, Westlands Water District, Silicon Valley Clean Water, and Olivenhain Municipal Water District. Mr. Porr leads the swap advisory practice at the Firm and has served as swap advisor to Riverside County Transportation Commission, Eastern Municipal Water District, Santa Clarita Valley Water Agency (formerly Castaic Lake Water Agency), the County of Riverside, Hemet Unified School District, and Western Municipal Water District.

His experience as an investment banker includes working with numerous local agencies in connection with the issuance of more than \$1.2 billion in debt. Mr. Porr has assisted issuers with the structure and sale of many forms of debt including general obligation, special tax, assessment, revenue and lease backed debt. He structured nearly \$100 million of complex tax-backed refunding debt for the County of Riverside and developed a novel lease revenue bond structure for the Alaska Industrial Development and Export Authority.

Mr. Porr worked as a finance/marketing representative for Lockheed Martin Finance Corporation. During his time with LMFC, Mr. Porr worked on developing financing structures to support turnkey delivery programs for communication satellites, aircraft and proprietary technology products. Mr. Porr was involved in projects for the People's Republic of China, valued at approximately \$1 billion, and for a consortium of Asian telephony entities valued at nearly \$500 million.

Mr. Porr earned his undergraduate degree in Psychology from Pace University in New York, NY and his Juris Doctorate from New York Law School in New York, NY.

Mr. Porr holds the Series 50 License and is admitted to practice law in the State of New York.

**Project Manager and Lead  
Quantitative Consultant**



**LORA A. CARPENTER**

949.660.7312 direct  
949.892.8617 cell  
lcarpenter@fieldman.com

**Ms. Lora Carpenter, Assistant Vice President**, joined the firm in March 2014. Since joining the firm, Ms. Carpenter has been active with the firm's water and wastewater utility clients. She has worked on a variety of transactions which include both Revenue Bonds and Certificates of Participation. She has worked with many of our large water utility clients, including Santa Clarita Valley Water Agency (formerly Castaic Lake Water Agency), Orange County Water District, Rancho California Water District and Silicon Valley Clean Water conducting credit analysis, preparing credit presentations and analyzing structuring alternatives. She has provided assistance on swap terminations and variable-rate bond structures. Her Mathematics and analytics background provides the essential skills sets when preparing quantitative analyses to support transaction structures and researching relevant market conditions and events.

Additionally, Ms. Carpenter has previously worked with Cucamonga Valley Water District, Merced Irrigation District, Marina Coast Water District, Olivenhain Municipal Water District, Mojave Water Agency, Dublin San Ramon Services District and Westlands Water District. She manages the technical aspects, transaction flow and implementation of financing strategies and credit analysis.

Ms. Carpenter has familiarity with the organization of Joint Powers Authorities from her work on structuring bond financings for Silicon Valley Clean Water, Santa Rosa Regional Resources Authority, Chino Basin Desalter Authority and Central Coast Water Authority.

Ms. Carpenter also provides non-transactional based financial advisory services to support Firm recommendations, including: financial modeling, long-term financial planning and policy review.

Prior to joining the firm, Ms. Carpenter worked in a teaching advisory role on a several subjects, including Calculus and Algebra.

Ms. Carpenter received her Bachelor of Science degree in Mathematics from Bucknell University. She is a registered municipal advisor representative (Series 50 qualified).

## **APPENDIX B**

### Standard Proposal Regulatory Disclaimers & Disclosures

## Standard Proposal Regulatory Disclaimers & Disclosures

FRA is a SEC-registered Municipal Advisor. When formally engaged by public agency clients, we undertake a fiduciary duty with respect to advice provided on financial matters.

### **PROPOSAL DOES NOT CONSTITUTE “ADVICE” OR MUNICIPAL ADVISORY RELATIONSHIP**

These materials are delivered to you for the purpose of obtaining an engagement as your municipal advisor, and we wish to clarify the nature of our relationship. We are providing the information contained in these materials for informational purposes only. The information provided in these materials does not create or imply any fiduciary relationship, and is being provided solely for the purpose of marketing our services to you as a prospective client of FRA. The information provided to you is not be construed as “advice” within the meaning of Section 15B of the Securities and Exchange Act of 1934, or relied upon by you as advice in determining a course of action in connection with any current or prospective undertakings relative to any municipal securities issuance or municipal financial product. Any information contained in these materials has been prepared without taking into account your circumstances, financial or otherwise, and is not intended to replace or supplement any advice you may have already received internally or externally from any other professional.

### **Potential for Limitation of Advisory Scope Disclosure**

At the explicit direction of the District, our scope of services may be limited to the implementation of a pre-determined financial transaction or strategy. In such instances, a complete review of all feasible and suitable financial alternatives will not be undertaken as part of our engagement. We would otherwise operate under a fiduciary duty to consider all feasible and suitable alternatives to accomplish a given objective.

### **Potential Conflict of Interest Disclosure**

Compensation contingent on the completion of a financing or project is customary for municipal financial advisors. To the extent that our compensation for the proposed engagement is contingent on successful completion of any transactions, a potential conflict of interest exists as we would have a potential incentive to recommend the completion of a transaction that might not be optimal for the District. However, as noted earlier, FRA undertakes a fiduciary duty in advising public agencies regardless of compensation structure.

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# SCOPE OF SERVICES TO SANTA CLARITA VALLEY WATER AGENCY



**December 13, 2019**

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December 13, 2019

Matt Stone, General Manager  
Eric Campbell, Chief Financial Officer  
Santa Clarita Valley Water Agency  
27234 Bouquet Canyon Rd.  
Santa Clarita, CA 91350

Re: **Scope of Services for Financial Modeling Services**

Dear Mr. Stone and Mr. Campbell,

We are pleased to submit this scope of services to Santa Clarita Valley Water Agency (“SCVWA”, or the “Agency”) to provide financial modeling services. We are confident that it demonstrates that Fieldman, Rolapp & Associates, Inc. (the “Firm”, or “FRA”) is highly experienced in water finance and possesses the strong technical capabilities to create a sophisticated long-range-financial plan model (“LRFPM”) to permit the Agency to successfully and efficiently maintain a strong financial position and complete its Capital Improvement Plan (“CIP”). The firm, is small enough to give you personalized service, yet large enough to offer that service in a very sophisticated manner.

FRA is California’s leading municipal financial advisor having advised on more California water/wastewater related finance issues than any other financial advisory firm. Inherent to our utility practice is the creation of financing plans and models whether for a single purpose (Commercial Paper related for San Diego County Water Authority), or a long-range financial plan, or (as we have for several clients) a multi-year plan issuance to support a client’s imminent capital funding issuance. The proposed team of professionals has in-depth knowledge of the financial aspects of water/wastewater agencies and a history of delivering high quality advisory services and work products. Our commitment to supplying detailed quantitative analysis underlying each recommendation will facilitate the making of prudent decisions by the Agency’s governing body. Our approach to serve as an extension of staff will enable us to provide unbiased, creative and reliable advice.

We trust that the material contained herein will conclusively demonstrate the usefulness that our team can bring for developing the LRFPM for SCVWA.

FRA is the right advisor for SCVWA:

- \* We have served as financial and municipal advisor to SCVWA since early 2008 and have an excellent working knowledge of the Agency.
- \* We have a long history of successful service to California municipalities, with an emphasis on water and wastewater enterprises, and have been providing independent financial advice to our clients for more than 52 years.
- \* We have direct, relevant experience in matters important to the Agency. Our team has extensive experience in creating complex financial models that analyze benefits and drawbacks of alternative capital funding methods.
- \* We develop debt issuance strategies that achieve high credit ratings, enabling issuers to access capital at the lowest possible cost.
- \* We are the most experienced financial advisor for water and wastewater financings in California. Since 2008, we have advised on 169 water/wastewater transactions for California issuers totaling nearly \$5.3 billion in par amount of obligations sold.

Our proposal highlights the Firm's strengths and outlines our approach for meeting the Agency's needs. We have included samples of long range financial plans in Appendix A.

**Appendix C contains our Standard Proposal Regulatory Disclaimers & Disclosures.**

We are confident that our unparalleled depth of knowledge and experience will provide SCVWA with extraordinary service and our commitment to SCVWA will ensure its objectives are met.

Respectfully submitted,

**FIELDMAN, ROLAPP & ASSOCIATES, INC.**



Robert A. Porr  
Executive Vice President  
Direct: Line: 949-660-7323  
Fax: 949-474-8773  
E-mail: [rporr@fieldman.com](mailto:rporr@fieldman.com)  
19900 MacArthur Blvd., Suite 1100  
Irvine, CA 92612

Approved to Proceed:

SANTA CLARITA VALLEY WATER AGENCY

By: \_\_\_\_\_  
Eric Campbell

Title: Chief Financial Officer

## Table of Contents

|   |   |
|---|---|
| 1. Statement of Firm Experience                           | 1 |
| 2. Developing A Long Range Financial Plan Model for SCVWA | 3 |
| 3. Proposed Team  | 5 |
| 4. Financial Policies Experience                          | 6 |
| 5. Estimated Fees   | 6 |

Appendix A – Sample Long Range Financial Plans

Appendix B – Project Team Resumes

Appendix C – Standard Proposal Regulatory Disclaimers & Disclosures

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## 1. STATEMENT OF FIRM EXPERIENCE

Fieldman, Rolapp & Associates, Inc. (“FRA” or the “Firm”) founded in 1966, is a full service, independent, financial advisory firm that is headquartered in Orange County California. As an independent advisor, FRA neither underwrites bonds nor has a relationship, direct or otherwise, with any municipal bond underwriter, broker/dealer or financial institution. The Firm represents public entities and non-profit organizations only and does not represent for profit enterprises. Our staff of 15, (10 financial advisors), are all based in Irvine with one Partner of the firm now residing in Northern California. Through our Employee Stock Ownership Program (ESOP), our employees, as beneficial owners of the Firm, participate in an ownership culture. Each of us has a strong interest in being efficient and providing responsive service on each and every assignment.

For more than 52 years FRA has provided financial advisory services to California municipalities and has had a dedicated focus on special districts providing California water and/or wastewater services. Clients in the utility practice sector include special districts and California cities with water and/or wastewater enterprises. Our commitment to California water is demonstrated by our rankings: FRA leads all other top ten ranked financial advisory firms in completing water/wastewater related transactions. The table to the right shows Refinitiv rankings of the top ten financial advisors’ experience with California water and/or wastewater bond issues over the past ten years.

| TOP 10 FINANCIAL ADVISORS IN CALIFORNIA<br>Water & Wastewater Financings, 2008 - 2018* |             |                       |
|--|-------------|-----------------------|
| FINANCIAL ADVISOR  | # of Issues | Par Amount (US\$ mil) |
| 1 Fieldman Rolapp & Associates   | 169         | \$5,257               |
| 2 Public Resources Advisory Group  | 137         | \$14,921              |
| 3 PFM Financial Advisors LLC   | 114         | \$7,701               |
| 4 Montague DeRose & Associates LLC   | 108         | \$14,475              |
| 5 KNN Public Finance   | 43          | \$3,329               |
| 6 Backstrom McCarley Berry & Co  | 32          | \$3,054               |
| 7 Bartle Wells Associates  | 26          | \$871                 |
| 8 Hilltop Securities   | 20          | \$1,378               |
| 9 Kitahata & Company   | 13          | \$1,294               |
| 10 Frasca & Associates   | 9           | \$1,095               |
| <b>TOP TEN TOTALS</b>  | <b>671</b>  | <b>\$53,375</b>       |

\* Source: Refinitiv, the Financial & Risk Business of Thomson Reuters as of May 16, 2019.  
 Includes sole advisory roles only.

### California Utility Transactional Experience

Over the period from 2008 through May 16, 2019, FRA advised its water, wastewater and electric utility clients on the issuance of 169 transactions exceeding \$5.3 billion in par. Such amounts do not include the \$135 million WIFIA Loan or the approximate \$260 million of California state loans that we advised clients to pursue. The number of transactions we have completed, and the diversity of our clients, has provided our consultants with a unique understanding of the business side of the municipal water and wastewater industry.

**Federal WIFIA Loan Experience.** In 2017, we were retained by the Orange County Water District (“OCWD”) to provide assistance and guidance in the creation of the required financial model related to obtaining a loan through the EPA’s Water Infrastructure Finance and Innovation Act (“WIFIA”). We subsequently advised OCWD on the implementation, documentation, and financial modeling related to the closing of a \$135 million WIFIA Loan in July of 2018. Our role included quantifying the benefits of the WIFIA Loan compared to a traditional capital market transaction.

FRA has also advised Silicon Valley Clean Water in the development of a long-range financial plan and financial model in support of its submission of a Letter of Interest for WIFIA Loan financing in 2017 and 2018. The model analyzes funding alternatives for its \$600 million capital improvement plan required to fully replace certain key wastewater conveyance tunnels and upgrade treatment plant facilities. The model allows for the pairing of different proportions of various funding alternatives to optimize debt issuance. FRA developed the responses and content for the financial section of the LOI. Our customized financial model produced the necessary data and information to meet or exceed the level of information required by the LOI. In October 2018 Silicon Valley Clean Water was invited by EPA to file an application for a WIFIA Loan; the loan closed in July 2019 for a total amount of \$218 million.

## California Utility Non-Transactional Experience

Whether independently from or integral to a debt transaction, FRA routinely develops models, financial plans and policies for clients.

FRA concentrates such consulting activities in the following areas:

- Creating financial plans, whether short or long term, that allow our clients to successfully and economically fund capital needs.
- Developing debt management and reserve policies necessary to form a strong financial foundation.
- Preparing models that use alternative funding sources and clearly present financial outcomes to allow clients to make fully informed decisions.
- Establishing credit rating objectives and strategies to ensure capital market access at the lowest cost possible.
- Timely execution of financing plans by aggressively managing the capital funding process.
- Modeling the investment of capital and operating moneys to maximize earnings to contribute to capital funds.
- Advising on using (or terminating) interest rate swaps and other hedging mechanisms to address specific financial risks.

Although each activity can be addressed individually, our approach views each of our consulting activities as an integral component of a global strategy. Our advice addresses every aspect of a client's financial status. By concentrating on a client's global strategy, the Firm provides practical and cost-effective advice in every aspect of the capital process.

### ***Customized Financial Models***

Some examples of customized financial models we frequently utilize include:

**Reserve Policy Models.** We create various reserve policy funding options and multiple scenarios to assess different levels of liquidity. We have developed these models for engagements with Orange County Water District, Santa Ana Watershed Project Authority, Mesa Water District, Merced Irrigation District, and previously for SCVWA, among others.

**Credit Metric Analysis.** This model is developed to analyze clients' key rating agency credit metrics and compare to benchmark and category medians published by all three rating agencies. We used this approach for engagements with Mesa Water District, Rancho California Water District, Merced Irrigation District, and previously SCVWA.

**Cash flow / Liquidity and Commercial Paper model.** We have developed various cash flow models for the capital planning and phasing of bond issues. FRA created customized models for Silicon Valley Clean Water and San Diego County Water Authority ("SDCWA"). For SDCWA we merged its capital expenditures estimates with projected revenues and bond proceeds. It is utilized as a tool to determine the amount and timing for the issuance of commercial paper.

**Solar Power Facilities Model.** We have developed a customized model to analyze the potential savings from energy efficient improvements. This includes assessments of leasing versus purchasing solar panel improvements, and includes the potential to issue bonds to fund the purchase. Customized models have recently been created for engagements with the Agency of Phoenix, Rancho California Water District, Western Municipal Water District and SCVWA.



**Interest Rate Swap Assessments and Valuations.** FRA created swap pricing tools and models that permit us to provide clients with interest rate swap services and work products. Our resources permit us to use the latest data to provide up-to-the-minute pricing for any potential interest rate swaps, or similar interest rate derivative options, such as rate locks. Additionally, FRA maintains an interest rate swap valuation model, which can be customized to assess any existing or proposed transaction. We utilize this model to provide several clients with annual valuation reports, which is required for their audited financial statements. We have provided these annual reports to Western Municipal Water District, Westlands Water District, Eastern Municipal Water District, Sacramento Suburban Water District and SCVWA for its outstanding Adjustable Rate Refunding Revenue Certificates of Participation, Series 2008A.

### ***Technical Resources***

**Bond Sizing Software and Customized Refunding Analysis.** We utilize DBC Finance software to structure and size debt. This sophisticated software package permits FRA to meet the structuring needs of most any debt. Within the software framework, we are able to generate customized reports for clients.

### **Market Data and Related Models**

We maintain market access through several data platforms, including a live Bloomberg Professional terminal, Thomson Reuters' TM3 website, and *The Bond Buyer* newspaper. This provides us access to all the recent market transactions as well as current and historic market data. These sources are ideal for research and have been utilized in several customized models. In addition to modern electronic platforms we, as one of the most frequent advisor on bond issuances, have, seemingly, constant access to market intelligence from a broad pool of underwriting desks.

**Historic Data Analysis.** We maintained numerous charts and databases which track various key interest rates over time, including those specific to municipal bonds. Some of these resources include the Municipal Market Index (the most widely used data for bond pricing in the municipal industry), the Revenue Bond Index and the SIFMA Index that is used for variable rate obligations. We provide our clients customized information out of this data to assist in decision-making.

## **2. DEVELOPING A LONG RANGE FINANCIAL PLAN MODEL FOR SCVWA**

FRA is providing this scope of services to develop a LRFPM that will establish a foundation for the evaluation of the Agency's financial position and sustainability over an extended timeframe. The LRFPM will forecast revenues and expenses of the four components the Agency, (the "Regional Division" and the "Retail Divisions" and individually a "Component"), and assess the financial performance of each Component after taking into account their respective Capital Improvement Programs. FRA will additionally embed within the LRFPM cash and capital funding alternatives for the completion of the Capital Improvement Programs and provide "at risk analysis of key revenues and expenses" to identify strengths and weaknesses within the Agency's operations.

In the course of our practice, we provide clients with financing plans and financial modeling on a regular basis. In developing quantitative models for our clients, we have some guidelines.

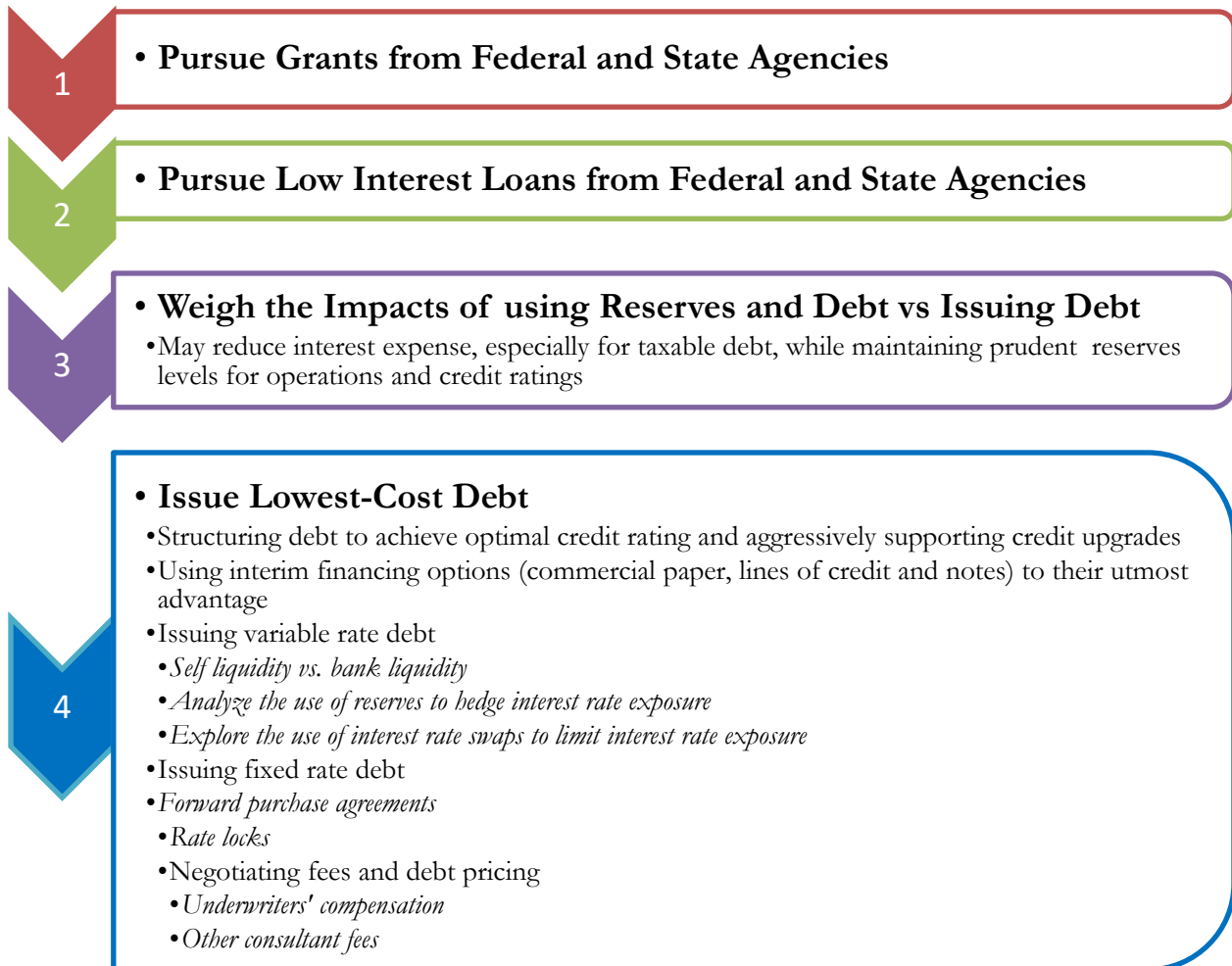
1. We have no pre-conceived notions on the outcome of the LRFP; each client is different and strategies and structures which work for one may not work for others. FRA will create a LRFPM for SCVWA that meets its needs and expectations, not something that is a derivative of prior work.
2. Models are developed from a "clean slate" and on a ubiquitous platform, such as Microsoft Excel®.
3. Models are created through multiple iterations so that staff has input, which yields a product which is readily functional for each client.
4. Work-products, including models, are the property of our clients and are provided in usable form.

5. When models are finalized for client use:
  - a. Inputs are placed in close proximity and labeled (often with color) as variable inputs.
  - b. Instructions are provided for client use of the model.
  - c. Cells that do not serve as input are “locked” to avoid unintentional damage to the model.
6. Models are structured with initial pages of summary information and results. Subsequent pages provide greater details.
7. Models are structured by individual team members and audited internally by all other team members to assure consistency and accuracy.

Specifically for SCVWA our approach will be as follows:

1. For each Component our work with Staff will permit us to develop a thorough understanding of the objectives of the Agency with respect to its capital program, finances, and organizational structure. We will work closely with the Agency to understand capital and financial objectives and risk tolerances. To gain greater familiarity we will review five years of historical operating results by analyzing audits, and reviewing operating and capital budgets. Lastly, our team of consultants will thoroughly review and understand the Capital Improvement Plan of each Component.
2. The LRFPM will forecast revenues and expenses of the four Components the Agency, and overlay the financial performance of each Component after taking into account the Capital Improvement Program for each Component. We would recommend that the forecast period cover a ten to fifteen year timeframe. On the revenues side, we recommend a thorough analysis of future water sales estimates (which will require an analysis of water demand and supply), property tax receipts, Facility Capacity Fee receipts and investment earnings. On the expense side the cost of water, energy and pension and other post-employment benefits, will require a thorough analysis.
3. The LRFPM will include the At Risk feature to perform Monte Carlo Simulations to identify potential events that would threaten the financial strength of the Agency.
4. The LRFPM will provide financial metrics and ratios, such as days, cash, debt service coverage and free cash as a percentage of depreciation, as outputs in addition to the cost of the funding the CIP through alternative means. This allows the Agency to view funding comparisons based upon a standardized set of outcomes for ease of comparison. Thus, a wide assortment of funding mechanisms such as cash, SRF Loans, bank loans, and all forms of public debt can be readily compared and contrasted. The outputs will provide the Agency with likely outcomes to further assess revenues requirements, expense controls, financing costs, or the strategy to fund capital requirements.
5. Create financial structures which optimize the financial strength of each Component without compromising future financial flexibility.

To ensure the lowest cost of capital is available to SCVWA we would follow the strategy outlined below by analyzing each funding mechanism and comparing and contrasting financial outcomes of each possible alternative.



### 3. PROPOSED TEAM

Our experience has proven to us that the best structure to serve clients is best accomplished by assigning professional staff with a variety of talents, each of whom will assume different duties and responsibilities. Using a team approach assures SCVWA that several individuals will be familiar with its needs and requirements. This approach offers superior service, better turnaround times and more efficient use of staff time.

**Robert Porr, J.D., a Executive Vice President** with FRA will serve as the Engagement/Project Manager and will be the primary leader of our effort. The role he serves is the same based on his experience with most of the Firm's utility clients. Mr. Porr will be supported by our utility group's most experienced technical consultant **Ms. Lora Carpenter, Assistant Vice President**.

The work plan below estimates the roles and responsibilities of each team member, as well as their experience, are listed below. In addition, detailed resumes for each of our team members can be found in **Appendix C**.

Robert and Lora will be available daily to SCVWA.

#### 4. FINANCIAL POLICIES EXPERIENCE

We have served a wide range of clients in the planning, management and policy development required to support the financial process and implementation of long term capital plans. As part of our typical engagement for water district clients, we develop policies, or actively review policies. We have assisted numerous municipal agencies with policy development and review. The table below illustrates some of our most recent efforts in the development of new or the review/enhancement of existing policies for our water district clients.

| Client   | Financial Plan or Modeling | Reserve Policy | Debt Management Policy |
|--|----------------------------|----------------|------------------------|
| Olivenhain Municipal Water District                                    | ✓                          | ✓              | ✓                      |
| Silicon Valley Clean Water   | ✓                          | ✓              | ✓                      |
| Mesa Water District  | ✓                          | ✓              | ✓                      |
| Borrego Water District   | ✓                          |                | ✓                      |
| Padre Dam Municipal Water District                                     | ✓                          |                | ✓                      |
| Merced Irrigation District   | ✓                          | ✓              | ✓                      |
| Orange County Water District   | ✓                          | ✓              | ✓                      |
| Santa Clarita Valley Water Agency (formerly Castaic Lake Water Agency) | ✓                          | ✓              | ✓                      |
| Vallecitos Water District  | ✓                          |                | ✓                      |
| Westlands Water District   | ✓                          | *              | ✓                      |
| West Valley Water District   | ✓                          | ✓              |                        |
| South Coast Water District   | ✓                          |                |                        |
| Sweetwater Authority   |                            |                | ✓                      |
| Yorba Linda Water District   |                            | ✓              | ✓                      |
| Cucamonga Valley Water District  | ✓                          | ✓              | ✓                      |
| Rancho California Water District                                       |                            |                | ✓                      |
| Western Municipal Water District                                       |                            | ✓              | ✓                      |
| Valley County Water District   |                            | ✓              | ✓                      |

\* In process.

#### 5. ESTIMATED FEES

We propose to invoice the Agency at our currently hourly rates, plus out-of-pocket expenses. Our proposal includes, or as specifically directed by staff:

- Creating four financial models, one for each Retail Division and one for the Regional Division;
- Aggregating the three financial models of the Retail Divisions into one;
- Aggregating the combined Retail Divisions’ model with that of the Regional Division;
- Providing Monte Carlo simulations; and
- Creating and delivering presentations for Staff and for Finance and Administration and Board Meetings.



We estimate our fee to be \$74,855.00, including expenses and travel less any invoices that have been previously paid. We would be happy to discuss our fees and our services and work with Staff to negotiate an agreeable amount.

| PROFESSIONAL                               | PORR               | CARPENTER          | COLCORD           | ARROYO          | TOTALS             |
|--|--------------------|--------------------|-------------------|-----------------|--------------------|
| <b>HOURLY RATE</b>                         | <b>\$295.00</b>    | <b>\$210.00</b>    | <b>\$140.00</b>   | <b>\$75.00</b>  |                    |
| FINANCIAL REVIEW AND ANALYSIS OF CIP       | 4                  | 4                  | 0                 | 0               | 8                  |
| ARCHITECTURE OF FOUR MODELS                | 2                  | 6                  | 1                 | 0               | 9                  |
| CONSTRUCTION OF FOUR MODELS                | 30                 | 183                | 8                 | 0               | 221                |
| STRUCTURING FINANCING ALTERNATIVES         | 8                  | 8                  | 2                 | 0               | 18                 |
| INTERACTION WITH STAFF                     | 24                 | 12                 | 0                 | 0               | 36                 |
| INTERACTION WITH COMMITTEE & BOARD MEMBERS | 12                 | 6                  | 0                 | 3               | 21                 |
| <b>TOTAL ESTIMATED HOURS</b>               | <b>80</b>          | <b>219</b>         | <b>11</b>         | <b>3</b>        | <b>313</b>         |
| <b>TOTAL ESTIMATED FEES</b>                | <b>\$23,600.00</b> | <b>\$45,990.00</b> | <b>\$1,540.00</b> | <b>\$225.00</b> | <b>\$71,355.00</b> |

| TRAVEL     | EXPENSES   | HOURLY FEES | ESTIMATE    |
|------------|------------|-------------|-------------|
| \$2,500.00 | \$1,000.00 | \$71,355.00 | \$74,855.00 |

Unless agreed to otherwise, services performed will be billed at the then hourly rates shown below.

| <u>Personnel</u>                     | <u>Hourly Rate</u> |
|--------------------------------------|--------------------|
| Executive Officers.....              | \$370.00           |
| Principals.....                      | \$340.00           |
| Executive/Senior Vice President..... | \$325.00           |
| Vice Presidents.....                 | \$270.00           |
| Assistant Vice President.....        | \$230.00           |
| Senior Associate.....                | \$195.00           |
| Associate.....                       | \$175.00           |
| Analyst.....                         | \$110.00           |
| Administrative Assistants.....       | \$85.00            |
| Clerical.....                        | \$50.00            |

**Expenses**

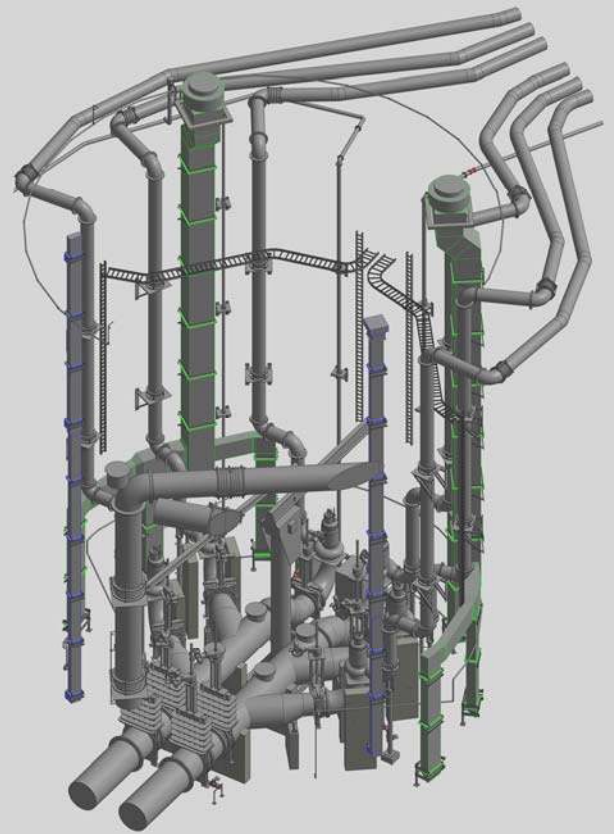
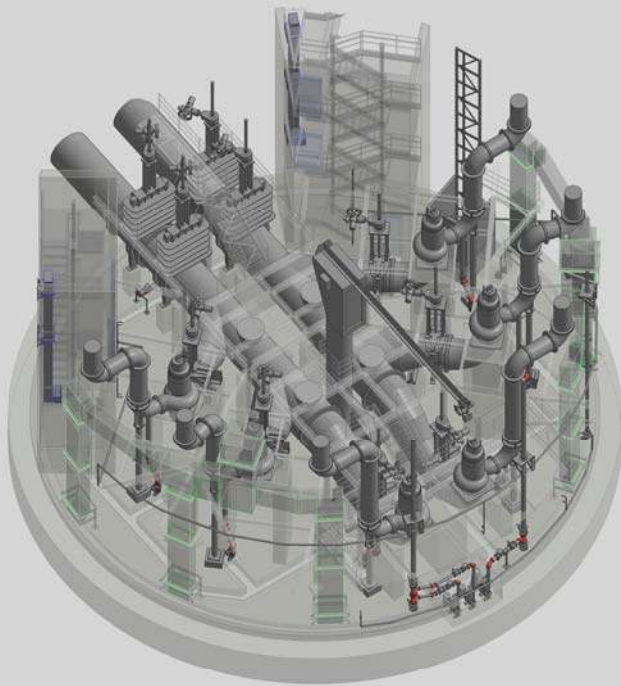
Expenses will be billed for separately and will cover, among other things, travel, lodging, subsistence, overnight courier, computer, and fax transmission charges.

**Abandonment**

If, once commenced, the services of the Consultant are terminated prior to completion of our final report for any reason, we are to be reimbursed for professional services and direct expenses incurred up to the time we receive notification of such termination at the standard hourly rates shown above.

## **APPENDIX A**

### SAMPLE LONG RANGE FINANCIAL PLANS



# Long Range Financial Plan

January 2019

**Silicon Valley Clean Water**

**Presented January 2019 by:**

Matthew Anderson, CPA  
Chief Financial Officer / Assistant Manager  
Silicon Valley Clean Water  
1400 Radio Road  
Redwood City, CA 94065  
[manderson@svcw.org](mailto:manderson@svcw.org)  
(650) 832-6261



## **Silicon Valley Clean Water Commissioners**

| <b><u>Commissioner</u></b> | <b><u>Title</u></b> | <b><u>Member Agency</u></b> |
|----------------------------|---------------------|-----------------------------|
| Warren Lieberman           | Chair               | City of Belmont             |
| Alicia Aguirre             | Member              | West Bay Sanitary District  |
| George Otte                | Secretary           | City of Redwood City        |
| Mark Olbert                | Member              | City of San Carlos          |

## **Member Entity Staff**

| <b><u>Name</u></b> | <b><u>Title</u></b>              | <b><u>Member Agency</u></b> |
|--------------------|----------------------------------|-----------------------------|
| Kimbra McCarthy    | ACM of Administrative Services   | City of Redwood City        |
| Terrence Kyaw      | Public Works Director            | City of Redwood City        |
| Thomas Fil         | Finance Director                 | City of Belmont             |
| Afshin Oskoui      | Public Works Director            | City of Belmont             |
| Rebecca Mendenhall | Administrative Services Director | City of San Carlos          |
| Grace Le           | City Engineer                    | City of San Carlos          |
| Steven Machida     | Interim Public Works Director    | City of San Carlos          |
| Phil Scott         | District Manager                 | West Bay Sanitary District  |
| Liz Bahrami        | Accountant                       | West Bay Sanitary District  |
| Bill Kitajima      | Projects & IT Manager            | West Bay Sanitary District  |

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## **Silicon Valley Clean Water Staff**

### **Name**

Teresa A. Herrera  
Matthew Anderson  
Kim Hackett  
Arvind Akela  
Monte Hamamoto  
Krista Politzer

### **Title**

Manager  
Assistant Manager & Chief Finance Officer  
Authority Engineer  
Engineering Director  
Chief Operating Officer  
Financial Analyst

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## Table of Contents

|   |           |
|---|-----------|
| <b>SECTION 1 – EXECUTIVE SUMMARY AND INTRODUCTION .....</b> | <b>1</b>  |
| Purpose of Long-Range Financial Planning.....               | 5         |
| Organizational and Business Structure.....                  | 7         |
| Governance & Management.....                                | 7         |
| Financial Oversight and Control.....                        | 8         |
| Financial Modeling.....                                     | 10        |
| <b>SECTION 2 – GUIDING DOCUMENTS AND PRINCIPLES.....</b>    | <b>13</b> |
| Audited Financial Reports.....                              | 13        |
| Operating Budgets .....                                     | 13        |
| Expenditure Allocation.....                                 | 14        |
| Debt and Capital Financing .....                            | 19        |
| Cash Reserves Policy .....                                  | 19        |
| Investment Policy.....                                      | 19        |
| <b>SECTION 3 – MODELING ASSUMPTIONS .....</b>               | <b>22</b> |
| Debt Structure.....   | 22        |
| Economic Factors .....                                      | 23        |
| <b>SECTION 4 – HISTORICAL FINANCIAL PERFORMANCE.....</b>    | <b>30</b> |
| Historical Expenditures .....                               | 30        |
| <i>Revenue-Funded Capital Expenditures</i> .....            | 30        |
| <b>SECTION 5 – TEN-YEAR FINANCIAL PROJECTIONS .....</b>     | <b>34</b> |
| Operating Expenditures .....                                | 34        |
| Revenue-Funded Capital Expenditures.....                    | 39        |
| Debt Service .....  | 36        |
| Cash Reserves Contributions .....                           | 39        |
| Total Cash Flow Projections.....                            | 39        |
| <b>SECTION 6 – SENSITIVITIES .....</b>                      | <b>45</b> |
| Capital Improvement Program Adherence.....                  | 45        |
| SRF Loan Availability .....                                 | 45        |
| Inflation.....  | 46        |
| Interest Rates.....   | 46        |
| <b>SECTION 7 – CONCLUSIONS &amp; RECOMMENDATIONS .....</b>  | <b>48</b> |

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## SECTION 1 – EXECUTIVE SUMMARY AND INTRODUCTION

This Long Range Financial Plan (LRFP; or the Plan) describes the anticipated cash flows required by Silicon Valley Clean Water (SVCW; or the Authority) over the next decade to provide wastewater services and fund critical construction for the communities it serves. This includes funding for operations and maintenance of wastewater facilities, revenue-funded capital projects, as well as the Capital Improvement Program (CIP) program and its associated debt service payments. It also describes contributions to cash reserves to go towards future capital improvements. This Plan is meant to encourage discussion and support decision-making. It provides to-date financial information to Member Entities (as herein defined) as they measure the financial implications of decisions and communicate with internal and external stakeholders.

SVCW's Wastewater Treatment Plant (WWTP) was placed in operation November 1981 and connected to an influent conveyance system and effluent disposal system built in 1969. In 2006, engineering studies determined the majority of SVCW fixed assets were beyond their useful lives and needed replacement. SVCW therefore initiated its Capital Improvement Program (CIP) to replace and rehabilitate the wastewater conveyance and treatment system in a structured and prioritized manner. It has also anticipated more stringent treatment requirements will be necessary. Now in its eleventh year, the CIP has completed over 120 projects and spent \$290 million through October 2018. The CIP is the Authority's guiding document and a recent update in October 2018 estimates that, inclusive of spending to date, the program will cost \$849.6 million when completed.

This Plan incorporates the guidelines from the SVCW Joint Powers Agreement, the adopted 2018-19 Operating and Capital Budget, and relevant fiscal policies that influence cash flow requirements. It also recognizes the importance of growing the Authority's cash reserves dedicated to future projects.

The LRFP is updated each year to measure SVCW financial position relative to anticipated cash flows needed from SVCW's Member Entities. After incorporating CIP construction and expenditure schedules, the LRFP-recommended strategy ensures SVCW obligations can be met while members strengthen their credit ratings.

Compared to the January 2018 LRFP, this Plan incorporates three significant changes:

- CIP Update – In October 2018, SVCW updated its CIP document to incorporate changes in project cost estimates, add or delete projects, and apply inflationary impacts to bring project costs to mid-point of construction. It also included a cost reduction for the Nutrient Removal Program as new information garnered from the Regional Water Quality Control Board more fully defines nutrient-loading issues in the San Francisco Bay. Combined, these factors added \$15.9 million and bring total anticipated CIP expenditures (from inception to completion in 2026) to \$849.6 million.

- Construction Timing – Design of SVCW conveyance projects progressed rapidly over the past year. Collectively known as RESCU, the Regional Environmental Sewer Conveyance Upgrade program is using a Progressive Design-Build (PDB) project delivery method. RESCU construction has commenced for the Gravity Pipeline and Front-of-Plant elements. Total remaining costs of RESCU are approximately \$440 million, 90% of which is anticipated be spent by the end of fiscal year 2020-21.
- Financing Sources – Whereas in last year’s LRFP SVCW assumed a modest amount of funding would come from Government Loans, this updated LRFP contains optimism in securing state and federal loans. In 2018 the California State Water Resource Control Board (the Water Board) included \$141 million for SVCW RESCU projects in its Intended Use Plan. Similarly, the United States Environmental Protection Agency (EPA) invited SVCW to participate in its Water Infrastructure Financing and Innovation Act (WIFIA) program, indicating up to a \$208 million loan amount may be available. This LRFP therefore adjusted the amounts of governmental loans assumed to be available and reduced the amount of bond-financing.

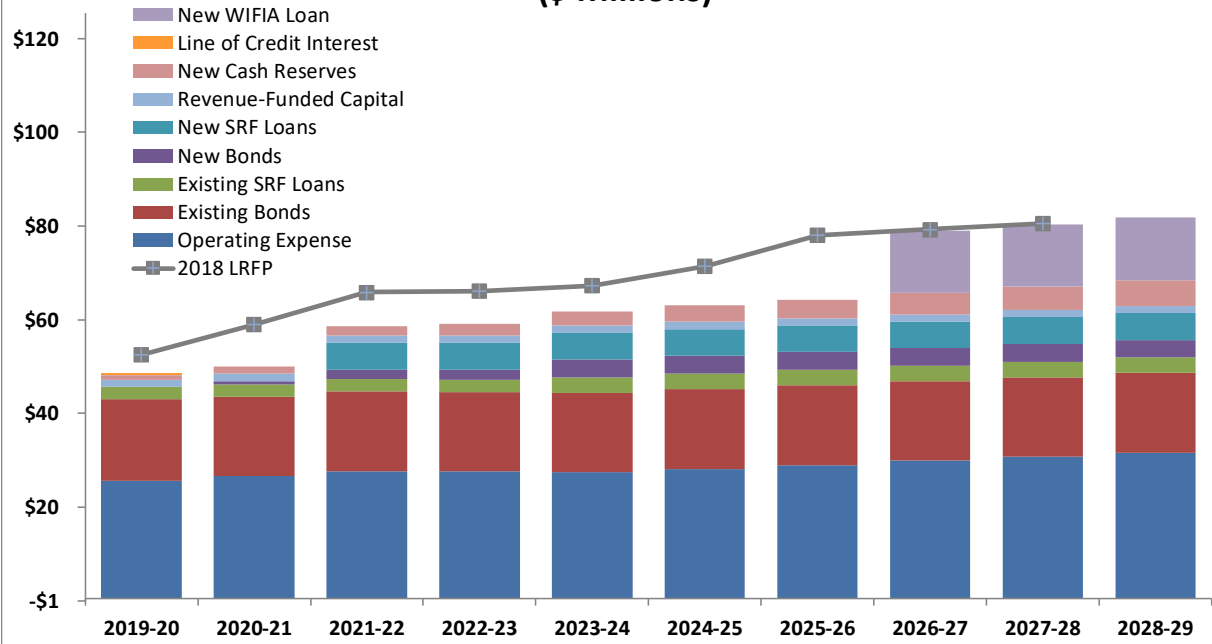
Like many other water treatment agencies, SVCW infrastructure was originally funded by the 1972 Clean Water Act. As assets aged, the absence of a sinking fund at SVCW created a reliance on debt to fund the current CIP. The Authority now strives to obtain the lowest-cost financing available through a combination of Wastewater Revenue Bonds, low-cost Governmental Loans at federal and state levels, and cash reserves when available.

When made aware in 2008 of the need to invest a significant amount into SVCW infrastructure, Member Entities developed strategies to increase their sewer rates. Regular updates to the CIP and this LRFP have kept Member Entities informed of the next decade of cash flow requirements and, as a result of their steady rate adjustments, only modest rate increases will be necessary.

SVCW annual cash flow requirements in FY 2019-20 are estimated at \$48 million. Cash flow requirements are thereafter projected to reach \$81.3 million by FY 2028-29 when projected new debt is fully in place. The largest increase in expenditures over the next decade is for debt service payments, which are estimated to peak at \$43.2 million annually once fully in place. Other non-debt related expenditures are less impactful; the average annual increase in Operating Expense is less than four percent. This LRFP describes the structure, timing, and amount of all expenditure increases to inform Member Entities as SVCW plans for the future.



## Projected Cash Flow Requirements - SVCW Aggregate (\$ Millions)



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## INTRODUCTION

### **Purpose of Long-Range Financial Planning**

Member Entities' sewer rates provide the underlying repayment security for all SVCW financing. As such, in 2008, SVCW developed a Five Year Financial Plan (the "Financial Plan") to provide a financial roadmap for funding the CIP and ongoing operating costs. The Financial Plan was frequently updated and presented to the SVCW Commission (as hereinafter defined) to incorporate CIP budget figures. It provides a roadmap that Member Entities follow when considering sewer rates.

A long-Range financial plan combines financial projections with strategy. The Government Finance Officers Association (GFOA) recommends that all governments regularly engage in long-Range financial planning as a collaborative process to consider future scenarios and help navigate challenges. By aligning financial capacity with long-Range service objectives, SVCW and its Member Entities gain insight as to financial resources needed to support strategies. With this information, Member Entities can balance objectives and financial challenges.

SVCW will manage its finances and meet critical funding needs while recognizing its Member Entities' need to maintain reasonable wastewater rates. This LRFP will be enacted as SVCW and its Members adopt annual budgets, monitor financial performance, and incorporate Commission-directed actions. The LRFP is based upon financial planning models that include long-Range forecasts of operating and capital expenditures. It includes reasonably conservative assumptions and attempts to account for uncertainties. It aims to generate adequate cash reserves for capital projects while maintaining good standing in the credit markets to provide ready access to cost-effective capital financing when needed. It evaluates the capital financing and debt service coverage policies to optimize cash funding of capital investments. Finally, it continues to evaluate cash reserve policies that must consider intergenerational equity with regards to funding capital projects and raising rates.

The LRFP includes a debt structure model to document recommended debt strategy, identify risks to that strategy, and offer mitigation steps available or alternative funding solutions. As part of the Plan a financial model (the Model) was created to assess financing alternatives for the CIP.

This LRFPP is meant to stimulate discussions for decision making by providing up-to-date financial information. Member Entities can incorporate this material to understand the financial impact of decisions, and to communicate those impacts to internal and external stakeholders. This long-Range financial plan includes the following elements:

- Time Horizon – The plan looks nine years beyond the current fiscal year.
- Scope – The plan considers all expenditures associated with the conveyance and treatment of wastewater received from Member Entities. Expenditures include all SVCW operating costs, capital improvements, debt service, and cash reserve requirements.
- Frequency – This long-range plan is updated annually to aid Member Entities with their own budget and rate-setting processes.
- Content – The plan includes an analysis of the financial environment, revenue and expenditure forecasts, debt position and affordability analysis, strategies for achieving and maintaining financial balance, and monitoring mechanisms such as a scorecard of key financial health indicators. Adherence with the financial plan and the ability to comply with the financial requirements of this Plan can be measured primarily through debt service coverage and the number of days cash on hand. SVCW can readily monitor these financial metrics through an annual review of the Member Entities' respective audited financial statements.
- Visibility – The plan will inform Member Entities about the long-Range financial prospects of SVCW. Each year going forward, actual results will be compared to the LRFPP by integrating it into future LRFPPs.

SVCW Member Entity staff was involved in the Plan preparation process to help identify necessary tables, discuss assumptions, and review results. Member Entities, via the Silicon Valley Clean Water governing commission (the Commission), can now integrate the information provided into their own respective financial plans.

## **Organizational and Business Structure**

SVCW was founded in 1975 as the successor to the Strategic Consolidation Sewerage Plan. SVCW took title to all property, capital and equipment of the Strategic Consolidation Sewerage Plan. SVCW maintains and operates sanitary sewerage pumping, transmission and outfall facilities that were originally constructed or otherwise owned by the Strategic Consolidation Sewerage Plan. SVCW provides wastewater transmission, treatment, and effluent disposal services for the surrounding communities including the Cities of Belmont, Redwood City, and San Carlos and for the West Bay Sanitary District (collectively, the Member Entities). SVCW provides recycled water to the City of Redwood City.

SVCW is a Joint Exercise of Powers Authority (JPA) that provides wastewater transmission, treatment, recycled water, and effluent disposal services to its Member Entities, all facilities of which (hereinafter referred to as Joint Facilities) are located in the northern part of Silicon Valley between the cities of San Francisco and San Jose. SVCW's wastewater treatment plant is located in the City of Redwood City. SVCW serves more than 200,000 people and businesses located predominantly in San Mateo County, California. SVCW operates in a strong Bay Area economy, with a customer base that includes large business customers such as Oracle Corporation, EA Sports, and Facebook.

SVCW owns and operates a regional wastewater treatment plant with an average dry weather flow permitted capacity of 29 million gallons per day, an approximately nine-mile influent force main pipeline that conveys wastewater from the Member Entities to SVCW's treatment plant, four wastewater pump stations, and a 1.25-mile effluent disposal pipeline that discharges treated effluent into the San Francisco Bay.

## **Governance & Management**

The JPA is governed by a four-member Commission consisting of one appointed person from each of the Member Entities' governing bodies. There is a total of 100 votes, allocated as follows:

- City of Redwood City                      42 votes
- West Bay Sanitary District                28 votes
- City of San Carlos                         19 votes
- City of Belmont                              11 votes

A vote of at least seventy five percent is required to adopt or amend bylaws, rules, and regulations; to adopt or modify any budget; to approve any capital costs, contracts, appropriations, or transfers of more than \$75,000; to employ the manager and certain consultants; to sell or dispose of property; and to approve other designated items. Other actions of the Commission must be approved by a simple majority of the votes. In addition, any amendment to the Joint Powers Agreement must be approved by a four-fifths vote by each of the Member Entities' governing bodies.

**Financial Oversight and Control**

SVCW sets an annual budget according to goals established by the Commission that support operational priorities, the Capital Improvement Program and the Long Range Financial Plan. The Budget reflects a progressive approach to fund wastewater operations while controlling costs, minimizing unplanned expenditures, limiting risks, and investing in projects and programs that provide the long-Range resources needed for the community.

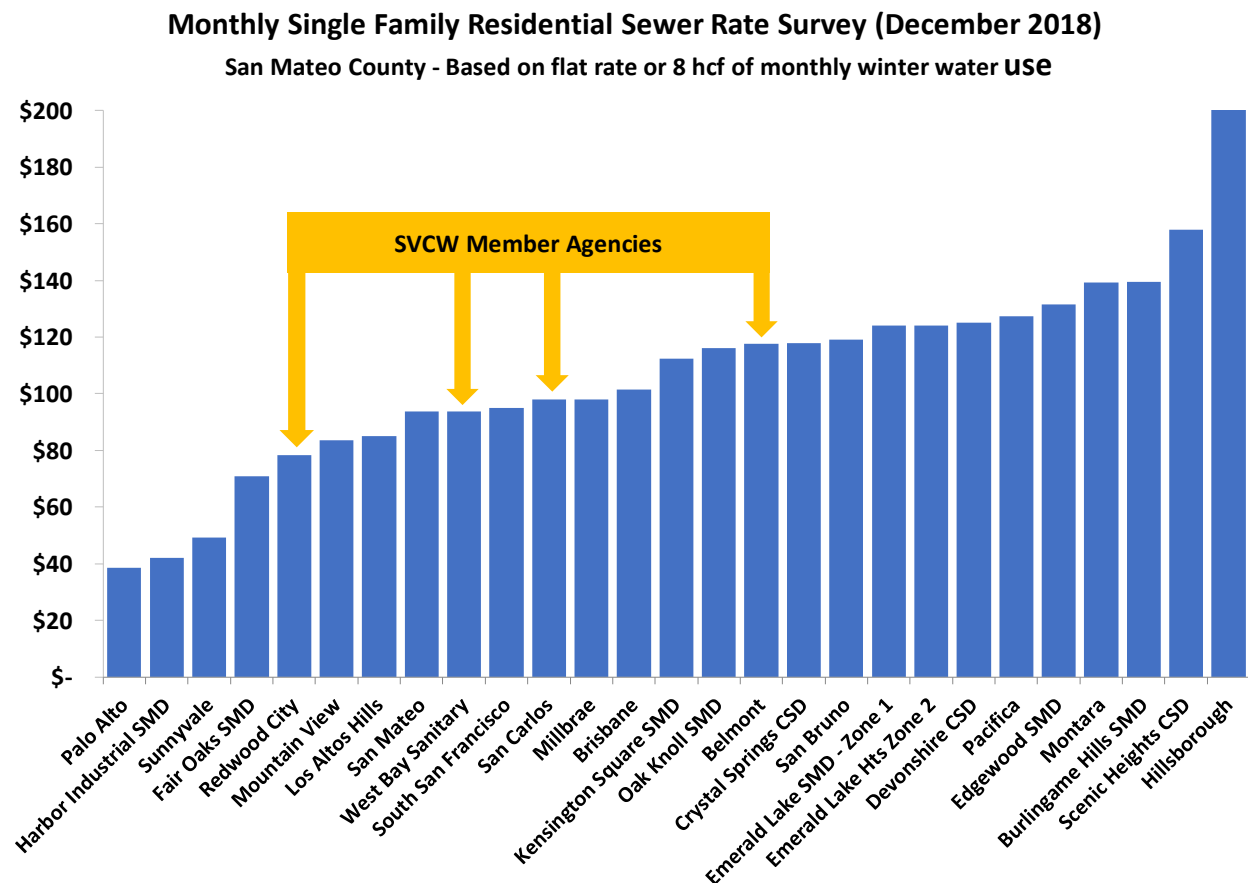
SVCW has no taxing power. SVCW receives nearly all funding, other than interest earnings and other miscellaneous revenues, from payments made by the Member Entities for operations, capital improvements, debt service, and cash reserves.

**Comparative Residential Sewer Charges**

Based upon previous Financial Plans, Member Entities have already adopted significant rate increases since 2008 to generate their allocable share of the CIP and capital program costs. The following table shows the single family residential monthly sewer rates of each participating SVCW Member Entity over the past ten years.

| Residential Sewer Rates by Member Agency<br>Based on 8 HCF of flow |         |         |         |         |         |         |         |         |          |          |
|--|---------|---------|---------|---------|---------|---------|---------|---------|----------|----------|
|  | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18  | 2018-19  |
| Belmont  | \$48.06 | \$51.34 | \$72.13 | \$77.33 | \$82.77 | \$88.13 | \$88.13 | \$99.47 | \$105.35 | \$117.74 |
| City of Redwood City   | \$44.70 | \$48.72 | \$53.10 | \$57.88 | \$63.09 | \$68.77 | \$74.95 | \$75.11 | \$76.68  | \$78.24  |
| City of San Carlos   | \$43.76 | \$46.82 | \$50.10 | \$53.10 | \$67.29 | \$80.75 | \$88.82 | \$88.82 | \$93.26  | \$97.93  |
| West Bay SD  | \$46.67 | \$54.17 | \$57.50 | \$62.67 | \$68.33 | \$74.42 | \$81.08 | \$85.92 | \$89.33  | \$93.83  |

Despite these increases, Member Entities' rates remain among the middle tier of San Mateo County sewer rates.



### Regulations and Permits

The federal Clean Water Act requires that all municipal, industrial and commercial facilities that discharge wastewater or storm-water directly from a point source into a water of the United States (such as a lake, river, bay, or ocean) must obtain a National Pollutant Discharge Elimination System (“NPDES”) permit. All permits are written to ensure the receiving waters will achieve certain water quality standards.

The federal government delegates the NPDES Program to the State of California for implementation through the State Water Resources Control Board and its nine Regional Water Quality Control Boards, collectively Water Boards. It is the responsibility of the Water Boards to preserve and enhance the quality of the state's waters through the development of water quality control plans and the issuance of NPDES Permits.

SVCW currently operates under a five-year NPDES permit that is valid through September 2022. As an active member in the Bay Area Clean Water Agencies (“BACWA”), a consortium of publicly-owned treatment works agencies that operate within the nine-county San Francisco Bay Area, SVCW prepares for future NPDES permit requirements. BACWA is central since some requirements imposed may be efficiently fulfilled as a group. Through BACWA, SVCW meets provisions related to overall receiving water quality monitoring, Total Maximum Daily Load and Site Specific-Objective Support, Mercury Special Studies, Copper Action Plans, and Cyanide Action Plans.

Regulatory requirements of the NPDES program may increase in the future. Many California agencies have already been required to significantly increase treatment to remove nutrients (ammonia, nitrates and phosphates) and further reduce pathogenic organisms. Studies are also underway regarding Active Pharmaceutical Ingredients to monitor the cumulative effects of pharmaceuticals and personal products, including anti-psychotic and antihypertensive drugs.

Additionally, nutrients like nitrogen and phosphorus are found in municipal waste. When excessive, these nutrients are considered harmful water pollutants leading to such problems as algae blooms. Nutrient management is an important planning consideration for California wastewater treatment operators – both to remove and to recover these resources. This LRF includes estimated costs needed to address nutrients in SVCW’s wastewater. It should be noted, however, that SVCW has joined a cooperative to explore a joint response strategy regarding future Nutrient Removal requirements.

## **Financial Modeling**

The CIP estimates approximately \$559 million remains to be spent on capital expenditures over the next eight years. The Financial Plan documents the funding strategy, risks to this strategy, and anticipated mitigation and/or alternative funding solutions available. Prior to issuing debt SVCW updates a capital finance model to evaluate the impact of capital program spending, operations and maintenance costs, and debt service to its, and the Member Entities’, financial condition. To that end, SVCW’s Chief Financial Officer oversees ongoing maintenance of quantitative modeling that includes, but is not limited to, the following:

- Historic and projected cash flows;
- Historic and projected capital expenditures;
- Historic and projected operating costs;
- Historic and projected cash reserve balances, including the Operating Fund, the CIP Fund, Revenue-funded Capital Fund, and Debt Service Reserve Fund, if any;
- Historic and projected debt service coverage;



- The most efficient mix of funding sources (debt and cash);
- The most efficient form of debt (government-subsidized loans, capital market offerings, or private loans) and most efficient structures;
- Projected revenue requirements; and
- Revenue Sources, including miscellaneous revenues and grants.

The Plan incorporates these factors to develop an all-inclusive projection of future cash flow requirements. As part of the Plan, the Financial Model was created to generate and assess multiple debt-based financing alternatives for the CIP. Several scenarios were analyzed to reach the recommended plan, including the extent to which funds would be sourced from Wastewater Revenue Bonds versus Governmental Loans. Further analysis and results are described in Sections 2 and 3 of this Plan.

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## SECTION 2 – GUIDING DOCUMENTS AND PRINCIPLES

### Audited Financial Reports

SVCW financial statements are maintained in accordance with all state and federal laws, Generally Accepted Accounting Policy, and standards of the Government Accounting Standards Board. This means revenues and expenses are recognized on a full accrual basis, where revenues are recognized in the period when they are earned and expenses are recognized in the period incurred.

An annual audit is performed by an independent public accounting firm, with an unqualified opinion that SVCW financial statements are presented fairly in all material respects.

### Operating Budgets

Each year, the adopted budget establishes the funding requirements for Member Entities. It includes all operating costs, revenue-funded capital needs, debt service payments, and cash reserves requirements. A full overview of all expenditures facilitates discussion of anticipated changes. Subsequent to the fiscal year-end closing, annual payments made by each SVCW Member Entity are reconciled against the actual expenditures allocated to each SVCW Member Entity and any differences are applied toward funding reserves held by SVCW.

The Budget is constructed consistent with goals established by the Commission to support operational priorities and the Capital Improvement Program. The Budget reflects a progressive approach to controlling costs, minimizing unplanned expenditures, limiting risk, and investing in activities that provide the long-Range resources needed for the community.

Used as a baseline for this study, the 2018-19 Budget was \$47.1 million. This includes \$24.2 million in operating expenditures, \$1.5 million for revenue-funded capital projects, additional cash reserve contributions of \$1 million, and debt service payments estimated at \$20.4 million.

| 2018-19 Adopted Budget - Total Contributions by Member Agency |                 |               |                    |                       |               |  |
|---|-----------------|---------------|--------------------|-----------------------|---------------|--|
| Description   | City of Belmont | Redwood City  | City of San Carlos | West Bay San District | TOTAL         |  |
| Net Operating Expenditures                                    | \$ 2,973,317    | \$ 11,245,294 | \$ 3,067,987       | \$ 6,927,025          | \$ 24,213,623 |  |
| Revenue-Funded Capital Expenditures                           | 140,380         | 721,507       | 224,905            | 398,708               | 1,485,500     |  |
| Reserve Contributions   | 92,991          | 477,945       | 148,983            | 264,115               | 984,034       |  |
| Debt Service Payments   | 178,425         | 11,137,107    | 3,508,897          | 5,565,516             | 20,389,946    |  |
| Subtotal - Contributions to SVCW                              | \$ 3,385,113    | \$ 23,581,854 | \$ 6,950,772       | \$ 13,155,364         | \$ 47,073,103 |  |

## Expenditure Allocation

SVCW annual operating and maintenance costs are allocated according to the Joint Powers Agreement. Specifically, administrative, safety, and conveyance operating costs are allocated based on each Member Agency's proportionate share of total flow contributed to the Joint Facilities. Pump Station maintenance and operation costs are tracked as actual costs charged to each pump station and borne by the Member Agency served by each particular pump station. However, the maintenance and operation costs of the booster station are allocated on a percentage basis to West Bay Sanitary District and Redwood City at 92% and 8%, respectively.

Treatment plant operation and maintenance costs are allocated according to each Member Agency's proportionate contribution of hydraulic flow ("Flow"), Biochemical Oxygen Demand ("BOD") and Suspended Solids ("SS") to the Joint Facilities. The total annual treatment plant maintenance and operation costs are allocated as 26.5% to flow, 33.5% to Biochemical Oxygen Demand and 40% to Suspended Solids. Using these allocations, the 2018-19 Operating Budget assigns costs using the following three-year flow and loading averages:

| 2018-19 Budget Revenue Allocation to Member Agencies - Adopted |             |            |           |                     |                      |                     |                       |                      |  |
|--|-------------|------------|-----------|---------------------|----------------------|---------------------|-----------------------|----------------------|--|
| Description  |             |            |           | Belmont             | Redwood City         | San Carlos          | West Bay San District | TOTAL                |  |
| <b>Allocation Factors</b>                                      |             |            |           |                     |                      |                     |                       |                      |  |
| Flow   |             |            |           | 12.43%              | 47.49%               | 13.89%              | 26.19%                | 100%                 |  |
| Biochemical Oxygen Demand (BOD)                                |             |            |           | 12.44%              | 44.63%               | 12.29%              | 30.64%                | 100%                 |  |
| Suspended Solids (SS)  |             |            |           | 11.97%              | 46.74%               | 11.57%              | 29.72%                | 100%                 |  |
| <b>Weightings</b>  |             |            |           |                     |                      |                     |                       |                      |  |
| <b>Operating Expenditures</b>                                  | <b>Flow</b> | <b>BOD</b> | <b>SS</b> |                     |                      |                     |                       |                      |  |
| Operations   | 26.5%       | 33.5%      | 40.0%     | \$ 1,125,355        | \$ 4,247,351         | \$ 1,141,584        | \$ 2,672,767          | \$ 9,187,056         |  |
| Maintenance  | 26.5%       | 33.5%      | 40.0%     | 779,011             | 2,940,169            | 790,245             | 1,850,186             | 6,359,611            |  |
| Laboratory   | 26.5%       | 33.5%      | 40.0%     | 216,185             | 815,934              | 219,303             | 513,450               | 1,764,871            |  |
| Environmental Services   | 26.5%       | 33.5%      | 40.0%     | 143,750             | 542,546              | 145,823             | 341,413               | 1,173,532            |  |
| Engineering  | 26.5%       | 33.5%      | 40.0%     | 93,467              | 352,765              | 94,814              | 221,987               | 763,033              |  |
| Safety   | 100.0%      | 0.0%       | 0.0%      | 49,945              | 190,821              | 55,812              | 105,235               | 401,813              |  |
| Information Services   | 26.5%       | 33.5%      | 40.0%     | 206,749             | 780,317              | 209,730             | 491,037               | 1,687,833            |  |
| Administrative Services  | 100.0%      | 0.0%       | 0.0%      | 452,709             | 1,729,619            | 505,884             | 953,858               | 3,642,071            |  |
| Subtotal   |             |            |           | \$ 3,067,171        | \$ 11,599,522        | \$ 3,163,195        | \$ 7,149,933          | \$ 24,979,821        |  |
| Subtract Miscellaneous Income                                  | 26.5%       | 33.5%      | 40.0%     | \$ 93,854           | \$ 354,228           | \$ 95,208           | \$ 222,908            | \$ 766,198           |  |
| <b>2018-19 Net Operating Revenue Required</b>                  |             |            |           | <b>\$ 2,973,317</b> | <b>\$ 11,245,294</b> | <b>\$ 3,067,987</b> | <b>\$ 6,927,025</b>   | <b>\$ 24,213,623</b> |  |

Capital costs are distributed based on each member entity's percentage of its capacity rights as defined in the Joint Powers Agreement:

|                |                   |                     |                 |
|----------------|-------------------|---------------------|-----------------|
| <u>Belmont</u> | <u>San Carlos</u> | <u>Redwood City</u> | <u>West Bay</u> |
| 9.45%          | 15.14%            | 48.57%              | 26.84%          |

Unrelated to the number of votes originally ascribed to Member Agencies in the Joint Powers Agreement, the above capital cost distributions are derived from each member entity's share of

maximum capacity rights of the originally-built facilities (“Stage 1” capacity) plus its share of expansion capacity (“Stage 2”), based on average dry weather flows.

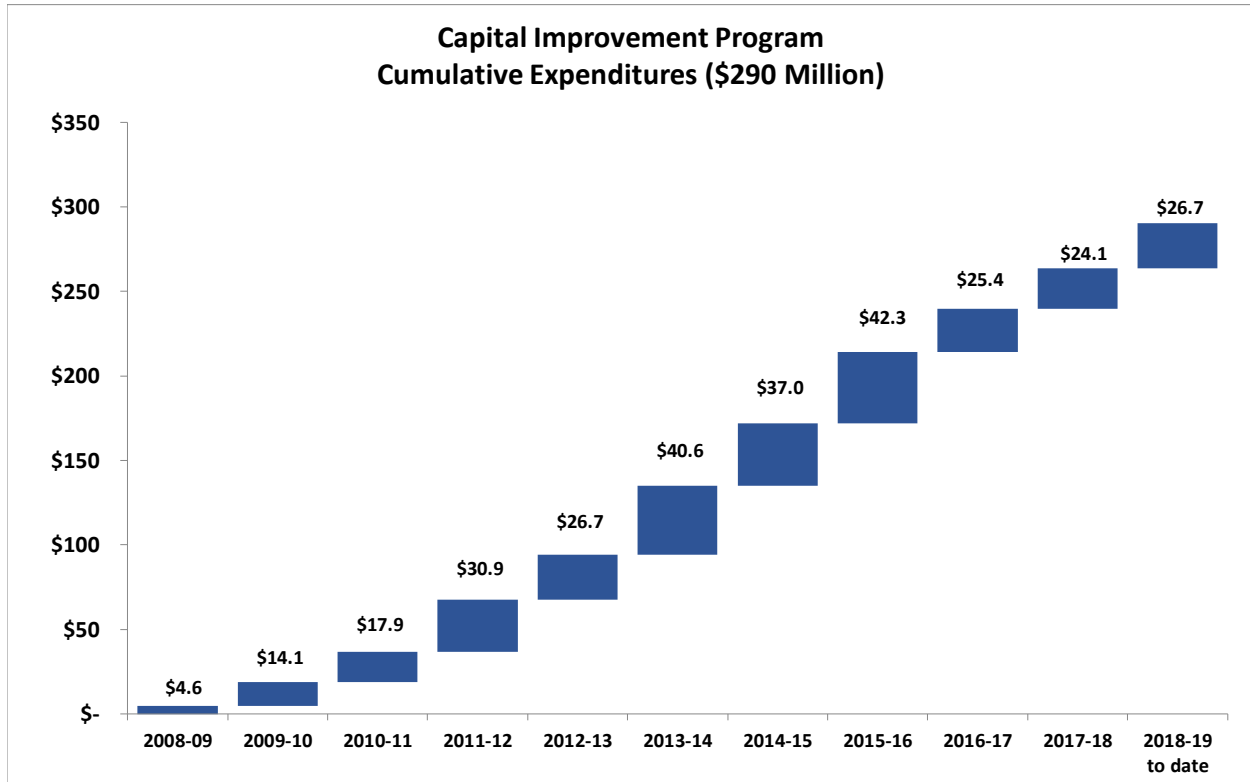
Capital costs associated with the Joint Facilities include improvements resulting from reconstruction, replacement, rehabilitation, remodeling or relocation. This includes all costs meeting the definition of a capital expense as defined in SVCW’s Capital Expense Policy.

| 2018-19 Capital and Reserve Allocation Calculations |                 |              |                    |                       |              |
|---|-----------------|--------------|--------------------|-----------------------|--------------|
| Description   | City of Belmont | Redwood City | City of San Carlos | West Bay San District | TOTAL        |
| Capital and Reserve Allocation Factors              | 9.45%           | 48.57%       | 15.14%             | 26.84%                | 100.00%      |
| <b>CAPITAL IMPROVEMENT</b>                          |                 |              |                    |                       |              |
| Plant (cash-funded capital)                         | \$ 87,885       | \$ 451,701   | \$ 140,802         | \$ 249,612            | \$ 930,000   |
| Pump Stations                                       | -               | -            | -                  | -                     | -            |
| Force Main  | -               | -            | -                  | -                     | -            |
| Equipment   | 52,495          | 269,806      | 84,103             | 149,096               | 555,500      |
| Subtotal  | \$ 140,380      | \$ 721,507   | \$ 224,905         | \$ 398,708            | \$ 1,485,500 |
| <b>RESERVE CONTRIBUTIONS</b>                        |                 |              |                    |                       |              |
| Operating Reserve                                   | \$ (1,509)      | \$ (7,755)   | \$ (2,417)         | \$ (4,285)            | \$ (15,966)  |
| CIP Reserve   | 94,500          | 485,700      | 151,400            | 268,400               | 1,000,000    |
| Subtotal  | \$ 92,991       | \$ 477,945   | \$ 148,983         | \$ 264,115            | \$ 984,034   |

### Capital Improvement Program

SVCW is in the process of rebuilding, rehabilitating, and updating its wastewater conveyance and treatment facilities which are at or approaching the end of their useful operating lives. A CIP was developed in 2008 to proactively address near-Range and long-Range capital replacement needs. Engineering staff periodically updates the CIP to include projects that will address known Joint Facility deficiencies. This includes rehabilitation and replacement of aging infrastructure and equipment; improvements and additions to the treatment plant and conveyance system that substantially enhance reliability; technological upgrades, required regulatory treatment improvements and system-wide automation projects designed to improve operational efficiency and reliability (thereby reducing future operating and maintenance expenses); and additional energy management solutions.

The amounts charged to CIP include all capitalized components of projects such as planning, design, engineering, construction, and construction management. The costs also include interest incurred during construction, as well as certain administrative costs like insurance and internal labor directly related to the CIP work. Since the inception of the CIP, SVCW spent approximately \$290 million through September 2018.



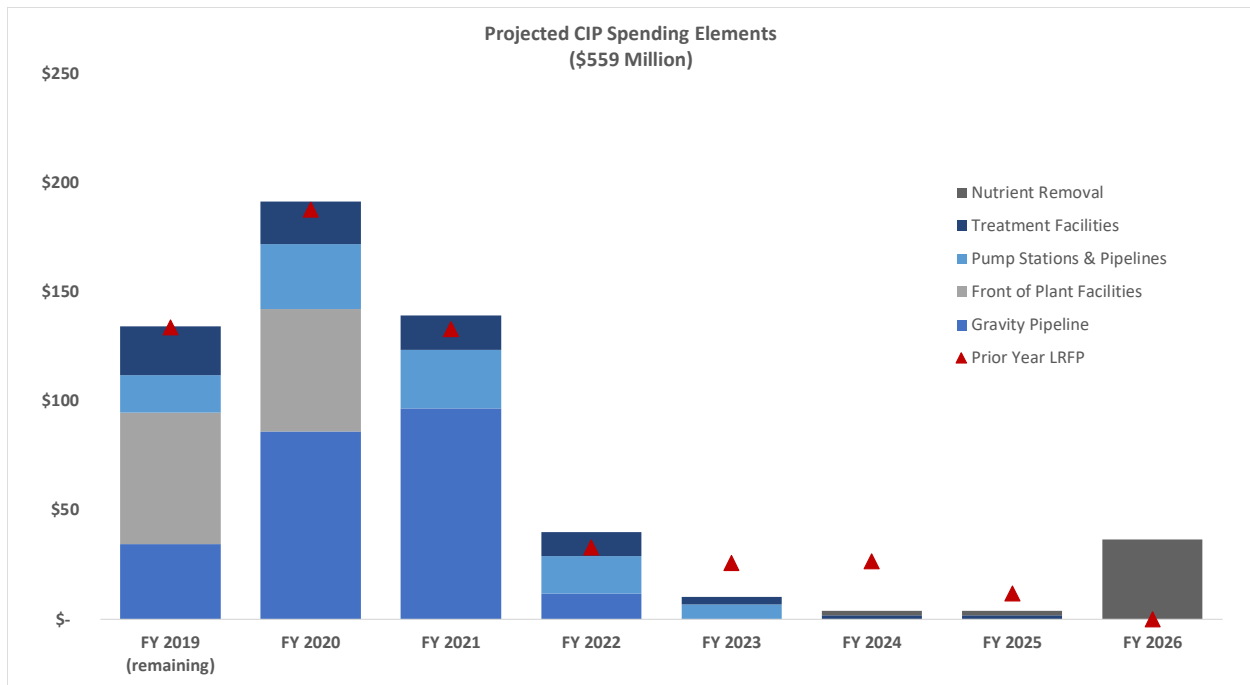
Since inception through September 2018, the majority of CIP spending has been to replace aging pipes, rehabilitate treatment facilities including energy reliability, deliver process automation, and improve solids handling processes.

| CIP Expenditures (\$ Millions) |               |              |           |              |                 |
|--------------------------------|---------------|--------------|-----------|--------------|-----------------|
| Program                        | Spent to Date |              | Remaining |              | Total           |
| Conveyance System              | \$            | 115.8        | \$        | 395.7        | \$ 511.6        |
| Energy and Automation          |               | 83.2         |           | 26.2         | 109.4           |
| Plant Process                  |               | 20.4         |           | 60.4         | 80.7            |
| General Plant Facilities       |               | 35.2         |           | 7.6          | 42.8            |
| Nutrient Removal               |               | 0.7          |           | 40.5         | 41.2            |
| Solids Handling                |               | 20.4         |           | 19.3         | 39.7            |
| Corrosion and Odor Control     |               | 14.1         |           | 9.4          | 23.5            |
| CIP Support                    |               | 0.5          |           | 0.2          | 0.7             |
| <b>TOTAL</b>                   | <b>\$</b>     | <b>290.3</b> | <b>\$</b> | <b>559.2</b> | <b>\$ 849.6</b> |

#### Forecasted CIP Expenditures

The CIP was updated in October 2018 and is currently estimated to spend nearly \$850 million from inception to completion beyond 2026. Going forward, remaining expenditures are estimated at \$559 million. The below table illustrates how remaining capital expenditures are allocated amongst member entities.

| SVCW Remaining Capital Expenditures - By Fiscal Year End and Member Allocation |                |                 |                 |                 |                |                |               |               |                |                 |  |  |
|--|----------------|-----------------|-----------------|-----------------|----------------|----------------|---------------|---------------|----------------|-----------------|--|--|
| Member Entity  |                | 2018-19         | 2019-20         | 2020-21         | 2021-22        | 2022-23        | 2023-24       | 2024-25       | 2025-26        | Total           |  |  |
| Belmont  | 9.45%          | \$ 12.7         | \$ 18.1         | \$ 13.2         | \$ 3.8         | \$ 1.0         | \$ 0.4        | \$ 0.4        | \$ 3.4         | \$ 52.8         |  |  |
| Redwood City   | 48.57%         | 65.2            | 92.9            | 67.7            | 19.4           | 5.0            | 1.9           | 1.9           | 17.7           | 271.6           |  |  |
| San Carlos   | 15.14%         | 20.3            | 29.0            | 21.1            | 6.1            | 1.6            | 0.6           | 0.6           | 5.5            | 84.7            |  |  |
| West Bay SD  | 26.84%         | 36.0            | 51.3            | 37.4            | 10.7           | 2.8            | 1.0           | 1.0           | 9.8            | 150.1           |  |  |
| <b>TOTAL</b>   | <b>100.00%</b> | <b>\$ 134.2</b> | <b>\$ 191.3</b> | <b>\$ 139.3</b> | <b>\$ 40.0</b> | <b>\$ 10.3</b> | <b>\$ 3.8</b> | <b>\$ 3.8</b> | <b>\$ 36.5</b> | <b>\$ 559.2</b> |  |  |
| <i>Prior LRFPA Assumption:</i>   |                | \$ 30.1         | \$ 133.7        | \$ 187.5        | \$ 132.8       | \$ 33.0        | \$ 25.9       | \$ 26.5       | \$ 11.7        | \$ 581.2        |  |  |



The majority of anticipated CIP costs can be attributed to replacement of the aging conveyance system infrastructure, namely, the RESCU program. RESCU is comprised of three significant elements with a combined remaining expenditures estimate of approximately \$443 million. These projects include:

1. Replacement of the influent force main with a gravity pipeline;
2. Construction of a receiving lift station, screening and grit removal, peak flow and storm water handling facilities, influent connector pipeline (collectively, “Front of Plant”), and;
3. Replacement / rehabilitation of the pump stations.

The environmental review for RESCU is complete for all elements. Construction has commenced for the gravity pipeline and Front of Plant elements, and the Authority anticipates entering into a Design-Build contract in early 2019 for the Pump Station Improvement Plan. Combined, these three elements require capital expenditures of \$112 to \$172 million per year for the next three years.



## Cash Reserves Policy

In 2013, the SVCW Commission adopted a cash reserves policy that protects its fiscal solvency and funds future long Range capital needs. The policy describes the goals and amounts intended to be held in reserves. Each year during the budget process, SVCW reviews reserve balances and adjusts as needed. SVCW debt reserves mitigate the negative impact of revenue shortfalls from economic fluctuations, to fund unforeseen expense requirements, to provide stable rates for member entities, and to help fund future long-Range capital needs.

- The Operating Reserve must be maintained at a minimum balance of 10% of the approved Operating and Pay-go Capital Budget, plus \$1 million. This fund allows for continued operation in times of local, regional state, or national crisis or for unbudgeted, unexpected operational, maintenance or capital expenses approved by the SVCW Commission. As of December 31, 2018 the amount held in this reserve was \$3.5 million.
- The Capital Improvement Program Reserve Fund goal is to accrue funds equal to the annual calculated depreciation of SVCW facilities to meet the long Range needs of replacing capital assets when their useful life has been met. This will ultimately allow most major expenses in the future to be paid for on a pay-as-you go basis and limit the need for borrowing. Per policy, a minimum of \$1 million is added to the Capital Improvement Program Reserve Fund each fiscal year through fiscal year 2020-21, after which it shall follow prescribed increases until the annual contribution equals annual depreciation. As of December 31, 2018 the CIP reserve was \$17.9 million.
- Stage 2 Capacity Reserve is utilized to pay for capital projects that increase the treatment capacity of SVCW facilities. This fund is a pay as you go fund that derives income from fees paid by new customers to buy capacity for the use of SVCW facilities. Projects that enhance capacity will be built when there are adequate cash reserves to fund the projects if needed to accommodate additional flow or loadings or at the discretion of the SVCW Commission. As of December 31, 2018 the amount held in this reserve was \$11.1 million.

## Debt Policy

SVCW adopted a debt policy in 2017 that considers intergenerational equity between residents, strives to achieve the lowest possible cost of capital, and mitigates market and credit risk. Appropriately structured, the debt policy attempts to assign capital costs between current ratepayers and future generations.

Significant capital acquisitions can be funded through traditional bonds or alternative financing mechanisms such as government loans (e.g. SRF and WIFIA) and/or public/private partnerships.

Long Range financings are structured to minimize transaction-specific risk and total debt portfolio risk to SVCW and its Member Entities.

SVCW debt must comply with all laws, legal agreements, contracts, best practices, and adopted policies related to debt issuance and management, including disseminating, in a timely manner, disclosure information concerning SVCW's and SVCW's Member Entities' financial condition. It must also follow sound procurement practices to avoid conflicts of interest.

SVCW debt promotes cooperation and coordination with all stakeholders in the financing and delivery of services by maintaining cost-effective access to capital markets through prudent debt management. This includes integrating debt policies with the operating and capital budgets, the multi-year CIP, the Long Range Financial Plan, and other financial goals. SVCW must also maintain good investor relationships through the timely dissemination of material financial information to maintain the highest practical credit rating and ensure efficient access to capital markets.

Long-Range debt financing is not used to fund operating costs or operating deficits of SVCW. The principal types of municipal debt instruments employed by SVCW to finance long-Range capital projects are SRF Loans and Wastewater Revenue Bonds. Such instruments may be refunded by the issuance of refunding obligations for economic savings and/or restructuring considerations.

Short-Range debt has Ranges to maturity of less than five years and may be issued to provide financing for the acquisition and/or construction of long-lived capital projects that could otherwise be funded by long-Range debt financing described above. This includes commercial paper notes that are issued to provide interim project financing, Bond Anticipation Notes which may have a final maturity of not more than five years and are issued in anticipation of the issuance of wastewater revenue bonds, and a short-Range line of credit not to exceed five years.

## **Investment Policy**

SVCW has adopted a policy to invest monies not required for immediate expenditure. The policy establishes a standard of care to ensure investments are made with the appropriate considerations of capital safety, liquidity, and yield. The investment portfolio is diversified such that losses, if any, on specific securities are offset by the revenue generated from other investments. The portfolio is also kept sufficiently liquid to meet the operating and capital needs of SVCW. Within these two constraints, as well as in accordance with California Government Code Section 53601 through 53686, the investment portfolio is designed to attain the market rate of return after consideration is given to safety and liquidity.

## SECTION 3 – MODELING ASSUMPTIONS

SVCW has developed a Debt Model (the Model) to project debt service costs associated with the Capital Improvement Plan. Currently there is approximately \$559 million of capital projects to be funded over the next eight years. The Model allows SVCW to produce multiple funding scenarios that compare debt service costs at aggregate and Member Entity levels. The Model also optimizes variables by considering the impact of using cash, longer repayment Ranges, caps on debt service levels, deferred repayment, and changes in interest rate assumptions.

For each change in assumption, the Model displays total aggregate debt service, maximum aggregate annual cost, average annual debt service cost, weighted average cost of capital and weighted average CIP repayment year, among a few other debt summary outputs. Additionally, the Model shows the height and length of the “plateau” of this plateau, a critical consideration for members’ sewer rates. Finally, the Model also compares efficiency versus affordability of financing the debt by determining the length of each repayment period and financing rates.

### **Debt Structure**

The Model generated and compared multiple debt financing scenarios to fund the total CIP by comparing interest rates and average costs per year. The flexibility of the Model allows for changing multiple assumptions, including interest rates, the timing and structure of government loan or bond repayments, and the mix of financing methods such as government loans or wastewater revenue bonds.

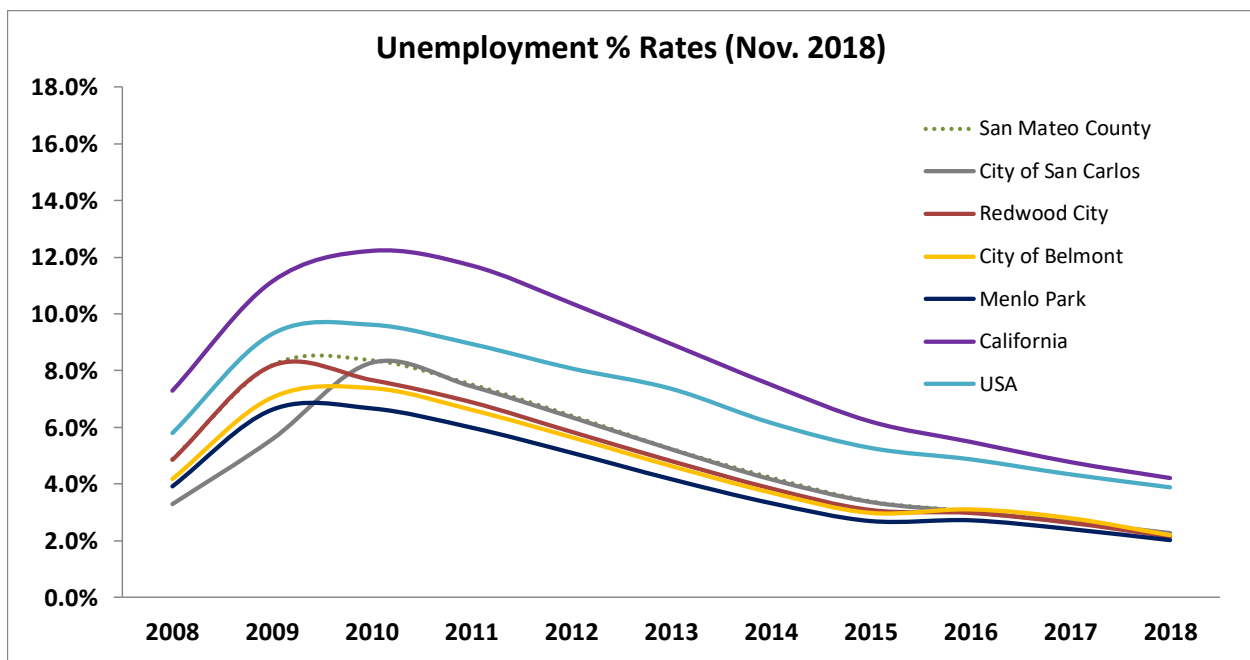
While the availability of government loan programs like SRF and WIFIA is uncertain, these loans are attractive for their low interest rates and traditional structures. Both have a similar structure as revenue bonds: thirty-year amortization and level debt service, but the SRF interest rate is set at half the California General Obligation Bonds rate while the WIFIA program is at the Treasury rate plus a few basis points. For example, tax-exempt interest rates in the current AAA bond market for a thirty-year maturity were approximately 3.03% as of January 11, 2019; or approximately 181 basis points higher than SVCW’s anticipated SRF loan at an effective rate of 1.22%. Including the additional execution costs of a publicly offered debt issue, SRF Loans are clearly the most cost-effective strategy as they become available.

## Economic Factors

Sewer revenues are somewhat influenced by the strength of the economy and other financial indicators. SVCW-estimated operating costs and the timing of CIP expenditures assume neither a significant downturn nor expansion in the San Francisco Bay Area economy. General economic conditions are comprised of many different factors; but sewer revenues are likely influenced by only a few factors. This report therefore focuses on six different broad factors that are good indicators of a strong economic environment: unemployment, assessed property valuation, taxable sales, income (measured by effective buying income and median household income), and interest rates.

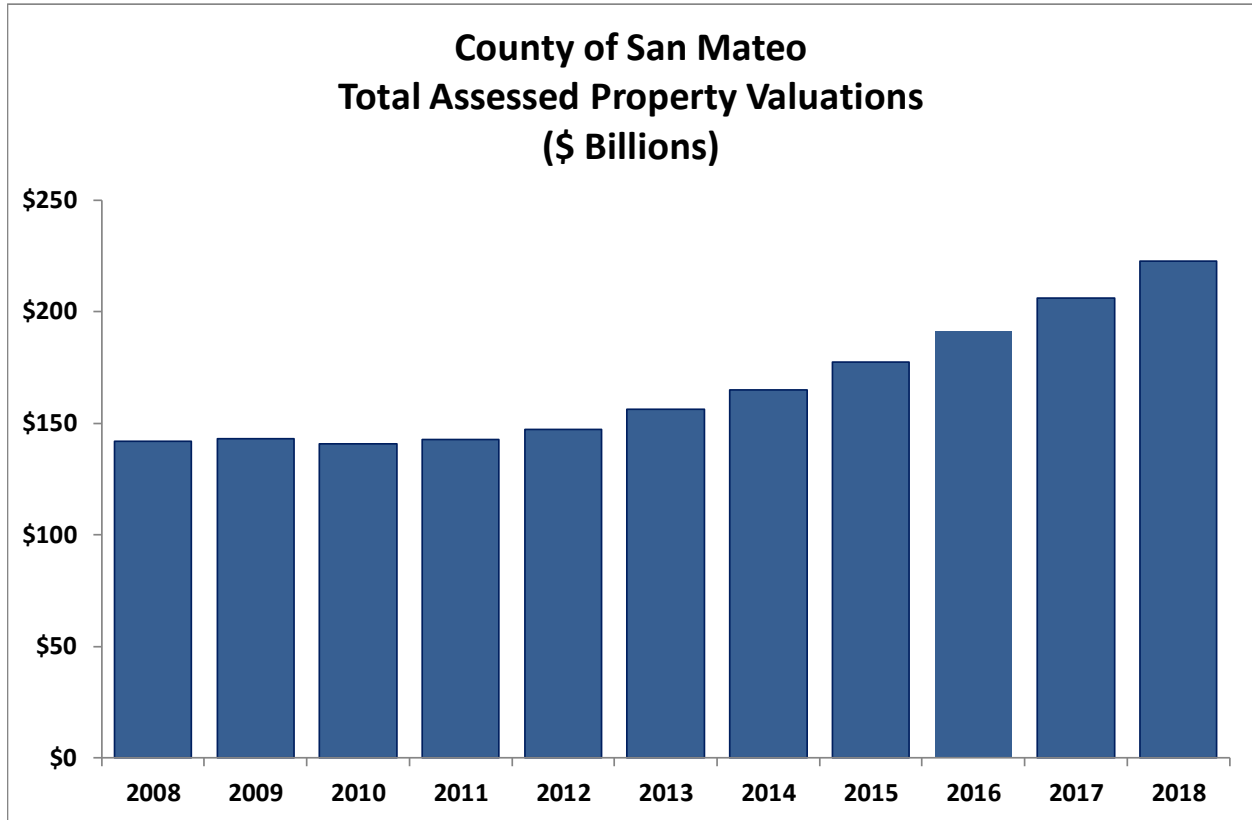
### *Unemployment*

Reflective of the Bay Area's strong economy, recent 2018 data from the United States Bureau of Labor Statistics shows unemployment rates for San Mateo County at 2.2%, well below California and National rates, respectively. The cities of San Carlos, Redwood City, Menlo Park and Belmont show similarly low rates.



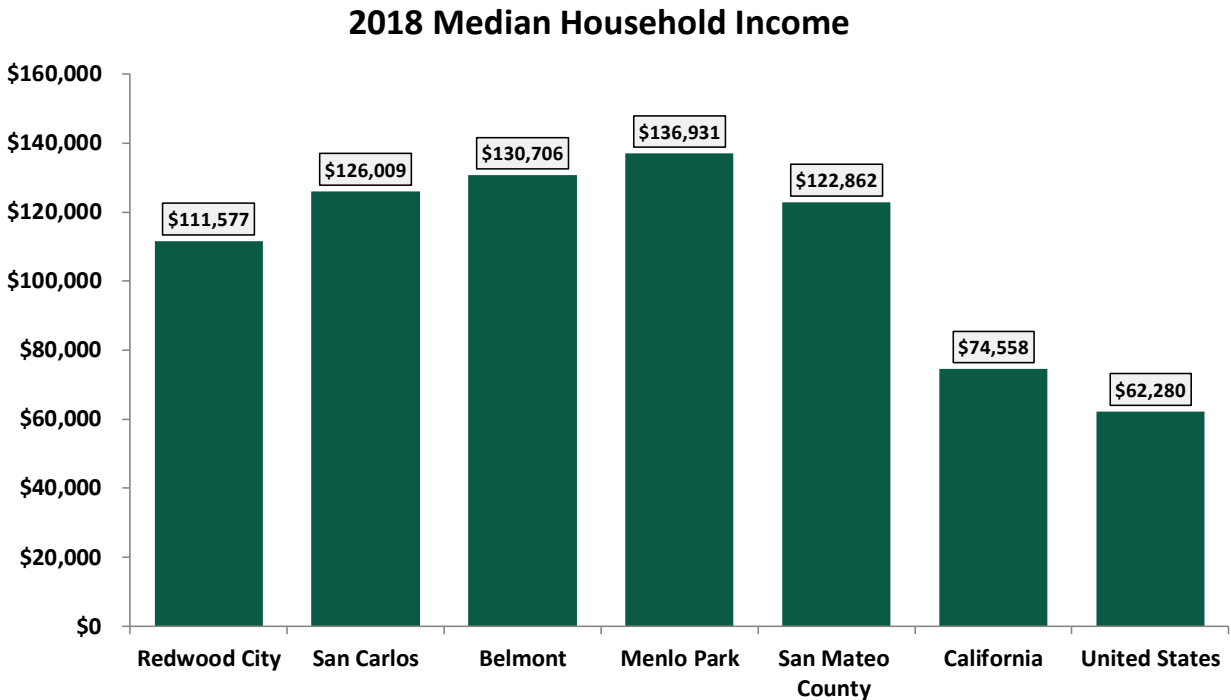
*County Assessed Valuations*

San Mateo County has approximately \$223 billion in total assessed real property valuation, an increase of \$16.5 billion (or 8.0%) from the previous year.



### Median Household Income

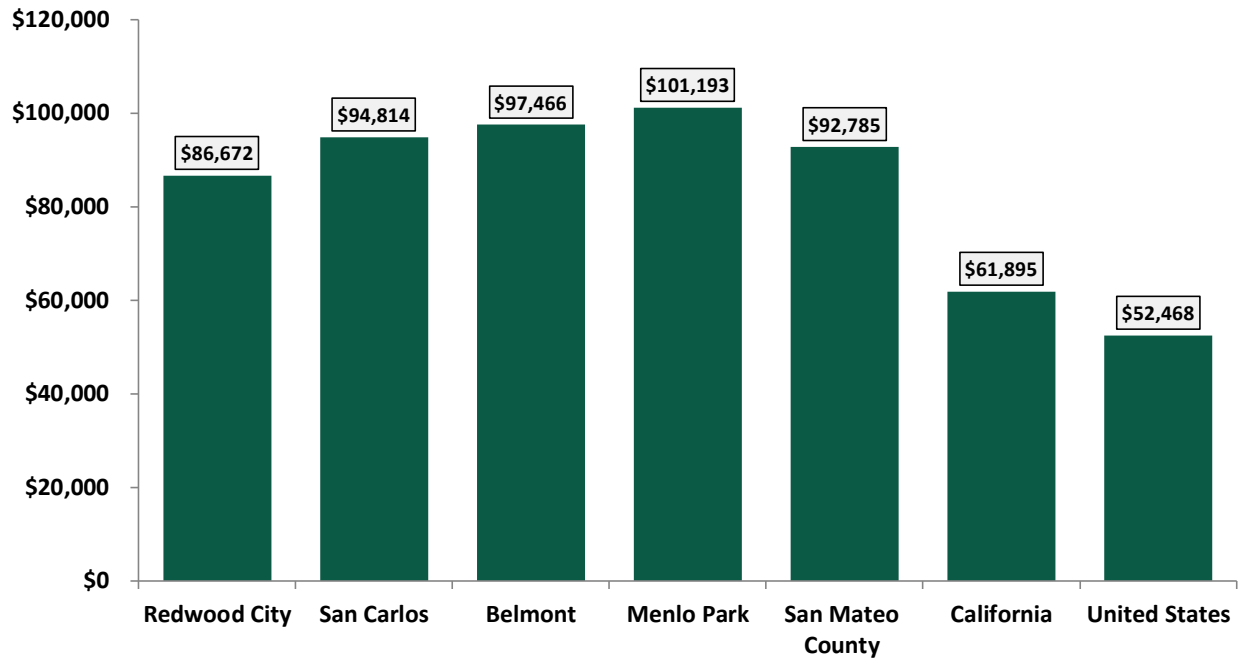
The median household incomes and effective buying incomes are consistently above the State and National income rates for San Mateo County, City of Belmont, City of San Carlos, City of Menlo Park and Redwood City. Public 2018 economic data shows that the median household income of San Mateo County, at \$122.8 thousand, is 197 percent and 165 percent of the Nation’s and State’s median household income, respectively.



### Effective Buying Income

The Communities served by SVCW show high effective buying income levels in comparison to National and State medians. The Effective Buying Income is the amount of a consumer’s disposable income; it reflects the money consumers have to spend after taxes. The following chart shows that SVCW communities have Effective Buying Incomes of \$86 thousand to \$101 thousand, which is 165 percent to 193 percent of the National levels, and 140 percent to 163 percent of California levels.

## 2018 Effective Buying Income

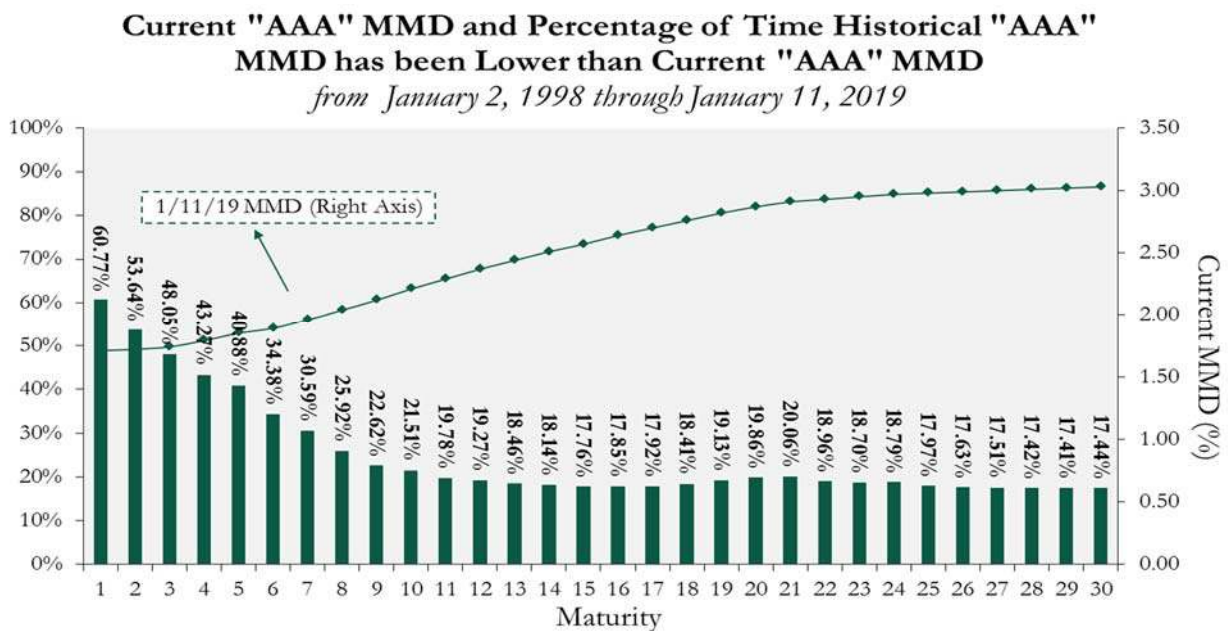




### Interest Rates

Based upon market conditions, every financing tool has projected interest rates depending on the type of the debt whether it is fixed or variable. For example, the anticipated SRF loan rate for the RESCU program, based on discussions with the State, is 1.22%. WIFIA loan rate is tied to the treasury rate and is forecasted at 3.45%. As fixed rate bonds are subsequently used, SVCW anticipates a projected interest rate of 4.25% for bonds issued in 2021. Short-Range Note Obligations are assumed to be at a rate of 2.25%. Finally, the Model uses a total projected variable rate of 3.40% inclusive of annual liquidity fees. At present, tax-exempt rates have remained above the near-historical lows of July 2016.

The table below provides tax-exempt interest rates for the Municipal Market Index as of January 4, 2019 and compares current rates to historical rates by Range. The data demonstrates that interest rates, while near historical lows throughout the yield curve, were lower historically in the shorter maturities than in the later years, i.e., years 20 through 30.

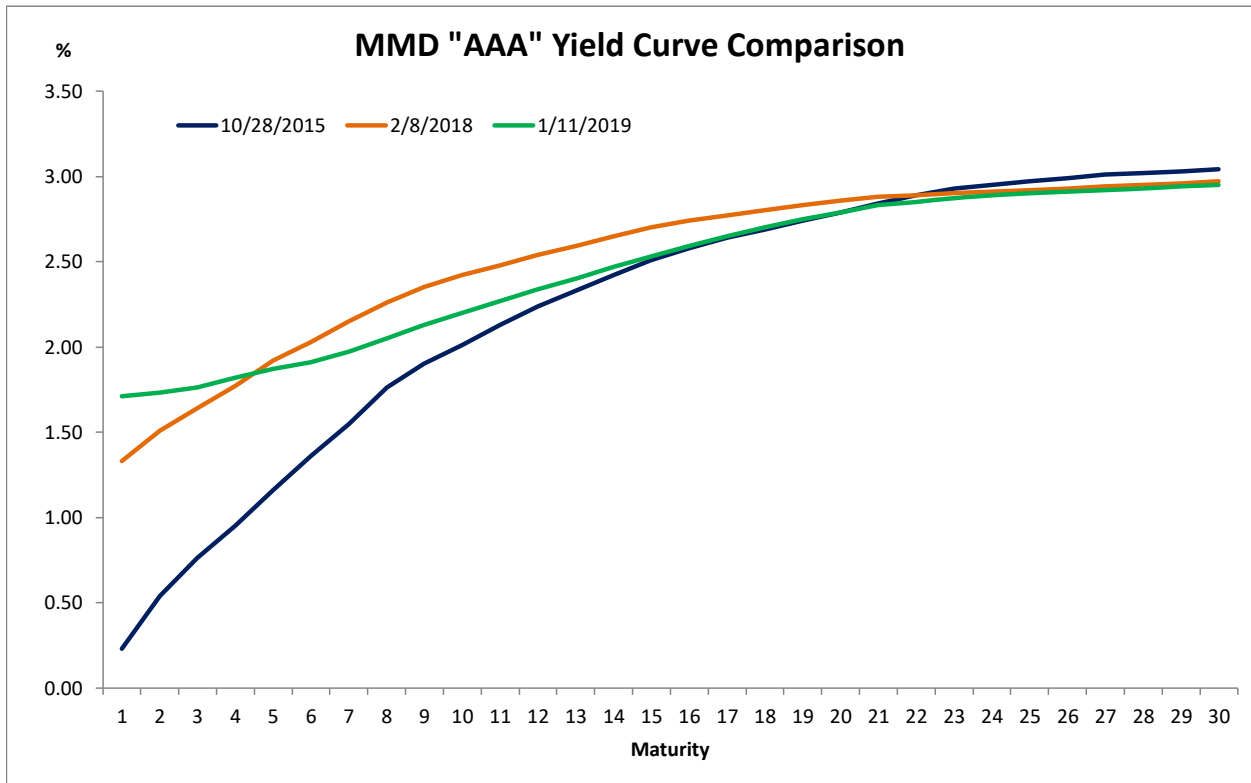


Source: Thomson Municipal Market Monitor

The two yield curves shown below represents the interest rates for the maturity years 1 - 30 for October 28, 2015 (the sale date of SVCW's last Bond issuance) and February 8, 2018 (sale date of SVCW's 2018 Bond issuance) in comparison to January 4, 2019. The most notable change is the rising of rates along the short end of the yield curve since 2015, as 2019 short-Range rates in 1 to 10-year maturities have risen sharply while longer maturities have decreased from 2015 levels.

Until 2016, slow national economic recovery prompted central banks to keep interest rates low to spur economic recovery. The Federal Reserve has continued to increase the Fed Funds rate by

¼ percent seven times since and is expected to raise rates three additional times during 2019. However, with interest rates still near historical lows it remains an advantageous time to finance projects as recommended by the Plan.



Source: Thomson Municipal Market Monitor

*Interest earnings on Project Funds and Reserves:*

It is estimated that funds held by SVCW related to the CIP, including reserve funds required by the SRF Loan program, will receive investment earnings of 1.5% annually over the long Range.

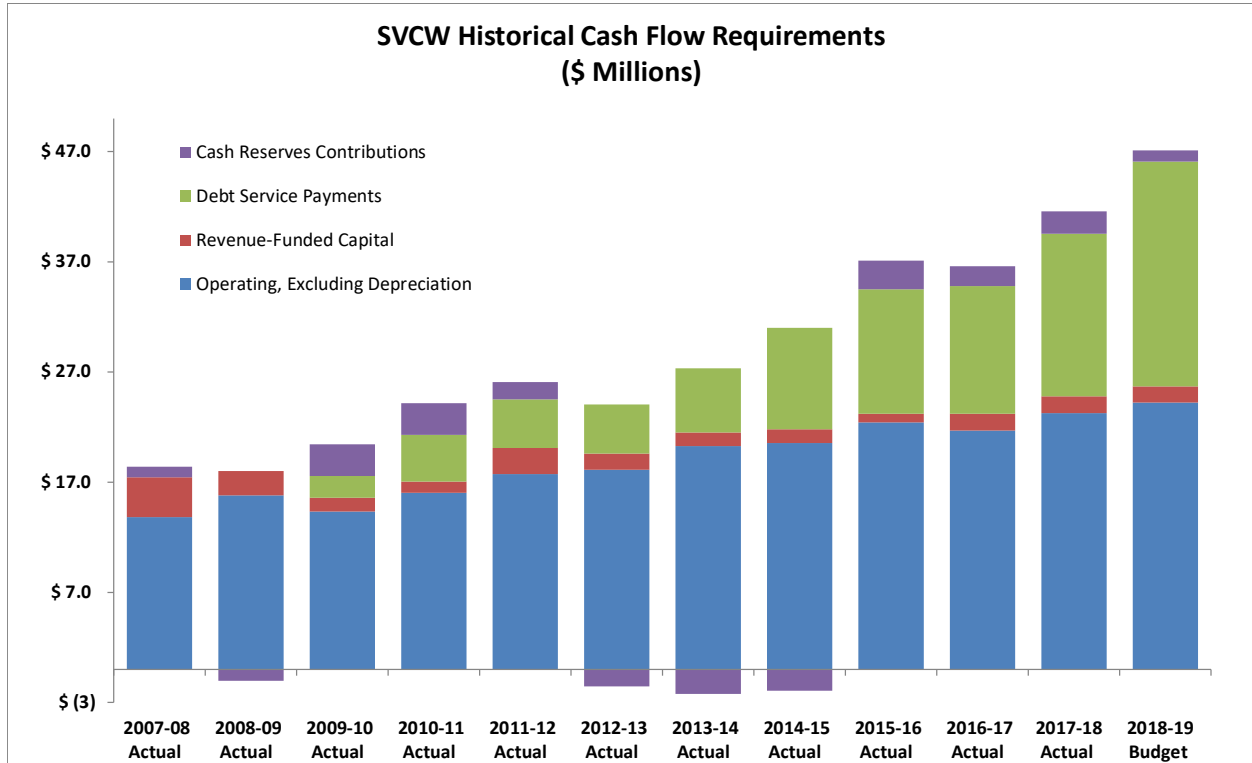
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## SECTION 4 – HISTORICAL FINANCIALS

### Historical Cash Flow Requirements

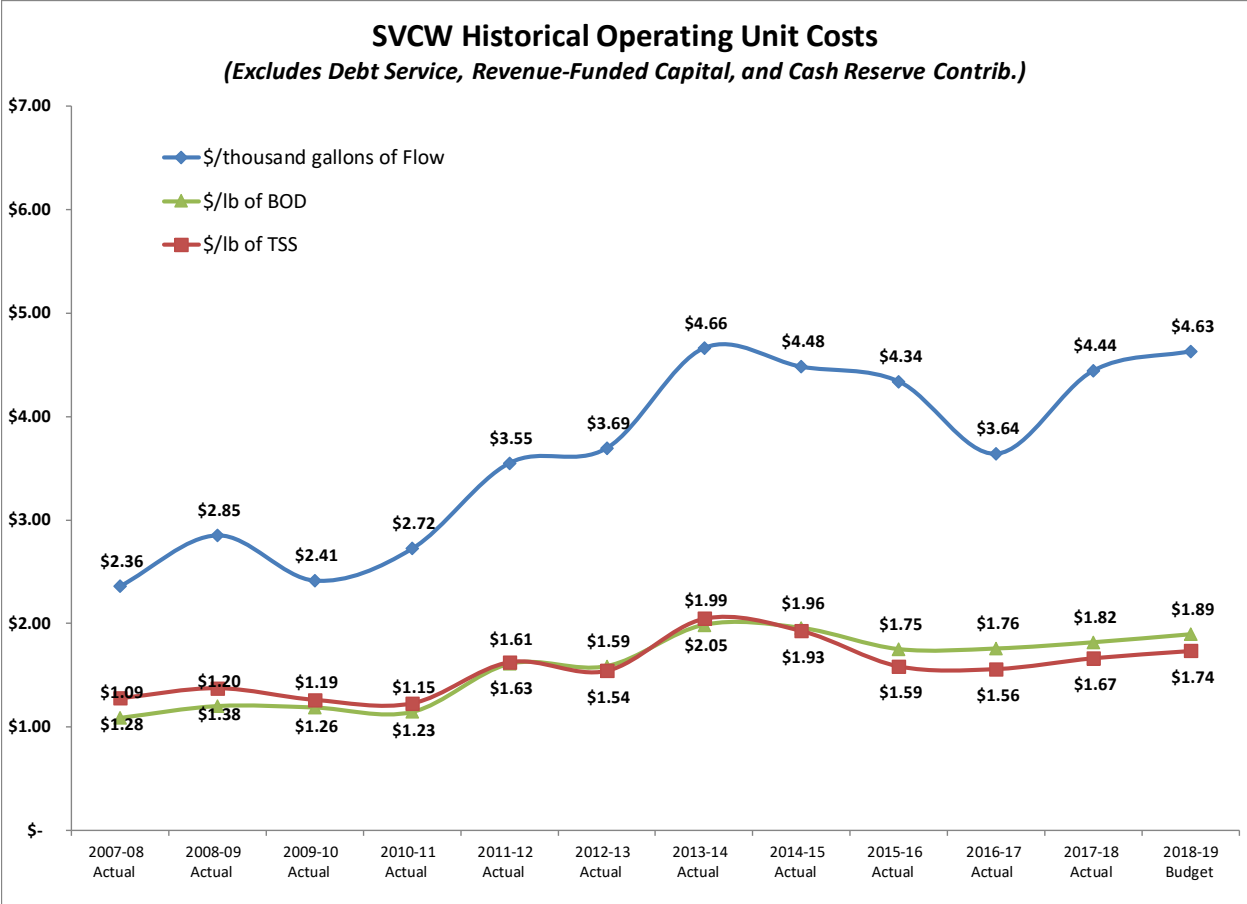
#### *Total Cash Flow Requirements*

SVCW annual cash flow requirements from Members have more than doubled over the past decade, mostly due to higher debt service payments needed to finance its CIP.



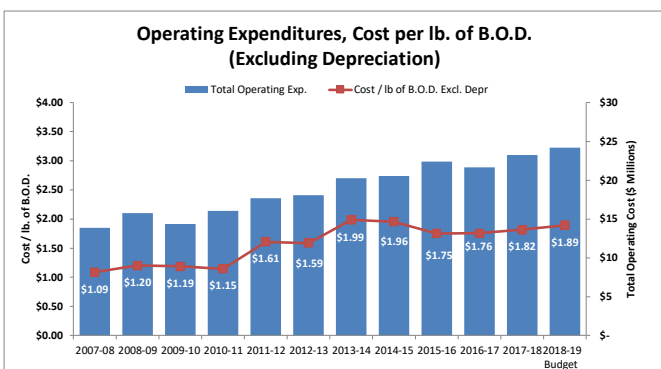
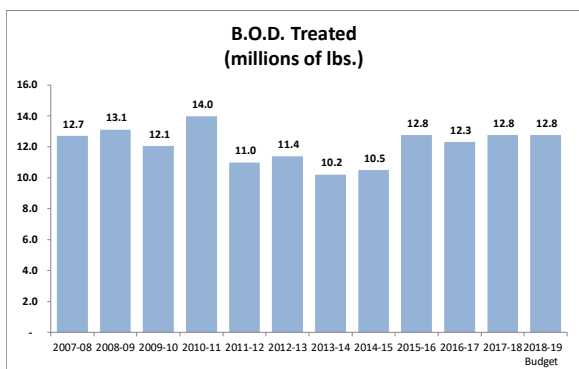
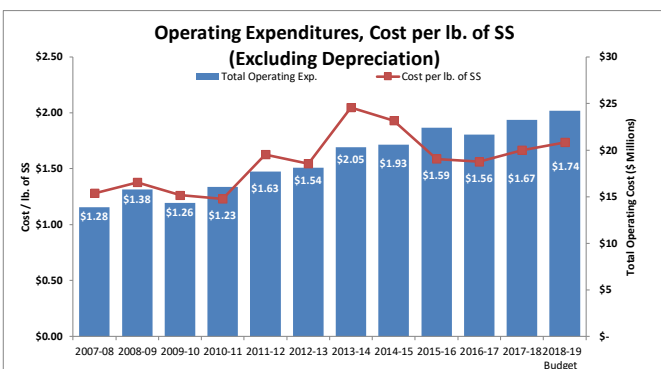
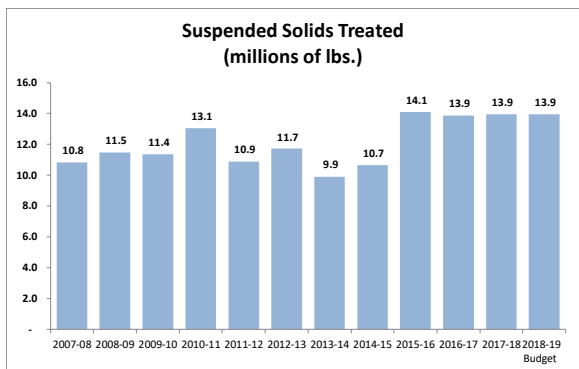
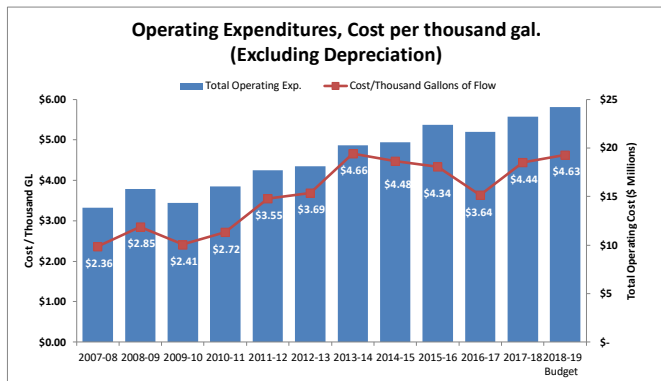
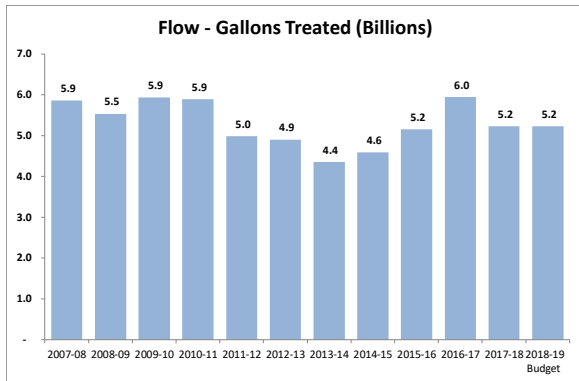
#### *Historical Unit Costs*

When isolated to only Operating Expenditures (excluding Depreciation), SVCW historical operating unit costs have increased 75% since the pivotal year 2007-08 eleven years ago. Since then SVCW has experienced ordinary inflationary pressures, increased Maintenance staff to better service SVCW assets, and established an Engineering Division to develop and manage the CIP.



In addition to the change in wastewater flows caused by droughts, the characteristics of the wastewater stream have also changed as local communities added housing and commercial developments. Low-flush toilets have introduced higher concentrations in wastewater, and both Biological Oxygen Demand (BOD) and Total Suspended Solids (TSS) have been at all-time highs beginning 2016-17. The following charts provide a side-by-side comparison of operating volumes and unit cost trends.

Another influencing factor on unit costs is volatility of operating volumes (Flow, Biological Oxygen Demand, and Total Suspended Solids). Drought conditions from 2011 to 2016 contributed to a rise in Unit Costs, then afterwards returned to “normal” levels in 2017. These Unit Costs are defined as Operating Cost per thousands of gallons treated, Operating Costs per pound of TSS, and Operating Costs per pound of BOD.

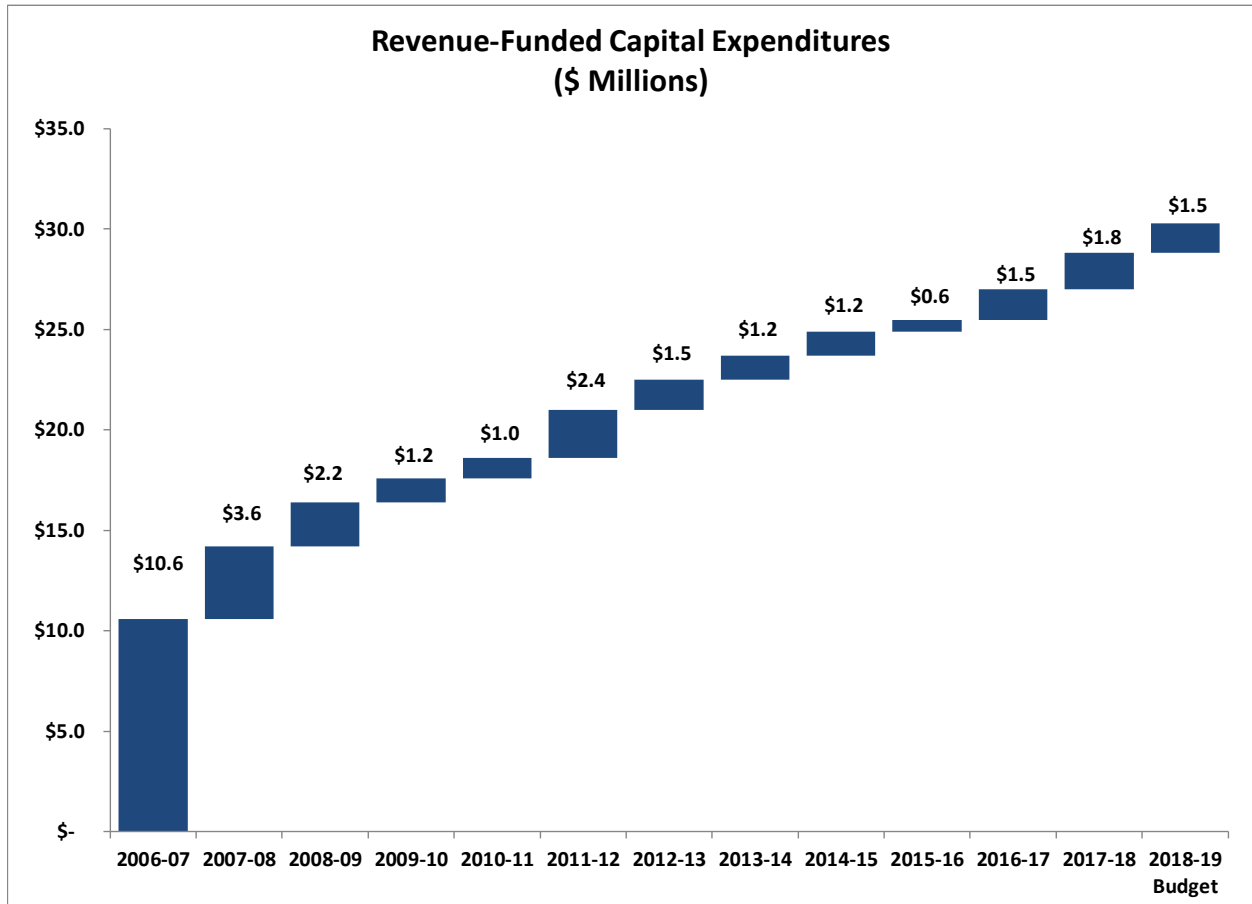


### Revenue-Funded Capital Expenditures

Revenue-Funded Capital Expenditures are for capital projects that are generally below \$1 million and completed within one year. Revenue-funded capital projects may include minor construction, purchase of vehicles or heavy equipment, maintenance repairs that improve an asset's useful life, as well as planning studies or preliminary engineering analysis for major capital improvements. Due to their relatively minor cost, it is appropriate to fund these items using cash rather than long-range debt.

Since 2006-07, SVCW has spent approximately \$28.8 million on Revenue-Funded Capital. Prior to formally adopting the Capital Improvement Program in fiscal year 2007-08, Member Entities made

relatively large cash contributions to address SVCW’s immediate capital project needs. Since 2008-09, however, SVCW has averaged \$1.4 million annually in Revenue-Funded capital expenditures.



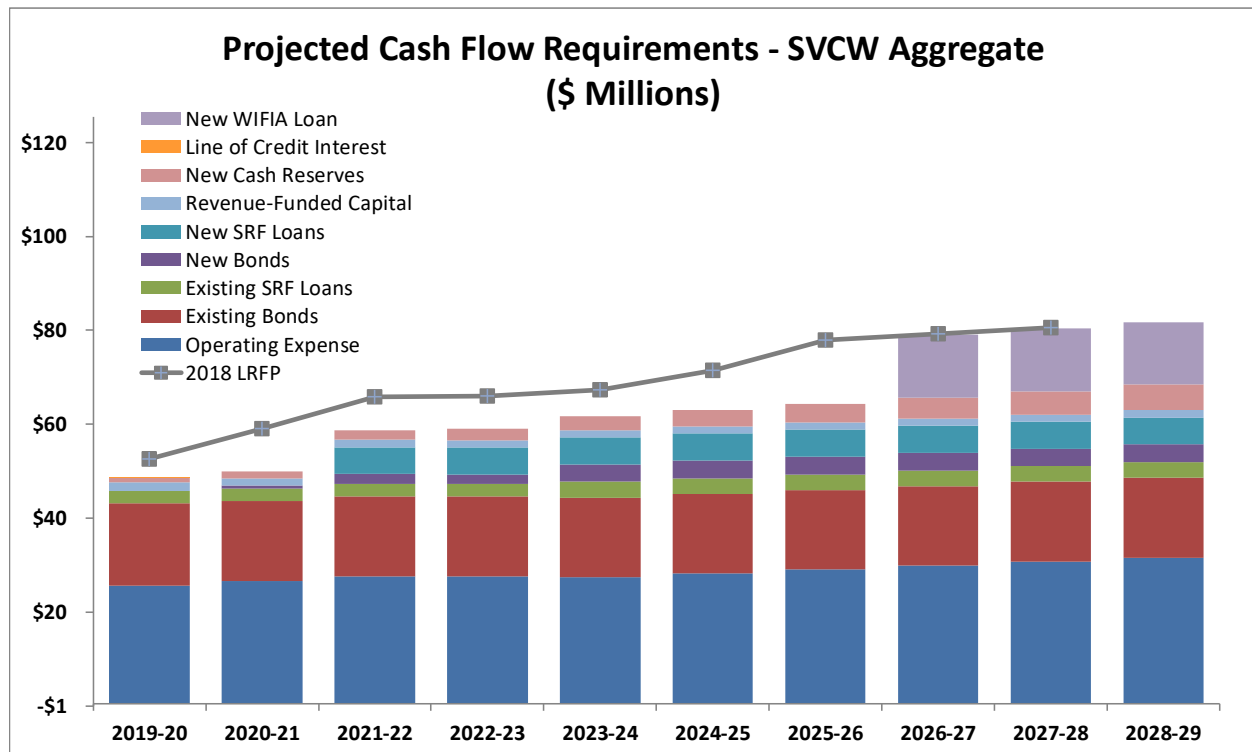
*Cash Reserves*

The SVCW Commission has adopted cash reserve policies that document the goals and amounts intended to be held in reserves. Each year, the SVCW budget process reviews reserve balances and makes adjustments necessary to meet the policy. In 2017-18, \$1 million was contributed to the Capital Improvement Program Reserve.

## SECTION 5 – TEN-YEAR FINANCIAL PROJECTIONS

In fiscal year 2019-20 SVCW anticipates total expenditures will be \$48.2 million for all costs of operations, debt service, revenue-funded capital, and reserve contributions. This figure is anticipated to grow to \$81.3 million over the next ten years:

| Projected SVCW Cash Flow Requirements - Aggregate (\$ Millions) |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Description   | 2019-20         | 2020-21         | 2021-22         | 2022-23         | 2023-24         | 2024-25         | 2025-26         | 2026-27         | 2027-28         | 2028-29         |
| Operating Expense   | \$ 25.15        | \$ 26.09        | \$ 27.13        | \$ 27.09        | \$ 26.87        | \$ 27.68        | \$ 28.51        | \$ 29.36        | \$ 30.23        | \$ 31.12        |
| Existing Bonds  | 17.46           | 17.02           | 17.01           | 17.00           | 17.00           | 17.01           | 16.98           | 16.98           | 16.98           | 16.97           |
| Existing SRF Loans  | 2.63            | 2.63            | 2.63            | 2.63            | 3.32            | 3.32            | 3.32            | 3.32            | 3.32            | 3.32            |
| New Bonds   | -               | 0.68            | 2.12            | 2.12            | 3.77            | 3.77            | 3.77            | 3.77            | 3.77            | 3.77            |
| New SRF Loans   | -               | -               | 5.75            | 5.75            | 5.75            | 5.75            | 5.75            | 5.75            | 5.75            | 5.75            |
| Line of Credit Interest   | 0.20            | -               | -               | -               | -               | -               | -               | -               | -               | -               |
| New WIFIA Loan  | -               | -               | -               | -               | -               | -               | -               | 13.36           | 13.36           | 13.36           |
| Revenue-Funded Capital  | 1.80            | 1.50            | 1.50            | 1.50            | 1.50            | 1.50            | 1.50            | 1.50            | 1.50            | 1.50            |
| New Cash Reserves   | 1.00            | 1.50            | 2.00            | 2.50            | 3.00            | 3.50            | 4.00            | 4.50            | 5.00            | 5.50            |
| <b>TOTAL</b>  | <b>\$ 48.24</b> | <b>\$ 49.42</b> | <b>\$ 58.14</b> | <b>\$ 58.60</b> | <b>\$ 61.22</b> | <b>\$ 62.53</b> | <b>\$ 63.83</b> | <b>\$ 78.54</b> | <b>\$ 79.91</b> | <b>\$ 81.30</b> |

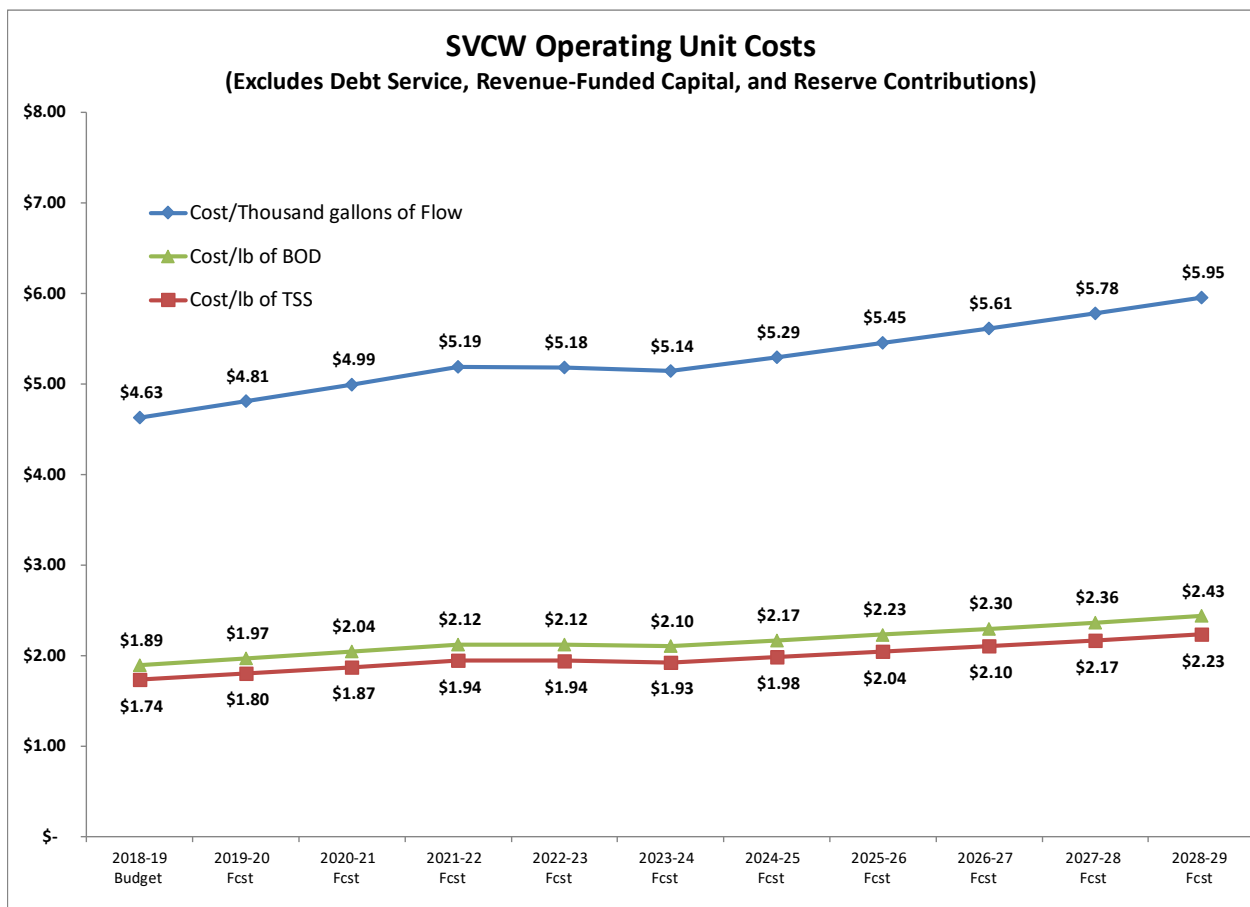




## Operating Expenditures

Total operating expenses will increase by approximately 3.65 percent annually over the next decade. The Financial Plan has incorporated future benefits of power generation, revenues from food waste, and improved productivity from automation.

| SVCW Operating Expenditures (\$ Millions) |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
|---|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Description                               | 2018-19 Budget | 2019-20 Forecast | 2020-21 Forecast | 2021-22 Forecast | 2022-23 Forecast | 2023-24 Forecast | 2024-25 Forecast | 2025-26 Forecast | 2026-27 Forecast | 2027-28 Forecast | 2028-29 Forecast |
| Personnel                                 | \$ 15.7        | \$ 16.4          | \$ 17.0          | \$ 17.7          | \$ 18.4          | \$ 18.9          | \$ 19.5          | \$ 20.0          | \$ 20.5          | \$ 21.1          | \$ 21.7          |
| Utilities                                 | 1.7            | 1.8              | 1.9              | 1.7              | 1.8              | 1.9              | 2.0              | 2.0              | 2.1              | 2.2              | 2.3              |
| Administrative Costs                      | 0.5            | 0.5              | 0.5              | 0.5              | 0.5              | 0.6              | 0.6              | 0.6              | 0.6              | 0.6              | 0.6              |
| Equipment & Supplies                      | 2.7            | 2.7              | 2.8              | 2.9              | 3.0              | 3.1              | 3.2              | 3.3              | 3.4              | 3.5              | 3.6              |
| Chemicals                                 | 1.5            | 1.6              | 1.6              | 1.7              | 1.7              | 1.8              | 1.8              | 1.9              | 1.9              | 2.0              | 2.0              |
| Professional Services                     | 0.8            | 0.9              | 0.9              | 0.9              | 1.0              | 1.0              | 1.0              | 1.0              | 1.1              | 1.1              | 1.1              |
| Contractual Services                      | 1.6            | 1.7              | 1.7              | 1.8              | 1.9              | 1.9              | 2.0              | 2.0              | 2.1              | 2.1              | 2.2              |
| Regulatory and Training                   | 0.4            | 0.4              | 0.4              | 0.4              | 0.4              | 0.4              | 0.4              | 0.5              | 0.5              | 0.5              | 0.5              |
| <b>Total Expenditures</b>                 | <b>\$ 25.0</b> | <b>\$ 25.9</b>   | <b>\$ 26.9</b>   | <b>\$ 27.7</b>   | <b>\$ 28.7</b>   | <b>\$ 29.5</b>   | <b>\$ 30.4</b>   | <b>\$ 31.3</b>   | <b>\$ 32.2</b>   | <b>\$ 33.1</b>   | <b>\$ 34.1</b>   |
| Less Misc. Revenue                        | (0.8)          | (0.8)            | (0.8)            | (0.5)            | (1.6)            | (2.7)            | (2.7)            | (2.8)            | (2.8)            | (2.9)            | (3.0)            |
| <b>Net Operating Expend.</b>              | <b>\$ 24.2</b> | <b>\$ 25.1</b>   | <b>\$ 26.1</b>   | <b>\$ 27.1</b>   | <b>\$ 27.1</b>   | <b>\$ 26.9</b>   | <b>\$ 27.7</b>   | <b>\$ 28.5</b>   | <b>\$ 29.4</b>   | <b>\$ 30.2</b>   | <b>\$ 31.1</b>   |



## Debt Service Structure / Annual Debt Service Payments

SVCW uses debt as necessary to fund its CIP. Through its Member Entities, SVCW has already funded or has received funding commitments of \$457 million for capital improvements. Sources of funds include Wastewater Revenue Bonds, Member Entity cash contributions, SRF Loans, and grants.

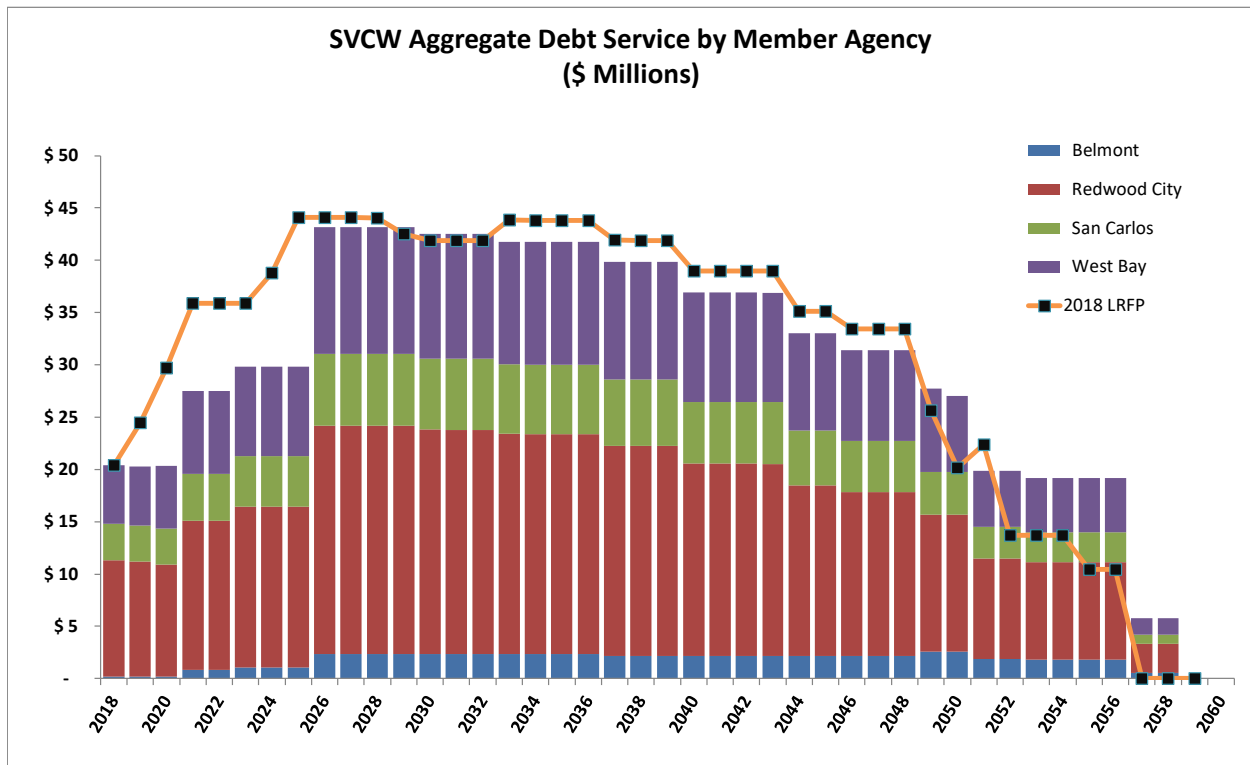
| Source of CIP Funds to date (\$ millions) |                                  |                  |                                      |
|---|----------------------------------|------------------|--------------------------------------|
| Description                               | All-in TIC /<br>Interest<br>Rate | Max<br>Proceeds  | Available<br>Proceeds at<br>10/31/18 |
| <b>Bonds</b>                              |                                  |                  |                                      |
| 2008 Wastewater Revenue Bonds             | 5.03%                            | \$ 10.01         | \$ -                                 |
| 2009 Wastewater Revenue Bonds             | 5.12%                            | 55.86            | -                                    |
| 2014 Wastewater Revenue Bonds             | 4.18%                            | 65.54            | -                                    |
| 2015 Wastewater Revenue Bonds             | 3.75%                            | 30.00            | -                                    |
| 2018 Wastewater Revenue Bonds             | 3.43%                            | 148.98           | 101.12                               |
| Subtotal - Bonds                          |                                  | 310.38           | 101.12                               |
| <b>Cash Contributions in lieu of Debt</b> |                                  |                  |                                      |
| Belmont                                   |                                  | 34.15            | 10.10                                |
| Redwood City                              |                                  | 10.00            | -                                    |
| West Bay Sanitary District                |                                  | 13.02            | 13.02                                |
| Subtotal - Cash                           |                                  | 57.16            | 23.12                                |
| <b>State Revolving Fund Loans</b>         |                                  |                  |                                      |
| Control Building                          | 2.60%                            | 11.36            | -                                    |
| WWTP Improvements                         | 1.80%                            | 31.55            | -                                    |
| Conveyance Planning                       | 1.60%                            | 14.00            | 2.78                                 |
| Subtotal - SRF                            |                                  | 56.91            | 2.78                                 |
| <b>Line of Credit</b>                     |                                  |                  |                                      |
| Wells Fargo LOC                           | LIBOR-based                      | 65.00            | 51.30                                |
| <b>Grant Funding</b>                      |                                  |                  |                                      |
| PG&E Cogeneration Grant                   |                                  | 2.40             | 0.60                                 |
| California Energy Commission              |                                  | 0.50             | -                                    |
| Subtotal - Grant Funding                  |                                  | 2.90             | 0.60                                 |
| <b>TOTAL</b>                              |                                  | <b>\$ 492.36</b> | <b>\$ 178.91</b>                     |

Looking forward, approximately \$559 million of the CIP remains to be funded. This LRFPP recommends the following debt structure, with a comparison to the prior year's LRFPP:

| Description                         | 2018 LRFP            | 2019 LRFP            |
|-------------------------------------|----------------------|----------------------|
| <b>Remaining CIP to be funded</b>   | <b>\$581 Million</b> | <b>\$559 Million</b> |
| Fixed Rate Bonds / % of New Debt    | \$371M / 65%         | \$24M / 4.3%         |
| Variable Rate Bonds / % of New Debt | \$115M / 19%         | \$48M / 8.5%         |
| Government Loans / % of New Debt    | \$65M / 11%          | \$349M / 62.4%       |
| Proceeds or Cash / % of New Debt    | \$30M / 5%           | \$139M / 24.8%       |
| <br>                                |                      |                      |
| Weighted Average Cost of Capital %  | 3.64%                | 2.88%                |

The updated debt structure, compared to 2018 estimates, will reduce service payments through the next 23 years. These savings are significant especially over the next seven years due to unique WIFIA structure that allows debt amortization to be deferred for up to five years after completion of construction.

Over the entire 41-year period displayed below, total aggregate debt service is now estimated at \$1.28 billion, or approximately \$40 million (in nominal dollars) less than the prior year’s LRFP. If discounted to today’s dollars, this difference is valued at a Net Present Value of \$46 million.



### *SVCW Wastewater Revenue Bonds*

Financing Agreements adopted between SVCW and its Member Entities obligate each of these agencies to make payments to SVCW for their respective allocable share of debt service. The City of Belmont has, to date, not participated in SVCW Bond financing and is therefore not obligated to make debt service payments on bonds currently outstanding.

Existing bond debt service payments are \$17.5 million in fiscal year 2019-20, including four issuances from 2009, 2014, 2015, and 2018. Only one new Bond Debt issuance is planned in 2021, and a variable-rate issuance in 2023.

### *State Revolving Fund Loans*

SVCW has thus far financed certain projects by entering into three separate sale-repurchase agreements with the State Water Resources Control Board (SWRCB). This program is funded from the California State Revolving Fund (SRF) program. The project funds, including any accrued interest, are repaid in annual installments commencing one year after construction.

Current SRF loan payments will peak at \$3.3 million. These loans financed the Control Building, certain Wastewater Treatment Improvements loans, and conveyance system planning efforts.

SVCW is currently in discussions with the SWRCB to secure a \$140.8 million SRF loan for the gravity pipeline element of RESCU, anticipated to close in 2019.

### *Line of Credit*

SVCW holds a \$30 million Line of Credit (LOC), with the ability to increase it to \$65 million. This LOC provides bridge financing for CIP projects. It remains a valuable tool to manage cash flow and to date has reduced overall borrowing costs. Specifically, the LOC furnishes interim cash flows between bond issuances or when SVCW awaits reimbursement of construction costs funded by the SRF program. When borrowing through SRF, SVCW pays for services and afterwards submits paid invoices to the state for reimbursement. Reimbursement generally takes 90 to 120 days and the LOC acts as a bridge loan during this period.

## Revenue-Funded Capital Expenditures

SVCW anticipates investing approximately \$1.5 million annually in critical projects to maintain ongoing operations. These projects are purchased and may be installed and managed by staff, examples of which include vehicles, valves, pumps, motors, gear assemblies, technology devices, or maintenance equipment.

## Cash Reserves Contributions

The table below shows the projected annual cash reserve contributions to the Capital Improvement Program Fund, its earnings, and the balances. After ten years SVCW is projected to have nearly \$53 million in cash reserves that could be used for the next generation of capital improvements.

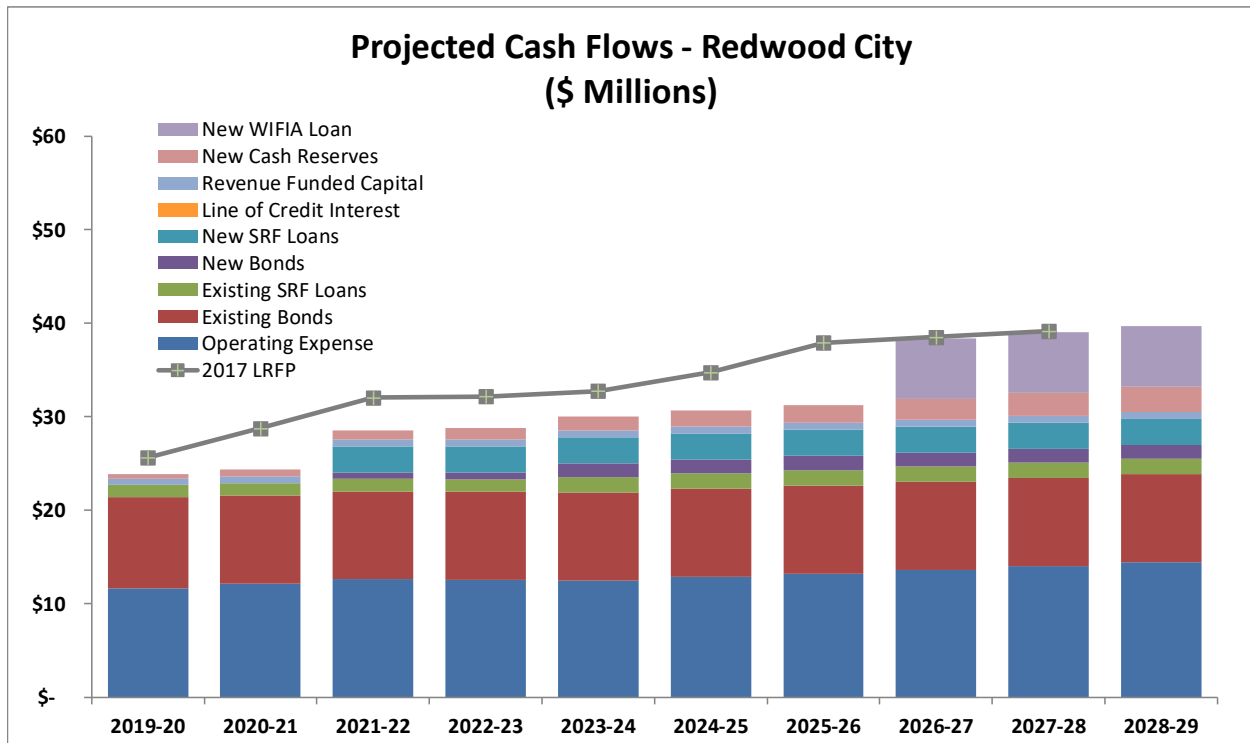
| CIP Cash Reserves Forecast (\$ Millions) |                |                |                |                |                |                |                |                |                |                |  |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--|
| Description                              | 2019-20        | 2020-21        | 2021-22        | 2022-23        | 2023-24        | 2024-25        | 2025-26        | 2026-27        | 2027-28        | 2028-29        |  |
| Beginning Balance                        | \$ 17.1        | \$ 18.3        | \$ 20.0        | \$ 22.2        | \$ 25.0        | \$ 28.3        | \$ 32.1        | \$ 36.4        | \$ 41.3        | \$ 46.8        |  |
| Contributions                            | 1.0            | 1.5            | 2.0            | 2.5            | 3.0            | 3.5            | 4.0            | 4.5            | 5.0            | 5.5            |  |
| Earnings                                 | 0.2            | 0.2            | 0.2            | 0.2            | 0.3            | 0.3            | 0.4            | 0.4            | 0.5            | 0.5            |  |
| <b>Ending Balance</b>                    | <b>\$ 18.3</b> | <b>\$ 20.0</b> | <b>\$ 22.2</b> | <b>\$ 25.0</b> | <b>\$ 28.3</b> | <b>\$ 32.1</b> | <b>\$ 36.4</b> | <b>\$ 41.3</b> | <b>\$ 46.8</b> | <b>\$ 52.8</b> |  |

Cash Reserve contributions follow SVCW policy at \$1 million contributed annually through fiscal year 2020-21, after which it increases annually by \$500 thousand until contributions match annual depreciation expense.

## Total Cash Flow Projections by Member Entity

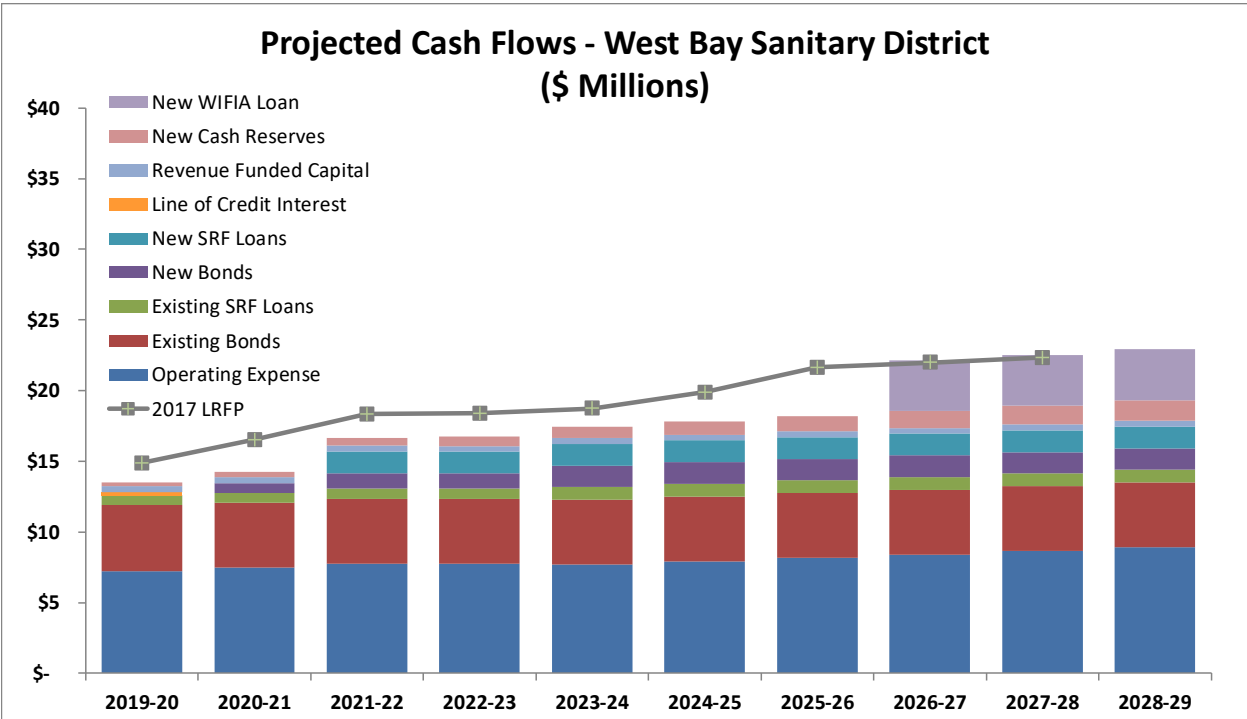
The following charts and tables describe the cash flow projections required for all SVCW expenditures. Each Member Entity is also provided with a detailed description for their own planning purposes.

### Redwood City

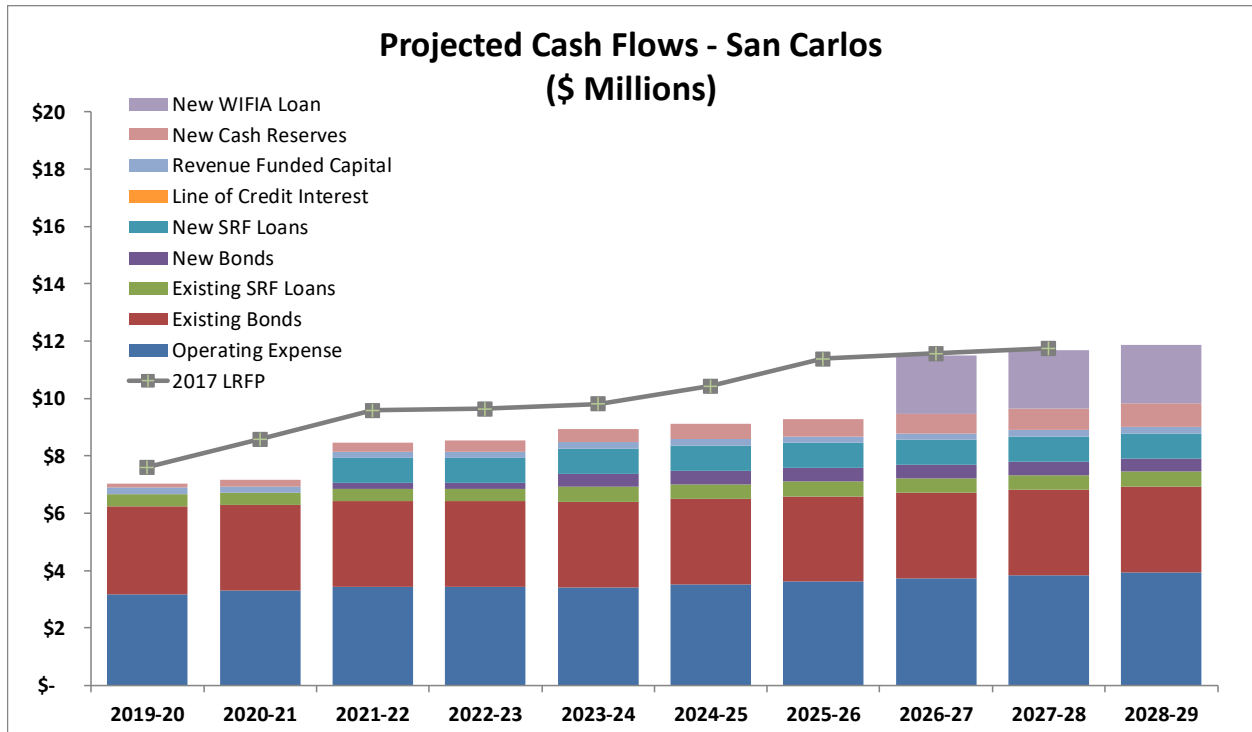


| Projected SVCW Cash Flow Requirements - Redwood City (\$ Millions) |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Description  | 2019-20         | 2020-21         | 2021-22         | 2022-23         | 2023-24         | 2024-25         | 2025-26         | 2026-27         | 2027-28         | 2028-29         |
| Operating Expense  | \$ 11.68        | \$ 12.12        | \$ 12.60        | \$ 12.58        | \$ 12.48        | \$ 12.85        | \$ 13.24        | \$ 13.63        | \$ 14.04        | \$ 14.46        |
| Existing Bonds   | 9.68            | 9.43            | 9.42            | 9.42            | 9.42            | 9.41            | 9.41            | 9.41            | 9.41            | 9.40            |
| Existing SRF Loans   | 1.32            | 1.32            | 1.32            | 1.32            | 1.65            | 1.65            | 1.65            | 1.65            | 1.65            | 1.65            |
| New Bonds  | -               | -               | 0.70            | 0.70            | 1.50            | 1.50            | 1.50            | 1.50            | 1.50            | 1.50            |
| New SRF Loans  | -               | -               | 2.79            | 2.79            | 2.79            | 2.79            | 2.79            | 2.79            | 2.79            | 2.79            |
| Line of Credit Interest  | -               | -               | -               | -               | -               | -               | -               | -               | -               | -               |
| New WIFIA Loan   | -               | -               | -               | -               | -               | -               | -               | 6.49            | 6.49            | 6.49            |
| Revenue Funded Capital   | 0.87            | 0.73            | 0.73            | 0.73            | 0.73            | 0.73            | 0.73            | 0.73            | 0.73            | 0.73            |
| New Cash Reserves  | 0.49            | 0.73            | 0.97            | 1.21            | 1.46            | 1.70            | 1.94            | 2.19            | 2.43            | 2.67            |
| <b>TOTAL</b>   | <b>\$ 24.04</b> | <b>\$ 24.32</b> | <b>\$ 28.53</b> | <b>\$ 28.76</b> | <b>\$ 30.03</b> | <b>\$ 30.64</b> | <b>\$ 31.27</b> | <b>\$ 38.39</b> | <b>\$ 39.04</b> | <b>\$ 39.69</b> |

West Bay Sanitary District



| Projected SVCW Cash Flow Requirements - West Bay Sanitary District (\$ Millions) |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |  |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--|
| Description  | 2019-20         | 2020-21         | 2021-22         | 2022-23         | 2023-24         | 2024-25         | 2025-26         | 2026-27         | 2027-28         | 2028-29         |  |
| Operating Expense  | \$ 7.19         | \$ 7.46         | \$ 7.76         | \$ 7.75         | \$ 7.69         | \$ 7.92         | \$ 8.16         | \$ 8.40         | \$ 8.65         | \$ 8.90         |  |
| Existing Bonds   | 4.71            | 4.59            | 4.60            | 4.59            | 4.59            | 4.59            | 4.59            | 4.58            | 4.58            | 4.58            |  |
| Existing SRF Loans   | 0.73            | 0.73            | 0.73            | 0.73            | 0.91            | 0.91            | 0.91            | 0.91            | 0.91            | 0.91            |  |
| New Bonds  | -               | 0.68            | 1.07            | 1.07            | 1.51            | 1.51            | 1.51            | 1.51            | 1.51            | 1.51            |  |
| New SRF Loans  | -               | -               | 1.54            | 1.54            | 1.54            | 1.54            | 1.54            | 1.54            | 1.54            | 1.54            |  |
| Line of Credit Interest  | 0.20            | -               | -               | -               | -               | -               | -               | -               | -               | -               |  |
| New WIFIA Loan   | -               | -               | -               | -               | -               | -               | -               | 3.59            | 3.59            | 3.59            |  |
| Revenue Funded Capital   | 0.48            | 0.40            | 0.40            | 0.40            | 0.40            | 0.40            | 0.40            | 0.40            | 0.40            | 0.40            |  |
| New Cash Reserves  | 0.27            | 0.40            | 0.54            | 0.67            | 0.81            | 0.94            | 1.07            | 1.21            | 1.34            | 1.48            |  |
| <b>TOTAL</b>   | <b>\$ 13.58</b> | <b>\$ 14.27</b> | <b>\$ 16.64</b> | <b>\$ 16.75</b> | <b>\$ 17.45</b> | <b>\$ 17.82</b> | <b>\$ 18.18</b> | <b>\$ 22.14</b> | <b>\$ 22.53</b> | <b>\$ 22.92</b> |  |

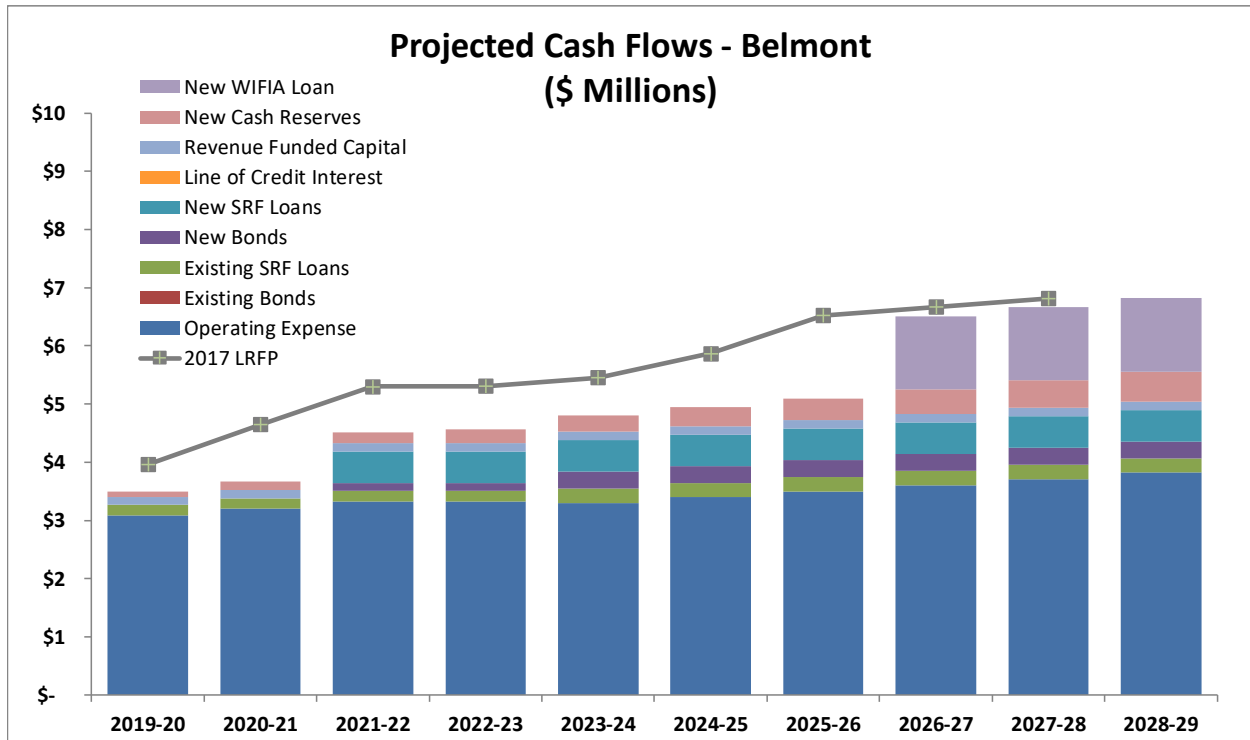


| Projected SVCW Cash Flow Requirements - San Carlos (\$ Millions) |                |                |                |                |                |                |                |                 |                 |                 |  |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|--|
| Description  | 2019-20        | 2020-21        | 2021-22        | 2022-23        | 2023-24        | 2024-25        | 2025-26        | 2026-27         | 2027-28         | 2028-29         |  |
| Operating Expense  | \$ 3.19        | \$ 3.31        | \$ 3.44        | \$ 3.43        | \$ 3.40        | \$ 3.51        | \$ 3.61        | \$ 3.72         | \$ 3.83         | \$ 3.94         |  |
| Existing Bonds   | 3.07           | 2.99           | 2.99           | 2.99           | 3.00           | 3.00           | 2.98           | 2.99            | 2.99            | 2.99            |  |
| Existing SRF Loans   | 0.41           | 0.41           | 0.41           | 0.41           | 0.51           | 0.51           | 0.51           | 0.51            | 0.51            | 0.51            |  |
| New Bonds  | -              | -              | 0.22           | 0.22           | 0.47           | 0.47           | 0.47           | 0.47            | 0.47            | 0.47            |  |
| New SRF Loans  | -              | -              | 0.87           | 0.87           | 0.87           | 0.87           | 0.87           | 0.87            | 0.87            | 0.87            |  |
| Line of Credit Interest  | -              | -              | -              | -              | -              | -              | -              | -               | -               | -               |  |
| New WIFIA Loan   | -              | -              | -              | -              | -              | -              | -              | 2.02            | 2.02            | 2.02            |  |
| Revenue Funded Capital   | 0.27           | 0.23           | 0.23           | 0.23           | 0.23           | 0.23           | 0.23           | 0.23            | 0.23            | 0.23            |  |
| New Cash Reserves  | 0.15           | 0.23           | 0.30           | 0.38           | 0.45           | 0.53           | 0.61           | 0.68            | 0.76            | 0.83            |  |
| <b>TOTAL</b>   | <b>\$ 7.09</b> | <b>\$ 7.16</b> | <b>\$ 8.46</b> | <b>\$ 8.53</b> | <b>\$ 8.94</b> | <b>\$ 9.11</b> | <b>\$ 9.28</b> | <b>\$ 11.49</b> | <b>\$ 11.68</b> | <b>\$ 11.87</b> |  |



*Belmont*

Belmont has, to date, chosen to not participate in SVCW Bond issuances, including the 2018 Bond Issuance. This produces lower debt service payments for Belmont as compared to the 2018 LRF, albeit the City of Belmont has financed \$22.5 million for SVCW-related capital needs on its own.



| Projected SVCW Cash Flow Requirements - Belmont (\$ Millions) |                |                |                |                |                |                |                |                |                |                |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Description   | 2019-20        | 2020-21        | 2021-22        | 2022-23        | 2023-24        | 2024-25        | 2025-26        | 2026-27        | 2027-28        | 2028-29        |
| Operating Expense   | \$ 3.09        | \$ 3.20        | \$ 3.33        | \$ 3.33        | \$ 3.30        | \$ 3.40        | \$ 3.50        | \$ 3.60        | \$ 3.71        | \$ 3.82        |
| Existing Bonds  | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| Existing SRF Loans  | 0.18           | 0.18           | 0.18           | 0.18           | 0.24           | 0.24           | 0.24           | 0.24           | 0.24           | 0.24           |
| New Bonds   | -              | -              | 0.14           | 0.14           | 0.29           | 0.29           | 0.29           | 0.29           | 0.29           | 0.29           |
| New SRF Loans   | -              | -              | 0.54           | 0.54           | 0.54           | 0.54           | 0.54           | 0.54           | 0.54           | 0.54           |
| Line of Credit Interest                                       | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| New WIFIA Loan  | -              | -              | -              | -              | -              | -              | -              | 1.26           | 1.26           | 1.26           |
| Revenue Funded Capital  | 0.17           | 0.14           | 0.14           | 0.14           | 0.14           | 0.14           | 0.14           | 0.14           | 0.14           | 0.14           |
| New Cash Reserves   | 0.09           | 0.14           | 0.19           | 0.24           | 0.28           | 0.33           | 0.38           | 0.43           | 0.47           | 0.52           |
| <b>TOTAL</b>  | <b>\$ 3.53</b> | <b>\$ 3.67</b> | <b>\$ 4.52</b> | <b>\$ 4.56</b> | <b>\$ 4.80</b> | <b>\$ 4.95</b> | <b>\$ 5.10</b> | <b>\$ 6.51</b> | <b>\$ 6.67</b> | <b>\$ 6.83</b> |

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## **SECTION 6 – SENSITIVITIES**

Traditional risks to the efficient completion of large capital plans include unanticipated increases such as inflation and interest rate volatility. The risks of inflation and rising interest rates are outside the control of SVCW; however, strategies can mitigate these risks. The Plan, for instance, assumes a 4% inflation factor in operating costs. Further, interest rates utilized by the Model are conservative and generally based on historical averages and, as a result, are presumed to be higher than current market rates. As another example of cost preparedness, SVCW increased the CIP estimates by implementing cost inflators through the midpoint of construction.

To assess the impact of borrowing at interest rates higher than the conservative rates assumed in the recommendation, a sensitivity-analysis was conducted by increasing the weighted cost of capital by approximately 50 basis points (0.50%). Such an increase would result in a greater debt service cost of (Net Present Value) \$23.8 million over the life of the debt issued.

### **Capital Improvement Program Adherence**

The timing of the projects is considered achievable under present economic and operational assessments. Based upon the size of the CIP the cost is significant and the interest expense is also significant. Adhering to the timing of the CIP is singularly the most cost-effective strategy to minimize inflation and interest rate risks. As the regional economy continues to expand, costs will continue to rise. Delays to the CIP by one year will likely increase costs by approximately \$26.6 million based upon a construction cost inflation factor of 4%. SVCW has shown that its Progressive Design-Build project delivery method has so far managed to avoid such inflationary schedule risks.

### **Government Loan Availability**

The SWRCB has secured \$57 million in SRF loans thus far. The low cost of these loans, combined with attractive repayment Ranges, increased the competition from other agencies. While the SWRCB has been unable to meet its current demand for SRF loans, it has identified the SVCW RESCU program as eligible for a \$140.8 million SRF loan. SVCW is actively working to close this loan in mid-2019, though the agreement is not yet completed.

In October 2018 the Environmental Protection Agency (EPA) selected SVCW's Letter of Interest for a WIFIA loan. The Authority is now in negotiations with the EPA to secure \$208 million for the RESCU program, with potential flexibility to draw up to \$233 million.

## **Inflation**

Operating Expenditures - The LRFPP includes inflationary assumptions of approximately 4% on operating costs. The Consumer Price Index (CPI) is a measure of the “average change in prices over time in a fixed market basket of goods and services” which translates to a guide for determining the prices on food, energy, fuel and other goods and services. CPI is a good indicator of how the economy holds up against inflation and surrounding economic changes.

Capital Expenditures – Construction costs of labor and materials continue to increase. While SVCW negotiates for best pricing on projects, the rise in material and labor costs will place upward pressure on the CIP. SVCW accounted for capital project inflation by increasing the CIP budget by a range of 3.7% to 4.25% through the midpoint of construction, adding \$42.6 million.

## **Interest Rates**

It is impossible to predict interest rate levels or the timing of changes. What is known, however, is today’s interest rates remain near historical lows. Since tax-exempt interest rates are already at historical low levels, a decrease in rates is unlikely. A more plausible outcome would be for the market to experience higher interest rates in the future.

Changes in interest rates would be somewhat mitigated with SRF Loan funding, since its rate is 50% of the State’s public borrowing cost. Publicly issued debt, however, would bear the entire market increase with estimated rates.

If SVCW’s Weighted-Average Cost of Capital was to increase by 50 basis points (or 0.5%), SVCW annual debt service payments (at its maximum aggregate point) would increase by \$2.18 million. Over the entire amortization Range, the cost of this change in interest rates would be a Net Present Value of \$23.8 million. It should be noted, however, that both the SRF Loan interest rates and publicly issued bond rates assumed in the Model have a significant cushion versus the current market (e.g. fixed rates are approximately 0.82% higher than the recent 2018 Fixed Bond rate).

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## SECTION 7 – SUMMARY

SVCW provides this Long Range Financial Plan as a recommendation and implementation strategy to fund the next decade of capital improvements. The Plan documents the analysis of possible alternatives. Due to the extensive nature and cost of the CIP, leveraging long Range debt is the most practical funding method. Individual Members may of course determine that, for their own specific purposes, cash contributions may be appropriate.

Due to the historical lack of a sinking fund and cash reserves, the recommended debt strategy is in lieu of a pay-go cash strategy. Debt allows SVCW to distribute costs over the expected useful lives of constructed assets, and also provides fairness to Members' ratepayers by spreading costs across generations and facilitating moderate and consistent rate increases. In general, CIP funding sources include 1) Capital markets by issuing publicly traded revenue bonds; 2) government loans through SRF and WIFIA programs when available; and 3) cash that has been accrued by the Members Agencies.

This LRF's recommendations and its outcomes are for planning purposes. SVCW believes it is a reasonable forecast of expenditures over the next year, including a well-informed position that SVCW will be able to access government loan programs from the SWRCB and the EPA. This LRF therefore is useful for Member Agencies as they consider budgets and analyze their sewer rates.

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## **APPENDIX B**

### PROJECT TEAM RESUMES

## PROJECT TEAM RESUMES

### Engagement Manager



**ROBERT A. PORR**

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**Mr. Robert A. Porr**, Senior Vice President, returned to the firm in May 2005 after spending eight years as a public finance investment banker. Since re-joining the firm, he has focused on serving the firm's utility clients. He has been advisor to Santa Clarita Valley Water Agency (formerly Castaic Lake Water Agency), Eastern Municipal Water District, Rancho California Water District, Orange County Water District, Cucamonga Valley Water District, Western Municipal Water District, Mesa Water District, Nevada Irrigation District, Azusa Light & Water, Westlands Water District, Silicon Valley Clean Water, and Olivenhain Municipal Water District. Mr. Porr leads the swap advisory practice at the Firm and has served as swap advisor to Riverside County Transportation Commission, Eastern Municipal Water District, Santa Clarita Valley Water Agency (formerly Castaic Lake Water Agency), the County of Riverside, Hemet Unified School District, and Western Municipal Water District.

His experience as an investment banker includes working with numerous local agencies in connection with the issuance of more than \$1.2 billion in debt. Mr. Porr has assisted issuers with the structure and sale of many forms of debt including general obligation, special tax, assessment, revenue and lease backed debt. He structured nearly \$100 million of complex tax-backed refunding debt for the County of Riverside and developed a novel lease revenue bond structure for the Alaska Industrial Development and Export Authority.

Mr. Porr worked as a finance/marketing representative for Lockheed Martin Finance Corporation. During his time with LMFC, Mr. Porr worked on developing financing structures to support turnkey delivery programs for communication satellites, aircraft and proprietary technology products. Mr. Porr was involved in projects for the People's Republic of China, valued at approximately \$1 billion, and for a consortium of Asian telephony entities valued at nearly \$500 million.

Mr. Porr earned his undergraduate degree in Psychology from Pace University in New York, NY and his Juris Doctorate from New York Law School in New York, NY.

Mr. Porr holds the Series 50 License and is admitted to practice law in the State of New York.

**Project Manager and Lead  
Quantitative Consultant**



**LORA A. CARPENTER**

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**Ms. Lora Carpenter, Assistant Vice President**, joined the firm in March 2014. Since joining the firm, Ms. Carpenter has been active with the firm's water and wastewater utility clients. She has worked on a variety of transactions which include both Revenue Bonds and Certificates of Participation. She has worked with many of our large water utility clients, including Santa Clarita Valley Water Agency (formerly Castaic Lake Water Agency), Orange County Water District, Rancho California Water District and Silicon Valley Clean Water conducting credit analysis, preparing credit presentations and analyzing structuring alternatives. She has provided assistance on swap terminations and variable-rate bond structures. Her Mathematics and analytics background provides the essential skills sets when preparing quantitative analyses to support transaction structures and researching relevant market conditions and events.

Ms. Carpenter has previously worked with Cucamonga Valley Water District, Merced Irrigation District, Marina Coast Water District, Olivenhain Municipal Water District, Mojave Water Agency, Dublin San Ramon Services District and Westlands Water District. She manages the technical aspects, transaction flow and implementation of financing strategies and credit analysis.

Ms. Carpenter has familiarity with the organization of Joint Powers Authorities from her work on structuring bond financings for Silicon Valley Clean Water, Santa Rosa Regional Resources Authority, Chino Basin Desalter Authority and Central Coast Water Authority.

Ms. Carpenter also provides non-transactional based financial advisory services to support Firm recommendations, including: financial modeling, long-term financial planning and policy review.

Prior to joining the firm, Ms. Carpenter worked in a teaching advisory role on a several subjects, including Calculus and Algebra.

Ms. Carpenter received her Bachelor of Science degree in Mathematics from Bucknell University. She is a registered municipal advisor representative (Series 50 qualified).

## APPENDIX C

### STANDARD PROPOSAL REGULATORY DISCLAIMERS & DISCLOSURES

## Standard Proposal Regulatory Disclaimers & Disclosures

FRA is a SEC-registered Municipal Advisor. When formally engaged by public agency clients, we undertake a fiduciary duty with respect to advice provided on financial matters.

### **PROPOSAL DOES NOT CONSTITUTE “ADVICE” OR MUNICIPAL ADVISORY RELATIONSHIP**

These materials are delivered to you for the purpose of obtaining an engagement as your municipal advisor, and we wish to clarify the nature of our relationship. We are providing the information contained in these materials for informational purposes only. The information provided in these materials does not create or imply any fiduciary relationship, and is being provided solely for the purpose of marketing our services to you as a prospective client of FRA. The information provided to you is not be construed as “advice” within the meaning of Section 15B of the Securities and Exchange Act of 1934, or relied upon by you as advice in determining a course of action in connection with any current or prospective undertakings relative to any municipal securities issuance or municipal financial product. Any information contained in these materials has been prepared without taking into account your circumstances, financial or otherwise, and is not intended to replace or supplement any advice you may have already received internally or externally from any other professional.

### **Potential for Limitation of Advisory Scope Disclosure**

At the explicit direction of the District, our scope of services may be limited to the implementation of a pre-determined financial transaction or strategy. In such instances, a complete review of all feasible and suitable financial alternatives will not be undertaken as part of our engagement. We would otherwise operate under a fiduciary duty to consider all feasible and suitable alternatives to accomplish a given objective.


### **Potential Conflict of Interest Disclosure**

Compensation contingent on the completion of a financing or project is customary for municipal financial advisors. To the extent that our compensation for the proposed engagement is contingent on successful completion of any transactions, a potential conflict of interest exists as we would have a potential incentive to recommend the completion of a transaction that might not be optimal for the District. However, as noted earlier, FRA undertakes a fiduciary duty in advising public agencies regardless of compensation structure.

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## COMMITTEE MEMORANDUM

**DATE:** January 6, 2020  
**TO:** Finance and Administration Committee  
**FROM:** Rochelle Patterson   
Director of Finance and Administration  
**SUBJECT:** Recommend Approval of Revised Investment Policy

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### SUMMARY AND DISCUSSION

Pursuant to Government Code Section 53646, the California Legislature mandates that the Agency annually prepare and adopt an Investment Policy. The Agency last adopted its policy in January 2019. The Agency's Investment Policy applies to all divisions of SCV Water, including both Regional and Retail Divisions.

General Counsel has advised that there have been changes in state Government Codes and has modified the existing policy as marked below in Section 9.9. The red struck lines indicate deletion, whereas the unstruck lines have been added. There are no other changes to the policy.

- 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 ~~and (ii) certificates of deposit at a commercial bank, savings bank, savings and loan association or credit union that uses a private sector entity that assist in the placement of such certificates of deposit, pursuant to Government Code Section 53601.8.~~

Purchases of negotiable certificates of deposit ~~under (i) of this section and certificates of deposit under (ii) of this section may together~~ 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.~~

**FINANCIAL CONSIDERATIONS**

None.

**RECOMMENDATION**

That the Finance and Administration Committee recommends that the Board of Directors approve the attached revised Investment Policy.

RP/ed

Attachment







| <b>POLICIES, RULES AND REGULATIONS</b>                               |   |
|--|---|
| Title: <b>INVESTMENT POLICY</b>                                      |   |
| Approval Date: <del>February</del> <u>January</u> 2020+ <del>9</del> | Effective Date: <del>February</del> <u>January</u> 2020+ <del>9</del> |
| Approved By: Board of Directors                                      | DMS #15733  |

### 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



| <b>POLICIES, RULES AND REGULATIONS</b>                               |   |
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| Approved By: Board of Directors                                      | DMS #15733  |

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



| <b>POLICIES, RULES AND REGULATIONS</b>                               |   |
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| Approved By: Board of Directors                                      | DMS #15733  |

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.



| <b>POLICIES, RULES AND REGULATIONS</b>                      |  |
|---|--|
| Title: <b>INVESTMENT POLICY</b>                             |  |
| Approval Date: <del>February</del> <u>January</u><br>2020+9 | Effective Date: <del>February</del> <u>January</u><br>2020+9 |
| Approved By: Board of Directors                             | DMS #15733   |

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:



| <b>POLICIES, RULES AND REGULATIONS</b>                                  |  |
|---|--|
| Title: <b>INVESTMENT POLICY</b>   |  |
| Approval Date: <del>February</del> <u>January</u><br>2020+ <del>9</del> | Effective Date: <del>February</del> <u>January</u><br>2020+ <del>9</del> |
| Approved By: Board of Directors   | DMS #15733   |

- 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



| POLICIES, RULES AND REGULATIONS                          |   |
|--|---|
| Title: <b>INVESTMENT POLICY</b>                          |   |
| Approval Date: <del>February</del> <u>January</u> 2020+9 | Effective Date: <del>February</del> <u>January</u> 2020+9 |
| Approved By: Board of Directors                          | DMS #15733  |

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, ~~and (ii) certificates of deposit 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.~~

Purchases of negotiable certificates of deposit ~~under (i) of this section and certificates of deposit under (ii) of this section may together 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.

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| POLICIES, RULES AND REGULATIONS   |  |
|---|--|
| Title: <b>INVESTMENT POLICY</b>   |  |
| Approval Date: <del>February</del> <u>January</u><br>2020+ <del>9</del> | Effective Date: <del>February</del> <u>January</u><br>2020+ <del>9</del> |
| Approved By: Board of Directors   | DMS #15733   |

- 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



| <b>POLICIES, RULES AND REGULATIONS</b>                                  |  |
|---|--|
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| Approved By: Board of Directors   | DMS #15733   |

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





| <b>POLICIES, RULES AND REGULATIONS</b>                                  |  |
|---|--|
| Title: <b>INVESTMENT POLICY</b>   |  |
| Approval Date: <del>February</del> <u>January</u><br>2020+ <del>9</del> | Effective Date: <del>February</del> <u>January</u><br>2020+ <del>9</del> |
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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



| <b>POLICIES, RULES AND REGULATIONS</b>                                  |  |
|---|--|
| Title: <b>INVESTMENT POLICY</b>   |  |
| Approval Date: <del>February</del> <u>January</u><br>2020+ <del>9</del> | Effective Date: <del>February</del> <u>January</u><br>2020+ <del>9</del> |
| Approved By: Board of Directors   | DMS #15733   |

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.

*(Originally Adopted February 2018)*



## COMMITTEE MEMORANDUM

**DATE:** January 6, 2020  
**TO:** Finance and Administration Committee  
**FROM:** Rochelle Patterson   
Director of Finance and Administration  
**SUBJECT:** Recommend Approval of a Resolution Adopting a Ticket Distribution Policy

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### SUMMARY

From time to time, Agency employees or Directors may be offered gifts from vendors and consultants. In general, and to be consistent with various ethics and fair political practices codes, gifts should not be accepted when possible, as they could constitute a conflict of interest to the Agency. If gifts are delivered, however, they are encouraged to be turned over to the Agency and/or shared amongst the staff. In the event that tickets are gifted, such as to a festival or athletic event, the acceptance must be approved by the General Manager, and the tickets must be reported and published on the Agency's website. For Board of Directors and staff that accept gifts and/or tickets, they must be reported on their Fair Political Practices Commission (FPPC) Form 700.

FPPC Regulation 18944.1 creates an exception to the definition of *gift* for tickets or passes to entertainment, sports or other similar events which are donated to an agency and distributed to public officials for use for official public business as long as the agency complies with specified requirements.

To apply this exception Regulation 18944.1 requires an agency to:

1. Adopt a distribution policy setting minimum provisions required under Regulation 18944.1;
2. Post a copy of the policy on the Agency's website and email a link to the FPPC for posting;
3. Ensure the ticket/pass is used for a stated governmental purpose;
4. Complete Form 802 for each distribution and retain Form 802 as a public record under the Political Reform Act; and
5. Post a copy of each Form 802 on the Agency's website and email a link to the FPPC for posting.

## DISCUSSION

FPPC Regulations 18942, 18944, 18944.1, 18946 and 18946.1 provide when an Agency's Official is exempted from reporting certain tickets and passes on a Form 700 or as additional income, and includes certain required provisions of the Agency's Ticket Distribution Policy which provide:

1. The Agency is to determine who uses the ticket/pass.
2. The General Manager has authority to establish procedures for ticket distribution in accordance with the adopted policy.
3. The General Manager may select him/herself to use certain tickets that are for the general use by agency officials.
4. The Agency must post the distribution policy on the Agency's website as directed and email a link to the FPPC for additional posting.
5. The Agency must post all Form 802s to its website as directed and email a link to the FPPC for additional posting.
6. Set forth public purposes for the use of such tickets/passes consistent with state law.
7. Require distribution to accomplish a stated public purpose.
8. Allow the transfer of tickets by an official to the official's immediate family or to one guest for attending the event.
9. Prohibit recipients from reselling or receipt of compensation for tickets.
10. Prohibit a source from earmarking tickets/passes for a particular official.
11. Report tickets used to perform a ceremonial role on Form 802.
12. Under specified circumstances, allow reporting of tickets distributed to an Agency department or outside organization, rather than to each individual.
13. Prohibit disproportionate use of tickets by members of the governing body, chief administrative officer or department heads.
14. Require written reports by Officials using a ticket for purposes of oversight or inspection of facilities.
15. Allow the distribution of tickets/passes to officials, as specified, for personal use to support general employee morale, retention or reward.

Based on the foregoing, and on the matters recited in more detail in the resolution itself, staff requests that the Board of Directors adopt the attached resolution (Attachment 1), which includes the policy itself (Exhibit A). Any tickets distributed will need to follow procedures that may include filling out the attached Ticket Distribution Form (Attachment 2) and California Form 802 – Agency Report of Ceremonial Role Events and Ticket/Pass Distributions (Attachment 3).

**FINANCIAL CONSIDERATIONS**

None at this time.

**RECOMMENDATION**

The Finance and Administration Committee recommends that the Board of Directors approve the attached resolution adopting a Ticket Distribution Policy.

RP

Attachments



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# ATTACHMENT 1

RESOLUTION NO. \_\_\_\_

## 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.

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# EXHIBIT A



|  |                               |
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| <b>POLICIES, RULES AND REGULATIONS</b>   |                               |
| Title: <b>TICKET DISTRIBUTION POLICY</b> |                               |
| Approval Date: February 2020             | Effective Date: February 2020 |
| Approved By: Board of Directors          | DMS #                         |

## TICKET DISTRIBUTION POLICY

### 1.0 PURPOSE

The purpose of this policy is to ensure that all tickets and/or passes provided to the Agency are distributed in furtherance of governmental and/or public purposes as required under Section 18944.1, Title 2, California Code of Regulations (“Regulation 18944.1”).

In addition, the purpose of this policy is to ensure that tickets distributed by the Agency under this policy are disclosed on Form 802 and posted to the Agency’s website within forty-five days of distribution, as required by Regulation 18944.1.

### 2.0 APPLICATION

This policy applies to tickets that provide admission to a facility, event, show or performance for an entertainment, amusement, recreational or similar purpose, and are either:

- a. gratuitously provided to the Agency by an outside source;
- b. acquired by the Agency by purchase;
- c. acquired by the Agency as consideration pursuant to the terms of a contract for the use of an Agency venue; or
- d. acquired and distributed by the Agency in any other manner.

### 3.0 SCOPE

This policy applies to all Agency Officials, as defined in Section 4b, below.

### 4.0 DEFINITIONS

Unless otherwise expressly provided herein, words and terms used in this policy shall have the same meaning as that ascribed to such words and terms in the Political Reform Act of 1974 (Government Code section 81000 et seq., as the same may from time to time be amended) and the Fair Political Practices Commission (“FPPC”) Regulations (Title 2, California Code of Regulations, section 18110 et seq., as the same may from time to time be amended).

- a. “Agency” means the Santa Clarita Valley Water Agency.
- b. “Agency Official” means every member, officer, employee or consultant of the Agency, as defined by Government Code section 82048 and Regulation 18700.3. Such term shall include, without limitation, any Board member or other appointed



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|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b>   |                               |
| Title: <b>TICKET DISTRIBUTION POLICY</b> |                               |
| Approval Date: February 2020             | Effective Date: February 2020 |
| Approved By: Board of Directors          | DMS #                         |

official, employee or consultant required to file an annual Statement of Economic Interests (Form 700).

- c. "Immediate family" means the Agency Official's spouse and dependent children.
- d. "Policy" means this policy for the Distribution of Tickets and/or Passes.
- e. "Ticket" shall mean and refer to a "ticket" or "pass" as those terms are defined in Regulation 18946 and referenced in Regulation 18944.1, both Regulations as amended from time to time, but which currently define "ticket" or "pass" as anything that provides admission or access to a facility, event, show or performance for an entertainment, amusement, recreational or similar purpose.

**5.0 GENERAL PROVISIONS**

- a. The use of complimentary tickets is a privilege extended by the Agency and not the right of any person to which the privilege may from time to time be extended.
- b. Tickets distributed to an Agency Official pursuant to this policy shall not be transferred to any other person, except to members of such Agency Official's immediate family solely for their personal use or to no more than one guest solely for their attendance at the event.
- c. No person who receives a ticket pursuant to this policy shall resell or receive compensation for the value of such ticket.
- d. The General Manager shall have the authority, in his or her sole discretion, to establish procedures for the distribution of tickets in accordance with this policy. All requests for tickets which fall within the scope of this policy shall be made in accordance with the procedures established by the General Manager.
- e. The General Manager or his/her designee shall be the "agency head" for purposes of implementing the provisions of this policy and completing and posting the Form 802. In such case, where the General Manager desires to obtain a ticket, the Board members authorize the General Manager to exercise the Agency's sole discretion in determining whether the use or behest of tickets is in accordance with the terms of this policy.
- f. No ticket gratuitously provided to the Agency by an outside source and distributed to, or at the behest of, an Agency Official pursuant to this policy shall be earmarked by the original source for provision to a particular Agency Official.
- g. A ticket provided to a Public Official and one guest of the Official at which the Official performs a ceremonial role, as defined in Regulation 18942.3, on behalf of the Agency must be disclosed on Form 802 as set forth below. Any additional effort by the Agency to either limit or expand permissible ceremonial roles will require that the revised policy be forwarded to the FPPC.
- h. The disproportionate use of tickets and passes, distributed pursuant to this policy by a member of the governing body, political appointee, department head, or General Manager is prohibited.



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|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b>   |                               |
| Title: <b>TICKET DISTRIBUTION POLICY</b> |                               |
| Approval Date: February 2020             | Effective Date: February 2020 |
| Approved By: Board of Directors          | DMS #                         |

- i. The value of any ticket shall be the fair value of the ticket. The “fair value” is the face value of the ticket, or the price at which the ticket would otherwise be offered for sale to the general public by the operator or host. Where the ticket does not reflect the actual cost for a ticket in a luxury box or suite, the face value is determined by dividing the total cost of the box or suite by the number of tickets available for that box or suite.

**6.0 PUBLIC PURPOSE FOR WHICH TICKETS MAY BE DISTRIBUTED**

Subject to the provisions of this policy, the Agency shall only provide a ticket and/or pass to an Agency Official, or at the behest of an Agency Official, under one of the following public and governmental purposes:

- a. If the distribution is to an Agency Official and the Official reimburses the Agency for the fair value of the ticket(s) within 30 days of receipt.
- b. If the distribution is to an Agency Official, the Official treats the ticket(s) as income consistent with applicable federal and state income tax laws and the Agency complies with the reporting requirements of Section 7, below.
- c. If the distribution is to an Agency Official, or is at the behest of an Agency Official, such distribution must accomplish a governmental and/or public purpose. The following is a list of governmental and/or public purposes the Agency may accomplish through the distribution of tickets. The list is illustrative rather than exhaustive:
  - 1. Facilitating the performance of a ceremonial role or function by an Agency Official on behalf of the Agency at an event.
  - 2. Facilitating the attendance of an Agency Official at an event where the job duties of the Official require his or her attendance.
  - 3. Promotion of water conservation, water quality, water services and water supply within the Agency, regionally and statewide.
  - 4. Promotion of intergovernmental relations and/or cooperation and coordination of resources with other governmental agencies, including, but not limited to, attendance at an event with or by elected or appointed public officials from other jurisdictions, their staff members and guests.
  - 5. Promotion of local and regional businesses, economic development and tourism activities within the Agency that serve or may potentially serve the Agency’s residents, including conventions and conferences.
  - 6. Promotion of Agency-run, sponsored or supported events, activities, or programs.
  - 7. Promotion of community programs and resources available to Agency residents, including nonprofit organizations and youth programs.



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|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b>   |                               |
| Title: <b>TICKET DISTRIBUTION POLICY</b> |                               |
| Approval Date: February 2020             | Effective Date: February 2020 |
| Approved By: Board of Directors          | DMS #                         |

8. Marketing promotions highlighting the achievements of public agencies, local residents, nonprofits, community groups and businesses in the areas of water conservation, water services, water supply, or water quality.
9. Promotion and marketing of private facilities available for Agency resident use, including charitable and nonprofit facilities.
10. Promotion and marketing of public facilities and resources available for Agency resident use.
11. Promotion of Agency growth and development, including outreach efforts, economic development and job creation opportunities.
12. Promotion of specific Agency community events provided by or sponsored by the Agency.
13. Promotion of any Agency owned sites or facilities.
14. Exchange programs with foreign officials and dignitaries.
15. Promotion of Agency recognition, visibility, and/or profile on a local, state, national or worldwide scale.
16. Promotion of Agency services on a local, state, national or worldwide scale.
17. Promotion of open government and/or community relations by Agency official appearances, participation and/or availability at business or community events.
18. Sponsorship agreements involving private events where the Agency specifically seeks to enhance the Agency’s reputation both locally and regionally by serving as hosts or sponsors providing the necessary opportunities to meet and greet visitors, dignitaries, and residents.
19. All written contracts where the Agency, as a form of consideration, has required that a certain number of tickets be made available for Agency use.
20. Employment retention and recognition programs.
21. Special outreach programs for veterans, teachers, emergency services, medical personnel and other civil service occupations.
22. Encouraging or rewarding significant academic, athletic, or public service achievements by residents or businesses of the Agency service area.
23. Charitable 501 (c)(3) fundraisers for the purpose of networking with other community and civic leaders.
24. Promotion of and participation in intergovernmental relations and activities.
25. Promoting, supporting and/or showing appreciation for programs or services rendered by charitable and non-profit organizations benefiting Agency residents.



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b>   |                               |
| Title: <b>TICKET DISTRIBUTION POLICY</b> |                               |
| Approval Date: February 2020             | Effective Date: February 2020 |
| Approved By: Board of Directors          | DMS #                         |

- 26. Increasing public exposure to, and awareness of, the various recreational, cultural, and educational venues and facilities available to the public within the Agency’s service area.
  - 27. Attracting or rewarding volunteer public service.
  - 28. Attracting and retaining highly qualified employees in the Agency’s service.
  - 29. Recognizing or rewarding meritorious service by an Agency employee.
  - 30. Promoting enhanced Agency employee performance or morale.
  - 31. Recognizing contributions made to the Agency by former Board members or Agency employees.
  - 32. Spouses of Agency officials in order to accompany him or her to any of the events listed above.
  - 33. Any purpose similar to above included in any Agency contract.
- d. When a public purpose involves the oversight or inspection of facilities by an Agency Official, the Agency Official is required to provide a written inspection report and/or recommendation.
  - e. If the distribution is to an organization outside of the Agency, such distribution is done pursuant to a public purpose outlined in Section 6c, above.
  - f. Subject to the provisions of this policy, tickets obtained by the Agency pursuant to terms of a contract for use of public property because the Agency controls the event, or, by purchase at fair market value, may be distributed to Agency Officials. Any distribution must accomplish a governmental and/or public purpose in accordance with Section 6c, above.
  - g. Any ticket obtained pursuant to Section 6f which is distributed to an Agency Official, other than an elected official or member of the governing body of the Agency, for the Official’s personal use, to support general employee morale, retention, or to reward public service is also deemed to serve a public purpose. Such ticket distribution shall be disclosed pursuant to Section 7, below. For purposes of this subsection, “personal use” is defined as use by the Agency Official, his or her family, or no more than one guest.
  - h. Any Agency Official, any member of the Agency Official’s immediate family, or guest of the Agency Official may return any unused ticket to the Agency for redistribution pursuant to this policy.
  - i. The provisions of this policy apply only to benefits the Agency Official receives that are provided to all members of the public with the same class of ticket.

**7.0 DISCLOSURE REQUIREMENTS**

- a. This policy shall be posted on the Agency’s website in a prominent manner. The Agency shall, within 30 days of adoption or amendment, send to the FPPC by email a website link that displays the policy.



|  |                               |
|--|-------------------------------|
| <b>POLICIES, RULES AND REGULATIONS</b>   |                               |
| Title: <b>TICKET DISTRIBUTION POLICY</b> |                               |
| Approval Date: February 2020             | Effective Date: February 2020 |
| Approved By: Board of Directors          | DMS #                         |

- b. Tickets distributed by the Agency to any Agency Official which the Agency Official treats as income pursuant to Section 6b, above, or, which are distributed for one or more public purposes described in Section 6c, above, must be recorded on Form 802 or, on such alternative form(s) as may from time to time be designated by the FPPC. This form must be maintained as a public record, and be subject to inspection and copying as required under Government Code section 81008(a). Within 45 days after distribution the Agency must post these forms on its website and email a website link to the FPPC that displays the form.
- c. Tickets distributed by the Agency for which the Agency receives reimbursement from the Public Official as provided under Section 6a, above, shall not be subject to the disclosure provisions of Section 7b.
- d. For tickets distributed to a department or other unit of the Agency, and not used by a member of the Board, political appointee, a department head or the General Manager, the Agency may report the name of the department or other unit of the Agency and the number of tickets provided to the department or other unit in lieu of posting the name of the individual employee(s) as otherwise required.
- e. Tickets distributed to an organization outside of the Agency pursuant to Section 6e, above, shall be disclosed in accordance with Section 7b, above, but, may be done by reporting the name, address, description of the organization, and the number of tickets or passes provided to the organization in lieu of posting the names of each individual from the organization as otherwise required.

DRAFT



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**Agency Report of:  
Ceremonial Role Events and Ticket/Pass Distributions**

|  |        |  |   |
|--|--------|--|---|
| <b>1. Agency Name</b><br>Santa Clarita Water Agency    |        | Date Stamp   | <b>California Form 802</b><br>For Official Use Only |
| Division, Department, or Region <i>(if applicable)</i> |        |  |   |
| Designated Agency Contact <i>(Name, Title)</i>         |        |  |   |
| Area Code/Phone Number                                 | E-mail | <input type="checkbox"/> <b>Amendment</b> <i>(Must Provide Explanation in Part 3.)</i><br><br><b>Date of Original Filing:</b> _____<br><i>(month, day, year)</i> |   |

**2. Function or Event Information**

Does the agency have a ticket policy?    Yes  No     Face Value of Each Ticket/Pass \$ \_\_\_\_\_

Event Description: \_\_\_\_\_    Date(s) \_\_\_\_/\_\_\_\_/\_\_\_\_    \_\_\_\_/\_\_\_\_/\_\_\_\_  
*Provide Title/ Explanation*

Ticket(s)/Pass(es) provided by agency?    Yes  No     If no: \_\_\_\_\_  
*Name of Source*

Was ticket distribution made at the behest of agency official?    Yes  No     If yes: \_\_\_\_\_  
*Official's Name (Last, First)*

**3. Recipients**

• Use Section A to identify the agency's department or unit. • Use Section B to identify an individual. • Use Section C to identify an outside organization.

| A. Name of Agency, Department or Unit                                    | Number of Ticket(s)/ Passes | Describe the public purpose made pursuant to the agency's policy   |
|--|-----------------------------|--|
|  |                             |  |
|  |                             |  |
| B. Name of Individual <i>(Last, First)</i>                               | Number of Ticket(s)/ Passes | Identify one of the following:   |
|  |                             | Ceremonial Role <input type="checkbox"/> Other <input type="checkbox"/> Income <input type="checkbox"/><br><i>If checking "Ceremonial Role" or "Other" describe below:</i> |
|  |                             | Ceremonial Role <input type="checkbox"/> Other <input type="checkbox"/> Income <input type="checkbox"/><br><i>If checking "Ceremonial Role" or "Other" describe below:</i> |
| C. Name of Outside Organization <i>(include address and description)</i> | Number of Ticket(s)/ Passes | Describe the public purpose made pursuant to the agency's policy   |
|  |                             |  |
|  |                             |  |

**4. Verification**

*I have read and understand FPPC Regulations 18944.1 and 18942. I have verified that the distribution set forth above, is in accordance with the requirements.*

\_\_\_\_\_  
 Signature of Agency Head or Designee                      Print Name                      Title                      *(month, day, year)*

Comment: \_\_\_\_\_

This form is for use by all state and local government agencies. The form identifies persons that receive admission tickets and passes and describes the public purpose for the distribution. This form was prepared by the Fair Political Practices Commission (FPPC) and is available at [www.fppc.ca.gov](http://www.fppc.ca.gov).

### General Information

FPPC Regulation 18944.1 sets out the circumstances under which an agency's distribution of tickets to entertainment events, sporting events, and like occasions would not result in a gift to individuals that attend the function. In general, the agency must adopt a policy which identifies the public purpose served in distributing the admissions. The Form 802 serves to detail each event and the public purpose of each ticket distribution. FPPC Regulation 18942 lists exceptions to reportable gifts, including ceremonial events, when listed on this form.

When the regulation procedures are followed, persons, organizations, or agencies who receive admissions are listed on a Form 802. Agency officials do not report the admissions on the official's Statement of Economic Interests, Form 700, and the value of the admission is not subject to the gift limit.

The Form 802 also informs the public as to whether the admissions were made at the behest of an agency official and whether the behested tickets were provided to an organization or to specific individuals.

### Exception

FPPC This form is not required for admission provided to a school or university district official, coach, athletic director, or employee to attend an amateur event performed by students of that school or university.

### Reporting and Public Posting

**Ticket Distribution Policies:** An agency must post its ticket policy on its website within 30 days of adoption or amendment and e-mail a link of the website location to FPPC at [form802@fppc.ca.gov](mailto:form802@fppc.ca.gov).

**Form 802:** The use of the ticket or pass under the policy must be reported on Form 802 and posted on the agency's website within 45 days of distribution. A link to the website location of the forms must be e-mailed to FPPC at [form802@fppc.ca.gov](mailto:form802@fppc.ca.gov).

The FPPC will post on its website the link to each agency's policy and completed forms. It is not necessary to send an e-mail each time a new Form 802 is posted. It is only necessary to submit the link if the posting location changes.

This form must be maintained as a public document.

### Privacy Information Notice

Information requested by the FPPC is used to administer and enforce the Political Reform Act. Failure to provide information may be a violation subject to administrative, criminal, or civil penalties. All reports are public records available for inspection and reproduction. Direct questions to FPPC's General Counsel.

### Instructions

#### Part 1. Agency Identification:

List the agency's name. Provide a designated agency contact person, their phone number, and e-mail address. Mark the amendment box if changing any information on a previously filed form and include the date of the original filing.

#### Part 2. Function or Event Information:

Confirm that your agency has a policy for ticket distribution. Unless the ceremonial role or income box in Part 3, Section B, is marked, this form is only applicable if your agency has a policy.

Complete all of the other required fields that identify the ticket value, description of event, date(s) and whether the ticket was provided by the agency or an outside source. If an agency official behests the tickets, the official's name is also required. Use the comment field or an attachment to explain in full.

#### Part 3. Ticket Recipients:

This part identifies who uses the tickets. The identification requirements vary depending upon who received the tickets and are categorized into three sections. Each section must list the number of tickets received. Use the comment field or an attachment to explain in full.

**Section A.** Report tickets distributed to agency staff, other than an elected official or governing board member, pursuant to the agency's policy. It is not necessary to list each employee's name, but identify the unit/department for which the employee works. The agency must describe the public purpose associated with the ticket distribution. A reference to the policy is permissible.

**Section B.** Report: 1) any agency official who performs a ceremonial role; 2) any agency official who reports the value as income; or 3) tickets used by elected officials and governing board members (including those distributed pursuant to the agency's policy).

**Section C.** Report tickets provided to an organization. The organization's name, an address (website url is permissible), and a brief description of the public purpose are required.

**Agency Report of:  
Ceremonial Role Events and Ticket/Pass Distributions  
Continuation Sheet**

**Agency Name**

Santa Clarita Water Agency

**3. Recipients**

• Use Section A to identify the agency's department or unit. • Use Section B to identify an individual. • Use Section C to identify an outside organization.

| A. Name of Agency, Department or Unit                             | Number of Ticket(s)/ Passes | Describe the public purpose made pursuant to the agency's policy   |
|---|-----------------------------|--|
|   |                             |  |
|   |                             |  |
|   |                             |  |
|   |                             |  |
| B. Name of Individual (Last, First)                               | Number of Ticket(s)/ Passes | Identify one of the following:   |
|   |                             | Ceremonial Role <input type="checkbox"/> Other <input type="checkbox"/> Income <input type="checkbox"/><br><i>If checking "Ceremonial Role" or "Other" describe below:</i> |
|   |                             | Ceremonial Role <input type="checkbox"/> Other <input type="checkbox"/> Income <input type="checkbox"/><br><i>If checking "Ceremonial Role" or "Other" describe below:</i> |
|   |                             | Ceremonial Role <input type="checkbox"/> Other <input type="checkbox"/> Income <input type="checkbox"/><br><i>If checking "Ceremonial Role" or "Other" describe below:</i> |
|   |                             | Ceremonial Role <input type="checkbox"/> Other <input type="checkbox"/> Income <input type="checkbox"/><br><i>If checking "Ceremonial Role" or "Other" describe below:</i> |
| C. Name of Outside Organization (include address and description) | Number of Ticket(s)/ Passes | Describe the public purpose made pursuant to the agency's policy   |
|   |                             |  |
|   |                             |  |
|   |                             |  |
|   |                             |  |

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**Finance and Administration Committee  
Planning Calendar  
FY 2019/20**

| Item | Author   | PowerPoint Presentation (Y/N/Length) | July 2 Board | July 15 Comm | July 17 SPECIAL Comm | Aug 6 Board | Aug 19 Comm | Sept 3 Board | Sept 16 Comm | Oct 1 Board | Oct 15 Board | Oct 21 Comm | Nov 5 Board | Nov 19 Board | Nov 18 Comm | Dec 16 Comm - cancelled | Dec 17 Board | Dec 23 SPECIAL Committee | Jan 7 Board | Jan 13 SPECIAL Comm | Jan 21 Board | Feb 4 Board | Feb 10 SPECIAL Comm | Mar 3 Board | Mar 16 Comm | April 7 Board | April 20 Comm | May 5 Board | May 18 Comm | June 2 Board | June 15 Comm |  |  |  |  |
|------|--|--------------------------------------|--------------|--------------|----------------------|-------------|-------------|--------------|--------------|-------------|--------------|-------------|-------------|--------------|-------------|-------------------------|--------------|--------------------------|-------------|---------------------|--------------|-------------|---------------------|-------------|-------------|---------------|---------------|-------------|-------------|--------------|--------------|--|--|--|--|
| 36   | Recommend Receiving and Filing of October 2019 Monthly Financial Report (consent)  | RP                                   | None         |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 37   | Recommend Approval of a Resolution 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 | EC                                   | None         |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             | P                   |              | P           |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 38   | Recommend Approval of a Customer Service Policy and Revised Fees for Reconnection of Service   | RP                                   | None         |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             | P                   |              | P           |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 39   | Recommend Approval of a Community Facility District (CFD) Policy   | EC                                   | None         |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 40   | Discuss Retail Cost-of-Service and Rate Design   | EC                                   | Yes - 10 min |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 41   | Recommend Approval of a Resolution to Enter into a Contract with Fieldman Rolapp   | RP                                   | None         |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 42   | Status of State Water Contract Fund (every Feb)  | RP                                   | None         |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 43   | Recommend Approval of a Revised Investment Policy (consent)  | RP                                   | None         |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 44   | Recommend Approval of a Ticket Distribution Policy (consent)   | RP                                   | None         |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 45   | Discuss Components of Monthly Financial Packet   | RP                                   | None         |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 46   | Review and Discuss Revised Facility Capacity Fees (FCF)  | EC                                   | Yes - 15 min |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              | P           |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 47   | Recommend Approval of Revised Facility Capacity Fees (FCF)   | EC                                   | Yes - 15 min |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 48   | Recommend Receiving and Filing of SCV Water June 30, 2019 Financial Statement (consent)  | RP                                   | Yes - 10 min |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             | P           |               |               |             |             |              |              |  |  |  |  |
| 49   | Recommend Approval of a Cost-Sharing Policy for PFAS   |                                      |              |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 50   | Recommend Approval of a Ticket Distribution Policy (consent)   | RP                                   | None         |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 51   | Recommend Approval of Participating in a Community Facilities District (CFD) for the Spring Canyon Development   | EC                                   | None         |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 52   | Recommend Approval of a Contract with (Enter Company Here) for Finance and Accounting Software   | RP                                   | None         |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 53   | Discuss Reserve Policy   | RP                                   | None         |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 54   | Recommend Approval of Revised Employee Classification Plan   | RP                                   | None         |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 55   | Review Strategic Plan Performance Metrics  | EC                                   | Yes - 10 min |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 56   | Recommend Receiving and Filing of November 2019 Monthly Financial Report (consent)   | RP                                   | None         |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 57   | Review Annual List of Professional Services Contracts (consent)  | RP                                   | None         |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 58   | Review status of Employee Compensation and Classification Plan Study   | RP                                   | None         |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |  |
| 59   | Review FY 2020/21 and FY 2021/22 Budget Status   | RP                                   | Yes - 30 min |              |                      |             |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |  |

**ITEM NO.  
11**

**Finance and Administration Committee  
Planning Calendar  
FY 2019/20**

| Item | Author   | PowerPoint Presentation (Y/N/Length) | July 2 Board | July 15 Comm | July 17 SPECIAL Comm | Aug 6 Board  | Aug 19 Comm | Sept 3 Board | Sept 16 Comm | Oct 1 Board | Oct 15 Board | Oct 21 Comm | Nov 5 Board | Nov 19 Board | Nov 18 Comm | Dec 16 Comm - cancelled | Dec 17 Board | Dec 23 SPECIAL Committee | Jan 7 Board | Jan 13 SPECIAL Comm | Jan 21 Board | Feb 4 Board | Feb 10 SPECIAL Comm | Mar 3 Board | Mar 16 Comm | April 7 Board | April 20 Comm | May 5 Board | May 18 Comm | June 2 Board | June 15 Comm |  |  |  |
|------|--|--------------------------------------|--------------|--------------|----------------------|--------------|-------------|--------------|--------------|-------------|--------------|-------------|-------------|--------------|-------------|-------------------------|--------------|--------------------------|-------------|---------------------|--------------|-------------|---------------------|-------------|-------------|---------------|---------------|-------------|-------------|--------------|--------------|--|--|--|
| 60   | Recommend Receiving and Filing of December 2019 Monthly Financial Report (consent)   | RP                                   |              |              |                      |              |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |
| 61   | Recommend Receiving and Filing of January 2020 Monthly Financial Report (consent)  | RP                                   |              |              |                      |              |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |
| 62   | Recommend Approval of a Proposed Employee Salary Adjustment for FY 2020/21   | RP                                   |              |              |                      |              |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |
| 63   | Recommend Approval of a Resolution Adopting the FY 2020/21 and FY 2021/22 Budget.  | RP                                   |              |              |                      | Yes - 30 min |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |
| 64   | Approve a Resolution Adopting the Appropriation of All As-Yet Unappropriated Funds for FY 2019/20 (consent)  | RP                                   |              |              |                      | None         |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |
| 65   | Approve a Resolution Adopting the Appropriation Limit for FY 2020/21 (consent)   | RP                                   |              |              |                      | None         |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |
| 66   | Recommend Receiving and Filing of SCV Water June 30, 2019 Financial Statement (consent)  | RP                                   |              |              |                      | None         |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |
| 67   | Recommend Receiving and Filing of February 2020 Monthly Financial Report (consent)   | RP                                   |              |              |                      | None         |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |
| 68   | Quarterly Review of Financial Forecast   | EC                                   | Yes - 15 min |              |                      |              |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |
| 69   | Discuss Wholesale Cost-of-Service and Rate Design  | EC                                   | Yes - 15 min |              |                      |              |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |
| 70   | Discuss Retail Cost-of-Service and Rate Design   | EC                                   | Yes - 15 min |              |                      |              |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |
| 71   | Recommend Receiving and Filing of March 2020 Monthly Financial Report (consent)  | RP                                   |              |              |                      | None         |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |
| 72   | Recommend Approval of Resolutions Settling Santa Clarita Valley Water Agency Tax Rate for FY 2020/21 and Requesting Levy of Tax by Los Angeles County and Ventura County | RP                                   |              |              |                      | None         |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |
| 73   | Recommend Approval of Resolution Authorizing July 2020 Water Supply Contract Payment   | RP                                   |              |              |                      | None         |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |
| 74   | Continue Discussion of Wholesale Cost-of-Service and Rate Design   | EC                                   | Yes - 15 min |              |                      |              |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |
| 75   | Continue Discussion of Retail Cost-of-Service and Rate Design  | EC                                   | Yes - 15 min |              |                      |              |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |
| 76   | Recommend Receiving and Filing of April 2020 Monthly Financial Report (consent)  | RP                                   |              |              |                      | None         |             |              |              |             |              |             |             |              |             |                         |              |                          |             |                     |              |             |                     |             |             |               |               |             |             |              |              |  |  |  |