



SCV
WATER



**SCV WATER AGENCY
TELECONFERENCE
FINANCE AND ADMINISTRATION
COMMITTEE MEETING**

MONDAY, DECEMBER 13, 2021

START TIME: 6:00 PM (PST)

Join the Committee meeting from
your computer, tablet or smartphone: **-OR-**
<https://scvwa.zoomgov.com/j/1605168064>

Listen in Toll Free by Phone
+1-(833)-568-8864
Webinar ID: 160 516 8064

To participate in public comment from your computer, tablet, or smartphone:

When the Chair announces the agenda item you wish to speak on, click the **“raise hand” feature in Zoom***. You will be notified when it is your turn to speak.

To participate in public comment via phone:

When the Chair announces the agenda item you wish to speak on, **dial *9 to raise your hand**. Phone participants will be called on by the **LAST TWO digits** of their phone number. **When it is your turn to speak, dial *6 to unmute**. When you are finished with your public comment dial ***6 to mute**.

Can't attend? If you wish to still have your comments/concerns addressed by the Committee, all written public comments can be submitted by 4:00 PM the day of the meeting by either e-mail or mail.** Please send all written comments to Erika Dill. Refer to the Committee Agenda for more information.

*For more information on how to use Zoom go to support.zoom.us or for “raise hand” feature (**Alt+Y**) instructions, visit <https://support.zoom.us/hc/en-us/articles/205566129-Raise-Hand-In-Webinar>

**All written comments received after 4:00 PM the day of the meeting will be posted to www.yourscvwater.com the next day. Public comments can also be heard the night of the meeting.


Please Note: Pursuant to the provisions of AB 361 and SCV Water Resolution SCV-235, the SCV Water Board will continue to hold remote Board and Committee meetings due to the continuing State of Emergency for COVID-19 and the ongoing imminent risks to the health or safety of the attendees from COVID-19. The public may not attend meetings in person. The public may use the above methods to attend and participate in the public Committee meetings.

[This page intentionally left blank.]



Date: December 6, 2021

To: **Finance and Administration Committee**
Dan Mortensen, Chair
Beth Braunstein
Ed Colley
R. J. Kelly
Gary R. Martin

From: Eric Campbell 
Chief Financial and Administrative Officer

The **Finance and Administration Committee** is scheduled to meet via teleconference on **Monday, December 13, 2021 at 6:00 PM**; dial-in information is listed below.

**TELECONFERENCE ONLY
NO PHYSICAL LOCATION FOR MEETING**

TELECONFERENCING NOTICE

Pursuant to the provisions of AB 361 this meeting is being held remotely. The SCV Water Board will continue to hold remote Board and Committee meetings due to the continuing State of Emergency for COVID-19 and state and local official's continuance to impose or recommend measures to promote social distancing. Any Director may call into the Agency Committee meeting using the **Agency's Call-In Number (1-833-568-8864), Webinar ID 160 516 8064 or Zoom Webinar by clicking on the link <https://scvwa.zoomgov.com/j/1605168064>** without otherwise complying with the Brown Act's teleconferencing requirements.

The public may not attend the meeting in person. Any member of the public may listen to the meeting or make comments to the Committee using the call-in number or Zoom Webinar link above. Please see the notice below if you have a disability and require an accommodation in order to participate in the meeting.

If the State of Emergency for COVID-19 expires prior to this meeting and after the posting of this Agenda, this meeting will be held in person at the Santa Clarita Valley Water Agency, 27234 Bouquet Canyon Road, Santa Clarita, CA 91350 in the Board and Training Rooms.

We request that the public submit any comments in writing if practicable, which can be sent to edill@scvwa.org or mailed to **Erika Dill, Management Analyst II**, SCV Water, 27234 Bouquet Canyon Road, Santa Clarita, CA 91350. All written comments received before 4:00 PM the day of the meeting will be distributed to the Committee members and posted on the SCV Water website prior to the meeting. Anything received after 4:00 PM the day of the meeting will be posted on the SCV Water website the following day.

MEETING AGENDA

<u>ITEM</u>		<u>PAGE</u>
1.	Public Comments – Members of the public may comment as to items within the subject matter jurisdiction of the Agency that are not on the Agenda at this time. Members of the public wishing to comment on items covered in this Agenda may do so at the time each item is considered. (Comments may, at the discretion of the Committee Chair, be limited to three minutes for each speaker.)	
2.	* Recommend Receiving and Filing of SCV Water Annual Comprehensive Financial Report (ACFR) ended June 30, 2021	7
3.	* Recommend Approval of a Resolution Appointing Dirk S. Marks as Interim Director of Water Resources and Approving Employment Agreement	127
4.	* Update to the Recommendation for Approval of a Resolution Revising Wholesale Water Rates	141
5.	* Recommend Receiving and Filing of August 2021 Monthly Financial Report	143
	August 2021 Check Registers Link: https://yourscvwater.com/wp-content/uploads/2021/12/Check-Register-August-2021.pdf	
6.	* Committee Planning Calendar	161
7.	General Report on Finance and Administration Activities	
8.	Adjournment	
	* Indicates attachments	
	◆ To be distributed	

NOTICES:

Any person may make a request for a disability-related modification or accommodation needed for that person to be able to participate in the public meeting by telephoning **Erika Dill, Management Analyst II** at (661) 297-1600, or writing to SCV Water 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 Committee less than seventy-two (72) hours prior to the meeting will be available for public inspection at SCV Water, 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 December 7, 2021.

[This page intentionally left blank.]



COMMITTEE MEMORANDUM

DATE: December 6, 2021

TO: Finance and Administration Committee

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

SUBJECT: Recommend Receiving and Filing SCV Water June 30, 2021 Annual Comprehensive Financial Report (ACFR)

SUMMARY

To review Santa Clarita Valley Water Agency's (SCV Water) June 30, 2021 Annual Comprehensive Financial Report (ACFR) prepared by Lance, Soll & Lunghard, LLP (LSL).

DISCUSSION

The June 30, 2021 ACFR is meant to give the reader a narrative overview and analysis of SCV Water's financial performance during the period of July 1, 2020 to June 30, 2021.

The auditors gave the report an unmodified opinion, which is termed a clean opinion and is the highest opinion achieved. An unmodified opinion is the auditor's judgment that there is no reservation as to the fairness of presentation of SCV Water's Financial Statement and their conformity with Generally Accepted Accounting Principles (GAAP). In the auditor's opinion, SCV Water has presented fairly its financial position, results of operations, and changes in cash flows.

This is SCV Water's second ACFR and will be submitted for award consideration for Excellence in Financial Reporting from the Government Financial Officers Association (GFOA). SCV Water received the award for period of July 1, 2019 to June 30, 2020. The ACFR is attached.

Note: Some formatting changes and narrative minor corrections may be made in the published document after the final ACFR is received and filed and prior to submission to the Government Finance Officers Association for award consideration

FINANCIAL CONSIDERATIONS

None.

RECOMMENDATION

That the Finance and Administration Committee recommends that the Board of Directors receive and file the attached SCV Water Annual Comprehensive Financial Report for the period of July 1, 2020 to June 30, 2021.

RP

Attachments

M65

[This page intentionally left blank.]



December 21, 2021

To the Board of Directors
Santa Clarita Valley Water Agency
City of Santa Clarita, California

We have audited the financial statements of the Santa Clarita Valley Water Agency (the Agency) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 14, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings and Other Issues

Qualitative Aspects of Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2020-2021. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Agency's financial statements were:

Management's estimates of its net pension liability and net other post-employment benefits liability based on actuarial valuation specialist assumptions. We evaluated the key factors and assumptions used to develop the net pension liability and net other post-employment benefits liability in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Significant Unusual Transactions

Management is responsible for the policies and practices used to account for significant unusual transactions. No significant unusual transactions have occurred during fiscal year 2020-2021.



To the Board of Directors
Santa Clarita Valley Water Agency
City of Santa Clarita, California

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were found.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Circumstances that Affect the Form and Content of the Auditor's Report

New auditing standards were implemented in fiscal year 2020-2021 related to Statement of Auditing Standards 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*, through Statement of Auditing Standards 140, *Supplementary Information in Relation to the Financial Statements as a Whole*. These standards updated the form and content of the financial statement auditor's report. The purpose of the change was to present an easier format for users to understand the results of the audit and management's responsibilities.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 21, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues Discussed with Management

We generally discuss a variety of matters, including the significant events or transactions that occurred during the year, business conditions affecting the Agency and business plans and strategies that may affect the risks of material misstatements, the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



To the Board of Directors
Santa Clarita Valley Water Agency
City of Santa Clarita, California

Other Matters

We applied certain limited procedures to management's discussion and analysis, schedule of proportionate share of the net pension liability, the schedule of plan contributions – pension, the schedule of changes in net OPEB liability and related ratio, and the schedule of plan contributions – OPEB, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining fund statements which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section and statistical section, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2020-2021 audit:

GASB Statement No. 84, *Fiduciary Activities*.

GASB Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statement Nos. 14 and 61*.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*

The following GASB pronouncements are effective in the following fiscal years' audits and should be reviewed for proper implementation by management:

Fiscal year 2022

GASB Statement No. 87, *Leases*.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.



To the Board of Directors
Santa Clarita Valley Water Agency
City of Santa Clarita, California

Fiscal year 2023

GASB Statement No. 91, *Conduit Debt Obligations*.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangement*.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Santa Clarita Valley Water Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Lance, Solt & Lughard, LLP

Brea, California

DRAFT



SCV

WATER

**Annual
Comprehensive
Financial Report**

Fiscal Year Ended June 30, 2021

Prepared by:
Finance Department
Santa Clarita, California



This page intentionally left blank

DRAFT

SANTA CLARITA VALLEY WATER AGENCY
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i
Service Area Map	xiii
List of Elected and Administrative Officials	xiv
Organizational Structure	xv
GFOA Award	xvi
 FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	5
 BASIC FINANCIAL STATEMENTS	
Statement of Net Position	13
Statement of Revenues, Expenses, and Changes in Net Position	15
Statement of Cash Flows	16
Notes to Basic Financial Statements	19
 REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate Share of the Net Pension Liability	62
Schedule of Plan Contributions – Pension	63
Schedule of Changes in the Net OPEB Liability and Related Ratios	64
Schedule of Plan Contributions – OPEB	65
 COMBINING FUND STATEMENTS	
Combining Statement of Net Position as of June 30, 2021	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Net Position for year ended June 30, 2021	70
Combining Statement of Cash Flows for year ended June 30, 2021	72
 REPORT ON COMPLIANCE AND INTERNAL CONTROLS	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	77

SANTA CLARITA VALLEY WATER AGENCY
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
STATISTICAL SECTION (Unaudited)	
Net Position	81
Changes in Net Position	82
Revenues	83
Expenses by Function	84
Direct Rates	85
Principal Revenue Payers	86
Property Taxes Levies and Collections	87
Assessed Valuation of Taxable Property	88
Outstanding Debt	89
Debt Coverage	90
Demographic and Economic Statistics	91
Principal Employers	92
Operating and Capacity Indicators	93

DRAFT



SCV

WATER

Introductory Section

DRAFT



This page intentionally left blank



December 21, 2021

Honorable Board of Directors
Santa Clarita Valley Water Agency

I am pleased to present the Santa Clarita Valley Water Agency's (Agency) Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2021.

This report was prepared by the Agency's Finance Department following guidelines set forth by the Government Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP). Responsibility for both the accuracy of the data presented, and the completeness and fairness of the presentation, including all disclosures, rest with Agency management. We believe the data, as presented is accurate in all material respects and it is presented in a manner that provides a fair representation of the financial position and results of operations of the Agency. Included are all disclosures we believe necessary to enhance your understanding of the financial condition of the Agency. GAAP requires management provide a narrative introduction, overview, and analysis, to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A), which should be read in conjunction with this report. The Agency's MD&A can be found immediately following the Independent Auditors' Report.

The Agency's financial statements have been audited by Lance, Soll and Lunghard, LLC, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Agency for the fiscal year ended June 30, 2021, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Agency's financial statements for the fiscal year ended June 30, 2021, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

REPORTING ENTITY

The Agency's Service Area

Santa Clarita Valley Water Agency headquarters is located in the City of Santa Clarita within the northwest region of Los Angeles County and is blessed with all the beauties and amenities of a large city with a small-town charm. The Agency consists fiscally of a Regional Division and three Retail Divisions and its boundaries encompass approximately 195-square miles in portions of the City of Santa Clarita, Los Angeles County and Ventura County.

Local Economy and Demographics

The Agency's service area, encompassing the City of Santa Clarita, is considered a premier community for raising families and building businesses. The area is known for its attractive residential neighborhoods, low crime rate and excellent schools. The City's 2021 estimated population is reported at 228,673 and is the third-largest City in Los Angeles County.

We are seeing positive indications of recovery since the Governor of California issued his first COVID-19 pandemic executive order, closing business and schools as well as the loss of approximately 12,000 area jobs. According to the Santa Clarita Valley Economic Development Corporation, most of the decline in employment was due to the closures of, or restriction on hotels, travel, restaurants, other food services, personal services, and the closure of the area's largest employer, Six Flags Magic Mountain. As Los Angeles County advanced into the Red Tier in March 2021 we are seeing marked improvements and recovery is underway. The state estimated the City's unemployment averaged 13.3% in 2020 and most recent reports (June 2021) have the estimate at 9.6%.

The population of the City increased by 3% from the prior year and the per capita income was estimated at \$36,448, which means an increase of 36% compared to 2000 when it was \$26,841. The current median household income in Santa Clarita Valley is \$119,314 with a poverty rate of 8.21%. Compared to the median household income of \$66,717 in 2000 this represents an increase of 79%.

The Santa Clarita Valley has the potential to become one of the fastest growing regions in the state, in view of the FivePoint Valencia project which is now underway. The project is among the largest 5 residential projects in California, planned to produce 21,500 homes and accommodate 65,000 new residents. Housing affordability has become an issue in the Santa Clarita Valley due to low inventory and low mortgage interest rates that are pushing prices higher. As the local economy continues to rebound to pre-pandemic levels, there is continued strength in the housing market. The existing home sales rose to their highest level since the spring of 2006. In March 2021, the median sale price of a home in Santa Clarita was \$640K, up 15.5% since 2020. The average sale price per square foot in Santa Clarita is \$372, up 13.9% since 2020. Economic stability will allow for businesses in the Santa Clarita Valley to continue to grow and succeed.

Millions of U.S. households are still facing heavy past-due utility bills, which have escalated in the year since the COVID-19 pandemic. The Governor's Executive Order (N-42-20), signed on April 2, 2020, suspended the termination of accounts due to nonpayment. As result, approximately 6% of the Agency's customer accounts are past due (as of June 2021). Though the economy has achieved considerable gains in recent months, the Agency is mindful that some customers are still struggling to pay their utility bills. The State Water Board has received \$985 million through the American Recovery Plan Act of 2021 to address residential and commercial customer water debt that accrued during the COVID-19 pandemic bill relief period. As a result, the Agency has applied for utility bill relief under the California Water and Wastewater Arrearage Payment Program. For customers with past-due utility bills incurred outside of the relief period, the Agency has been actively seeking and supplying customers with other programs to assist them in paying their bills to avoid termination, as well as offering installment payments and waiving late fees. As the positive trend in employment recovery continues, we are hopeful and anticipate that we will see a positive movement in past due bills.



The Agency's Authority

The Santa Clarita Valley Water Agency was created January 1, 2018, by an act of the State Legislature (SB 634) through the merger of the three water agencies in the Santa Clarita Valley and serves the area customer through more than 73,000 retail water connections.

As provided in the SB 634, the Agency was formed to unify and modernize water resource management within the Santa Clarita Valley through the efficient, sustainable, and affordable provision, sale, management, and delivery of surface water, groundwater, and recycled water for municipal, industrial, domestic, and other purposes at retail and wholesale within the territory of the Agency and to do so in a manner that promotes the sustainable stewardship of natural resources in the Santa Clarita Valley.

Under SB 634, the Agency is authorized to acquire, hold, and utilize water and water rights, including, but not limited to, water available from the State of California, and to provide, sell, manage, and deliver surface water, groundwater, and recycled water for municipal, industrial, domestic, and other purposes at retail and wholesale throughout the territory of the Agency. The Agency may continue to levy, impose, or fix and collect any previously authorized charge, fee, assessment, or tax approved, imposed, and levied by the predecessor agencies, Castaic Lake Water Agency (CLWA) or Newhall County Water District (NCWD), or both, including, but not limited to, any rates, fees, and charges for the provision of water. Any charge, fee, assessment, or tax authorized and in effect for CLWA or NCWD will remain in effect until otherwise modified, increased, or terminated by the Board of Directors of the Agency. SB 634 also authorizes the Agency to levy and collect taxes; to fix, revise and collect rates or other charges for the delivery of water, use of facilities or property or provisions for service; to borrow money, incur indebtedness and issue bonds; and to construct, operate and maintain works for the development of hydroelectric power for use by the Agency in the operation of its works.

The Agency is a "revenue-neutral" public agency, meaning that each end-user pays only their fair share of the Agency's costs of water production and the operation and maintenance of the public facilities.

Governance

SCV Water has a three electoral division system with equal-population per division. The initial board consisted of 15 members, 5 of whom were directors of the Newhall County Water District (NCWD) on December 31, 2017 and 10 of whom were of Castaic Lake Water Agency (CLWA) on December 31, 2017. In March 2018, the Board was reduced to 14 Directors and in February 2019 was reduced to 13 Directors after two Directors retired and moved out of the area. The initial terms of directors whose respective terms as a member of NCWD or CLWA Board of Directors would have expired following the 2018 general election now expired following the 2020 general election, and terms of members that would have expired following the 2020 general election now expire following the 2022 general election. Two directors were elected for each electoral division at the 2020 general election (reducing the number of Directors to 12), and at every election on that four-year election cycle thereafter. One director will be elected for each electoral division at the 2022 general election (reducing the number of Directors to 9) and at every election on that four-year election cycle thereafter. There will be no appointed director position after January 1, 2023.



The Agency currently employs a staff of 231 (216 full-time, 10 part-time and 5 limited duration) under the direction of the Board-appointed General Manager. No Agency employees are represented by a labor union. The General Manager reports directly to the Board of Directors, and through an Assistant General Manager, Chief Operating Officer, Chief Financial and Administrative Officer and a Chief Engineer, oversees day-to-day operations. Other lines of reporting are shown on the organizational flow chart.

Water Services

The Agency owns and operates water conveyance pipelines and two surface water treatment facilities to supply water delivered through the State Water Project to its retail customers and to one wholesale customer, LA County Waterworks District No. 36. The California Aqueduct releases water to the Agency at the Castaic Lake Reservoir. In addition to the water conveyance pipelines and water treatment facilities, the Agency also owns, operates, and maintains over 879 miles of distribution and transmission mains, 97 above ground welded steel reservoirs, 52 booster pump stations, and 40 active (26 in service) groundwater wells. The Agency also operates a number of groundwater treatment facilities which remove perchlorate contamination caused by past activity with the Whitaker Bermite facility. Fourteen of the active groundwater wells are currently offline due to PFAS contamination, pending design and construction of necessary treatment facilities. The first of several planned PFAS treatment facilities was completed in the summer of 2020 and received an operating permit in December 2020. In FY 2021, the Agency produced a total of 68,800-acre feet (af) with approximately 16,400 af being produced from the Agency's groundwater production.

The Agency also owns a sewer lift station and approximately two miles of sewer main in the Pinetree service area. In addition, the Agency has 24 turnouts with a combined capacity of 108,800 gpm and 40 total pumps. Turnouts are locations where imported water is delivered to the Agency's distribution system.

The Agency operates two water filtration and treatment plants. The filtration plants treat State Water Project water for domestic uses. The two plants have a capacity to treat 122 mgd that can be expanded to have an ultimate capacity of 176 mgd. The Agency sold approximately 63,500 af in FY 2021 through more than 73,000 service connections. Of the total water sales (\$89,094,520), 55% comes from single-family residential, 24% from dedicated irrigation, 11% from commercial, institutional and industrial, and 9% from multi-family residential customers. The remainder is made up of construction water and fire service revenue accounts.

ECONOMIC CONDITIONS & OUTLOOK

The Agency is largely located in the northwestern portion of Los Angeles County approximately 35 miles from downtown Los Angeles, although approximately 20 square miles of the service area extends into unincorporated rural portions of Ventura County. The 2019 gross product of Los Angeles County is estimated at \$807 billion (LA County EDC). COVID-19 is still having significant negative impacts throughout the world, including in Southern California. Due to the COVID-19 pandemic, many jobs have been lost. Los Angeles County unemployment rates have increased to 10.9% (April 2021) from low of 4.7% (February 2020), pre pandemic. State of California's unemployment rate was 8.2% in March 2021 (California Employment Development Department). The City of Santa Clarita lost 11,800 jobs from December 2019 to December 2020 and reported a high unemployment rate of 13.3%, and currently is estimated at

9.6%. The labor workforce has shrunk by over 8,000 workers, many electing to remain at home for childcare and home-schooling duties.

Looking ahead to 2022, there is hope that the pandemic will become less disruptive as a higher percentage of the population becomes fully vaccinated. As the pandemic is controlled, the impacted sectors of the economy reopen fully, and job growth accelerates, it is forecasted in 2022 income is fully restored in the region, but jobs do not eclipse the previous 2019 peak until late 2022 or early 2023. Hundreds of lots have been sold to builders and construction is now underway. Permits for individual housing units are being issued this year and the first new home sales and move-ins will occur late in 2021. The Santa Clarita Valley will continue to draw residents from other parts of Los Angeles County, as well as other parts of the state, due to its high standard of living and steady job base.

GROWTH - Based on current development activity, the Agency currently expects moderate growth within its Service Area in the current and next few Fiscal Years (1.36% annually). The Agency's capital improvement program is based on projected water demands at final build-out of the Agency's service area. Although it is uncertain when specific development(s) will occur, for purposes of planning, the Agency has assumed all of these developments will occur over the next 35 years.

The total forecasted water demand is estimated to increase from 59,000 acre-feet in 2022 to 93,900 acre-feet in 2050, representing an average annual increase ranging from 1 to 3%. These projections were compared with population projections prepared by the City and County. The timing of future development is dependent on a number of factors, including but not limited to litigation, general economic conditions, including the impact of the COVID-19 pandemic, and real estate market conditions.

PFAS - Like many communities throughout the nation, trace amounts of PFAS have been found in our water supply. PFAS (Per- and polyfluoroalkyl substances) are a group of man-made chemicals which have been manufactured and used in a variety of industries worldwide for more than 70 years.

These chemicals are found in thousands of commonly used products, such as non-stick cookware, shampoo, food wrappers, firefighting foam, clothing, paints and cleaning products. Additionally, these chemicals exist in the environment due to manufacturing, product use and discharge of treated wastewater. Most people have measurable amounts of PFAS in their blood and are typically exposed to PFAS through eating food grown in contaminated water/soil or consuming food from packaging that contains PFAS; breathing air with dust particles from contaminated soil, upholstery, clothing; inhaling fabric sprays containing PFAS; or drinking contaminated water.

The Agency quickly responds to changing guidelines and regulations from the State Water Resources Control Board – Division of Drinking Water. Under the current response levels, last lowered in February 2020, 14 of the 40 active agency wells have been removed from service. This accounts for approximately 45 percent of the Agency's groundwater supply. In FY 2021, groundwater accounted for 24% of the total water used in the SCV Water service area. The Agency has taken immediate steps to address PFAS in our groundwater, including proactive quarterly sampling of water from all of our wells to ensure they are in line with state and federal standards. The water-resistant properties of PFAS make them difficult to remove from water;



however, there are proven treatment options.

Our new PFAS water treatment facility opened in fall 2020. It is an investment in our long-term water supply and will restore use of a substantial portion of our groundwater that has been impacted due to PFAS chemicals and will provide enough water to serve 5,000 families for a year. Additional projects are in the planning phases and are set to go online late in 2021 and 2022. The Agency has estimated the cost of this work in FY 2021/22 to be \$11,535,000 and \$13,947,000 in FY 2022/23. The Agency has also initiated litigation to pursue recovery of economic damages from PFAS manufacturers and is pursuing potential sources of grants and low interest loans for groundwater cleanup projects.

WATER USE EFFICIANCY AND ENVIRONMENTAL INITIATIVES - SCV Water's supplies will be subject to a wide variety of known and unknown risks in the coming years. To ensure a sustainable water supply for its customers, SCV Water will need to respond to more extreme droughts, floods, rising temperatures, and changing regulatory requirements. Staff proposes to undertake a multi-year Water Resiliency Initiative with the objective of taking actions that will ensure safe and resilient water supplies and healthy water ways for our community, economy, and the environment. The Santa Clara River's environmental resources and water supplies are interdependent, and an integrated approach is required. Further, SCV Water will face financially significant investment decisions related to water supplies in upcoming years. The Water Resiliency Initiative seeks to expand our knowledge, develop necessary analytic tools, and prepare associated studies and other activities (as identified below) to inform SCV Water's investment strategies:

Environmental – Groundwater supplies are tied to the Santa Clara River's environmental health. Greater understanding of the ecosystems, their conditions, the factors that influence sustainability will be required as SCV Water advances water management programs in the upcoming years.

Water Resource Integration – SCV Water has a complex array of interdependent water supply programs; however, its current modeling tools cannot fully integrate the operation of these programs, nor are they able to fully analyze the integration of alternative new water supplies. Investing in analytic tools will be important to selecting cost-effective investments in new water reliability programs.

Surface Water and Groundwater – Understanding the interconnection between surface water, groundwater and environmental resources will be vital to the Agency developing local groundwater resources. Aquifer monitoring and testing, along with integrated modeling, will afford SCV Water the capability to update the current operating plan which is based on work done in 2003.

Stakeholder Engagement – A lesson learned through implementation of the Sustainable Groundwater Management Act is the importance of involving a diverse set of stakeholders from the outset of an initiative. Staff proposes to build on that experience in the Water Resiliency Initiative by incorporating a robust public outreach component into this effort.

Planning and Strategic Integration – Management of the Water Resiliency Initiative to assure alignment with the Agency's Planning and other policy initiatives utilizing strategic and legal services will be employed to produce a masterplan and its accompanying CEQA document. Factors beyond the control of the Agency could cause limits to our existing water sources due to

changes in Statewide weather patterns caused by climate changes and other factors. The Santa Clarita Valley was not adversely affected during the Statewide drought from 1987 through 1992 nor the recent drought from 2012 to 2017 because the combination of State Water Project deliveries and banked water deliveries to the Agency and locally supplied groundwater were sufficient to meet demand. However, there can be no assurance that currently available water supplies would be sufficient to meet demand under current and future conditions in the event of long-term climate changes that could alter snowpack levels or precipitation patterns. The Agency aggressively seeks water banking programs, exchanges and transfers to help mitigate the fluctuations in water demand caused by external factors.

The Agency has also made significant efforts in the last few years to increase its ability to respond to changes in the economy, environment and customer base through the efficient use of existing assets, the optimization of available resources and greater focus on customer knowledge. Efforts are being made to identify additional opportunities to reduce costs, improve processes, and appropriately adjust expenditures. We believe that we have a financial plan to meet the needs of our customers. It sets our spending and staffing to affordable and sustainable levels while maintaining a high level of service quality.

Looking ahead, the Agency anticipates some reduction in customer demand due to voluntary conservation and the trend will continue through this coming fiscal year. As a result, The Agency will monitor and make appropriate adjustments to ensure the organization's financial integrity is maintained, while continuing to meet its obligation to the public to provide a safe and reliable water supply.

Our success as an organization is vastly enhanced by the practices and policies put in place by the Board of Directors to ensure the strength and stability of the Agency even as we move forward through uncertain times. We are fully confident that with these policies and practices, supported by dedicated and talented staff, we will achieve continued success as an organization and thus assure meet our mission for the people we serve.

BUDGET SUMMARY

The FY 2019/20 & FY 2020/21 Biennial Budget reflects planned activities to achieve the Agency's mission and implement the strategic plan goals and objectives as developed by the Board of Directors. The Biennial Budget document combines the financial presentations for the Agency and represents the spending plan for the fiscal years beginning July 1, 2019, and July 1, 2020 with the revenues and resources available to fund the plan. The Biennial Budget reflects our commitment to providing an affordable, reliable supply of high-quality water to our customers. It also serves as a financial plan and operations guide for the period.

The Agency continues to evaluate the way we do business and engage our employees to help find innovative and effective ways of serving our customers. The Agency has had the opportunity to learn some valuable lessons since the merger on January 1, 2018. The Board of Directors and staff continue to evaluate and implement those innovative strategies and have worked hard to implement creative solutions to serve our employees and customers. The Biennial Budget reflects a continuation and expansion of strategies by maintaining critical expenditures and streamlining operations, while continuing to provide high service-level standards.

Pressure comes from increased costs, which must be incorporated into department budgets. The budget emphasizes short and long-term planning, recognizing slow growth in the short-term, conservation and increased costs within the Agency's fiscal constraints. It is the responsibility of the Agency to make sure expenses do not exceed revenues to ensure a balanced budget.

The budget was designed to help fulfill the Agency's mission in providing responsible water stewardship to ensure the Santa Clarita Valley has reliable supplies of high-quality water at a reasonable cost. Finally, while the budget is focused exclusively on revenues and expenses related to the Agency's service to its customers, the Agency is also on a constructive pathway to creating a new era of water management for the Santa Clarita Valley.

Operating Budget - Every department has worked to analyze processes, systems, and structures to identify opportunities and implement plans to reduce costs. Many plans have made the Agency more adaptable, effective, and responsive to customer needs.

Revenue - The total revenues of \$165.8 million are comprised of \$86 million in retail water sales, \$25.2 million in regional (wholesale) water sales, \$28.7 million in one-percent property tax revenues, \$12 million in facility capacity/connection fees, \$5.6 million in grants and reimbursements, \$2.7 million in miscellaneous revenues and \$5.7 million from the VWD acquisition loan. This a 4% or \$6.44 million increase over FY 2019/20. Of the \$6.44 million, the most significant increase of \$3.42 million is attributed to increased water sales due to the addition of 860 retail service connections; \$.65 million is attributed to an increase in facility capacity/connection fees due to the addition of new connections and increased development; a \$1.29 million increase in one-percent property tax revenue and \$2.8 million in increased grants and reimbursements.

Expenses - Total expenditures for FY 2020/21 are budgeted at \$165.8 million and are comprised of General Fund/Operating Budget expenditures of \$92.8 million, debt service payments of \$36.7 million, capital improvement program (CIP) expenditures of \$30.7 million, and a \$5.6 million transfer to reserves. Overall, there was a 4% (\$6,441,372) increase in operating expenditures over the adopted FY 2019/20 budget. The most significant increases are due to \$2 million for additional CIP projects; \$1 million in source of supply for additional water purchases due to an increase in service connections; \$0.6 million for election expenses; and \$1.1 million in pumping expenses due to a projected increase in power costs as well as an increase in customer demand.

Capital Improvement Plan (CIP) - The proposed CIP "pay-go" (pay-as-you-go) in FY 2019/20 is projected at \$29.6 million and FY 2020/21 is projected at \$30.7 million. The pay-go CIP plan is funded by retail water rates and a portion of the one-percent property taxes. Significant increases are primarily due to the funding of phase I of the new ERP for SCV Water's new accounting software, technology service improvements and upgrades to the water conservation garden at the Rio Vista Water Treatment Plant.

Looking forward, the Agency is expecting to increase its serve connections by 1,013 in FY 2021/22 and 1,047 in FY 2022/23, just over 1% growth. In FY 2020/21, the Agency adopted its first water rate study with an effective date of July 1, 2021. The objectives of the study were to unify retail water rates in the Santa Clarita Valley where the three previously separate retail water purveyors had different rates; build into retail water rates the new and substantial cost of PFAS extraction from the water supply; provide reasonable levels of funding for pay-as-you-go ("Pay-go") capital projects and planned financing costs of future debt funded capital projects during the rate plan period; while creating equitable and affordable rates for all customers in the



service area that proportionately allocate costs of providing water to each parcel based on the parcel's cost of service. In addition to these rate changes for potable water, recycled water rates have been updated as well to reflect the cost of service for this product. With the adoption of the rate study, the water rates were normalized across the Agency's retail divisions and customers.

Our success as an organization is vastly enhanced by the practices and policies put in place by the Board of Directors to ensure the strength and stability of the Agency even as we move forward through uncertain times. We are fully confident that with these policies and practices, supported by dedicated and talented staff, we will achieve continued success as an organization and thus assure the well-being of the people we serve.

FINANCIAL POLICIES

The Agency has formally adopted the following financial policies:

Investment Policy - The Agency annually reviews and updates the Investment Policy. It is the policy of the Agency to invest funds in a manner that 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. The policy follows the "prudent investor" standard of the California Government Code 53601.

Debt Management Policy - The Debt Management Policy was established to serve as a guideline for the use of debt for financing the Agency infrastructure and project needs. Debt is issued and managed prudently in order to maintain a sound financial position and protect credit quality. The policy identifies the criteria for issuing new debt that includes the Standards for Use and guidelines to determine when refinancing of outstanding debt will be beneficial to the Agency and its customers.

Disclosure Procedures Policy - The Disclosure Procedures Policy is a government's policy that requires local officials to fully disclose particular financial transactions to comply with the anti-fraud rules of federal securities laws. The purpose of the policy is to memorialize and communicate procedures in connection with obligations, including notes, bonds and certificates of participation, issued by or on behalf of the Santa Clarita Valley Water Agency.

Derivatives Policy - The Derivatives Policy establishes accounting and reporting standards for derivative instruments, a financial instrument which derives its value from the value of some other financial instrument, variable or index, including certain derivative instruments embedded in other contracts (collectively referred to as "derivatives"), and for hedging activities. Derivatives will not be used to speculate on perceived movements in interest rates.

Purchasing Policy - The Purchasing Policy outlines the procedures for the procurement of all goods and services and applying best practices for optimizing cost savings, quality products and services, and for assuring proper authority and limits as adopted by the Board of Directors.

Capitalization Policy for Fixed Assets - The Capitalization Policy for Fixed Assets is used by the Santa Clarita Valley Water Agency to set a threshold, above which qualifying expenditures are recorded as fixed assets, and below which they are charged to expense as incurred. The policy provides specific guidance to determine which capital assets are subject to separate accounting and reporting.

Wire Transfer Policy - The Wire Transfer Policy, bank transfer or credit transfer is a method of electronic funds transfer from one person or entity to another. The Agency recognizes the trend toward electronic payment methods and will receive and distribute funds through electronic wire transfers.

ACCOUNTING SYSTEM

The Finance Department is responsible for providing financial services for the Agency including financial accounting and reporting, payroll, accounts payable and receivable, custody and investment of funds, billing and collection of water charges, and other revenues. The Agency accounts for its activities as an enterprise fund and prepares financial statements on the accrual basis of accounting, under which revenues are recognized when earned and expenses are recorded when liabilities are incurred. It is the intent of the Board of Director's and Agency Management to manage the Agency's operations as a business, thus matching revenues against the costs of providing the services.

BUDGETING CONTROLS

The budget process is the product of a comprehensive team effort from every level within the organization and an essential tool for proper financial management. It is designed and presented for the general needs of the Agency, its staff, and customers.

It is a detailed and balanced financial plan that features Agency services, resources and their allocation, financial policies, and other useful information to allow the users to gain a general understanding of the Agency's financial status and future. During the year, each department receives a monthly budget and detail cost reports that are essential to monitor and control costs. Any major changes, to the adopted budget are presented to the Board of Director's for review and acceptance. Each month comparison reports of budget to actual are prepared at a summary level and presented to the Finance and Administration Committee and is received and filed by Board of Directors.

INTERNAL ACCOUNTING CONTROLS

Internal accounting controls for the Agency are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

STRATEGIC PLAN

The Agency's Strategic Plan serves as a framework for decision-making. It is a disciplined effort to produce fundamental decisions that shape what the Agency plans to accomplish by selecting a rational course of action.

The Agency's plan has incorporated an assessment of the present state of Agency operation, gathering and analyzing information, setting goals, and making decisions for the future. This plan seeks to strengthen and build upon opportunities while addressing areas of concern.

This plan also identifies actions, activities, and planning efforts that are currently active and needed for continued success in operations and management of the Agency and provides for periodic reviews and updates.

CASH MANAGEMENT

The Agency invests its available funds in investments legally permissible by California Government Code Sections 53601 et seq., and in accordance with its own approved investment policy adopted annually by the Board of Directors. The investment objectives of the Agency, in order of priority, are: 1) to preserve the capital of the portfolio; 2) to maintain adequate liquidity to meet cash flow requirements; and 3) to obtain a reasonable rate of return without compromising the first two objectives.

RISK MANAGEMENT

The Agency continues its proactive liability risk management role through careful monitoring of losses and designing and implementing programs to minimize risks and losses. In addition, the Agency's Safety Committee monitors work conditions, and the organizing and implementing of safety training programs to reduce employee exposure to hazards.

PENSION PLANS

The Agency provides a defined benefit pension plan for its employees through the California Public Employees' Retirement System (CalPERS). The Agency contributes a specified percentage of covered employees' payroll, which is invested by CalPERS. Upon retirement, Agency employees are entitled to a specified retirement benefit. The plan is more fully described in Note 7 to the Financial Statements.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The Agency provides other post-employment benefits (OPEB) as a part of the total compensation to all qualified employees. A qualified employee is defined as meeting the vesting requirements. The Agency participates in CalPERS California Employer's Retiree Benefit Trust Program (CERBT). OPEB benefits include medical and dental, in addition to the benefits provided from specific pension plans. Each year the Agency plans to contribute 100% of the annual required contribution, as stated in the actuarial report. The plan is more fully described in Note 8 to the Financial Statements.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Agency with the Distinguished Budget Presentation Award for the Agency's Operating and Capital Budget for its Biennial Budget for Fiscal Year beginning July 1, 2019. The Agency has received the award for two consecutive years.

The Agency also received the Excellence in Financial Reporting award for its Comprehensive Annual Financial Report for fiscal year ending June 30, 2020 from GFOA. This was the first year the Agency presented its report to GFOA.



GAAP requires management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Agency's MD&A can be found immediately following the report of the independent auditor.

I would like to thank all the staff and express my appreciation to the Finance Department for their efforts in preparing this Annual Comprehensive Financial Report, and for their hard work to ensure a successful outcome.

I would also like to thank the firm of Lance, Soll and Lunghard, LLC, for their professional work and opinion. Staff and I acknowledge and appreciate the Board of Director's continued support and direction in achieving excellence in financial management.

Respectfully submitted,

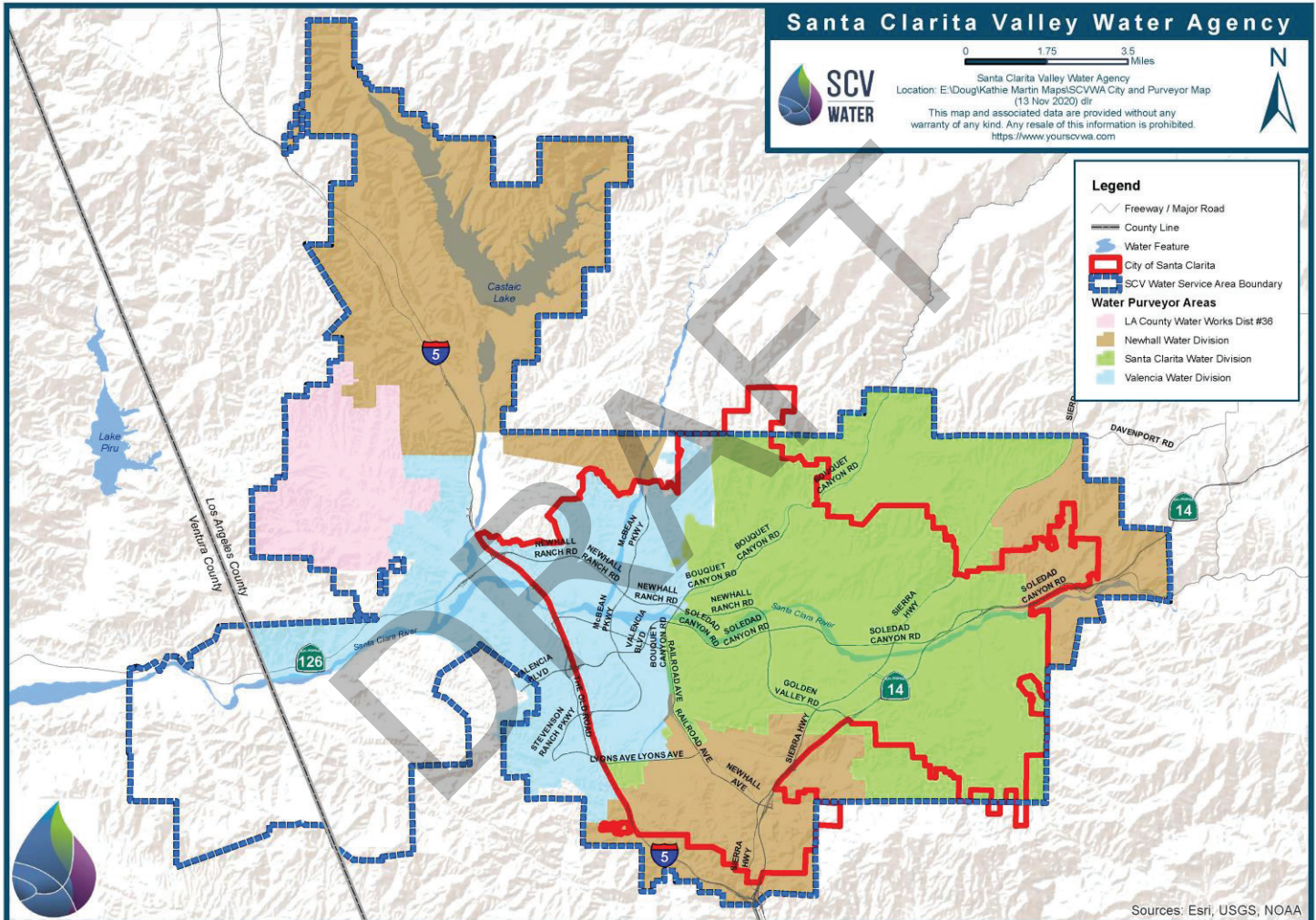
A handwritten signature in black ink that reads "Matthew Stone".

Matthew G. Stone
General Manager

DRAFT

SANTA CLARITA VALLEY WATER AGENCY
Service Area Map

SCV Water Service Area, Purveyor and City Boundaries



AGENCY OFFICIALS **Fiscal Year 2021**

Board of Directors



Daniel R. Mortensen
Vice President



Gary Martin
President



E.J. "Jerry" Gladbach
Vice President



Kathye Armitage
Director



B.J. Atkins
Director



Beth Braunstein
Director



Ed Colley
Director



William Cooper
Director



Jeff Ford
Director



R.J. Kelly
Director



Piotr Orzechowski
Director



Lynne Plambeck
Director

Agency Financial Management

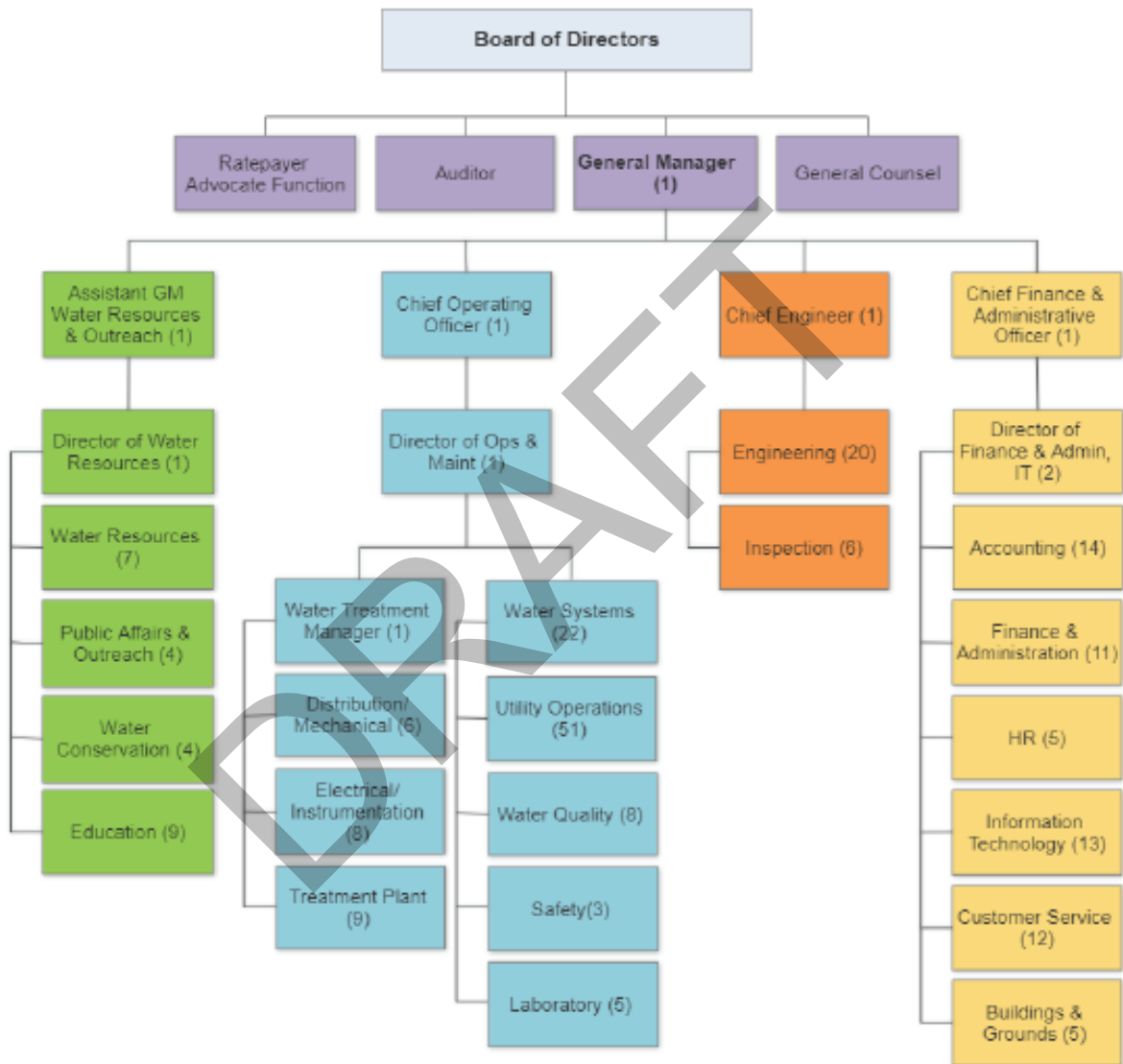
Matthew G. Stone - General Manager

Stephen L. Cole - Assistant General Manager

Eric Campbell - Chief Financial and Administrative Officer

Rochelle Patterson - Director of Finance and Administration

ORGANIZATIONAL STRUCTURE Fiscal Year 2021



TOTAL POSITIONS	231
FULL-TIME	216
PART-TIME	10
LIMITED DURATION EMPLOYEES	5
FTE EQUIVALENTS	226



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Santa Clarita Valley Water Agency
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Santa Clarita Valley Water Agency
City of Santa Clarita, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Santa Clarita Valley Water Agency, (the Agency) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Santa Clarita Valley Water Agency as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the date of the financial statements.



To the Board of Directors
Santa Clarita Valley Water Agency
City of Santa Clarita, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Responsibilities

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability, the schedule of plan contributions – pension, the schedule of changes in net OPEB liability and related ratios, and the schedule of plan contributions – OPEB, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



To the Board of Directors
Santa Clarita Valley Water Agency
City of Santa Clarita, California

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2021 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Lance, Soll & Lughard, LLP

Brea, California

December 21, 2021



This page intentionally left blank

DRAFT

SANTA CLARITA VALLEY WATER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2021

This section of the Santa Clarita Valley Water Agency's (Agency) annual comprehensive financial report presents our analysis of the Agency's financial performance and activities for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

OVERVIEW

SCV Water was created by SB 634 (Act), which went into effect on January 1, 2018. The goal of SB 634 was to create a new agency that could capitalize on economies of scale and reduce costs of operations, maintenance, and capital investment, while enhancing integrated resource management, thereby saving customers money while at the same time improving service delivery. As articulated in the Act, the purpose of SCV Water is to unify and modernize water resource management within the Santa Clarita Valley through the efficient, sustainable, and affordable provision, sale, management and delivery of surface water, groundwater, and recycled water for municipal, industrial, domestic, and other purposes at retail and wholesale throughout SCV Water, and to do so in a manner that promotes the sustainable stewardship of natural resources in the Santa Clarita Valley.

A key goal was to align functions previously organized across the three separate retail entities, and one Regional entity, to support water services of a single organization. It will provide water service to customers within the service boundary previously serviced by Castaic Lake Water Agency (CLWA), Santa Clarita Water Division (SCWD), a division of CLWA, Newhall County Water District (NCWD) and Valencia Water Company (VWC).

The combining statement includes:

- Regional Division (previously CLWA)
- Newhall Water Division (previously NCWD)
- Santa Clarita Water Division (SCWD, previously a division of CLWA)
- Valencia Water Division (previously VWC)
- Upper Santa Clara Valley Joint Powers Authority, a blended component unit (BCU)
- Devil's Den Water District, a BCU
- Groundwater Sustainability Agency, a BCU

Financial Highlights

- As of June 30, 2021, the Agency's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$697.84 million (net position). Of this balance, unrestricted net position amounted to \$119.60 million.
- The Agency's total operating revenues amounted to \$107.29 million during the period.
- The Agency's total operating expenses amounted to \$103.65 million during the period.

REQUIRED FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Agency's basic financial statements, which are comprised of the following: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to Basic Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

SANTA CLARITA VALLEY WATER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2021

- The *Statement of Net Position* presents information on the Agency's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or weakening. This statement measures the success of the Agency's operations over the past year and can be used to determine if the Agency has successfully recovered all of its costs through its rates and other charges. However, one must consider other nonfinancial factors such as changes in economic or environmental conditions, population growth, and new or changed government legislation.
- The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).
- The *Statement of Cash Flows* presents information on cash receipts and payments for the fiscal year. From this statement, the reader can obtain comparative information on the sources and uses of the Agency's cash. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities. It also provides answers to such questions as where the cash came from, what the cash was used for, and what the change in cash balance was during the reporting period.
- The *Notes to the Financial Statements* provide additional information that is essential to fully understand the data supplied in each of the specific financial statements listed above.

The Agency's financial statements comprised of four divisions as follows: (1) Regional Water Division (formerly CLWA); (2) Santa Clarita Water Division (formerly a division of CLWA); (3) Newhall Water Division (formerly NCWD); and (4) Valencia Water Division (formerly VWC). The Agency's records are maintained on an enterprise basis, or full accrual basis. It is the intent of the Board of Directors that the costs of providing water service to the customers of the Agency are financed primarily through user charges. See the detailed historical information of the Agency in Note 1 to the basic financial statements.

Financial Analysis of the Agency

One of the most important questions asked about the Agency's finances is, "Is the Agency better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Agency in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues are recognized when earned and expenses are recorded when incurred, regardless of when the cash is received or paid.

SANTA CLARITA VALLEY WATER AGENCY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

These two statements report the Agency's *net position* and changes in them. Think of the Agency's net position – the difference between assets, and deferred outflows of resources, and liabilities and deferred inflows of resources – as one way to measure the Agency's financial health, or *financial position*. Over time, *increases or decreases* in the Agency's net position are one indicator of whether its *financial health* is improving or deteriorating. It is important to consider other non-financial factors, such as changes in the Agency's property tax base and the grants the Agency is awarded, in order to assess the *overall financial health* of the Agency.

Statements of Net Position (condensed)

	2021	2020	Variance
Assets			
Current and Other Assets	\$ 214,908,155	\$ 189,074,217	\$ 25,833,938
Restricted Assets	126,245,565	95,062,202	31,183,363
Capital Assets, Net	766,983,482	739,988,246	26,995,236
Total Assets	1,108,137,202	1,024,124,665	84,012,537
Deferred Outflows of Resources			
Deferred Pension Outflows	5,471,686	5,356,270	115,416
Deferred OPEB Outflows	3,603,848	7,164,688	(3,560,840)
Loss on Defeasance of Debt	9,019,282	1,213,180	7,806,102
Total Deferred Outflows of Resources	18,094,816	13,734,138	4,360,678
Liabilities			
Current Liabilities	49,942,897	44,836,480	5,106,417
Restricted Liabilities	6,306,833	1,712,372	4,594,461
Noncurrent Liabilities	370,095,756	333,853,975	36,241,781
Total Liabilities	426,345,486	380,402,827	45,942,659
Deferred Inflows of Resources			
Deferred Pension Inflows	548,087	1,079,349	(531,262)
Deferred OPEB Inflows	1,495,436	1,960,436	(465,000)
Total Deferred Inflows of Resources	2,043,523	3,039,785	(996,262)
Net Position			
Net Investment in Capital Assets	463,815,825	423,203,361	40,612,464
Restricted	114,429,838	87,202,965	27,226,873
Unrestricted	119,597,346	144,009,865	(24,412,519)
Total Net Position	\$ 697,843,009	\$ 654,416,191	\$ 43,426,818

Statement of Net Position, continued

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the period ended June 30, 2021, the Agency's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$697.84 million, a \$43.43 million or a 6.6% increase over the prior year. The Agency's net position is made-up of three components: (1) net investment in capital assets, (2) restricted, and (3) unrestricted.

SANTA CLARITA VALLEY WATER AGENCY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

By far the largest portion of the Agency's net position (approximately 66% as of June 30, 2021) reflects the Agency's investment in capital assets (net of accumulated depreciation) less any related, outstanding debt used to acquire those capital assets. Net investment in capital assets increased to \$463.82 million as compared to \$423.20 million for the year ended June 30, 2020, a \$40.61 million or 9.6% increase. The Agency uses these capital assets to provide services to customers within the Agency's service area; consequently, these assets are *not* available for future spending. See Note 10 for further information.

Statements of Revenues, Expenses, and Changes in Net Position

	2021	2020	Variance
Operating Revenues:			
Water Consumption Sales and Services	\$ 89,094,520	\$ 82,393,728	\$ 6,700,792
Other Charges and Services	18,199,112	8,515,511	9,683,601
Total Operating Revenues	107,293,632	90,909,239	16,384,393
Operating Expenses:			
Source of Supply	503,600	465,943	37,657
Pumping	9,304,445	7,711,757	1,592,688
Transmission and Distribution	10,906,191	7,630,261	3,275,930
Water Treatment	8,435,826	8,650,165	(214,339)
Administration and General	19,537,766	20,598,391	(1,060,625)
Depreciation Expense	32,824,057	32,201,715	622,342
Maintenance	2,399,046	4,836,636	(2,437,590)
Engineering	3,575,292	3,110,092	465,200
Water Quality	1,241,951	1,177,815	64,136
Water Resources	10,691,530	10,197,555	493,975
Management	2,468,783	2,647,590	(178,807)
Customer Care	1,765,648	2,009,969	(244,321)
Total Operating Expenses	103,654,135	101,237,889	2,416,246
Operating Income (Loss)	3,639,497	(10,328,650)	(13,968,147)
Nonoperating Revenues (Expenses):			
Taxes	65,084,327	58,818,869	6,265,458
Interest Revenue	346,577	8,431,158	(8,084,581)
Interest Expense	(9,158,363)	(15,688,794)	6,530,431
Other Revenue (Expense)	3,422,524	1,086,632	2,335,892
State Water Contract	(23,598,747)	(21,483,495)	(2,115,252)
Gain (loss) on Disposal of Capital Assets	(98,058)	(31,507)	(66,551)
Total Nonoperating Revenues (Expenses)	35,998,260	31,132,863	4,865,397
Income (Loss) Before Capital Contributions	39,637,757	20,804,213	18,833,544
Capital Contributions	3,789,061	3,178,627	610,434
Change in Net Position	43,426,818	23,982,840	19,443,978
Net Position:			
Beginning of Year, as previously reported	654,416,191	630,757,309	23,658,882
Restatements	-	(323,958)	323,958
Beginning of Fiscal Year, as retated	654,416,191	630,433,351	23,982,840
End of Fiscal Year	\$ 697,843,009	\$ 654,416,191	\$ 43,426,818

SANTA CLARITA VALLEY WATER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2021

Statements of Revenues, Expenses and Changes in Net Position, continued

The Agency's total revenues amounted to \$176.15 million for the fiscal year ended June 30, 2021, and \$159.26 for the fiscal year ended June 30, 2020. Fiscal year 2021 operating revenues amounted to \$107.29 million and is comprised of water consumption sales and services of \$89.09 million, and other charges and services of \$18.20 million. This compares to operating revenues of \$90.90 million for the fiscal year ended June 30, 2020. There were two significant changes that affected operating revenues. Water Consumption Sales and Services were higher compared to the prior year, primarily due to a dry weather year. The Agency sold 9% (5,216 acre-feet) more water in FYE 2021 than was sold in FYE 2020, resulting in higher water consumption revenue. Additionally, facility capacity fee revenue increased as development started to ramp up after the COVID-19 restrictions were lifted.

Nonoperating revenues amounted to \$68.85 million for the fiscal year ended June 30, 2021, as compared to \$68.34 million for the fiscal year ended June 30, 2020. The current year nonoperating revenues are comprised of \$65.08 million in property taxes, \$0.35 million in interest earnings and \$3.42 million in other revenue. The large increase in property tax revenues is due to a large increase in the assessed value of properties within the agency's boundaries. The large decrease in interest revenue is due to the extremely low interest rate environment during the fiscal year ended June 30, 2021. Significant changes to other operating revenues were attributed to higher property tax revenues received due in part to lower mortgage interest rates which increased home prices, and as a result, increased property tax revenue. The Agency also experienced a significant reduction in its investment earnings. During the past year, yields on short and long-term U.S. Treasury securities have fallen to historically low levels, which resulted in substantially less interest earned on Agency's investments.

The Agency's total expenses (including depreciation expense) amounted to \$136.50 million for the fiscal year ended June 30, 2021, as compared to \$138.44 million for the fiscal year ended June 30, 2020. Operating expenses for the fiscal year ended June 30, 2021 amounted to \$103.66 million, and is comprised of depreciation expense of \$32.82 million, source of supply of \$.50 million, administration and general expense of \$19.54 million, pumping expense of \$9.30 million, water treatment of \$8.44 million, water resources of \$10.69 million, transmission and distribution of \$10.91 million, maintenance expense of \$2.40 million, engineering expense of \$3.58 million, water quality expense of \$1.24 million, management expense of \$2.47 million, and customer care expense of \$1.77 million. There were no significant changes to operating expenses, except in the Transmission and Distribution department. The Agency experienced a couple of mainline leaks requiring sizable repairs and the added cost of resin media for the newly constructed PFAS treatment facility.

Nonoperating expenses amounted to \$32.85 million for the year ended June 30, 2021, as compared to \$37.20 million for the fiscal year ended June 30, 2020. The current year nonoperating expenses are comprised of \$23.60 million in state water contract expenses, interest expense of \$9.16 million and \$0.09 million on disposal of capital assets. Additionally, the Agency prepaid two of its debt issues (2008A and 2014A) in FY 2020, which resulted in lower interest expense in FY 2021.

SANTA CLARITA VALLEY WATER AGENCY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

Capital Assets and Debt Administration

The Agency's capital assets as of June 30, 2021, totaled \$766.98 million (net of accumulated depreciation) as compared to \$739.99 million as of June 30, 2020, a 3.6% increase.

Capital Assets			
	2021	2020	Variance
Capital Assets, not being depreciated			
Non-depreciable Assets	\$ 117,251,563	\$ 110,874,725	\$ 6,376,838
Capital Assets, net - being depreciated			
Depreciable Assets	1,178,654,416	1,128,042,302	50,612,114
Accumulated Depreciation and Amortization	(528,922,497)	(498,928,781)	(29,993,716)
Subtotal	649,731,919	629,113,521	20,618,398
Total Capital Assets, net	\$ 766,983,482	\$ 739,988,246	\$ 26,995,236

The Agency's investment in capital assets includes land, water treatment plants, contractual state water project rights, contractual water rights with other agencies, transmission and distribution systems, pumping plants and rights, buildings and structures, equipment, furniture and fixtures, vehicles, solar projects and construction-in process.

Major capital asset additions included the buyout of the Agency's formerly leased solar projects, upgrades to state water project rights, upgrades to contractual rights with other agencies, upgrades to booster stations, upgrades to water tanks and mains, meter installations, and developer contributions to the water retail enterprise's transmission and distribution system. A significant portion of these additions were constructed by the Agency and/or subcontractors and transferred out of construction-in-process upon completion of these various projects. The capital assets of the Agency are fully analyzed in Note 6 to the basic financial statements.

Long-Term Debt Administration

	2021	2020	Variance
Certificates of Participation	\$ 79,575,190	\$ 121,548,662	\$ (41,973,472)
Revenue Bonds	288,777,752	201,800,611	86,977,141
Total Long-Term Debt	\$ 368,352,942	\$ 323,349,273	\$ 45,003,669

Long-term Debt

The Agency had \$368.35 million in long-term debt, as of June 30, 2021, of which \$19.02 million is considered a current liability. This compares to a \$10.98 million current portion as of June 30, 2020. The long-term debt position of the Agency is fully analyzed in Note 9 to the basic financial statements.

SANTA CLARITA VALLEY WATER AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2021

Conditions Affecting Current Financial Position

Expanding in Infrastructure – Management has identified a need to invest in the Agency's infrastructure and Capital Improvement Program (CIP). As the Agency's infrastructure continues to expand, the Agency understands the importance of monitoring the impacts of CIP projects on operating expenditures.

Each major CIP project that becomes operational adds new complexity and costs to the Agency's overall system. Water treatment for trace amounts of PFAS, as required by State regulation, will involve considerable capital. As this additional infrastructure is implemented, the Agency will require additional staff resources and will incur additional costs to operate and maintain the infrastructure. The current CIP includes a number of water quality and pipeline projects that will not have significant operating costs. However, the ongoing development of the recycled water program will have significant operating costs that should be identified as part of the planning process.

Requests for Information

This financial report is designed to provide the Agency's funding sources, customers, stakeholders, and other interested parties with an overview of the Agency's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Agency's Director of Finance and Administration at 27234 Bouquet Canyon Road, Santa Clarita, California 91350-2173 or (661) 297-1600.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>2021</u>
Assets:	
Current:	
Cash and cash equivalents	\$ 71,108,746
Investments	120,897,123
Receivables:	
Accounts	14,149,382
Property tax	1,533,808
Accrued interest	90,849
Accounts - other	4,208,938
Prepaid costs	773,767
Materials and supplies inventory	2,145,542
Restricted:	
Cash and cash equivalents	8,299,962
Investments	115,708,442
Cash with fiscal agent	20,100
Receivables:	
Property tax	1,497,275
Accrued interest	69,679
Accounts - other	650,107
Total Current Assets	<u>341,153,720</u>
Noncurrent:	
Capital assets - not being depreciated	117,251,563
Capital assets - net of accumulated depreciation	<u>649,731,919</u>
Total Noncurrent Assets	<u>766,983,482</u>
Total Assets	<u>1,108,137,202</u>
Deferred Outflows of Resources:	
Deferred pension outflows	5,471,686
Deferred OPEB outflows	3,603,848
Loss on defeasance of debt	<u>9,019,282</u>
Total Deferred Outflows of Resources	<u>18,094,816</u>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>2021</u>
Liabilities:	
Current:	
Accounts payable	8,220,981
Accounts payable - restricted	6,306,833
Accrued liabilities	2,476,543
Accrued interest	2,698,253
Unearned revenues	885,780
Deposits payable	97,482
Advances for construction	8,587,556
Other current liabilities	7,271,687
Accrued compensated absences	680,333
Certificates of participation	2,999,282
Revenue bonds	16,025,000
Total Current Liabilities	<u>56,249,730</u>
Noncurrent:	
Net OPEB liability	1,926,500
Net pension liability	16,799,599
Accrued compensated absences	2,040,997
Certificates of participation	76,575,908
Revenue bonds	272,752,752
Total Noncurrent Liabilities	<u>370,095,756</u>
Total Liabilities	<u>426,345,486</u>
Deferred Inflows of Resources:	
Deferred pension inflows	548,087
Deferred OPEB inflows	1,495,436
Total Deferred Inflows of Resources	<u>2,043,523</u>
Net Position:	
Net investment in capital assets	463,815,825
Restricted	114,429,838
Unrestricted	119,597,346
Total Net Position	<u>\$ 697,843,009</u>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021

	<u>2021</u>
Operating Revenues:	
Water consumption sales and services	\$ 89,094,520
Other charges and services	18,199,112
	<u>107,293,632</u>
Total Operating Revenues	107,293,632
Operating Expenses:	
Source of supply	503,600
Pumping	9,304,445
Transmission and distribution	10,906,191
Water treatment	8,435,826
Administration and general	19,537,766
Depreciation expense	32,824,057
Maintenance	2,399,046
Engineering	3,575,292
Water quality	1,241,951
Water resources	10,691,530
Management	2,468,783
Customer care	1,765,648
	<u>103,654,135</u>
Total Operating Expenses	103,654,135
Operating Income (Loss)	<u>3,639,497</u>
Nonoperating Revenues (Expenses):	
Taxes	65,084,327
Interest revenue	346,577
Interest expense	(9,158,363)
Other revenue	3,342,524
Other contributions	80,000
State water contract	(23,598,747)
Gain (loss) on disposal of capital assets	(98,058)
	<u>35,998,260</u>
Total Nonoperating Revenues (Expenses)	35,998,260
Income (Loss) Before Capital Contributions	39,637,757
Capital Contributions	<u>3,789,061</u>
Changes in Net Position	43,426,818
Net Position:	
Beginning of Year	<u>654,416,191</u>
End of Fiscal Year	<u>\$ 697,843,009</u>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

STATEMENT OF CASH FLOWS
JUNE 30, 2021

	<u>2021</u>
Cash Flows from Operating Activities:	
Cash received from customers and users	\$ 103,552,984
Cash paid to suppliers for goods and services	(48,066,414)
Cash paid to employees for services	(15,435,183)
	<u>40,051,387</u>
Cash Flows from Non-Capital Financing Activities:	
Cash transfers out	(136,613,962)
Cash transfers in	136,613,962
Proceeds from property taxes	63,239,935
Payments for state water contract	(23,598,747)
Proceeds from non-operating revenues	3,422,524
	<u>43,063,712</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from capital debt	254,280,971
Capital contributions	3,789,061
Acquisition and construction of capital assets	(59,932,952)
Principal paid on capital debt	(46,835,000)
Interest paid on capital debt	(12,459,273)
Defeasance of debt	(168,585,958)
Proceeds from sales of capital assets	15,601
	<u>(29,727,550)</u>
Cash Flows from Investing Activities:	
Interest received	616,635
	<u>616,635</u>
Net Increase (Decrease) in Cash and Cash Equivalents	54,004,184
Cash and Cash Equivalents at Beginning of Year	<u>262,030,189</u>
Cash and Cash Equivalents at End of Year	<u>\$ 316,034,373</u>
Reconciliation of Cash and Cash Equivalents to Amounts Reported on the Statement of Net Position:	
Current:	
Cash and cash equivalents	\$ 71,108,746
Investments	120,897,123
Restricted:	
Cash and cash equivalents	8,299,962
Investments	115,708,442
Cash with fiscal agent	20,100
	<u>\$ 316,034,373</u>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

STATEMENT OF CASH FLOWS
JUNE 30, 2021

	<u>2021</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 3,639,497
Adjustments to Reconcile Operating Income (loss)	
Net Cash Provided (used) by Operating Activities:	
Depreciation	32,824,057
Restatement	-
(Increase) decrease in accounts receivable	(1,627,735)
(Increase) decrease in inventory	245,355
(Increase) decrease in prepaid expense	(56,405)
Increase (decrease) in accounts payable	2,336,781
Increase (decrease) in deposits payable	583,334
Increase (decrease) in advances for construction	(687,982)
Increase (decrease) in unearned revenue	(388,538)
Increase (decrease) in accrued liabilities	1,641,628
Increase (decrease) in net OPEB liability and related items	(48,884)
Increase (decrease) in net pension liability and related items	1,145,030
Increase (decrease) in compensated absences	445,249
	<u>36,411,890</u>
Total Adjustments	36,411,890
Net Cash Provided (Used) by Operating Activities	\$ 40,051,387
Non-Cash Investing, Capital, and Financing Activities:	
Amortization of Premiums/Discounts	\$ 6,614,875
Accreted interest of 1999A Revenue COP	4,407,686

DRAFT

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Note 1: Reporting Entity and Summary of Significant Accounting Policies

a. Organization and Operations of the Reporting Entity

The Santa Clarita Valley Water Agency (Agency) was established on January 1, 2018, pursuant to California Senate Bill 634 (SB-634). On October 15, 2017, the Governor of the State of California signed into law SB-634, which reorganized Castaic Lake Water Agency (CLWA) and Newhall County Water District (NCWD) to create the Agency, effective January 1, 2018.

On January 22, 2018, Valencia Water Company (VWC) was fully transitioned into the Agency through a Plan of Dissolution which was approved by VWC's Board of Directors at a special meeting on December 28, 2017. Subsequent to the dissolution, VWC is accounted for as an enterprise fund, called the Valencia Water Division, within the Agency.

The Santa Clarita Valley Water Agency Financing Corporation (Corporation) amended and restated the articles of incorporation, on April 17, 2018, for the previously named Castaic Lake Water Agency Financing Corporation. The Corporation is a California nonprofit public benefit corporation formed to assist the Santa Clarita Valley Water Agency (Agency) by acquiring, constructing, operating, and maintaining facilities, equipment, or other property needed by the Agency and leasing or selling such property to Agency and as such has no employees or other operations. Although the Corporation is legally separate, it is included as a blended component unit of the Agency, as it is in substance part of Agency's operations. There are no separate basic financial statements prepared for the Corporation.

On October 25, 1988, the Agency purchased land and equipment owned by Producers Cotton Oil Company. Of the 8,459 acres of land purchased in Kern and Kings Counties, approximately, 7,759 acres are within the Devil's Den Water District (District). The District encompasses 8,676 acres. The cost of acquiring the land and equipment was approximately \$5.0 million. The land is being leased to an outside party by the Agency under terms of an operating lease agreement. The annual lease payments received by the Agency range from \$105 to \$150 per acre foot of all water supplied to the leased property. The accompanying basic financial statements contain all above-mentioned land and water allocation transactions.

The criteria used in determining the transfer of operations is based on the provisions of Governmental Accounting Standards Board (GASB) No. 69, *Government Combinations and Disposals of Government Operations*. The effective transfer date of operations of CLWA and NCWD to the Agency was January 1, 2018, while the effective transfer date of operations of VWC to the Agency was January 23, 2018. These are the dates where the Agency obtained control of the assets and deferred outflows of resources and became obligated for the liabilities and deferred inflows of resources of the operations of CLWA and NCWD. The Agency recognized the carrying values of assets, deferred outflows of resources, liabilities, and deferred inflows of resources of CLWA and NCWD as of January 1, 2018, and VWC as of January 23, 2018. The net position received or assumed by the Agency was reported as a special item in the statement of revenues, expenses, and changes in net position in the period in which the transfer occurred.

Note 1: Reporting Entity and Summary of Significant Accounting Policies (Continued)

b. Basis of Accounting and Measurement Focus

The Agency reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Agency is that the cost of providing water to its customers on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the Agency. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses.

Operating expenses are those that are clearly identifiable with a specific function. The types of transactions reported as operating revenues for the Agency are charges for services directly related to the operations of the Agency. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the Agency. Taxes, operating grants, and other items not properly included among operating revenues are reported instead as non-operating revenues. Contributed capital and capital grants are included as capital contributions.

c. Financial Reporting

The Agency's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial accounting principles.

d. Cash and Cash Equivalents

Substantially all of the Agency's cash is invested in interest bearing accounts. The Agency considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

e. Use of Estimates

The preparation of the basic financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, and liabilities, and deferred inflows of resources, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 1: Reporting Entity and Summary of Significant Accounting Policies (Continued)

f. Investments and Investment Policy

The Agency has adopted an investment policy in accordance with the provisions of California Government Code Section 53601 and directing the Treasurer to deposit funds in financial institutions.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments. The Agency's policy is to hold its investments until maturity or until market values equal or exceed cost.

g. Fair Value Measurements

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on valuation inputs used to measure the fair value of the assets, as follows:

Level 1 – Valuation is based on quoted prices in active markets for identical assets.

Level 2 – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

h. Property Taxes and Assessments

The Counties of Los Angeles and Ventura Assessor's Offices assesses all real and personal property within each respective County each year. The Counties of Los Angeles and Ventura Tax Collector's Offices bills and collects the Agency's share of property taxes and/or tax assessments. The Counties of Los Angeles and Ventura Treasurer's Office remits current and delinquent property tax collections to the Agency throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations. Property taxes receivable at year-end are related to property taxes and tax assessments collected by the Counties of Los Angeles and Ventura, which have not been credited to the Agency's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 1: Reporting Entity and Summary of Significant Accounting Policies (Continued)

i. Accounts Receivable

The Agency extends credit to customers in the normal course of operations. An allowance for doubtful accounts has been recorded based on an estimate of uncollectible accounts.

j. Materials and Supplies Inventory

Materials and supplies inventory consist primarily of water meters, pipe and pipe fittings for construction and repair to the Agency's retail water transmission and distribution system. Inventory is valued at cost using a weighted average method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

k. Prepaid Expenses

Certain payments to vendors reflect cost or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

l. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$5,000. Improvement to existing capital assets will be presumed to extend the useful life or increase the capacity of performance of the related capital asset and, therefore, will be subject to capitalization if the cost of the improvement meets the \$5,000 threshold. Donated assets are recorded at acquisition value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Note 1: Reporting Entity and Summary of Significant Accounting Policies (Continued)

Depreciation will be calculated based on the assets in service at the beginning of the fiscal year and is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Franchise and consents – 20 years
- Other Intangible plan – 20 years
- Organizational costs – 33 years
- Structures and Improvements – 30 years
- Wells – 30 years
- Pumping Equipment – 20 years
- Castaic Turnout – 50 years
- Other Pumping Equipment – 30 years
- Water Treatment Equipment – 30 years
- Treatment Structures – 35 years
- Treatment Plant – 50 years
- Reservoirs and Tanks – 50 years
- Transmission and Distribution mains – 50 years
- Fire mains – 50 years
- Services – 30 years
- Meters and Meter installation – 20 years
- Hydrants – 30 years
- Computer Hardware and Software – 5 years
- Office Furniture and Equipment – 10 years
- Vehicles – 10 years
- Stores Equipment – 10 years
- Lab Equipment – 5 years
- Communications Equipment – 7 years
- Power Operating Equipment – 10 years
- Tools, Shop and Garage – 10 years
- Other General Plant Equipment – 8 years
- Sewer Plant – 51 years
- Sewer Lift Stations – 50 years
- Maintenance Facility – 30 years
- Lighting and Roads – 25 years
- Fencing – 15 years

m. Pensions

For the purposes of measuring the net pension liability and deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at the CalPERS website. GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2019
- Measurement Date: June 30, 2020
- Measurement Period: July 1, 2019 to June 30, 2020

Note 1: Reporting Entity and Summary of Significant Accounting Policies (Continued)

n. Compensated Absences

The Agency's policy is to permit employees to accumulate earned vacation with maximum hours ranging between 200 and 400 hours, based on years of service, and 480 hours of sick leave. Accumulated vacation and sick time is accrued at year-end to account for the Agency's obligation to the employees for the amount owed.

Vacation accrual increases to 120 hours for each full year of continuous service after 5 years until completion of 10 years of continuous service. After completion of 10 full years, vacation leave shall accrue at the rate of 160 hours per year.

Sick leave shall accrue year after year above the 96 hours accrued in that year. Sick leave shall accrue at the rate of eight hours per month for full time employees commencing on January 1 of each year. Sick leave shall accrue on a pro-rata basis. In the event that an employee has a sick leave accrual of more than 480 hours in any calendar year, the Agency will pay the employee 50% of the value of any unused sick leave in excess of 480 hours as a cash bonus. This bonus shall be based on leave balance on December 31 and is typically paid within 3 months of that date.

o. Post-employment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB Liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Agency's Retiree Health Plan and additions to/deductions from the Agency's fiduciary net position have been determined on the same basis as they are reported by the Agency. For this purpose, the Agency recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

p. Water Sales

Water sales, retail and wholesale, are billed on a monthly cyclical basis. Estimated unbilled water revenue through June 30, has been accrued at year-end.

q. Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the Agency by property owners, granting agencies, or real estate developers desiring services that require capital expenditures or capacity commitment.

r. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- *Net Investment in Capital Assets Component of Net Position* – This component of net position consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 1: Reporting Entity and Summary of Significant Accounting Policies (Continued)

- *Restricted Component of Net Position* – This component of net position consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *Unrestricted Component of Net Position* – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

s. Budgetary Policies

The Agency follows specific procedures in establishing the budgetary data reflected in the financial statements. Each April, the Agency's General Manager and Assistant General Manager prepare and submit a capital and operating budget to the Board of Directors and adopted no later than June of each year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all enterprise funds. Annual budgets are adopted on the accrual basis for the proprietary fund. The adopted budget becomes operative on July 1.

Note 2: Cash and Investments

Cash and investments as of June 30th, are classified in the Statement of Net Position as follows:

	<u>2021</u>
Cash and cash equivalents	\$ 71,108,746
Cash and cash equivalents (restricted)	8,299,962
Cash and cash equivalents with fiscal agent	20,100
Investments - current	120,897,123
Investments - current (restricted)	115,708,442
Total cash and investments	<u>\$ 316,034,373</u>

Cash and investments as of June 30th, consist of the following:

	<u>2021</u>
Cash on hand	\$ 2,725
Deposits with financial institutions	79,405,983
Cash with fiscal agent	20,100
Investments	236,605,565
Total cash and investments	<u>\$ 316,034,373</u>

Investments Authorized by the California Government Code and the Agency's Investment Policy

The table below identifies the investment types that are authorized by the Agency in accordance with the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 2: Cash and Investments (Continued)

This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

<u>Authorized Investment</u>	<u>Maximum</u>	<u>Maximum Percentage</u>	<u>Maximum Investment</u>
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency and Sponsored Enterprise	5 years	None	None
Banker's Acceptances	180 days	30%	5%
Medium Term Notes	5 years	30%	5%
Commercial Paper	270 days	10%	5%
Certificates of Deposit and Time Deposits	5 years	30%	10%
Municipal Obligations	5 years	30%	5%
Repurchase agreements	30 days	10%	None
California Local Agency Investment Fund (LAIF)	N/A	None	None
Los Angeles County Pooled Investment Fund (LACPIF)	N/A	30%	None
Investment Trust of California (CalTRUST)	N/A	20%	None
Money Market Mutual Funds	N/A	20%	10%
Investment Contract	30 years	None	None

* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy.

Los Angeles County Pooled Investment Fund

The Los Angeles County Pooled Investment Fund (LACPIF) is a pooled investment fund program governed by the County of Los Angeles Board of Supervisors and administered by the County of Los Angeles Treasurer and Tax Collector. Investments in LACPIF are highly liquid as deposits, and withdrawals can be made at any time without penalty. LACPIF does not impose a maximum investment limit. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the fair value provided by LACPIF for the Agency's LACPIF portfolio.

The Agency's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- No limit of transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement rounded to the next highest dollar.
- Prior to funds transfer, an authorized person must complete a deposit or withdrawal form and fax to LACPIF.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 2: Cash and Investments (Continued)

The County of Los Angeles' bank deposits are either Federally insured or collateralized in accordance with the California Government Code. Pool detail is included in the County of Los Angeles's Annual Comprehensive Financial Report (ACFR). Copies of the ACFR may be obtained from the County of Los Angeles Auditor-Controller's Office – 500 West Temple Street – Los Angeles, California 90012.

Investment in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The Agency's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of \$1,000 dollars.
- Withdrawals of \$10,000,000 or more require 24 hours advance notice.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction or schedule the transaction on LAIF's website.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 2: Cash and Investments (Continued)

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to \$250,000 is federally insured, and the remaining balance is collateralized in accordance with the California Government Code; however, the collateralized securities are not held in the Agency's name.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Agency's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investments by maturity date at June 30, 2021:

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 months	25-60 months
Federal Farm Credit Bank	\$ 8,955,412	\$ -	\$ 8,955,412	\$ -
Federal Home Loan Bank	13,246,953	-	-	13,246,953
Fannie Mae	5,934,772	-	-	5,934,772
State and local agencies	7,795,951	-	6,620,669	1,175,282
Local Agency Investment Fund (LAIF)	105,291,741	105,291,741	-	-
Los Angeles County Pooled Investment Fund	67,230,376	67,230,376	-	-
Certificates of Deposit	7,307,178	3,837,259	2,753,204	716,715
Money Market Funds	20,843,182	20,843,182	-	-
Total	\$ 236,605,565	\$ 197,202,558	\$ 18,329,285	\$ 21,073,722

Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Agency investments are as follows:

Issuer	Investment Type	Bank
Federal Home Loan Bank	Federal agency securities	\$ 13,246,953

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 2: Cash and Investments (Continued)

Credit ratings of investments and cash equivalents as of June 30, 2021, were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>AAA</u>	<u>Not Rated</u>
Federal Farm Credit Bank	\$ 8,955,412	N/A	\$ -	\$ 8,955,412	\$ -
Federal Home Loan Bank	13,246,953	N/A	-	13,246,953	-
Fannie Mae	5,934,772	N/A	-	5,934,772	-
State and local agencies	7,795,951	N/A	-	7,795,951	-
Local Agency Investment Fund (LAIF)	105,291,741	N/A	-	-	105,291,741
Los Angeles County Pooled Investment Fund	67,230,376	N/A	-	-	67,230,376
Certificates of Deposit	7,307,178	N/A	7,307,178	-	-
Money Market	20,843,182	N/A	20,843,182	-	-
	<u>\$ 236,605,565</u>		<u>\$ 28,150,360</u>	<u>\$ 35,933,088</u>	<u>\$ 172,522,117</u>

Investments measured at fair value on a recurring and non-recurring basis at June 30, 2021, are as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Fair Value Measurement Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Observable Inputs (Level 3)</u>
Federal Agencies	\$ 28,137,137	\$ -	\$ 28,137,137	\$ -
Certificates of Deposit	7,307,178	-	7,307,178	-
State and local agencies	7,795,951	7,795,951	-	-
Total Investments Measured at fair value	<u>43,240,266</u>	<u>\$ 7,795,951</u>	<u>\$ 35,444,315</u>	<u>\$ -</u>
Local Agency Investment Fund (LAIF)	105,291,741			
Los Angeles County Pooled Investment Fund (LACPIF)	67,230,376			
Money Market Funds	20,843,182			
	<u>\$ 236,605,565</u>			

Note 3: Interfund Receivables and Payables

<u>Internal Balances Type</u>	<u>Divisions</u>				<u>Total</u>
	<u>Regional</u>	<u>Santa Clarita Water Division</u>	<u>Newhall Water Division</u>	<u>Valencia Water Division</u>	
Due from other divisions	\$ 3,521,219	\$ 5,107,154	\$ 384,959	\$ -	9,013,332
Due to other divisions	(5,094,186)	(1,766,796)	(867,577)	(1,284,773)	(9,013,332)
Advance to other funds	139,769,461	-	-	-	139,769,461
Advance from other funds	-	(47,810,000)	-	(91,959,461)	(139,769,461)
Total	<u>\$ 138,196,494</u>	<u>\$ (44,469,642)</u>	<u>\$ (482,618)</u>	<u>\$ (93,244,234)</u>	<u>\$ -</u>

Due to/from other divisions

<u>Due to other divisions</u>	<u>Due from other divisions</u>			<u>Total</u>
	<u>Regional</u>	<u>Santa Clarita Water Division</u>	<u>Newhall Water Division</u>	
Regional	\$ -	\$ 5,094,186	\$ -	5,094,186
Santa Clarita Water Division	1,766,796	-	-	1,766,796
Newhall Water Division	867,577	-	-	867,577
Valencia Water Division	886,846	12,968	384,959	1,284,773
Total	<u>\$ 3,521,219</u>	<u>\$ 5,107,154</u>	<u>\$ 384,959</u>	<u>\$ 9,013,332</u>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 3: Interfund Receivables and Payables (Continued)

Advances to/from other divisions

Receivable Fund	Payable Fund	Amount
Acquisition Interfund Loan		
Regional Water Division	Valencia Water Division	\$ 65,224,461
2018 Series A Revenue Bonds		
Regional Water Division	Valencia Water Division	26,735,000
2020 Series B Revenue Bonds		
Regional Water Division	Santa Clairta Water Division	47,810,000
	Total	<u>\$ 139,769,461</u>

Advances from the Regional Water Division to the Valencia Water Division are to provide funds for the acquisition of Valencia Water Company and amount to \$65,224,461 at June 30, 2021. See pages 64 through 67 of the supplemental information for more detailed information. The advance bears annual interest at 4.46% The advance plus any accrued interest is due June 30, annually starting in fiscal year 2021.

Principal and estimated interest payments on the advances are as follows:

Year	Principal	Interest	Total
2022	\$ 1,812,800	\$ 2,904,795	\$ 4,717,595
2023	1,895,763	2,821,832	4,717,595
2024	1,982,523	2,735,072	4,717,595
2025	2,073,253	2,644,342	4,717,595
2026	2,168,136	2,549,459	4,717,595
2027-2031	12,423,048	11,164,927	23,587,975
2032-2036	15,538,134	8,049,841	23,587,975
2037-2041	19,434,330	4,153,645	23,587,975
2042-2043	7,896,474	1,538,715	9,435,189
Total	<u>65,224,461</u>	<u>\$ 38,562,628</u>	<u>\$ 103,787,089</u>
Less current portion	(1,812,800)		
Total non-current	<u>\$ 63,411,661</u>		

Detailed information of the 2018 Series A Revenue Bonds is shown on [page 54 through 55](#) under Note 9.

Advances from the Regional Water Division to the Santa Clarita Water Division are to provide funds for the issuance of the 2020 Series B Revenue Bonds. Detailed information of the 2020 Series B Revenue Bonds is shown on [page 54 through 55](#) under Note 9.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 4: Deferred Contribution Plan

457 Deferred Compensation Savings Plan

The Agency has implemented GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Since the Agency has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

For the benefit of its employees, the Agency participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the Agency is in compliance with this legislation. Therefore, these assets are not the legal property of the Agency and are not subject to claims of the Agency's general creditors. Market value of all plan assets held in trust by Lincoln Financial Services at June 30, 2021, was \$24,477,824.

401(a) Defined Benefit Plan

For the benefit of its employees, the Agency participates in a 401(a) Retirement Plan Program. The purpose of this 401(a) Plan is to provide a retirement benefit for public employees who fully contribute to their 457 Program. Generally, the Agency will match up to a certain amount for employees who fully contribute to their 457 Plan for the year. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the retirement benefit for income tax purposes.

Federal law requires defined benefit assets to be held in trust for the exclusive benefit of the participants. Accordingly, the Agency is in compliance with this legislation. Therefore, these assets are not the legal property of the Agency and are not subject to claims of the Agency's general creditors. Market value of all plan assets held in trust by Lincoln Financial Services at June 30, 2021, was \$1,151,070.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 5: Compensated Absences

Compensated absences are comprised of unpaid vacation leave, sick leave, floating holiday, and other leave which is accrued as earned. The Agency's liability for compensated absences is determined annually and the changes were as follows:

Balance July 1, 2020	Earned	Taken	Balance June 30, 2021	Current Portion	Noncurrent Portion
<u>\$ 2,276,081</u>	<u>\$ 2,329,976</u>	<u>\$ (1,884,727)</u>	<u>\$ 2,721,330</u>	<u>\$ 680,333</u>	<u>\$ 2,040,997</u>

The following tables below reflect the changes in compensated absences for each Division as of June 30, 2021:

Regional Water Division

Balance July 1, 2020	Earned	Taken	Balance June 30, 2021	Current Portion	Noncurrent Portion
<u>\$ 1,050,187</u>	<u>\$ 1,051,651</u>	<u>\$ (835,783)</u>	<u>\$ 1,266,055</u>	<u>\$ 316,514</u>	<u>\$ 949,541</u>

Santa Clarita Water Division

Balance July 1, 2020	Earned	Taken	Balance June 30, 2021	Current Portion	Noncurrent Portion
<u>\$ 455,807</u>	<u>\$ 534,506</u>	<u>\$ (462,687)</u>	<u>\$ 527,626</u>	<u>\$ 131,906</u>	<u>\$ 395,720</u>

Newhall Water Division

Balance July 1, 2020	Earned	Taken	Balance June 30, 2021	Current Portion	Noncurrent Portion
<u>\$ 347,102</u>	<u>\$ 355,850</u>	<u>\$ (261,257)</u>	<u>\$ 441,695</u>	<u>\$ 110,424</u>	<u>\$ 331,271</u>

Valencia Water Division

Balance July 1, 2020	Earned	Taken	Balance June 30, 2021	Current Portion	Noncurrent Portion
<u>\$ 422,985</u>	<u>\$ 387,969</u>	<u>\$ (325,000)</u>	<u>\$ 485,954</u>	<u>\$ 121,489</u>	<u>\$ 364,465</u>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 6: Capital Assets

Changes in capital assets for the year ended June 30, 2021, were as follows:

	Balance June 30, 2020	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2021
Santa Clarita Water Agency				
Capital assets, not being depreciated				
Non-depreciable assets	\$ 110,874,725	\$ 56,819,068	\$ (50,442,230)	\$ 117,251,563
Capital assets, net - being depreciated				
Depreciable assets	1,128,042,302	53,557,362	(2,945,248)	1,178,654,416
Accumulated depreciation and amortization	(498,928,781)	(32,824,057)	2,830,341	(528,922,497)
Subtotal	629,113,521	20,733,305	(114,907)	649,731,919
Total capital assets, net	\$ 739,988,246	\$ 77,552,373	\$ (50,557,137)	\$ 766,983,482

Changes in capital assets for the year ended June 30, 2021, were as follows:

Regional Water Division

	Balance June 30, 2020	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2021
Non-depreciable assets:				
Land and land rights	\$ 28,372,111	\$ -	\$ -	\$ 28,372,111
Construction in-process	37,035,761	44,488,326	(43,860,760)	37,663,327
Total non-depreciable assets	65,407,872	44,488,326	(43,860,760)	66,035,438
Depreciable assets:				
Contractual state water project rights	155,030,225	3,864,128	-	158,894,353
Contractual water rights-other agencies	111,353,623	19,420,644	-	130,774,267
Treatment Plant	174,631,441	414,002	(391,380)	174,654,063
Water mains	29,322,224	83,654	-	29,405,878
Reservoirs and tanks	1,724,855	-	(32,218)	1,692,637
Boosters	-	7,400,542	-	7,400,542
Reclaimed Water	5,247,539	8,281	-	5,255,820
Control System	185,218,504	969,175	(787,070)	185,400,609
Castic turnout	398,243	-	-	398,243
Services and Meters	153,965	-	-	153,965
Maintenance Facility	188,310	-	-	188,310
Large tools and equipment	701,045	500,121	-	1,201,166
Furniture and Fixtures	174,582	8,994	-	183,576
Vehicles	471,722	42,638	-	514,360
Office Equipmnet	2,218,732	170,888	-	2,389,620
Computer Software and Hardware	-	427,467	-	427,467
Solar Projects	-	15,564,462	-	15,564,462
Summit Building	1,434,284	-	-	1,434,284
Total depreciable assets	668,269,294	48,874,996	(1,210,668)	715,933,622
Accumulated depreciation and amortization:				
Contractual state water project rights	(83,585,823)	(3,534,967)	-	(87,120,790)
Contractual water rights-other agencies	(36,381,950)	(5,017,944)	-	(41,399,894)
Treatment Plant	(75,959,333)	(5,457,949)	391,380	(81,025,902)
Water mains	(12,753,425)	(631,882)	-	(13,385,307)
Reservoirs and tanks	(1,322,452)	(35,496)	32,218	(1,325,730)
Reclaimed Water	(2,460,719)	(147,039)	-	(2,607,758)
Control System	(65,261,764)	(5,020,288)	787,070	(69,494,982)
Castic turnout	(318,598)	(7,965)	-	(326,563)
Services and Meters	(153,965)	-	-	(153,965)
Maintenance Facility	(188,310)	-	-	(188,310)
Large tools and equipment	(241,770)	(61,742)	-	(303,512)
Furniture and Fixtures	(124,857)	(5,455)	-	(130,312)
Vehicles	(266,795)	(27,970)	-	(294,765)
Office Equipment	(1,410,595)	(181,916)	-	(1,592,511)
Summit Building	(321,850)	(31,716)	-	(353,566)
Total accumulated depreciation and amortization	(280,752,206)	(20,162,329)	1,210,668	(299,703,867)
Total depreciable assets, net	387,517,088	28,712,667	-	416,229,755
Total capital assets, net	\$ 452,924,960	\$ 73,200,993	\$ (43,860,760)	\$ 482,265,193

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 6: Capital Assets (Continued)

A significant portion of these additions were constructed by the Agency and/or sub-contractors and transferred out of construction-in-process upon completion of these various projects. Depreciation expenses under the Agency's Regional water division, totaled \$20,162,329.

Santa Clarita Water Division

Changes in capital assets for the year ended June 30, 2021, were as follows:

	Balance June 30, 2020	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2021
Non-depreciable assets:				
Land and land rights	\$ 891,550	\$ -	\$ -	\$ 891,550
Construction in-process	23,937,237	4,979,687	(2,207,776)	26,709,148
Total non-depreciable assets	<u>24,828,787</u>	<u>4,979,687</u>	<u>(2,207,776)</u>	<u>27,600,698</u>
Depreciable assets:				
Transmission/Distribution	70,658,941	-	-	70,658,941
Reservoirs/Tanks	28,400,843	80,940	(28,813)	28,452,970
Services	18,153,781	11,142	-	18,164,923
Hydrants	9,024,269	-	-	9,024,269
Boosters	11,222,205	68,961	(68,000)	11,223,166
Meters	6,899,660	1,268,257	(5,683)	8,162,234
Wells	2,580,140	49,498	(289)	2,629,349
Structures and improvements	7,817,240	347,833	(210,079)	7,954,994
Machinery and equipment	8,332,987	378,400	(136,520)	8,574,867
Transportation equipment	1,644,440	136,967	(46,291)	1,735,116
General Plant	134,171	-	(134,171)	-
Total depreciable assets	<u>164,868,677</u>	<u>2,341,998</u>	<u>(629,846)</u>	<u>166,580,829</u>
Accumulated depreciation and amortization:				
Transmission/Distribution	(23,567,992)	(1,200,522)	-	(24,768,514)
Reservoirs/Tanks	(16,707,959)	(874,896)	27,934	(17,554,921)
Services	(9,548,035)	(459,991)	-	(10,008,026)
Hydrants	(5,598,536)	(200,133)	-	(5,798,669)
Boosters	(6,458,819)	(483,631)	56,436	(6,886,014)
Meters	(3,985,770)	(541,713)	5,683	(4,521,800)
Wells	(1,638,744)	(100,492)	290	(1,738,946)
Structures and improvements	(2,975,944)	(309,615)	123,782	(3,161,777)
Machinery and equipment	(6,640,244)	(739,700)	126,349	(7,253,595)
Transportation equipment	(1,174,916)	(116,422)	46,291	(1,245,047)
General Plant	(104,896)	104,896	-	-
Total accumulated depreciation and amortization	<u>(78,401,855)</u>	<u>(4,922,219)</u>	<u>386,765</u>	<u>(82,937,309)</u>
Total depreciable assets, net	<u>86,466,822</u>	<u>(2,580,221)</u>	<u>(243,081)</u>	<u>83,643,520</u>
Total capital assets, net	<u>\$ 111,295,609</u>	<u>\$ 2,399,466</u>	<u>\$ (2,450,857)</u>	<u>\$ 111,244,218</u>

Major capital asset additions included developer contributions to the water retail enterprise's transmission and distribution system and various other projects. A significant portion of these additions were constructed by the Agency and/or sub-contractors and transferred out of construction-in-process upon completion of these various projects. Depreciation expenses under the Agency's Santa Clarita Water Division, totaled \$4,922,219.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 6: Capital Assets (Continued)

Newhall Water Division

Changes in capital assets for the year ended June 30, 2021, were as follows:

	Balance June 30, 2020	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2021
Non-depreciable assets:				
Land and land rights	\$ 9,808,490	\$ -	\$ -	\$ 9,808,490
Construction in-process	138,849	2,281,152	(914,750)	\$ 1,505,251
Total non-depreciable assets	<u>9,947,339</u>	<u>2,281,152</u>	<u>(914,750)</u>	<u>11,313,741</u>
Depreciable assets:				
Structures and improvements	10,545,836	117,936	-	10,663,772
Wells	5,384,186	38,423	(14,180)	5,408,429
Pumping Equipment	11,258,070	-	(1,904,292)	9,353,778
Water Treatment Equipment	1,643,558	49,062	(38,813)	1,653,807
Reservoirs/Tanks	17,157,769	102,275	-	17,260,044
Transmission/Distribution	51,825,834	181,368	-	52,007,202
Services	7,281,015	2,087	-	7,283,102
Meters	4,833,896	199,088	(67,478)	4,965,506
Hydrants	2,470,412	-	-	2,470,412
Furniture and Equipment	5,027,897	2,494,051	-	7,521,948
General Plant	390,426	-	(390,426)	-
Water Rights	17,617	-	-	17,617
Sewer Plant	1,368,608	6,374	-	1,374,982
Intangible Plant	422,606	-	-	422,606
Organization Costs	40,487	-	-	40,487
Total depreciable assets	<u>119,668,217</u>	<u>3,190,664</u>	<u>(2,415,189)</u>	<u>120,443,692</u>
Accumulated depreciation and amortization:				
Structures and improvements	(3,319,904)	(272,728)	-	(3,592,632)
Wells	(2,346,746)	(166,787)	14,180	(2,499,353)
Pumping Equipment	(6,959,780)	(560,034)	1,007,913	(6,511,901)
Water Treatment Equipment	(527,831)	(54,784)	38,813	(543,802)
Reservoirs/Tanks	(6,130,962)	(342,336)	-	(6,473,298)
Transmission/Distribution	(20,460,553)	(1,011,028)	-	(21,471,581)
Services	(4,391,515)	(168,814)	-	(4,560,329)
Meters	(2,479,952)	(238,262)	67,477	(2,650,737)
Hydrants	(1,803,956)	(50,101)	-	(1,854,057)
Furniture and Equipment	(3,452,735)	(370,339)	(1,373,708)	(5,196,782)
General Plant	(337,326)	(28,469)	365,795	-
Water Rights	(17,617)	-	-	(17,617)
Sewer Plant	(527,009)	(23,670)	-	(550,679)
Intangible Plant	(247,764)	(17,293)	-	(265,057)
Organization Costs	(40,487)	-	-	(40,487)
Total accumulated depreciation and amortization	<u>(53,044,137)</u>	<u>(3,304,645)</u>	<u>120,470</u>	<u>(56,228,312)</u>
Total depreciable assets, net	<u>66,624,080</u>	<u>(113,981)</u>	<u>(2,294,719)</u>	<u>64,215,380</u>
Total capital assets, net	<u>\$ 76,571,419</u>	<u>\$ 2,167,171</u>	<u>\$ (3,209,469)</u>	<u>\$ 75,529,121</u>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 6: Capital Assets (Continued)

Major capital asset additions included developer contributions to the division's transmission and distribution system and various other projects. A significant portion of these additions were constructed by the Agency and/or sub-contractors and transferred out of construction-in-process upon completion of these various projects. Depreciation expenses under the Newhall Water Division, totaled \$3,304,645.

Valencia Water Division

Changes in capital assets for the year ended June 30, 2021, were as follows:

	Balance June 30, 2020	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2021
Non-depreciable assets:				
Land and land rights	\$ 1,366,286	\$ -	\$ -	\$ 1,366,286
Construction in-process	9,324,441	5,069,903	(3,458,944)	10,935,400
Total non-depreciable assets	<u>10,690,727</u>	<u>5,069,903</u>	<u>(3,458,944)</u>	<u>12,301,686</u>
Depreciable assets:				
Plant	115,351	-	-	115,351
Building	2,531,288	89,337	-	2,620,625
Wells	11,315,071	-	-	11,315,071
Pumping Plant	9,555,650	-	-	9,555,650
Reservoirs & tanks	27,476,388	94,078	-	27,570,466
T & D mains	82,022,657	15,749	-	82,038,406
Services	14,434,159	12,599	-	14,446,758
Meters	9,350,502	-	(141,857)	9,208,645
Hydrants	11,018,225	-	-	11,018,225
Other T & D plant	18,505	-	(18,505)	-
Office furniture & equipment	3,055,398	306,739	(371,194)	2,990,943
Transportation equipment	44,550	-	-	44,550
Other equipment	4,298,370	1,078,596	(605,383)	4,771,583
Total depreciable assets	<u>175,236,114</u>	<u>1,597,098</u>	<u>(1,136,939)</u>	<u>175,696,273</u>
Accumulated depreciation and amortization:				
Plant	(88,543)	(1,618)	-	(90,161)
Building	(1,159,835)	(62,735)	-	(1,222,570)
Wells	(5,514,836)	(355,935)	-	(5,870,771)
Pumping Plant	(7,871,414)	(216,440)	-	(8,087,854)
Reservoirs & tanks	(11,188,279)	(596,279)	-	(11,784,558)
T & D mains	(34,811,704)	(1,588,040)	(13,660)	(36,413,404)
Services	(9,271,164)	(378,035)	-	(9,649,199)
Meters	(4,551,743)	(444,086)	141,857	(4,853,972)
Hydrants	(7,375,371)	(278,451)	-	(7,653,822)
Other T & D plant	(15,975)	-	15,975	-
Office furniture & equipment	(2,334,181)	(279,931)	365,198	(2,248,914)
Transportation equipment	(44,549)	(1)	-	(44,550)
Other equipment	(2,502,989)	(233,313)	603,068	(2,133,234)
Total accumulated depreciation and amortization	<u>(86,730,583)</u>	<u>(4,434,864)</u>	<u>1,112,438</u>	<u>(90,053,009)</u>
Total depreciable assets, net	<u>88,505,531</u>	<u>(2,837,766)</u>	<u>(24,501)</u>	<u>85,643,264</u>
Total capital assets, net	<u>\$ 99,196,258</u>	<u>\$ 2,232,137</u>	<u>\$ (3,483,445)</u>	<u>\$ 97,944,950</u>

Major capital asset additions in the business-type activities area included developer contributions to the water retail enterprise's transmission and distribution system and various other projects. A significant portion of these additions were constructed by the Agency and/or sub-contractors and transferred out of construction-in-process upon completion of these various projects. Depreciation expenses under the Valencia Water Division, totaled \$4,434,864.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 6: Capital Assets (Continued)

Construction-In-Process

The Agency has been involved in various construction projects throughout the year. The balances of the various construction projects that comprise the construction-in-process balances at year-end are as follows:

Regional Water Division

The balance at June 30th, consists of the following projects:

	2021
BV-RRB Planning for Storage Project	\$ 507,122
Capital Studies & Planning	1,395,622
Rio Vista Water Treatment Plant	66,680
Perchlorate Treatment	1,747,837
Financial Software Conversion	2,794,235
Earl Schmidt Filtration Plant & ESIPS	1,245,946
Castaic Conduit	1,093,500
Recycled Water	12,499,582
Magic Mountain Parkway	13,996,602
PFAS Projects	2,316,201
Construction-in-process	<u>\$ 37,663,327</u>

Santa Clarita Water Division

	2021
Internal construction projects	\$ 7,806,363
Developer on-site construction projects	18,902,785
Construction in-process	<u>\$ 26,709,148</u>

Note 7: Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Agency's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and the Agency's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Note 7: Defined Benefit Pension Plan (Continued)

Benefits provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the Agency's CalPERS 2.5% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2013. All employees hired after January 1, 2013 are eligible for the Agency's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

The following plan groups are as follows:

Classic Members - employees hired before January 1, 2013, are enrolled in the CalPERS Local Miscellaneous 2% at 55 Plan.

New Members - in accordance with the PEPRA, employees hired on or after January 1, 2013, are enrolled in the CalPERS Local Miscellaneous 2% at 62 Plan.

The Plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous Pool	
	Classic	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	
Benefit payments	Monthly for life	
Retirement age	50-55	52-62
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	6.91%	6.75%
Required employer contribution rates	11.746%	8.374%

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 7: Defined Benefit Pension Plan (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of change in the rate. Funding contributions for both Plans are determined annually on actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2021, the contributions recognized as part of pension expense for the Plan were as follows:

	2021
Contributions - Employer	<u>\$ 2,561,639</u>

Net Pension Liability

As of June 30, 2021, the Agency reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	2021
Proportionate share of net pension liability	<u>\$ 16,799,599</u>

The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the plan is measured as of June 30, 2020, (the measurement date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 (the valuation date), rolled forward to June 30, 2020, using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The Agency's proportionate share of the net pension liability for the Plan as of the measurement date June 30, 2020, was as follows:

	Miscellaneous
Proportion - June 30, 2019	0.14646%
Increase in proportion	<u>0.00794%</u>
Proportion - June 30, 2020	<u>0.15440%</u>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 7: Defined Benefit Pension Plan (Continued)

Deferred Pension Outflows (Inflows) of Resources

As of June 30, 2021, the Agency reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,975,440	\$ -
Differences between actual and expected experience	865,733	-
Differences in actual contribution and proportionate share of contribution	-	428,265
Changes in assumptions	-	119,822
Net differences between projected and actual earnings on plan investments	499,059	-
Adjustment due to differences in proportions of net pension liability	1,131,454	-
Total	<u>\$ 5,471,686</u>	<u>\$ 548,087</u>

As of June 30, 2021, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$2,975,440 and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022.

At June 30, 2021, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows.

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2022	\$ 521,737
2023	703,357
2024	483,700
2025	239,365

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 7: **Defined Benefit Pension Plan (Continued)**

Actuarial Assumptions

The total pension liabilities were determined by actuarial valuation reports as of June 30, 2019, which were rolled forward to June 30, 2020, using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.15 Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefits	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies 2.50% thereafter

* The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Change of Assumptions

For the measurement date June 30, 2020, there were no changes of assumptions.

Discount rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all project future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 7: Defined Benefit Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

As of June 30, 2021, the target allocation, and the long-term expected real rate of return by asset class were as follows:

Asset Class	Assumed Asset Allocation¹	Real Return Years 1-10²	Real Return Year 11+³
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.0%		

- 1) In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- 2) An expected inflation of 2.00% used for this period.
- 3) An expected inflation of 2.92% used for this period.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Note 7: Defined Benefit Pension Plan (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Agency's proportionate share of the net pension liability for each Plan, calculated using the discount rate, as well as what the Agency's proportionate share of net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

As of June 30, 2021, the Agency's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, is as follows:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15
Agency's Net Pension Liability	<u>\$ 27,504,232</u>	<u>16,799,599</u>	<u>7,954,697</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 64 and 67 for the Required Supplementary Schedules.

Note 8: Other Post-Employment Benefits

Plan Description

The Agency provides other post-employment benefits (OPEB) to qualified employees who retire from the Agency and meet the Agency's vesting requirements. The Agency participates in CalPERS California Employer's Retiree Benefit Trust Program (CERBT), a Prefunding Plan trust fund intended to perform an essential government function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan. CalPERS CERBT audited financial report may be obtained from their executive Office: 400 P Street, Sacramento, California 95814. The Agency has set aside funds to cover retiree health liabilities in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMCHA). Under PEMCHA, the Agency is obligated to contribute toward the cost of retiree medical coverage for all employees who retire from the Agency for the retiree's lifetime or until CalPERS medical coverage is discontinued.

All employees who retire from the Agency who are eligible to continue coverage in retirement will receive a medical benefit not less than the required PEMCHA minimum employer contribution (MEC). MEC benefits continue to a covered surviving spouse as well, if eligible for survivor benefits under the retirement program. The MEC is \$139 per month in 2020 and \$143 per month in 2021.

All Agency retirees are also eligible for 100% paid dental premiums for the retiree and his or her eligible, covered dependents for the retiree's lifetime.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 8: Other Post-Employment Benefits (Continued)

Additional retiree medical benefits are payable in the following circumstances, which vary based on the retiree's employment date with the Agency or predecessor agency (CLWA or NCWD).

For retirees hired before January 1, 2009, the Agency pays 100% of the medical premium for the retiree and any enrolled dependents, up to but not exceeding 90% of the PERS Care LA Region Basic Plan premium for the coverage level selected by the retiree (e.g. single, two-party or family).

For retirees hired on or after January 1, 2009, the Agency pays 100% of the medical premium for the retiree and any enrolled dependents, up to but not exceeding a vested percentage of 90% of the PERS Care LA Region Basic Plan premium for the coverage level selected by the retiree (e.g. single, two-party or family). The vested percent is based on all years of CalPERS membership, but requires at least 5 years of service with the Agency.

Employee Covered By Benefit Terms

At June 30, 2021, the following employees were covered by the benefit terms:

	<u>2021</u>
Participating active employees	202
Retiree employees	<u>61</u>
Total plan membership	<u><u>263</u></u>

Discount Rate

The discount rate to measure the total OPEB liability was 7.00%, which is based on the long-term return on plan assets assuming 100% funding through CERBT. The projection of cash flows used to determine the discount rate assumed that liabilities and cash flow will vary based on the number and demographic characteristics of employees and retirees.

The Agency's net OPEB liability was \$1,926,500. The breakdown by fund is as follow:

	<u>Net OPEB Liability</u>
Regional Water Division	\$ 904,241
Santa Clarita Water Division	428,661
Newhall Water Division	274,531
Valencia Water Division	<u>319,067</u>
Total plan membership	<u><u>\$ 1,926,500</u></u>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 8: Other Post-Employment Benefits (Continued)

Deferred OPEB Outflows (Inflows) of Resources

For the year ended June 30, 2021, the Agency recognized OPEB expense of \$1,615,406.

At June 30, 2021, the Agency reported deferred outflows and inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 1,664,290	\$ -
Differences between actual and expected experience	122,740	-
Changes in assumptions	1,188,861	1,495,436
Net differences between projected and actual earnings on investments	627,957	-
Total	\$ 3,603,848	\$ 1,495,436

As of June 30, 2021, the Agency reported deferred outflows of resources related to employer OPEB contributions subsequent to measurement date in the amount of \$1,664,290. The employer OPEB contributions in the amount of \$1,664,290, will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2022.

At June 30, 2021, other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Period Ending June 30	Net Deferred Outflows/Inflows of Resources
2022	\$ (19,269)
2023	8,068
2024	65,844
2025	39,930
2026	62,393
Thereafter	287,156

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 8: Other Post-Employment Benefits (Continued)

Actuarial Assumptions

The Agency's total OPEB liability in the June 30, 2020, actuarial valuation, which was measured at June 30, 2020, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Fiscal year Ending	June 30, 2021
Measurement Date	June 30, 2020 – last day of the prior fiscal year end
Valuation Date	June 30, 2020
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market Value of Assets
Long Term Return on Assets	7.05% net of plan investment expenses as of June 30, 2020 and 7.0% as of June 30, 2019
Discount Rates	6.95% as of June 30, 2020 and 7.28% as of June 30, 2019
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3% per year; since benefits do not depend on pay, this is used only to allocate the cost of benefits between service years and to develop the amortization payment portion of the ADCs
General Inflation Rate	2.5% per year.

Demographic actuarial assumptions used in this valuation are based on the 2014 experience study of the CalPERS using data from 1997 to 2011.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

As of June 30, 2021, the following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	Discount Rate -1% 6.05%	Current Discount Rate 7.05%	Discount Rate +1% 8.05%
Net OPEB Liability	<u>\$ 6,354,616</u>	<u>1,926,500</u>	<u>(1,652,635)</u>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 8: Other Post-Employment Benefits (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

As of June 30, 2021, the following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1- percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Healthcare Cost Trend Rates - 1%	Current Healthcare Cost Trend Rate	Healthcare Cost Trend Rates +1%
Net OPEB Liability	<u>\$ (2,112,410)</u>	<u>1,926,500</u>	<u>7,031,223</u>

Changes in the Net OPEB Liability

Changes in the net OPEB liability for the year were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)
Balance at June 30, 2020	\$ 23,986,321	\$ 18,915,097	\$ 5,071,224
Changes during the year:			
Service Cost	1,399,837	-	1,399,837
Interest Cost	1,751,858	-	1,751,858
Differences between expected and actual experience	135,690	-	135,690
Changes of assumptions	751,808	-	751,808
Contributions - employer		6,533,284	(6,533,284)
Net investment income	-	660,805	(660,805)
Benefit payments	(719,221)	(719,221)	-
Administrative fee	-	(10,172)	10,172
Net changes	<u>3,319,972</u>	<u>6,464,696</u>	<u>(3,144,724)</u>
Balance at June 30, 2021	<u>\$ 27,306,293</u>	<u>\$ 25,379,793</u>	<u>\$ 1,926,500</u>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 9: Long-Term Debt

Changes in long-term debt for the year ended June 30, 2021, were as follows:

	Balance June 30, 2020	Additions	Payments /Retirements	Balance June 30, 2021	Current Portion	Long-Term Portion
Regional Water Division						
Public Offering:						
Certificates of Participation	\$ 121,548,662	\$ 4,407,686	\$ 46,381,158	\$ 79,575,190	\$ 2,999,282	\$ 76,575,908
Revenue Bonds	148,599,707	264,730,694	124,556,649	288,773,752	16,025,000	272,748,752
Santa Clarita Water Division						
Public Offering:						
Revenue Bonds	53,200,904	-	53,200,904	-	-	-
Santa Clarita Water Agency						
Public Offering:						
Certificates of Participation	121,548,662	4,407,686	46,381,158	79,575,190	2,999,282	76,575,908
Revenue Bonds	201,800,611	264,730,694	177,757,553	288,773,752	16,025,000	272,748,752
Total	\$ 323,349,273	\$ 269,138,380	\$ 224,138,711	\$ 368,348,942	\$ 19,024,282	\$ 349,324,660

The following is a summary of the Agency's Long-Term Debt by Division as of June 30, 2021:

Regional Water Division

	Balance June 30, 2020	Additions	Payments /Retirements	Balance June 30, 2021	Current Portion	Long-Term Portion
Certificates of Participation						
1999 Series A Revenue COPS - Capital Appr.	\$ 75,167,504	\$ 4,407,686	\$ -	\$ 79,575,190	\$ 2,999,282	\$ 76,575,908
2010 Series A Revenue Refunding COPS	45,340,000	-	45,340,000	-	-	-
Premium on issuance - 2010 Series A	1,041,158	-	1,041,158	-	-	-
Total Certificates of Participation	121,548,662	4,407,686	46,381,158	79,575,190	2,999,282	76,575,908
Revenue Bonds						
2015 Series A Revenue Refunding Bonds	54,940,000	-	54,940,000	-	-	-
Premium on issuance - 2015 Series A	7,650,908	-	7,650,908	-	-	-
2016 Series A Revenue Refunding Bonds	21,480,000	-	21,480,000	-	-	-
Premium on issuance - 2016 Series A Ref	3,586,329	-	3,586,329	-	-	-
2016 Series A New Revenue Bonds	29,190,000	-	29,190,000	-	-	-
Premium on issuance - 2016 Series A New	5,357,563	-	5,357,563	-	-	-
2018 Series A Revenue Bonds	26,735,000	-	-	26,735,000	-	26,735,000
Discount on issuance - 2018 Series A	(340,093)	-	(12,341)	(327,752)	-	(327,752)
2020 Series A Revenue Bonds	-	78,440,000	-	78,440,000	-	78,440,000
Discount on issuance - 2020 Series A	-	13,655,694	455,190	13,200,504	-	13,200,504
2020 Series B Revenue Bonds	-	172,635,000	1,905,000	170,730,000	16,025,000	154,705,000
Total Revenue Bonds	148,599,707	264,730,694	124,552,649	288,777,752	16,025,000	272,752,752
Total Regional Water Division Activities	\$ 270,148,369	\$ 269,138,380	\$ 170,933,807	\$ 368,352,942	\$ 19,024,282	\$ 349,328,660

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Note 9: Long-Term Debt (Continued)

Santa Clarita Water Division

	Balance June 30, 2020	Additions	Payments/ Retirements	Balance June 30, 2021	Current Portion	Long-Term Portion
Revenue Bonds:						
2017 Series A Revenue Bonds	\$ 44,930,000	\$ -	\$ 44,930,000	\$ -	\$ -	\$ -
Premium on issuance - 2017 Series A	8,270,904	-	8,270,904	-	-	-
Total Revenue Bonds	\$ 53,200,904	\$ -	\$ 53,200,904	\$ -	\$ -	\$ -

1999 Series A Revenue Certificates of Participation

In August 1999, the Corporation issued \$75,813,498 of certificates of participation to finance certain capital improvements to Castaic Lake Water Agency's (CLWA) (currently part of the Agency as Regional Water Division) wholesale water system and reimbursement of the Agency's cost of acquisition of certain state water project entitlements. The certificates are payable solely from installment payments to be made by the Agency. The Agency has pledged all revenues derived from the ownership of its water system (which expressly exclude revenues derived from the retail sales of water).

On December 7, 2006, CLWA refunded \$45,520,000 of the 1999 certificates (2006 Series A). A total of \$45,520,000 from the 2006 Series A COPs was used to pay off the outstanding principal of the 1999 Series A Revenue Certificates of Participation. As a result, the 1999 Series A Revenue Certificates of Participation are considered retired and the liability for those obligations has been removed from the financial statements. CLWA completed the advance refunding to reduce CLWA's total debt service payments over the next 24 years by achieving a 5.6% net present value savings. In May 2016, CLWA refunded all of the 2006 Series A certificates of participation (2016 Series A Refunding). (See 2016 Series A Refunding for their respective debt service requirements.)

The Certificates are payable by installment payments according to their respective Installment Agreements. Interest is payable semi-annually August 1 and February 1 of each year, and principal is due annually on August 1. The outstanding balance at June 30, 2016, is \$59,846,309 as follows: \$59,846,309 Series 1999 remaining; and no balance for the Series 2006 A (refunded portion of 1999 Series A) as these were refunded during FY 2015/16 (2016A Refunded Revenue Bonds). (See 2006 Series A Certificates of Participation and 2016A Refunding Revenue Bonds for their respective debt service requirements).

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 9: Long-Term Debt (Continued)

The par amount of the certificates is comprised of \$23,408,498 (original amount) capital appreciation certificates. No regular payments of interest are made on the capital appreciation certificates prior to maturity. Interest on the capital appreciation certificates is compounded semi-annually on February 1 and August 1 and is payable at maturity. The interest compounded annually is added to the principal amount outstanding. The yield to maturity for the capital appreciation certificates ranges from 5.76% to 5.8%. Principal on the capital appreciation certificates matures annually on August 1 from 2021 through 2030. All the certificates are subject to extraordinary prepayment as a whole or in part on any date in order of maturity if the Agency makes prepaid installment payments from insurance proceeds or condemnation awards.

Below is a schedule of future annual principal to be issued that will be added to the capital appreciation certificate's current outstanding principal balance of \$79,575,190.

	<u>Fiscal Year</u>	<u>Principal Issued</u>
Balance as of June 30, 2021		\$ 79,575,190
Annual principal issued:	2022	4,365,383
	2023	4,011,193
	2024	3,636,322
	2025	3,238,577
	2026	2,816,390
	2027-2031	6,807,445
	Total	<u>\$ 104,450,500</u>

2010 Series A Revenue Refunding Certificates of Participation

In February 2001, the Corporation issued \$80,000,000 of certificates of participation to finance certain capital improvements to CLWA's wholesale water system and reimburse the Agency's cost of acquiring the outstanding stock of the Santa Clarita Water Company (the retail company).

In June 2010, the Corporation issued \$70,595,000 of certificates of participation to provide funds to prepay \$68,520,000 of CLWA's outstanding 2001 A Revenue Certificates of Participation. The certificates are payable solely from installment payments to be made by CLWA. Pursuant to the reserve requirement, \$5,349,556 was placed in a debt service reserve fund on the issuance date of the certificates. Interest on the certificates is payable semi-annually on February 1 and August 1. Principal matures August 1 of each year through August 1, 2030. Certificates are in denominations of \$5,000 and bear interest from the date of issue to their maturity dates at rates ranging from 2.00% to 5.00% per annum. On July 15, 2020, the Agency paid off the remaining balance of \$45,340,000. The balance on the 2010 Series A Revenue Refunding Certificates of Participation as of June 30, 2021 is \$0.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 9: Long-Term Debt (Continued)

2015 Series A Revenue Refunding Bonds

In December 2006, the Corporation issued \$89,830,000 of certificates of participation to finance certain capital improvements to the CLWA's wholesale water system. CLWA has pledged all revenues derived from the ownership and operation of its water system. These revenues paid for the operation and maintenance of the water system, and after the application of contingency reserves, the remaining funds were used for installment payments on the certificates.

The Series 2006 C Certificates of Participation are structured as serial bonds with maturities ranging from 2008 through 2026 and two term bonds maturing on 2030 and 2036, respectively. Yields for the serial bonds range from 3.40% to 4.14% (yields to call for maturities 2017 through 2026), with the term bonds yielding 4.16% and 4.20% (yields to call). Market conditions required that maturities after 2016 be structured in a manner that resulted in the debt being price to the August 1, 2016, par call date. The ultimate structure produced an original issue premium of \$4,978,449 to be amortized over the life of the debt service.

In April 2015, CLWA issued \$64,000,000 of revenue bonds through Upper Santa Clara Valley Joint Powers Authority, a Joint Powers Authority created on June 8, 2011 between the CLWA and the Devil's Den Water District (District), to provide funds to prepay \$77,685,000 of CLWA's outstanding 2006 C Revenue Certificates of Participation. CLWA completed the refunding to reduce CLWA's total debt service payments over the next 20 years by achieving a \$10,311,149 savings, or a 13.27% net present value savings. The bonds are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually on August 1 and February 1, and the principal is due annually on August 1. On July 15, 2020, the Agency paid off the remaining balance of \$54,940,000. The balance on the 2015 Series A Revenue Refunding Bonds as of June 30, 2021 is \$0.

2016 Series A Revenue Refunding Bonds

In December 2006, the Corporation issued \$45,520,000 of certificates of participation to provide funds to prepay \$45,385,000 of the CLWA's outstanding 1999 A Revenue Certificates of Participation. Pursuant to the reserve requirement, \$3,317,609 was placed in a debt service reserve fund on the issuance date of the certificates. Interest on the certificates is payable semi-annually on February 1 and August 1. Principal matures August 1 of each year through August 1, 2030. Certificates are in denominations of \$5,000 and bear interest from the date of issue to their maturity dates at rates ranging from 3.35% to 5.00% per annum.

The Series 2006 A Certificates of Participation are structured as serial bonds with maturities ranging from 2007 through 2023 and two term bonds maturing on 2026 and 2030 respectively. Yields for the serial bonds range from 3.35% to 4.08% (yields to call for maturities 2010 through 2023), with the term bonds yielding 4.41% and 4.46% (yields to call). Market conditions required that the maturities after 2016 be structured in a manner that resulted in the debt being priced to the August 1, 2016, par call date. The ultimate structure produced an original issue premium of \$1,145,317 that will be amortized over the life of the debt service.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 9: Long-Term Debt (Continued)

In May 2016, CLWA issued \$56,395,000 of revenue bonds through Upper Santa Clara Valley Joint Powers Authority, to provide funds to prepay \$35,555,000 of CLWA's outstanding 2006 A Revenue Certificates of Participation (2016 Series A Refunding) and to provide \$30,665,000 new funds (2016 Series A New) to acquire certain capital improvements to CLWA's Wholesale System. CLWA completed the refunding portion to reduce CLWA's total debt service payments over the next 15 years by achieving a \$5,909,717 savings, or a 16.62% net present value savings. The bonds are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually on August 1 and February 1, and the principal is due annually on August 1. On July 15, 2020, the Agency paid off the remaining balance of \$50,670,000. The balance on the 2016 Series A Revenue Refunding Bonds as of June 30, 2021 is \$0.

2018 Series A Revenue Refunding Bonds

On June 1, 2010, Valencia Water Company (VWC) entered into a \$12,000,000 senior secured note with Modern Woodmen of America (Modern Woodmen). On September 15, 2010, VWC entered into an additional \$12,000,000 senior secured note with Modern Woodmen (collectively, the "Senior Secured Notes"). The Senior Secured Notes are secured by all of VWC's assets. Interest is payable semi-annually on April 15 and October 15 at a fixed rate of 4.62% per annum. The Senior Secured Notes contain various financial covenants with which VWC was in compliance as of December 31, 2017.

On January 9, 2018, the Agency issued \$26,735,000 of Revenue Bonds through Upper Santa Clara Valley Joint Powers Authority, to provide funds to prepay \$24,000,000 of VWC's senior secured note with Modern Woodmen and as such, is recorded as a liability of the Regional Water Division. Payments on the obligation are to be funded through an interdivisional loan to be funded by customers within the Valencia Water Division's service area. The difference between the refunding debt and the refunded debt is being netted against the new debt and amortized over the life of the refunding debt. The bonds are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually on August 1 and February 1, and the principal is due annually on August 1.

Annual debt service requirements on the 2018 Series A Revenue Refunding Bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 976,975	\$ 976,975
2023	-	976,975	976,975
2024	650,000	968,038	1,618,038
2025	665,000	949,541	1,614,541
2026	685,000	929,706	1,614,706
2027-2031	3,765,000	4,308,381	8,073,381
2032-2036	4,470,000	3,601,628	8,071,628
2037-2041	5,390,000	2,684,488	8,074,488
2042-2046	6,535,000	1,538,859	8,073,859
2047-2051	4,575,000	270,572	4,845,572
Total	26,735,000	\$17,205,163	\$ 43,940,163
Add: bond premium	(327,752)		
Total non-current	<u>\$ 26,735,000</u>		

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 9: Long-Term Debt (Continued)

2017 Series A Revenue Refunding Bonds

In May 2010, the Santa Clarita Water Division (Retail) of the Agency issued \$14,475,000 of certificates of participation to provide funds to acquire the new Administration Office Building, several reservoir tanks, and well. The certificates are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually August 1 and February 1, and the principal is due annually on August 1.

In September 2011, the Santa Clarita Water Division issued \$52,290,000 of Revenue Bonds through Upper Santa Clara Valley Joint Powers Authority, a Joint Powers Authority created on June 8, 2011, between the CLWA and Devil's Den Water District (the "District"), to provide funds to prepay the outstanding interfund loan balance payable by Retail to CLWA. The Interfund Loan was established in September 1999 as a repayment of acquisition when the Agency acquired Santa Clarita Water Company's (SCWC) stock for \$63 million. The bonds are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually August 1 and February 1, and the principal is due annually on August 1.

In September 11, 2017, Santa Clarita Water Agency, previously CLWA, issued \$50,745,000 of Revenue Bonds through Upper Santa Clara Valley Joint Powers Authority, to provide funds to prepay \$12,900,000 of the Division's outstanding 2010 Series B Revenue Refunding Certificates of Participation (2010 Series B Refunding) and to acquire certain capital improvements to the Division's retail water system. The difference between the refunding debt and the refunded debt was being netted against the new debt and amortized over the life of the refunding debt. The bonds are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually August 1 and February 1, and the principal is due annually on August 1. The loss on defeasance of debt totaling \$1,213,180 is recorded in deferred outflows of resources and will be amortized over the remaining life of the 2017 Series A Revenue Refunding Bonds. On July 15, 2020, the Agency paid off the remaining balance of \$44,930,000. The balance on the 2017 Series A Revenue Refunding Bonds as of June 30, 2021 is \$0.

2020 Series A Revenue Refunding Bonds

In July 2020, the Authority issued \$78,440,000 of revenue bonds to finance the acquisition of certain capital improvements water system and provide a portion of the funds to refund the outstanding Castaic Lake Water Agency Refunding Revenue Certificates of Participation, Series 2010A. Upper Santa Clara Valley JPA has pledged all revenues derived from the ownership and operation of its water system. These revenues paid for the operation and maintenance of the water system, and after the application of contingency reserves, the remaining funds were used for installment payments on the certificates.

The Series 2020 A Bonds are structured as serial bonds with maturities ranging from 2022 through 2040 and two term bonds maturing on 2045 and 2050, respectively. Yields for the serial bonds range from 0.120% to 1.370% (yields to call for maturities 2022 through 2040), with the term bonds yielding 1.560% and 1.640% (yields to call). The ultimate structure produced an original issue premium of \$13,655,694 to be amortized over the life of the debt service.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 9: Long-Term Debt (Continued)

Annual debt service requirements on the 2020 Series A Revenue Refunding Bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 3,454,200	\$ 3,454,200
2023	2,400,000	3,394,200	5,794,200
2024	2,050,000	3,282,950	5,332,950
2025	2,215,000	3,176,325	5,391,325
2026	-	3,120,950	3,120,950
2027-2031	-	15,604,750	15,604,750
2032-2036	13,010,000	14,795,000	27,805,000
2037-2041	11,985,000	10,915,875	22,900,875
2042-2046	19,540,000	7,464,800	27,004,800
2047-2051	27,240,000	3,003,200	30,243,200
Total	78,440,000	\$68,212,250	\$ 146,652,250
Add: bond premium	13,655,694		
Less current portion	(2,400,000)		
Total non-current	\$ 89,695,694		

2020 Series B Revenue Refunding Bonds

In July 2020, the Authority issued \$172,635,000 of revenue bonds to provide a portion of the funds to advance refund the outstanding Upper Santa Clara JPA Revenue Bonds, Series 2015A, 2016A and 2017A. Upper Santa Clara Valley JPA has pledged all revenues derived from the ownership and operation of its water system. These revenues paid for the operation and maintenance of the water system, and after the application of contingency reserves, the remaining funds were used for installment payments on the certificates.

The Series 2020 B Bonds are structured as serial bonds with maturities ranging from 2021 through 2033 and term bonds maturing on 2040. Yields for the serial bonds range from 0.405% to 2.083% (yields to call for maturities 2021 through 2033), with the term bonds yielding 2.621% (yield to call).

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 9: Long-Term Debt (Continued)

Annual debt service requirements on the 2020 Series B Revenue Refunding Bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 16,025,000	\$ 2,011,380	\$ 18,036,380
2023	13,860,000	1,941,745	15,801,745
2024	14,515,000	1,856,012	16,371,012
2025	14,715,000	1,745,814	16,460,814
2026	17,230,000	1,599,938	18,829,938
2027-2031	74,515,000	4,848,221	79,363,221
2032-2036	16,025,000	1,053,154	17,078,154
2037-2041	3,845,000	256,399	4,101,399
Total	<u>\$170,730,000</u>	<u>\$15,312,663</u>	<u>\$ 186,042,663</u>
Less current portion	<u>(16,025,000)</u>		
Total non-current	<u>\$ 154,705,000</u>		

Events of Default on Agency Bonds

Upon the occurrence and continuation of an event of default on the Agency's outstanding bonds, the principal amounts of (and accrued interest on) the respective bonds can be accelerated and declared immediately due and payable by the registered bondholders of a majority in aggregate principal amount of the then outstanding bonds upon written notice delivered to the Agency. Failure to pay debt service when due and the occurrence of certain insolvency or bankruptcy-related events are events of default. Failure to observe or perform the covenants and agreements under the Indenture for a period of 60 days after written notice of such failure is given to the Agency is also an event of default unless the Agency has taken all action reasonably possible to remedy such failure within 60 days and the Agency diligently proceeds to remedy the failure. A default by the Agency under any agreement governing parity debt which continues after the applicable grace period, if any, is also an event of default.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 10: Net Position

	<u>2021</u>
Net investment in capital assets	
Capital assets, net	\$ 766,983,482
Revenue bonds, current	(18,425,000)
revenue bonds, non- current	(270,352,752)
1999 Series A cap appreciation bonds	
accretion since issuance	(79,575,190)
1999 Accreted interest	56,166,003
Deferred charge on refunding - Revenue bonds	9,019,282
Total net investment in capital assets	<u>463,815,825</u>
Restricted net position:	
Restricted for capital projects:	
Restricted - cash and cash equivalents	2,970,755
Restricted - investments	30,199,973
Restricted - accrued interest receivable	24,684
Restricted - accounts receivable, other	490,520
Restricted - accounts payable	(4,250,842)
Total restricted for capital projects	<u>29,435,090</u>
Restricted for state water contract	
Restricted - investments	75,625,163
Restricted -property tax receivable	1,497,275
Restricted - accrued interest receivable	37,417
Restricted - accounts receivable, other	-
Restricted - accounts payable	(2,051,503)
Total restricted for state water contract	<u>75,108,352</u>
Restricted for capacity fees:	
Restricted - investments	9,883,306
Restricted - accrued interest receivable	7,578
Restricted - accounts payable	(4,488)
Total restricted for debt service	<u>9,886,396</u>
Total restricted net position	<u>114,429,838</u>
Unrestricted net position:	
Non-spendable net position:	
Materials and supplies inventory	2,145,542
Prepaid expenses and other assets	773,767
Total non-spendable net position	<u>2,919,309</u>
Spendable net position is designated as follows:	
Unrestricted	116,678,037
Total spendable net position	<u>116,678,037</u>
Total unrestricted net position	<u>119,597,346</u>
Total net position	<u>\$ 697,843,009</u>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED JUNE 30, 2021

Note 11: Risk Management

The Agency is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. As of June 30, 2020, the Agency limits and deductibles for liability, property, and workers compensation programs of the ACWA/JPIA are as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$1,000,000, combined single limit per occurrence. The ACWA/JPIA purchased additional excess coverage layers: \$59 million for general, auto, and public officials' liability, which increases the limits on the insurance coverage noted above.
- Property loss is paid at the replacement cost for buildings, fixed equipment, and personal property on file, if replaced within two years after the loss, otherwise paid on actual cash value basis, subject to a \$5,000 deductible per loss; and actual cash value for mobile equipment, subject to a \$1,000 deductible per loss, and licensed vehicles, subject to a \$500 deductible per loss. ACWA/JPIA purchased excess coverage for a combined total of \$100 million per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to various deductibles depending on the type of equipment.
- Workers compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California law, and Employer's Liability Coverage up to \$4 million. The Agency is self-insured up to \$2 million and excess loss insurance has been purchased. In addition to the above, the Agency also has the following insurance coverage.
- Crime coverage up to \$1,000,000 per loss includes public employee dishonesty, including Public Officials who are required by law to give bonds for the faithful performance of their service, forgery or alteration and computer fraud, subject to a \$1,000 deductible.
- Cyber liability coverage up to \$2,000,000 per occurrence with an aggregate of \$5,000,000 includes defense costs and damages for security, privacy, and media liability; fees and expenses incurred from cyber extortion; as well as costs to restore network business interruption and digital asset protection, subject to a \$50,000 deductible.

There were no reductions in insurance coverage in the year ended June 30, 2021. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There was no IBNR claims payable as of June 30, 2021.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 12: Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2021, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. The impact of the implementation of this Statement to the Agency's financial statements has not been assessed at this time.

Note 13: Commitments and Contingencies

Department of Water Resources (DWR) Water Contract Commitment

On April 30, 1963, a contract was entered into between the State of California acting by and through the Department of Water Resources and CLWA (the Contract), pursuant to the provisions of the California Water Resources Development Bond Act, the State Central Valley Project Act, and other applicable laws of the State of California.

The contract provides for a maximum annual water entitlement to the Agency of up to 41,500-acre feet. As amended, on January 1, 1991, the Agency began receiving the Devil's Den agricultural entitlement of 12,700-acre feet. In March 1999, the Agency purchased an additional 41,000-acre feet from Wheeler Ridge-Maricopa Water Storage District, bringing the total maximum entitlement to 95,200-acre feet. The agreement contemplated water delivery of 20,100-acre feet beginning in 1981, with increasing deliveries through the years until the maximum entitlement was reached in 1991.

However, as of June 30, 2003, the water delivery objectives of the Contract cannot be achieved unless additional conservation features are constructed. The term of the Contract is for the project re-payment period or 75 years, whichever is longer, and provides for a pledge of certain SCV Water revenues to the bondholders of the State under the Bond Act.

Provision is made in the Contract for two general charges: (1) a Delta water charge and (2) a transportation charge, which are divided into components. The Delta water charge is intended to return to the State all costs of project conservation facilities including capital, maintenance, operation, and replacement components, and is charged to SCV Water on the basis of water entitlement and/or delivery. The transportation charge is for facilities necessary to deliver water to the contractors and also includes a capital, maintenance, operation, and replacement component.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 13: Commitments and Contingencies (Continued)

At June 30, 2021, the Agency's remaining estimated commitment for these charges is as follows:

On May 22, 2007, SCV Water entered into a 30-year agreement with the Buena Vista Water Storage District and Rosedale-Rio Bravo Water Storage District for the acquisition of 11,000 acre-feet (AF) of water supply per year for a 30-year period. The purchase price was established in FY 2006/07 at \$486.85 per AF, or \$5,335,350. The purchase price is adjusted each calendar year by Consumer Price Index (All Urban Consumers – All Items – Southern California Area) and every 10 years based on historical changes to the cost of the State Water Project. The current purchase price is \$882.60 per AF.

As of June 30, 2021, the Agency's remaining estimated commitment for these charges is as follows:

<u>Calendar year ending December 31</u>	<u>Amount</u>
2021	\$ 38,206,000
2022	40,116,000
2023	42,122,000
2024	44,229,000
2025	46,440,000
2026-2030	269,441,000
2031-2035	343,888,000
Total	<u>\$ 824,442,000</u>

Payments due under the DWR and BVRRB agreements are similar in nature to a long-term operating lease, since the Agency does not take title to any assets of the DWR and BVRRB at the end of the water delivery period. Accordingly, no liability under this contract is recorded in the Statement of Net Position.

Litigation

In the ordinary course of operations, the Agency is subject to claims and litigation from outside parties. After consultation with legal counsel, the Agency believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Grant Awards

Grant funds received by the Agency are subject to audit by the grantor agencies. Such an audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the Agency believes that such disallowances, if any, would not be significant.

Construction Contracts

The Agency has a variety of agreements with private parties relating to the installation, improvement, or modification of water facilities, and distribution systems, and other Agency activities. The financing of such contracts is being provided primarily from the Agency's replacement reserves and advances for construction. The Agency has committed to approximately \$14,335,548 of open construction contracts as of June 30, 2021.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED JUNE 30, 2021

Note 13: Commitments and Contingencies (Continued)

The contracts outstanding include:

Project Name	Total Approved Contract	Construction Costs to Date	Balance to Complete
Vista Canyon Recycled Water Main Extension (Phase 2B)	\$ 2,584,110	\$ 456,022	\$ 2,128,088
Vista Canyon (Phase 2B) Recycled Water Tanks	4,261,689	3,347,292	914,397
Magic Mountain Pipeline Phase 4	3,392,245	358,802	3,033,443
Magic Mountain Pipeline Phase 5	3,269,979	657,886	2,612,093
Magic Mountain Pipeline Phase 6A	7,168,845	4,720,689	2,448,156
Magic Mountain Pipeline Phase 6B	4,568,687	2,187,930	2,380,757
Valley Center Well PFAS Groundwater Treatment Improvement Si	2,996,800	2,606,927	389,873
Total	\$ 28,242,355	\$ 14,335,548	\$ 13,906,807

DRAFT

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

**COST-SHARING MULTIPLE EMPLOYER MISCELLANEOUS PLANS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS ⁽¹⁾**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Measurement Date	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Proportion of the Net Pension Liability	0.15440%	0.14646%	0.13844%	0.13729%
Proportionate Share of the Net Pension Liability	\$ 16,799,599	\$ 15,007,891	\$ 13,340,534	\$ 13,615,322
Covered Payroll	\$ 18,579,032	\$ 15,958,119	\$ 13,319,776	\$ 13,148,794
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	90.4%	94.0%	100.2%	103.5%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.1%	75.3%	75.3%	73.3%

Notes to Schedule of Proportionate Share of the Net Pension Liability:

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a Golden Handshakes).

Changes of Assumptions: In December of 2016 the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuation. The minimum employer contributions for Fiscal Year 2020-21 determined in this valuation were calculated using a discount rate of 7.00 percent, payroll growth of 2.75 percent and an inflation rate of 2.50 percent. The projected employer contributions on Page 5 are calculated under the assumption that the discount rate remains at 7.00 percent going forward and that furthermore the realized rate of return on assets for Fiscal Year 2018-19 is 7.00 percent.

⁽¹⁾ Historical information is required only for measurement for which GASB 68 is applicable. The Agency has presented information for those years for which information is available until a full 10-year trend is compiled.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

**COST-SHARING MULTIPLE EMPLOYER MISCELLANEOUS PLANS
SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS ⁽¹⁾**

	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 2,975,440	\$ 2,561,639	\$ 2,182,797	\$ 1,759,981
Contribution in Relation to the Actuarially Determined Contribution	(2,975,440)	(2,561,639)	(2,182,797)	(1,759,981)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 19,368,737	\$ 18,579,032	\$ 15,958,119	\$ 13,319,776
Contributions as a Percentage of Covered Payroll	15.4%	13.8%	13.7%	13.2%

Notes to Schedule of Plan Contributions:

Valuation Date: June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method
Amortization method

Entry Age Normal Cost Method

Driver	Source			
	(Gain)/Loss Non-investment	Assumption/ Method Change	Benefit Change	Golden Handshake
Amortization Period	30 Years	20 Years	20 Years	5 Years
Escalation Rate				
- Active Plans	2.750%	2.750%	2.750%	2.750%
- Inactive Plans	0%	0%	0%	0%
Ramp Up	5	5	0	0
Ramp Down	5	5	0	0

Asset valuation method

Direct rate smoothing

Inflation

2.500%

Payroll Growth

2.750%

Projected Salary Increases

Varies by Entry Age and Service

Investment Rate of Return

7.00% (net of pension plan investment and administrative expenses, includes inflation)

Retirement Age

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Mortality

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90 percent of Society of Actuaries' Scale 2016. For more details on this table, please refer to the 2017 experience study report.

⁽¹⁾ Historical information is required only for measurement for which GASB 68 is applicable. The Agency has presented information for those years for which information is available until a full 10-year trend is compiled.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS ⁽¹⁾**

Measurement Date	2021	2020	2019	2018
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability				
Service cost	\$ 1,399,837	\$ 1,355,774	\$ 991,161	\$ 312,585
Interest on the total OPEB liability	1,751,858	1,589,657	1,432,518	742,964
Actual and expected experience difference	135,690	-	-	4,214
Changes in assumptions	751,808	-	841,942	(2,687,699)
Changes in benefit terms	-	-	-	637,826
Benefit payments	(719,221)	(625,439)	(571,142)	(273,181)
Net change in total OPEB liability	3,319,972	2,319,992	2,694,479	(1,263,291)
Total OPEB liability - beginning	23,986,321	21,666,329	18,971,850	20,235,141
Total OPEB liability - ending (a)	27,306,293	23,986,321	21,666,329	18,971,850
Plan Fiduciary Net Position				
Contribution - employer	6,533,284	2,377,824	1,900,160	1,298,476
Net investment income	660,805	1,059,140	1,088,901	938,262
Benefit payments	(719,221)	(625,439)	(571,142)	(273,181)
Administrative expense	(10,172)	(3,567)	(7,502)	(3,116)
Other expenses	-	-	(18,101)	-
Net change in plan fiduciary net position	6,464,696	2,807,958	2,392,316	1,960,441
Plan fiduciary net position - beginning	18,915,097	16,107,139	13,714,823	11,754,382
Plan fiduciary net position - ending (b)	\$ 25,379,793	\$ 18,915,097	\$ 16,107,139	\$ 13,714,823
Net OPEB Liability - ending (a) - (b)	\$ 1,926,500	\$ 5,071,224	\$ 5,559,190	\$ 5,257,027
Plan fiduciary net position as a percentage of the total OPEB liability	92.9%	78.9%	74.3%	72.3%
Covered-employee payroll	\$ 18,579,032	\$ 15,957,307	\$ 5,990,450	\$ 7,273,299
Net OPEB liability as a percentage of covered-employee payroll	10.4%	31.8%	92.8%	72.3%

Notes to Schedule:

⁽¹⁾ Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

**SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS ⁽¹⁾**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 1,664,290	\$ 6,533,284	\$ 2,377,824	\$ 601,683
Contribution in Relation to the Actuarially Determined Contribution Deficiency (Excess)	<u>(1,664,290)</u>	<u>(6,533,284)</u>	<u>(2,377,824)</u>	<u>(601,683)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 19,000,000	\$ 18,579,032	\$ 15,957,307	\$ 7,273,299
Contributions as a percentage of covered-employee	8.8%	35.2%	14.9%	8.3%

Notes to Schedule of Plan Contributions:

Actuarial methods and assumptions used to set the actuarially determined contribution for Fiscal Year 2021 were from the June 30, 2020 actuarial valuation.

Valuation Date:	June 30, 2020
Actuarial Cost Method:	Entry Age Normal, Level Percentage of Payroll
Amortization Method:	Level percent of pay; closed 30 years
Amortization Period:	26 years
Asset Valuation Method:	Market value of assets
Discount Rate:	7.05%
General Inflation:	2.50%
Medical Trend:	5.8% in 2021 to 4% in 2076n periodic steps of 0.1%.
Mortality:	CalPERS 2017 experience study
Mortality Improvement:	Mortality Improvement Scale 2020 for post-retirement mortality
All Other Assumptions	Same as those used to determine the total OPEB liability

⁽¹⁾ Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

COMBINING STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Regional Water Division</u>	<u>Santa Clarita Water Division</u>	<u>Newhall Water Division</u>	<u>Valencia Water Division</u>
Assets:				
Current:				
Cash and cash equivalents	\$ 45,504,339	\$ 14,455,019	\$ 2,918,409	\$ 8,185,018
Investments	66,354,304	30,055,223	8,374,893	15,855,324
Receivables:				
Accounts	2,551,833	4,521,937	2,180,259	4,895,353
Property tax	1,533,736	-	-	-
Accrued interest	68,924	8,315	5,700	7,700
Accounts - other	4,182,649	19,379	6,910	-
Prepaid costs	141,781	164,032	56,623	411,331
Materials and supplies inventory	-	933,829	685,310	526,403
Internal balances	138,196,494	(44,495,578)	(469,650)	(93,231,266)
Restricted:				
Cash and cash equivalents	8,299,962	-	-	-
Investments	105,825,136	9,883,306	-	-
Cash with fiscal agent	20,100	-	-	-
Receivables:				
Property tax	1,497,275	-	-	-
Accrued interest	62,101	7,578	-	-
Accounts - other	650,107	-	-	-
Total Current Assets	<u>374,888,741</u>	<u>15,553,040</u>	<u>13,758,454</u>	<u>(63,350,137)</u>
Noncurrent:				
Capital assets - not being depreciated	66,035,438	27,600,698	11,313,741	12,301,686
Capital assets - net of accumulated depreciation	416,229,755	83,643,520	64,215,380	85,643,264
Total Noncurrent Assets	<u>482,265,193</u>	<u>111,244,218</u>	<u>75,529,121</u>	<u>97,944,950</u>
Total Assets	<u>857,153,934</u>	<u>126,797,258</u>	<u>89,287,575</u>	<u>34,594,813</u>
Deferred Outflows of Resources:				
Deferred pension outflows	2,379,176	1,205,919	1,283,299	603,292
Deferred OPEB outflows	1,681,898	801,885	513,559	606,506
Loss on defeasance of debt	9,019,282	-	-	-
Total Deferred Outflows of Resources	<u>13,080,356</u>	<u>2,007,804</u>	<u>1,796,858</u>	<u>1,209,798</u>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

COMBINING STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Regional Water Division</u>	<u>Santa Clarita Water Division</u>	<u>Newhall Water Division</u>	<u>Valencia Water Division</u>
Liabilities:				
Current:				
Accounts payable	6,109,927	1,789,737	317,875	3,442
Accounts payable - restricted	6,306,833	-	-	-
Accrued liabilities	1,298,340	-	242,618	935,585
Accrued interest	2,698,253	-	-	-
Unearned revenues	351,144	380,111	154,525	-
Deposits payable	-	-	-	97,482
Advances for construction	-	3,136,236	-	5,451,320
Other current liabilities	-	-	58,206	7,213,481
Accrued compensated absences	316,514	131,906	110,424	121,489
Certificates of participation	2,999,282	-	-	-
Revenue bonds	16,025,000	-	-	-
Total Current Liabilities	<u>36,105,293</u>	<u>5,437,990</u>	<u>883,648</u>	<u>13,822,799</u>
Noncurrent:				
Net OPEB liability	904,241	428,661	274,531	319,067
Net pension liability	7,304,734	3,702,506	3,940,086	1,852,273
Accrued compensated absences	949,541	395,720	331,271	364,465
Certificates of participation	76,575,908	-	-	-
Revenue bonds	272,752,752	-	-	-
Total Noncurrent Liabilities	<u>358,487,176</u>	<u>4,526,887</u>	<u>4,545,888</u>	<u>2,535,805</u>
Total Liabilities	<u>394,592,469</u>	<u>9,964,877</u>	<u>5,429,536</u>	<u>16,358,604</u>
Deferred Inflows of Resources:				
Deferred pension inflows	238,318	120,794	128,545	60,430
Deferred OPEB inflows	671,991	332,745	213,104	277,596
Total Deferred Inflows of Resources	<u>910,309</u>	<u>453,539</u>	<u>341,649</u>	<u>338,026</u>
Net Position:				
Net investment in capital assets	179,097,536	111,244,218	75,529,121	97,944,950
Restricted	104,538,954	9,890,884	-	-
Unrestricted	191,095,022	(2,748,456)	9,784,127	(78,836,969)
Total Net Position	<u>\$ 474,731,512</u>	<u>\$ 118,386,646</u>	<u>\$ 85,313,248</u>	<u>\$ 19,107,981</u>

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

COMBINING STATEMENT OF NET POSITION
JUNE 30, 2021

	Upper Santa Clara Valley	Devil's Den Water District	Groundwater Sustainability Agency	Totals
Assets:				
Current:				
Cash and cash equivalents	\$ 5,000	\$ 15,961	\$ 25,000	\$ 71,108,746
Investments	7,229	250,150	-	120,897,123
Receivables:				
Accounts	-	-	-	14,149,382
Property tax	-	72	-	1,533,808
Accrued interest	6	204	-	90,849
Accounts - other	-	-	-	4,208,938
Prepaid costs	-	-	-	773,767
Materials and supplies inventory	-	-	-	2,145,542
Internal balances	-	-	-	-
Restricted:				
Cash and cash equivalents	-	-	-	8,299,962
Investments	-	-	-	115,708,442
Cash with fiscal agent	-	-	-	20,100
Receivables:				
Property tax	-	-	-	1,497,275
Accrued interest	-	-	-	69,679
Accounts - other	-	-	-	650,107
Total Current Assets	12,235	266,387	25,000	341,153,720
Noncurrent:				
Capital assets - not being depreciated	-	-	-	117,251,563
Capital assets - net of accumulated depreciation	-	-	-	649,731,919
Total Noncurrent Assets	-	-	-	766,983,482
Total Assets	12,235	266,387	25,000	1,108,137,202
Deferred Outflows of Resources:				
Deferred pension outflows	-	-	-	5,471,686
Deferred OPEB outflows	-	-	-	3,603,848
Loss on defeasance of debt	-	-	-	9,019,282
Total Deferred Outflows of Resources	-	-	-	18,094,816

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

COMBINING STATEMENT OF NET POSITION
JUNE 30, 2021

	Upper Santa Clara Valley	Devil's Den Water District	Groundwater Sustainability Agency	Totals
Liabilities:				
Current:				
Accounts payable	-	-	-	8,220,981
Accounts payable - restricted	-	-	-	6,306,833
Accrued liabilities	-	-	-	2,476,543
Accrued interest	-	-	-	2,698,253
Unearned revenues	-	-	-	885,780
Deposits payable	-	-	-	97,482
Advances for construction	-	-	-	8,587,556
Other current liabilities	-	-	-	7,271,687
Accrued compensated absences	-	-	-	680,333
Certificates of participation	-	-	-	2,999,282
Revenue bonds	-	-	-	16,025,000
Total Current Liabilities	-	-	-	56,249,730
Noncurrent:				
Net OPEB liability	-	-	-	1,926,500
Net pension liability	-	-	-	16,799,599
Accrued compensated absences	-	-	-	2,040,997
Certificates of participation	-	-	-	76,575,908
Revenue bonds	-	-	-	272,752,752
Total Noncurrent Liabilities	-	-	-	370,095,756
Total Liabilities	-	-	-	426,345,486
Deferred Inflows of Resources:				
Deferred pension inflows	-	-	-	548,087
Deferred OPEB inflows	-	-	-	1,495,436
Total Deferred Inflows of Resources	-	-	-	2,043,523
Net Position:				
Net investment in capital assets	-	-	-	463,815,825
Restricted	-	-	-	114,429,838
Unrestricted	12,235	266,387	25,000	119,597,346
Total Net Position	\$ 12,235	\$ 266,387	\$ 25,000	\$ 697,843,009

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2021

	Regional Water Division	Santa Clarita Water Division	Newhall Water Division	Valencia Water Division
Operating Revenues:				
Water consumption sales and services	\$ 119,759	\$ 38,129,268	\$ 14,733,778	\$ 36,111,715
Other charges and services	17,547,409	368,362	111,015	172,326
Total Operating Revenues	17,667,168	38,497,630	14,844,793	36,284,041
Operating Expenses:				
Source of supply	-	210,558	92,578	200,464
Pumping	506,977	3,571,171	2,069,374	3,156,923
Transmission and distribution	1,066,649	5,699,634	1,066,995	3,072,913
Water Treatment	6,208,543	1,230,949	491,245	505,089
Administration and general	6,213,351	2,198,335	5,285,917	5,759,731
Depreciation expense	20,162,329	4,922,219	3,304,645	4,434,864
Maintenance	2,399,046	-	-	-
Engineering	2,882,441	692,851	-	-
Water Quality	1,241,951	-	-	-
Water Resources	10,691,530	-	-	-
Management	2,465,241	-	-	-
Customer Care	-	1,028,685	489,596	247,367
Total Operating Expenses	53,838,058	19,554,402	12,800,350	17,377,351
Operating Income (Loss)	(36,170,890)	18,943,228	2,044,443	18,906,690
Nonoperating Revenues (Expenses):				
Taxes	64,374,854	-	702,438	-
Interest revenue	152,266	91,858	41,862	60,406
Interest expense	(8,570,905)	(587,458)	-	-
Other revenue	2,707,595	290,022	256,935	87,972
Other contributions	-	-	-	-
State Water Contract	(23,598,747)	-	-	-
Gain (loss) on disposal of capital assets	-	(108,912)	15,600	(4,746)
Total Nonoperating Revenues (Expenses)	35,065,063	(314,490)	1,016,835	143,632
Income (Loss) Before Capital Contributions	(1,105,827)	18,628,738	3,061,278	19,050,322
Capital Contributions	-	3,259,879	447,362	81,820
Transfers in	134,808,407	1,792,957	-	12,598
Transfers out	(102,464,975)	(16,425,276)	(3,289,180)	(14,434,531)
Changes in Net Position	31,237,605	7,256,298	219,460	4,710,209
Net Position:				
Beginning of Year	443,493,907	111,130,348	85,093,788	14,397,772
End of Fiscal Year	\$ 474,731,512	\$ 118,386,646	\$ 85,313,248	\$ 19,107,981

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2021

	Upper Santa Clara Valley	Devil's Den Water District	Groundwater Sustainability Agency	Totals
Operating Revenues:				
Water consumption sales and services	\$ -	\$ -	\$ -	\$ 89,094,520
Other charges and services	-	-	-	18,199,112
Total Operating Revenues	-	-	-	107,293,632
Operating Expenses:				
Source of supply	-	-	-	503,600
Pumping	-	-	-	9,304,445
Transmission and distribution	-	-	-	10,906,191
Water Treatment	-	-	-	8,435,826
Administration and general	-	432	80,000	19,537,766
Depreciation expense	-	-	-	32,824,057
Maintenance	-	-	-	2,399,046
Engineering	-	-	-	3,575,292
Water Quality	-	-	-	1,241,951
Water Resources	-	-	-	10,691,530
Management	-	3,542	-	2,468,783
Customer Care	-	-	-	1,765,648
Total Operating Expenses	-	3,974	80,000	103,654,135
Operating Income (Loss)	-	(3,974)	(80,000)	3,639,497
Nonoperating Revenues (Expenses):				
Taxes	-	7,035	-	65,084,327
Interest revenue	6	179	-	346,577
Interest expense	-	-	-	(9,158,363)
Other revenue	-	-	-	3,342,524
Other contributions	-	-	80,000	80,000
State Water Contract	-	-	-	(23,598,747)
Gain (loss) on disposal of capital assets	-	-	-	(98,058)
Total Nonoperating Revenues (Expenses)	6	7,214	80,000	35,998,260
Income (Loss) Before Capital Contributions	6	3,240	-	39,637,757
Capital Contributions	-	-	-	3,789,061
Transfers in	-	-	-	136,613,962
Transfers out	-	-	-	(136,613,962)
Changes in Net Position	6	3,240	-	43,426,818
Net Position:				
Beginning of Year	12,229	263,147	25,000	654,416,191
End of Fiscal Year	\$ 12,235	\$ 266,387	\$ 25,000	\$ 697,843,009

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

COMBINING STATEMENT OF CASH FLOWS
JUNE 30, 2021

	<u>Regional Water Division</u>	<u>Santa Clarita Water Division</u>	<u>Newhall Water Division</u>	<u>Valencia Water Division</u>
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ 15,494,883	\$ 37,921,681	\$ 14,257,305	\$ 35,879,115
Cash paid to suppliers for goods and services	(25,171,237)	(10,196,824)	(3,907,401)	(8,706,978)
Cash paid to employees for services	(4,928,152)	(1,126,991)	(4,329,481)	(5,050,559)
Net Cash Provided (Used) by Operating Activities	(14,604,506)	26,597,866	6,020,423	22,121,578
Cash Flows from Non-Capital Financing Activities:				
Cash transfers out	(102,464,975)	(16,425,276)	(3,289,180)	(14,434,531)
Cash transfers in	134,808,407	1,792,957	-	12,598
Internal balances	(44,198,123)	45,445,373	(46,014)	(1,201,236)
Proceeds from property taxes	62,522,105	-	710,781	-
Payments for state water contract	(23,598,747)	-	-	-
Proceeds from non-operating revenues	2,707,595	290,022	256,935	87,972
Net Cash Provided (Used) by Non-Capital Financing Activities	29,776,262	31,103,076	(2,367,478)	(15,535,197)
Cash Flows from Capital and Related Financing Activities:				
Proceeds from capital debt	254,280,971	-	-	-
Capital contributions	-	3,259,879	447,362	81,820
Acquisition and construction of capital assets	(49,502,562)	(4,979,740)	(2,262,348)	(3,188,302)
Principal paid on capital debt	(1,905,000)	(44,930,000)	-	-
Interest paid on capital debt	(3,921,278)	(8,537,995)	-	-
Defeasance of debt	(168,585,958)	-	-	-
Proceeds from sales of capital assets	-	-	15,601	-
Net Cash Provided (Used) by Capital and Related Financing Activities	30,366,173	(55,187,856)	(1,799,385)	(3,106,482)
Cash Flows from Investing Activities:				
Interest received	351,020	164,391	47,272	53,046
Net Cash Provided (Used) by Investing Activities	351,020	164,391	47,272	53,046
Net Increase (Decrease) in Cash and Cash Equivalents	45,888,949	2,677,477	1,900,832	3,532,945
Cash and Cash Equivalents at Beginning of Year	180,114,892	51,716,071	9,392,470	20,507,397
Cash and Cash Equivalents at End of Year	\$ 226,003,841	\$ 54,393,548	\$ 11,293,302	\$ 24,040,342
Reconciliation of Cash and Cash Equivalents to Amounts Reported on the Statement of Net Position:				
Current:				
Cash and cash equivalents	\$ 45,504,339	\$ 14,455,019	\$ 2,918,409	\$ 8,185,018
Investments	66,354,304	30,055,223	8,374,893	15,855,324
Restricted:				
Cash and cash equivalents	8,299,962	-	-	-
Investments	105,825,136	9,883,306	-	-
Cash with fiscal agent	20,100	-	-	-
	\$ 226,003,841	\$ 54,393,548	\$ 11,293,302	\$ 24,040,342

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

COMBINING STATEMENT OF CASH FLOWS
JUNE 30, 2021

	<u>Regional Water Division</u>	<u>Santa Clarita Water Division</u>	<u>Newhall Water Division</u>	<u>Valencia Water Division</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (36,170,890)	\$ 18,943,228	\$ 2,044,443	\$ 18,906,690
Adjustments to Reconcile Operating Income (loss) Net Cash Provided (used) by Operating Activities:				
Depreciation	20,162,329	4,922,219	3,304,645	4,434,864
Restatement	-	-	-	-
(Increase) decrease in accounts receivable	(2,457,500)	550,606	477,991	(198,832)
(Increase) decrease in due from other governments	-	-	-	-
(Increase) decrease in prepaid expense	51,125	16,473	(32,803)	(91,200)
(Increase) decrease in deferred outflows solar credit	-	-	-	-
Increase (decrease) in accounts payable	2,906,255	1,147,015	(152,451)	(1,564,038)
Increase (decrease) in deposits payable	-	542,061	-	41,273
Increase (decrease) in advances for construction	-	-	-	(687,982)
Increase (decrease) in unearned revenue	285,215	(97,870)	(575,883)	-
Increase (decrease) in accrued liabilities	699,453	(163,578)	(45,491)	1,151,244
Increase (decrease) in net OPEB liability and related items	(367,856)	473,377	(418,877)	264,472
Increase (decrease) in net pension liability and related items	71,495	101,184	1,232,345	(259,994)
Increase (decrease) in compensated absences	215,868	71,819	94,593	62,969
Total Adjustments	21,566,384	7,654,638	3,975,980	3,214,888
Net Cash Provided (Used) by Operating Activities	\$ (14,604,506)	\$ 26,597,866	\$ 6,020,423	\$ 22,121,578
Non-Cash Investing, Capital, and Financing Activities:				
Amortization of Premiums/Discounts	\$ (442,849)	\$ 7,057,724	\$ -	\$ -
Accreted interest of 1999A Revenue COP	4,407,686	-	-	-

DRAFT

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

COMBINING STATEMENT OF CASH FLOWS
JUNE 30, 2021

	Upper Santa Clara Valley	Devil's Den Water District	Groundwater Sustainability Agency	Totals
Cash Flows from Operating Activities:				
Cash received from customers and users	\$ -	\$ -	\$ -	\$ 103,552,984
Cash paid to suppliers for goods and services	-	(3,974)	(80,000)	(48,066,414)
Cash paid to employees for services	-	-	-	(15,435,183)
Net Cash Provided (Used) by Operating Activities	-	(3,974)	(80,000)	40,051,387
Cash Flows from Non-Capital Financing Activities:				
Cash transfers out	-	-	-	(136,613,962)
Cash transfers in	-	-	-	136,613,962
Internal balances	-	-	-	-
Proceeds from property taxes	-	7,049	-	63,239,935
Payments for state water contract	-	-	-	(23,598,747)
Proceeds from non-operating revenues	-	-	80,000	3,422,524
Net Cash Provided (Used) by Non-Capital Financing Activities	-	7,049	80,000	43,063,712
Cash Flows from Capital and Related Financing Activities:				
Proceeds from capital debt	-	-	-	254,280,971
Capital contributions	-	-	-	3,789,061
Acquisition and construction of capital assets	-	-	-	(59,932,952)
Principal paid on capital debt	-	-	-	(46,835,000)
Interest paid on capital debt	-	-	-	(12,459,273)
Defeasance of debt	-	-	-	(168,585,958)
Proceeds from sales of capital assets	-	-	-	15,601
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	-	(29,727,550)
Cash Flows from Investing Activities:				
Interest received	26	880	-	616,635
Net Cash Provided (Used) by Investing Activities	26	880	-	616,635
Net Increase (Decrease) in Cash and Cash Equivalents	26	3,955	-	54,004,184
Cash and Cash Equivalents at Beginning of Year	12,203	262,156	25,000	262,030,189
Cash and Cash Equivalents at End of Year	\$ 12,229	\$ 266,111	\$ 25,000	\$ 316,034,373
Reconciliation of Cash and Cash Equivalents to Amounts Reported on the Statement of Net Position:				
Current:				
Cash and cash equivalents	\$ 5,000	\$ 15,961	\$ 25,000	\$ 71,108,746
Investments	7,229	250,150	-	120,897,123
Restricted:				
Cash and cash equivalents	-	-	-	8,299,962
Investments	-	-	-	115,708,442
Cash with fiscal agent	-	-	-	20,100
	\$ 12,229	\$ 266,111	\$ 25,000	\$ 316,034,373

SANTA CLARITA VALLEY WATER AGENCY (SCVWA)

COMBINING STATEMENT OF CASH FLOWS
JUNE 30, 2021

	Upper Santa Clara Valley	Devil's Den Water District	Groundwater Sustainability Agency	Totals
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ -	\$ (3,974)	\$ (80,000)	\$ 3,639,497
Adjustments to Reconcile Operating Income (loss) Net Cash Provided (used) by Operating Activities:				
Depreciation	-	-	-	32,824,057
Restatement	-	-	-	-
(Increase) decrease in accounts receivable	-	-	-	(1,627,735)
(Increase) decrease in due from other governments	-	-	-	-
(Increase) decrease in prepaid expense	-	-	-	(56,405)
(Increase) decrease in deferred outflows solar credit	-	-	-	-
Increase (decrease) in accounts payable	-	-	-	2,336,781
Increase (decrease) in deposits payable	-	-	-	583,334
Increase (decrease) in advances for construction	-	-	-	(687,982)
Increase (decrease) in unearned revenue	-	-	-	(388,538)
Increase (decrease) in accrued liabilities	-	-	-	1,641,628
Increase (decrease) in net OPEB liability and related items	-	-	-	(48,884)
Increase (decrease) in net pension liability and related items	-	-	-	1,145,030
Increase (decrease) in compensated absences	-	-	-	445,249
Total Adjustments	-	-	-	36,411,890
Net Cash Provided (Used) by Operating Activities	\$ -	\$ (3,974)	\$ (80,000)	\$ 40,051,387
Non-Cash Investing, Capital, and Financing Activities:				
Amortization of Premiums/Discounts	\$ -	\$ -	\$ -	\$ 6,614,875
Accreted interest of 1999A Revenue COP	-	-	-	\$ 4,407,686

DRAFT



This page intentionally left blank



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Santa Clarita Valley Water Agency
City of Santa Clarita, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Santa Clarita Valley Water Agency, (the Agency) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated **December 01, 2021**.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



To the Board of Directors
Santa Clarita Valley Water Agency
City of Santa Clarita, California

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lughard, LLP

Brea, California

December 21, 2021

DRAFT

SANTA CLARITA VALLEY WATER AGENCY

STATISTICAL SCHEDULES

This part of the Agency's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the accompanying financial statements and notes to the basic financial statements say about the Agency's overall financial health.

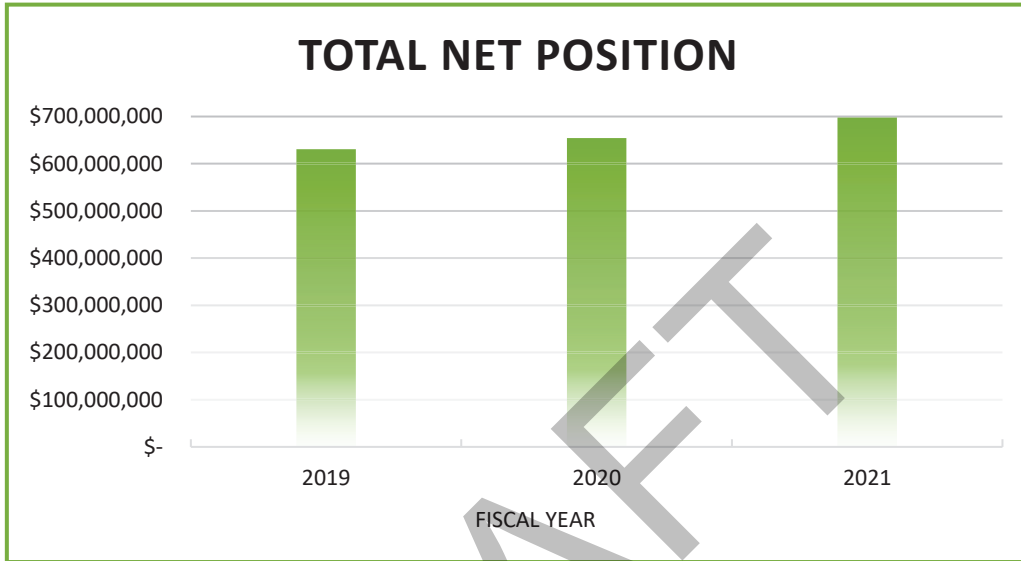
<u>Contents</u>	<u>Page</u>
Financial Trends	81
These schedules contain trend information to help the reader understand how the Agency's financial performance and well-being have changed over time.	
Revenue Capacity	83
These schedules contain information to help the reader assess the factors affecting the Agency's ability to generate its water revenue.	
Debt	89
These schedules present information to help the reader assess the affordability of the Agency's current level of outstanding debt and the Agency's ability to issue additional debt in the future.	
Demographic and Economic Information	91
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Agency's financial activities take place and to help make comparisons over time and with other agencies.	
Operating Information	93
These schedules contain information about the Agency's operation and resources to help the reader understand how the Agency's financial information relates to the services the Agency provides and the activities it performs.	

Sources

Unless otherwise noted, the information in these schedules is derived from the budgets and annual financial reports of the relevant year.

**Santa Clarita Valley Water Agency
Net Position**

Fiscal Year	Net Investment in Capital			Total Net Position
	Assets	Restricted	Unrestricted	
2019	\$ 384,808,121	\$ 72,753,409	\$ 173,195,779	\$ 630,757,309
2020	423,203,361	87,202,965	144,009,865	654,416,191
2021	463,815,825	114,429,838	119,597,346	697,843,009

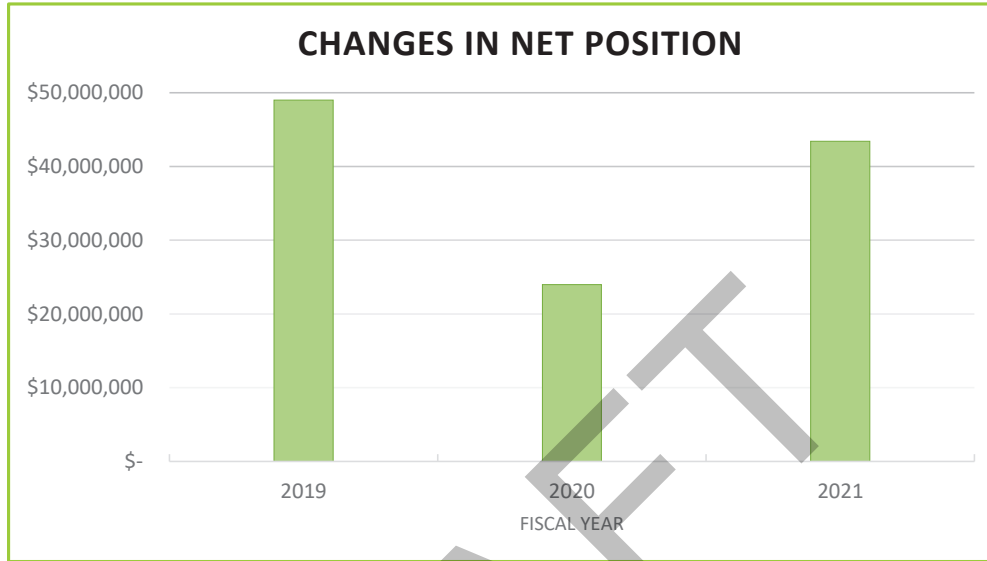


Source: SCV Water Agency

Note: Only 3 years of available data. SCV Water creation January 1, 2018.

**Santa Clarita Valley Water Agency
Changes in Net Position**

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income/(Loss)	Total Non-Operating Revenues/(Expenses)¹	Income (Loss) Before Capital Contributions	Capital Contributions	Changes in Net Position
2019	\$ 100,171,370	\$ 84,771,295	\$ 15,400,075	\$ 29,093,495	\$ 44,493,570	\$ 4,518,938	\$ 49,012,508
2020	90,909,239	101,237,889	(10,328,650)	31,132,863	\$ 20,804,213	3,178,627	23,982,840
2021	107,293,632	103,654,135	3,639,497	35,998,260	\$ 39,637,757	3,789,061	43,426,818



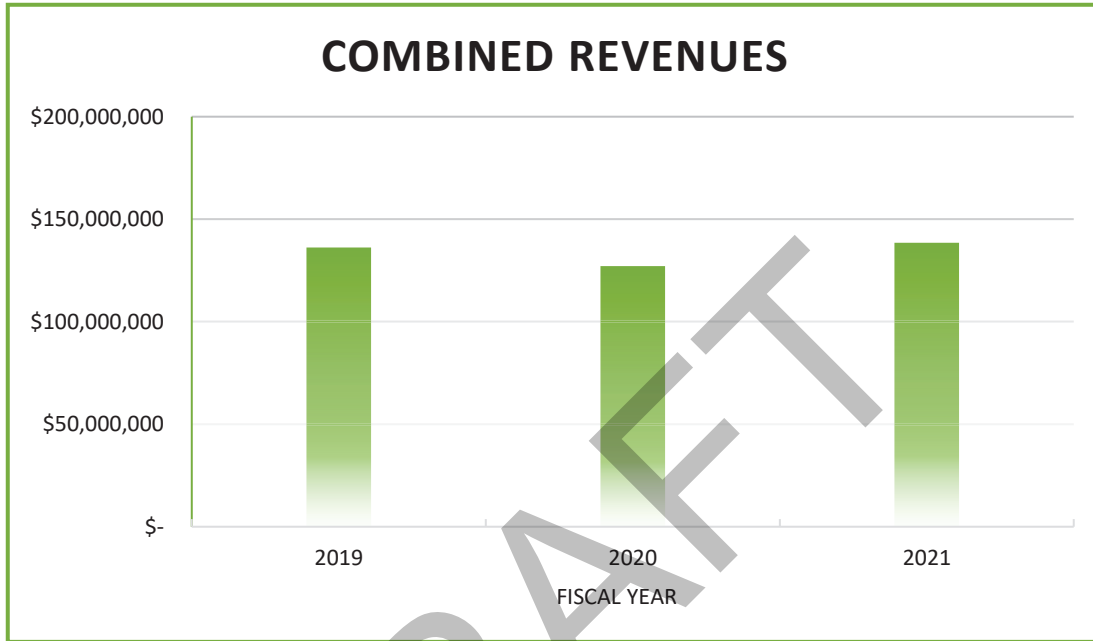
¹Excludes restricted State Water Contract property taxes

Source: SCV Water Agency

Note: Only 3 years of available data. SCV Water creation January 1, 2018.

**Santa Clarita Valley Water Agency
Revenues**

Fiscal Year	Operating Revenues		Non-Operating Revenues		Total
	Water Sales	Other Charges and Services	Property Taxes*	Investment and Other Income	
2019	\$ 82,939,784	\$ 17,231,586	\$ 26,651,592	\$ 9,372,628	\$ 136,195,590
2020	82,393,728	8,515,511	26,697,036	9,517,790	127,124,065
2021	89,094,520	18,199,112	27,448,241	3,769,103	138,510,976



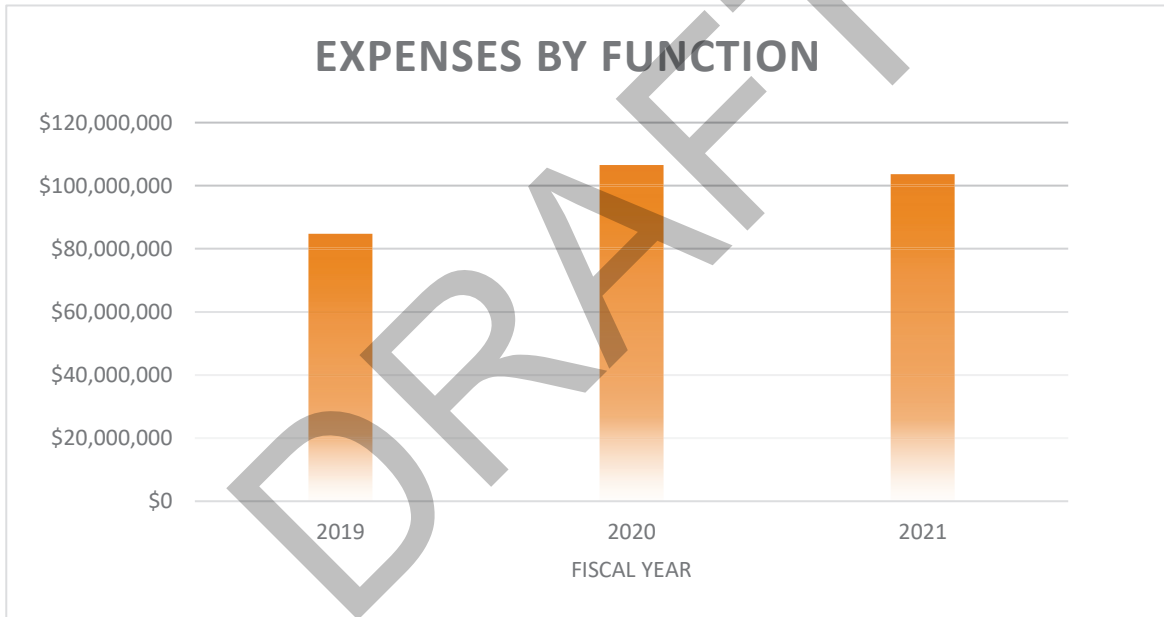
*Excludes restricted State Water Project property taxes

Source: SCV Water Agency

Note: Only 3 years of available data. SCV Water creation January 1, 2018.

**Santa Clarita Valley Water Agency
Expenses by Function**

Operating Expenses	Fiscal Year		
	2019	2020	2021
Source of Supply	\$ 345,477	\$ 465,943	\$ 503,600
Pumping Plant	6,292,006	7,711,757	9,304,445
Transmission & Distribution	6,196,650	7,630,261	10,906,191
Water Treatment	7,042,538	8,650,165	8,435,826
General and Administrative	17,240,344	20,598,391	19,537,766
Depreciation	31,263,128	32,201,715	32,824,057
Maintenance	3,263,353	4,836,636	2,399,046
Engineering	2,298,810	3,110,092	3,575,292
Water Quality	1,094,842	1,177,815	1,241,951
Water Resources Management	5,792,111	10,197,555	10,691,530
Customer Care	2,227,563	2,647,590	2,468,783
	1,714,473	2,009,969	1,765,648
	<u>\$ 84,771,295</u>	<u>\$ 101,237,889</u>	<u>\$ 103,654,135</u>



Source: SCV Water Agency

Note: Only 3 years of available data. SCV Water creation January 1, 2018.

**Santa Clarita Valley Water Agency
Direct Rates**

Meter Size	Newhall Division			Santa Clarita Division			Valencia Division		
	FY 2019	FY 2020	FY 2021	FY 2019	FY 2020	FY 2021	FY 2019	FY 2020	FY 2021
5/8"x3/4"	-	-	\$ -	21.88	22.32	22.32	13.26	16.81	16.81
3/4"	16.11	16.14	16.14	29.68	30.28	30.28	19.89	25.22	25.22
1"	26.90	26.96	26.96	45.25	46.16	46.16	33.15	42.03	42.03
1 1/2"	53.65	53.75	53.75	84.21	85.90	85.90	66.30	84.06	84.06
2"	85.87	86.04	86.04	130.94	133.56	133.56	106.08	134.50	134.50
2 1/2"	128.88	129.13	129.13	-	-	-	-	-	-
3"	161.10	161.42	161.42	255.60	260.72	260.72	198.90	252.19	252.19
4"	268.55	269.08	269.08	395.82	403.74	403.74	331.50	420.31	420.31
6"	536.95	538.00	538.00	785.33	801.04	801.04	663.00	840.63	840.63
8"	859.15	860.84	860.84	1,252.75	1,277.81	1,277.81	1,060.80	1,345.00	1,345.00
10"	1,235.15	1,237.58	1,237.58	-	-	-	1,524.90	1,933.44	1,933.44
12"	-	-	-	-	-	-	2,187.90	2,774.07	2,774.07
14"	-	-	-	-	-	-	2,983.50	3,782.82	3,782.82
Fire Service									
1"	-	-	-	3.01	3.08	3.08	-	-	-
2"	22.74	22.97	22.97	6.02	6.15	6.15	7.52	8.36	8.36
4"	73.05	73.78	73.78	12.03	12.28	12.28	15.04	16.72	16.72
6"	138.17	139.55	139.55	18.04	18.41	18.41	22.56	25.08	25.08
8"	216.15	218.31	218.31	24.05	24.54	24.54	30.08	33.44	33.44
10"	-	-	-	30.05	30.66	30.66	37.60	41.80	41.80
12"	-	-	-	36.06	36.79	36.79	45.12	50.16	50.16
14"	-	-	-	42.07	42.92	42.92	52.64	58.52	58.52
16"	-	-	-	48.08	49.05	49.05	-	-	-
18"	-	-	-	54.09	55.18	55.18	-	-	-
20"	-	-	-	60.09	61.30	61.30	-	-	-
Usage Rate Per CCF									
Uniform									
Volume Rate	2.7839	2.8542	2.8542	1.91*	1.99*	1.99*	1.885	1.839	1.839

*Does not include potential wholesale water and power pass-through adjustments.

Source: SCV Water Agency

Note: Only 3 years of available data. SCV Water creation January 1, 2018.

**Santa Clarita Valley Water Agency
Principal Revenue Payers - Current and One Year Ago**

Fiscal Year 2020-21		
Customer Name	Annual Revenues	% of Water Sales
1 City of Santa Clarita	\$ 4,381,496	4.92%
2 GH Palmer	1,581,429	1.78%
3 LA County Public Works	1,232,470	1.38%
4 Hart School District	798,216	0.90%
5 Friendly Village	495,851	0.56%
6 Tesoro Del Valle HOA	487,525	0.55%
7 Six Flags Magic Mountain	379,862	0.43%
8 West Creek/West Hills HOA	373,833	0.42%
9 Equity Residential	369,087	0.41%
10 CF Arcis X Holdings LLC	348,453	0.39%
Total (10 Largest)	10,448,221	11.73%
Others	78,646,299	88.27%
Grand Total	89,094,520	100.00%

Fiscal Year 2019-20¹		
Customer Name	Annual Revenues	% of Water Sales
1 City of Santa Clarita	\$ 3,400,035	4.14%
2 GH Palmer	1,496,073	1.82%
3 LA County Public Works	902,442	1.10%
4 Six Flags Magic Mountain	507,650	0.62%
5 Tesoro Del Valle HOA	400,017	0.49%
6 FivePoint	338,532	0.41%
7 CF Arcis X Holdings LLC	311,966	0.38%
8 The Terrace HOA	276,731	0.34%
9 West Creek/West Hills HOA	247,345	0.30%
10 Westridge Valencia	226,195	0.28%
Total (10 Largest)	8,106,987	9.87%
Others	74,071,256	90.13%
Grand Total	82,178,243	100.00%

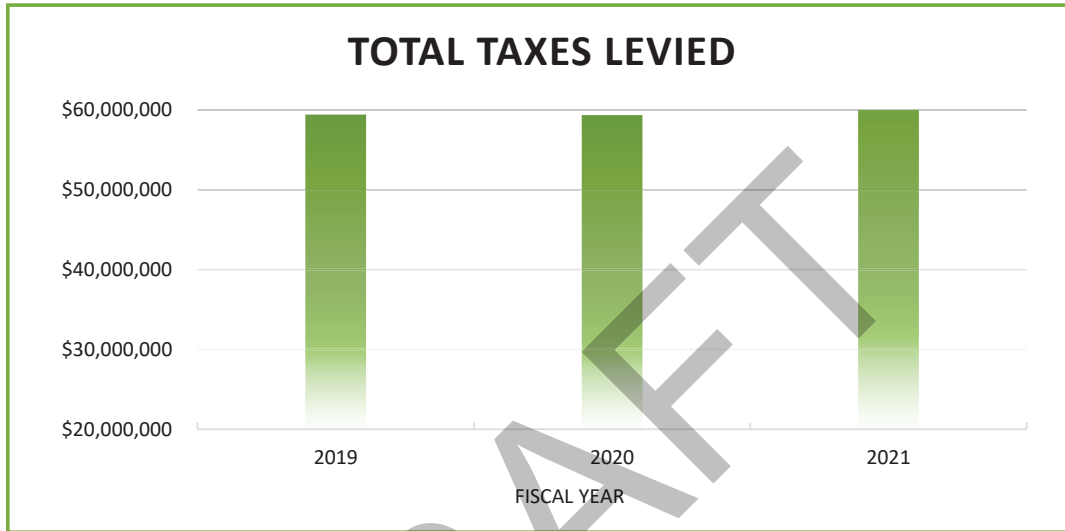
¹ The data for Fiscal Year 2019-20 has been updated (Corrected)

Source: SCV Water Agency

Note: Only 2 years of available data.

**Santa Clarita Valley Water Agency
Property Taxes Levies and Collections**

Fiscal Year	Total Taxes Levied for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Year	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2019	\$ 59,422,583	\$ 58,205,621	97.95%	\$ 1,216,962	\$ 59,422,583	100%
2020	59,357,562	58,812,952	99.08%	544,610	59,357,562	100%
2021	65,964,410	65,084,327	98.67%	880,083	65,964,410	100%



Source: County of Los Angeles and Ventura County, Auditor-Controller/Tax Division

Note: Only 3 years of available data. SCV Water creation January 1, 2018.

**Santa Clarita Valley Water Agency
Assessed Valuation of Taxable Property**

Fiscal Year	Secured			Unsecured			Total Direct Tax Rate
	Los Angeles County	Ventura County	Totals	Los Angeles County	Ventura County	Totals	
2019	42,530,762,287	28,776,667	42,559,538,954	1,161,623,197	1,274,455	1,162,897,652	0.0706
2020	44,484,636,167	34,083,193	44,518,719,360	1,175,937,200	1,253,240	1,177,190,440	0.0706
2021	46,884,085,113	40,422,691	46,924,507,804	1,195,550,968	1,501,155	1,197,052,123	0.0706

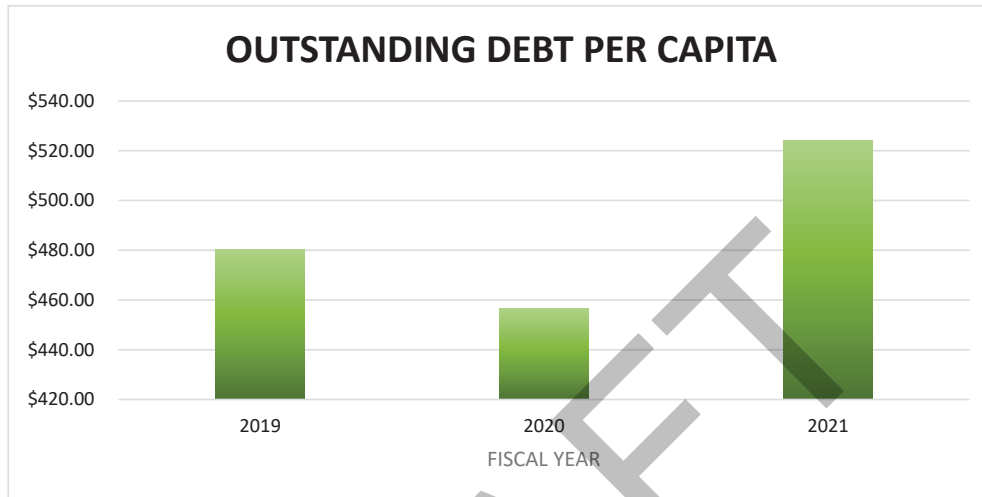
Source: County of Los Angeles and Ventura County, Auditor-Controller/Tax Division

Note: Only 3 years of available data. SCV Water creation January 1, 2018.

DRAFT

**Santa Clarita Valley Water Agency
Outstanding Debt**

Fiscal Year	Santa Clarita Valley Population ¹	Certificates of Participation	Revenue Bonds	Notes Payable	Total Debt	Per Capita	As a Share of Personal Income ²
2019	292,281	\$ 132,453,983	\$ 217,040,224	\$ 2,573,780	\$ 352,067,987	\$ 480.19	0.84%
2020	294,048	121,548,662	201,800,611	-	323,349,273	\$ 456.64	0.76%
2021	292,941	79,575,190	288,877,752	-	368,452,942	\$ 524.15	0.82%



¹ Santa Clarita Valley Population (SCV Economic Development Corporation)

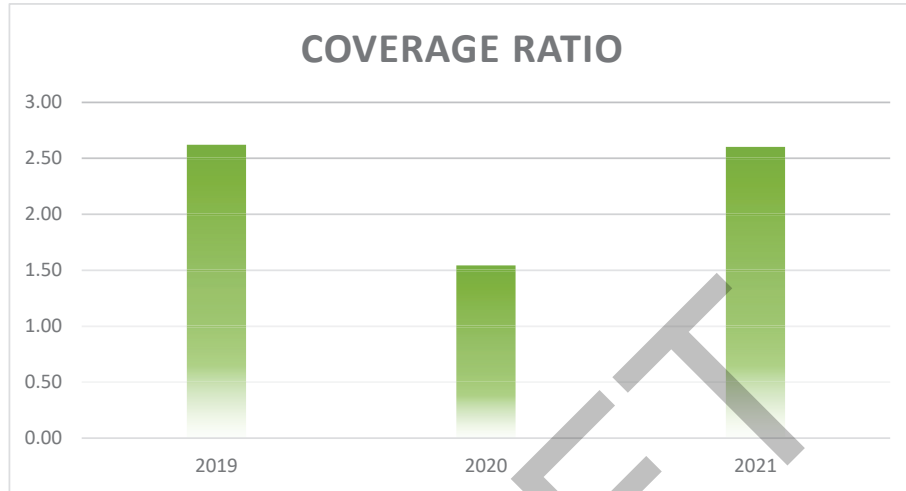
² See Demographics Statistics for per capita personal income

Source: SCV Water Agency

Note: Only 3 years of available data. SCV Water creation January 1, 2018.

Santa Clarita Valley Water Agency
Debt Coverage
Last Three Fiscal Years

Fiscal Year	Revenues ⁽¹⁾	Expenses ⁽²⁾	Net Available Revenues	Debt Service ⁽³⁾			Coverage Ratio
				Principal	Interest	Total ⁽⁴⁾	
2019	\$ 136,159,876	\$ 53,341,917	\$ 82,817,959	\$ 18,750,721	\$ 12,839,698	\$ 31,590,419	2.62
2020	126,766,054	68,952,367	57,813,687	27,748,780	9,707,424	37,456,204	1.54
2021	138,510,976	70,750,078	67,760,898	14,700,000	11,337,082	26,037,082	2.60



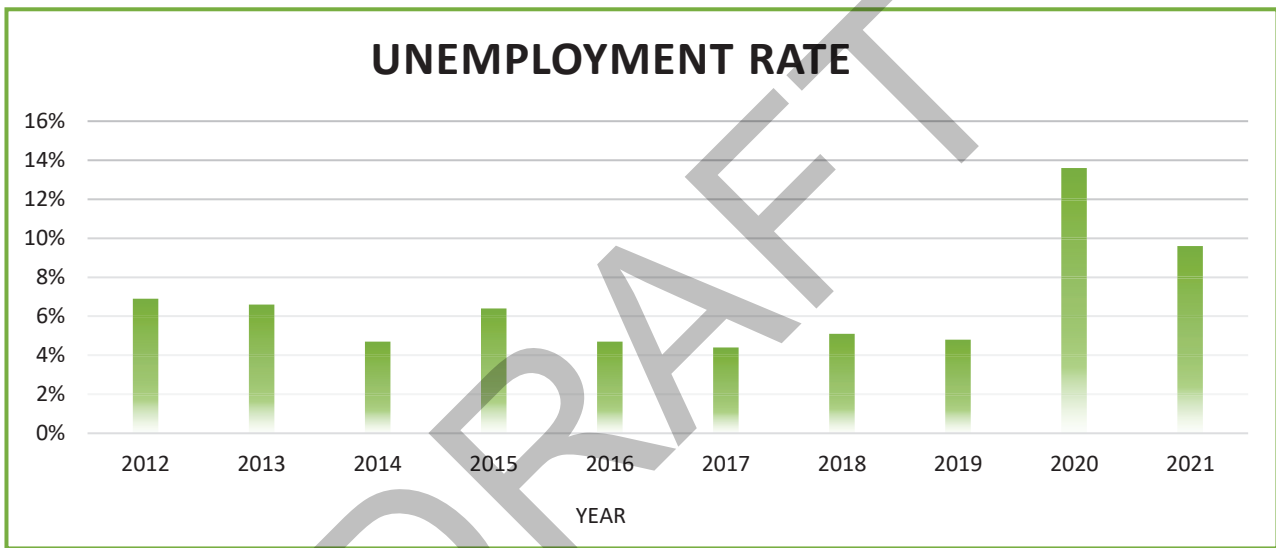
Notes: Debt Coverage

- (1) Revenues include Operating Revenues and Non-Operating Revenues
 - Operating Revenues (Water Sales Revenues, Other charges & services)
 - Non-Operating Revenues (Facility Capacity Fee Revenues, 1% Prop Revenues, Investment Revenues, etc.)
- (2) Operating Expenses net of depreciation
- (3) The debt Service doesn't include the VWD Acquisition loan or payments of refinancing or issuance of debt
- (4) The FY 2020 Debt Service payments includes prepayments of 2008A, 2014A and 2009 CNB/Municipal (NWD)

Source : SCV Water audited financial statements

**Santa Clarita Valley Water Agency
Demographic and Economic Statistics**

Year	City of Santa Clarita Population ¹	Unemployment Rate ²	Personal Income (billions of dollars)	Average per Capita Income ³
2012	177,445	6.90%	8.2	46,337
2013	204,951	6.60%	9.9	48,425
2014	209,130	4.70%	10.6	50,751
2015	213,231	6.40%	11.6	54,526
2016	219,231	4.70%	12.5	57,160
2017	216,350	4.40%	13.0	60,087
2018	216,589	5.10%	13.8	63,913
2019	218,103	4.80%	13.7	63,043
2020	221,932	13.60%	15.2	68,272
2021	228,673	9.60%	16.4	71,686



Source: City of Santa Clarita

¹ State of California, Finance Department

² State of California, Department of Employment Development (EDD)

³ U.S Department of Commerce, Bureau of Economic Analysis (BEA)

Note: The 2021 population is estimated

**Santa Clarita Valley Water Agency
Principal Employers - Current and One Year Ago**

2021

Principal Employers	Number of Employees	Rank	Percentage of Total Employment
Henry Mayo Hospital	1,917	1	8%
Six Flags Magic Mountain	1,900	2	8%
Williams S. Hart Union School District	1,641	3	7%
College of the Canyons	1,535	4	6%
US Postal Service	1,414	5	6%
Princess Cruises	1,308	6	5%
Saugus Union School District	1,254	7	5%
Boston Scientific	875	8	3%
City of Santa Clarita	811	9	3%
The Master's University	755	10	3%
Total	13,410		53%
All Others	11,727		47%
Total Employment in Santa Clarita	25,137		100%

2020

Principal Employers	Number of Employees	Rank	Percentage of Total Employment
Six Flags Magic Mountain	3,200	1	10%
College of the Canyons	2,135	2	7%
Princess Cruises	2,092	3	7%
Williams S. Hart Union School District	1,959	4	6%
Henry Mayo Hospital	1,917	5	6%
Saugus Union School District	1,675	6	5%
US Postal Service	1,271	7	4%
Boston Scientific	1000	8	3%
City of Santa Clarita	877	9	3%
The Master's University	796	10	3%
Total	16,922		55%
All Others	13,695		45%
Total Employment in Santa Clarita	30,617		100%

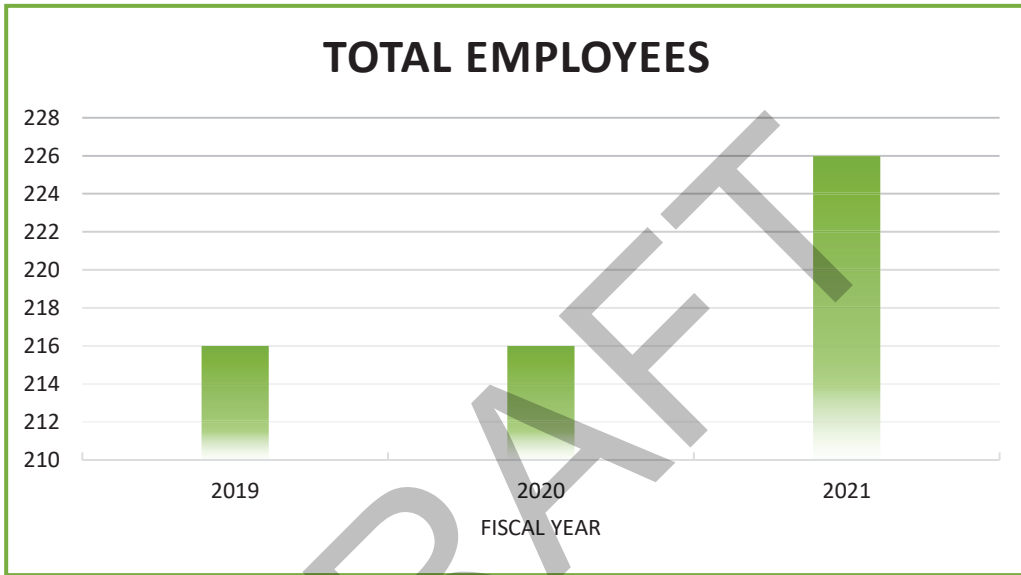
Source: Santa Clarita Valley Economic Development Corporation

Note: Only 2 years of available data.

**Santa Clarita Valley Water Agency
Operating and Capacity Indicators**

Agency Employees

Fiscal Year	Management	Finance, Administration and Technology Services	Engineering Services	Operations, Maintenance and Treatment	Water Resources and Outreach	Total FTE
2019	5	51	24	113	23	216
2020	5	49	30	108	24	216
2021	3	60	27	115	21	226



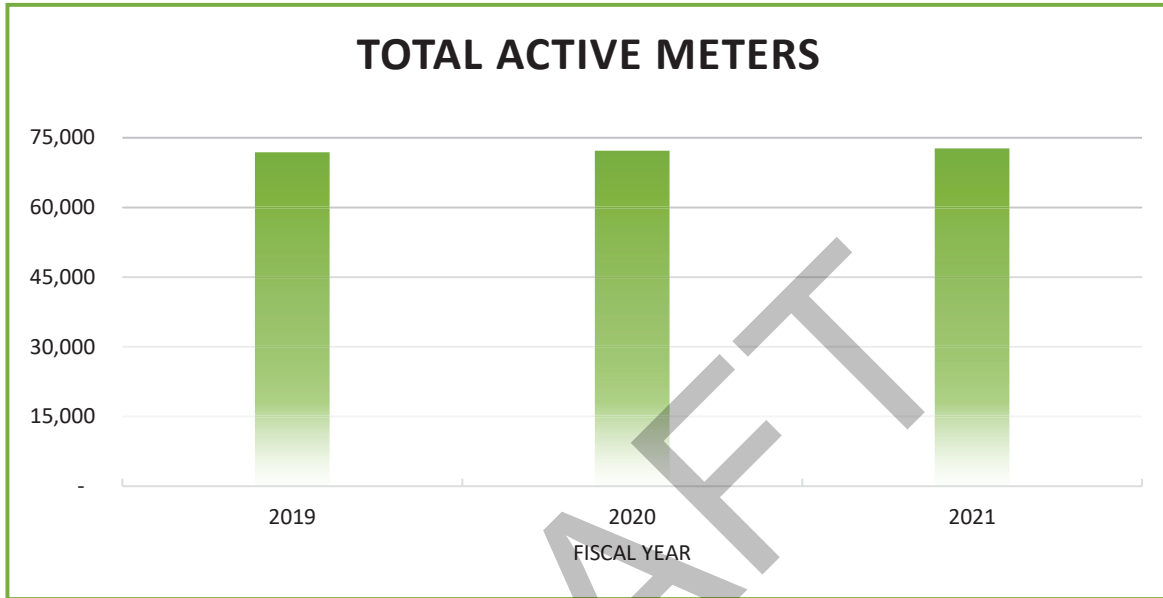
Source: SCV Water Agency

Note: Only 3 years of available data. SCV Water creation January 1, 2018.

**Santa Clarita Valley Water Agency
Operating and Capacity Indicators**

Active Meters By Size

Fiscal													
Year	5/8"	3/4"	1"	1 1/2"	2"	2 1/2"	3"	4"	6"	8"	10"	12"	Total ¹
2019	5,721	52,946	7,510	1,328	3,775	25	279	174	68	37	13	0	71,876
2020	4,960	53,832	7,826	1,336	3,817	25	187	146	50	28	10	0	72,217
2021	4,664	54,306	8,238	1,321	3,769	29	180	112	51	32	10	0	72,712



¹ The 2019 and 2020 data has been updated to exclude private fire meters

Source: SCV Water Agency

Note: Only 3 years of available data. SCV Water creation January 1, 2018.

**Santa Clarita Valley Water Agency
Operating and Capacity Indicators**

Operating and Capital Indicators

Water System	Fiscal Year		
	2019	2020	2021
Service Area (In Acres)	125,056	125,056	125,056
Miles of Water Main	861	879	879
Number to Storage Reservoirs ¹	94	96	97
Water Storage Capacity (In Million Gallons)	154	156	162
Total Water Connections (Active Meters)	72,217	73,767	72,712
Number of Booster Pump Stations	51	52	52
Number of Valves	23,826	23,826	24,603
Number of Hydrants	7,126	7,126	7,126
Number of Wells in Service ²	40	40	26
In Service Wells GPM	48,000	48,000	33,440

¹Does not include the Sand Canyon Reservoir (7mg) or the treatment plant clear wells

²In FY 2020, 16 wells are offline due to PFAS contamination, pending treatment completion

Source: SCV Water Agency

Note: Only 3 years of available data. SCV Water creation January 1, 2018.


DRAFT



COMMITTEE MEMORANDUM

DATE: December 6, 2021

TO: Finance and Administration Committee

FROM: Rochelle Patterson 
Director of Finance and Administration

SUBJECT: Recommend Approval of a Resolution Appointing Dirk S. Marks as Interim Director of Water Resources and Approving Employment Agreement

SUMMARY

Staff recommends that the Board of Directors adopt the attached resolution (Attachment 1), which involves taking the following action in the order listed:

1. Appoints Dirk S. Marks as Interim Director of Water Resources pending the recruitment, selection, and employment of a permanent Director of Water Resources.
2. Waives the 180-day waiting period.
3. Authorizes the General Manager to enter into an Employment Agreement (Exhibit A) with Dirk S. Marks as Interim Director of Water Resources.

DISCUSSION

The Director of Water Resources position will become vacant on December 31, 2021, with the retirement of Dirk S. Marks. Mr. Marks has served as Director of Water Resources for nearly 4 years and has over 13 years of experience in water resource management with SCV Water.

SCV Water has a need to fill the Director of Water Resources position and proposes that Dirk S. Marks be appointed in that capacity on an interim basis until the Agency can recruit, select, and employ a permanent Director of Water Resources.

In his role as Interim Director of Water Resources, there will be some tasks for which Mr. Marks is uniquely skilled and his continued work on these tasks would be beneficial to the Agency. The tasks Mr. Marks is expected to focus on are described as follows:

1. Sites Reservoir - Mr. Marks is the Agency's representative on the Sites Reservoir Project Committee and is the only staff with detailed knowledge of this project. The current planning phase of this project is due to conclude in June 2023 with completion of environmental documents and water rights. Mr. Marks' skill set is critical to evaluate SCV Water's continued participation in the Sites Reservoir Project.

2. Water Resiliency Initiative – To ensure safe and resilient water supplies and healthy waterways for our communities, economy, and environment, SCV Water has initiated a resiliency initiative that will implement strategies that:

- Build knowledge base to support sound decisions
- Improve modeling capabilities
- Conduct integrated analysis
- Protect watershed and river systems
- Optimize local groundwater use and storage
- Support new infrastructure and ecosystem investments
- Expand stakeholder and community outreach and engagement

Mr. Marks' 13 years of experience with managing and acquiring SCV Water's current water supply portfolio, along with his previous experience at Metropolitan Water District (MWD) dealing with State Water Project matters, are critical in initiating the water resiliency initiative.

3. Other Special Project Work – Mr. Marks' skills and knowledge of SCV Water's water resources management system, water service contracts, and SWP operations will be critical for completing such work backlog and special project work, as the General Manager may determine is needed from time-to-time. Examples of such work include being a resource for a replacement Director of Water Resources and other Water Resource staff.

As a CalPERS retiree, Mr. Marks will only be authorized to work 960 hours in a fiscal year (July 1 to June 30) for CalPERS contracting agencies. Further, he cannot be paid more than what the Agency would otherwise pay a person filling the Director of Water Resources position according to its published salary schedule.

In addition, the Agency must initiate active recruitment efforts for a permanent appointment to the Director of Water Resources position no later than the day that Mr. Marks begins his interim appointment.

Under applicable law, the Board of Directors must pass a resolution that makes certain findings before it can employ a CalPERS retiree on an interim basis. The attached resolution makes the requisite findings, authorizes the appointment of Mr. Marks as Interim Director of Water Resources effective January 3, 2022, and authorizes the General Manager to enter into an employment agreement with Mr. Marks. A copy of the agreement is attached for the Board of Directors' review and approval.

FINANCIAL CONSIDERATIONS

Mr. Marks will be paid an hourly rate of \$107.35 per hour, which is equal to the hourly rate for the salary paid to the person holding the Director of Water Resources position. He will not be entitled to any benefits, sick leave, vacation or holidays, unless otherwise required by state or federal law.

RECOMMENDATION

The Finance and Administration Committee recommends that the Board of Directors approve the attached resolution appointing Dirk S. Marks as Interim Director of Water Resources and approving the proposed Employment Agreement.

RP

Attachments

M65

[This page intentionally left blank.]

ATTACHMENT 1

RESOLUTION NO. SCV-____

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA CLARITA VALLEY WATER AGENCY APPOINTING DIRK S. MARKS AS DIRECTOR OF WATER RESOURCES ON AN INTERIM BASIS AND APPROVING EMPLOYMENT CONTRACT

WHEREAS, Government Code sections 7522.56 and 21221(h) permit the Board of Directors of the Santa Clarita Valley Water Agency to appoint a California Public Employees' Retirement System ("CalPERS") retired annuitant to a vacant position requiring specialized skills during recruitment for a permanent appointment, and provides that such appointment will not subject the retired person to reinstatement from retirement or loss of benefits so long as it is a single appointment that does not exceed 960 hours in a fiscal year; and

WHEREAS, the position of Director of Water Resources will become vacant at close of business on December 31, 2021; and

WHEREAS, in order to retain efficient and uninterrupted operation and management of the Department of Water Resources, the Board of Directors wishes to appoint Dirk S. Marks to the then vacant position of Director of Water Resources on an interim basis pursuant to Government Code section 21221(h), effective January 3, 2022; and

WHEREAS, Dirk S. Marks has extensive experience in day-to-day operations of the Department of Water Resources given his current employment as Director of Water Resources for Santa Clarita Valley Water Agency; and

WHEREAS, in compliance with Government Code section 7522.56(f), the Board of Directors of Santa Clarita Valley Water Agency must provide CalPERS this certification resolution when hiring a retiree before 180 days have passed since his or her retirement date; and

WHEREAS, Dirk S. Marks will separate from Santa Clarita Valley Water Agency in the position of Director of Water Resources on December 30, 2021, with an effective retirement date of December 31, 2021; and

WHEREAS, Government Code section 7522.56 requires that post-retirement employment commence no earlier than 180 days after the retirement date, which is June 30, 2022 for Dirk S. Marks, without this certification resolution; and

WHEREAS, Government Code section 7522.56 provides that this exception to the 180-day wait period shall not apply if the retiree accepts any retirement-related incentive; and

WHEREAS, the Board of Directors, Santa Clarita Valley Water Agency, and Dirk S. Marks certify that Dirk S. Marks has not and will not receive a Golden Handshake or any other retirement-related incentive; and

WHEREAS, an appointment under Government Code section 21221(h) requires an active, publicly posted recruitment for a permanent replacement; and

WHEREAS, information regarding the recruitment for a Director of Water Resources will be posted on the Santa Clarita Valley Water Agency's webpage for employment opportunities

available at <https://www.governmentjobs.com/careers/scvwater> no later than January 3, 2022; and

WHEREAS, this Section 21221(h) appointment shall only be made once and, therefore, will end on the date immediately preceding the date on which the permanent replacement for the vacant position of Director of Water Resources commences his or her employment or, if earlier, the date that this appointment is terminated by the Santa Clarita Valley Water Agency or Dirk S. Marks; and

WHEREAS, it is understood by the Santa Clarita Valley Water Agency and Dirk S. Marks that the combined total hours to be worked by Dirk S. Marks in any fiscal year, for all retired annuitant positions with any CalPERS employers, shall not exceed the 960-hour limitation set forth in California Government Code sections Section 7522.56(d) and 21221(h), unless an exception applies; and

WHEREAS, the compensation paid to retirees cannot be less than the minimum nor exceed the maximum monthly base salary paid to other employees performing comparable duties, divided by 173.333 to equal the hourly rate; and

WHEREAS, per the Santa Clarita Valley Water Agency's publicly available pay schedule the minimum base salary for the Director of Water Resources position is \$183,289.60 per year, or \$15,274.13 per month at an hourly equivalent of \$ 88.12 per hour, and the maximum base salary is \$223,288.00 per year, or \$18,607.33 per month at an hourly equivalent of \$107.35 per hour; and

WHEREAS, the hourly rate paid to Dirk S. Marks will be \$107.35 per hour; and

WHEREAS, Dirk S. Marks will not receive any other benefit, incentive, compensation in lieu of benefits or other form of compensation in addition to this hourly pay rate; and

WHEREAS, the entire employment agreement between Dirk S. Marks and Santa Clarita Valley Water Agency has been reviewed by this body and is attached herein; and

WHEREAS, no matters, issues, terms or conditions related to this employment and appointment have been or will be placed on a consent calendar; and

WHEREAS, pursuant to Government Code Section 7522.56(e)(1), Dirk S. Marks must certify in writing to the Santa Clarita Valley Water Agency upon accepting an offer of employment that he has not received any unemployment insurance compensation arising out of prior employment with a public employer that is subject to Government Code section 7522.56 during the 12-month period preceding the effective date of this appointment.

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

1. The Board of Directors has considered the full record before it, which may include but is not limited to such things as the staff report, testimony by staff and the public, and other materials and evidence submitted or provided to it. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.

2. The Board of Directors certifies the nature of the employment of Dirk S Marks as described herein and detailed in the attached employment agreement and that this appointment is necessary to perform the critically needed functions to ensure the ongoing success of the Santa Clarita Valley Water Agency's water resource management program.
3. The Board of Directors hereby waives the 180-day waiting period pursuant to Government Code section 7522.56(f)(1).
4. The Board of Directors hereby appoints Dirk S. Marks as interim Director of Water Resources effective January 3, 2022 subject to the provisions set forth in an employment agreement, until the date immediately preceding the date on which the permanent replacement for the vacant position of Director of Water Resources commences his or her employment, unless earlier terminated, pursuant to the authority provided under Government Code sections 21221(h) and 7522.56, pending the recruitment, selection and employment of a permanent Director of Water Resources, to provide the specialized skills necessary to handle the day-to-day operations of the Department of Water Resources.
5. The employment agreement for Dirk S. Marks, a copy of which is enclosed herein as Exhibit "A", is approved by the Board of Directors, effective January 3, 2022.
6. The General Manager is authorized to execute said agreement on behalf of the Santa Clarita Valley Water Agency, with such technical amendments as may be deemed appropriate by the General Manager and General Counsel.

[This page intentionally left blank.]

EXHIBIT A

AGREEMENT FOR INTERIM DIRECTOR OF WATER RESOURCES SERVICES

THIS AGREEMENT is made and entered into this 3rd day of January 2022, by and between the Santa Clarita Valley Water Agency ("SCV Water") and Dirk S. Marks ("MARKS"). In consideration of the mutual covenants and agreements set forth herein, the Parties agree as follows:

RECITALS

This Agreement is made and entered into with respect to the following facts:

A. SCV Water seeks to engage MARKS on an interim basis to serve in the position of Interim Director of Water Resources in accordance with the terms set forth in this Agreement; and

B. MARKS desires to accept employment as Interim Director of Water Resources in consideration of and subject to the terms, conditions and benefits set forth in this Agreement; and.

C. MARKS' employment is authorized by Government Code Sections 7522.56 and 21221(h), which permit the Board of Directors to appoint a California Public Employees' Retirement System ("CalPERS") retiree to a vacant position requiring specialized skills during recruitment for a permanent appointment, and provide that such appointment will not subject the retired person to reinstatement from retirement or loss of benefits, so long as it is a single appointment that does not exceed 960 hours in a fiscal year, inclusive of all hours worked for other all CalPERS employers, unless an exception applies.

D. MARKS represents that he is a retired annuitant of CalPERS within the meaning of Government Code §§ 7522.56 and 21221(h) ("Statutes") and acknowledges that his compensation is statutorily limited as provided in Government Code § 21221(h). MARKS represents that, as of the effective date of this Agreement, he has not worked for another CalPERS state or contracting agency as a retired annuitant during the 2021-2022 fiscal year, and that he therefore acknowledges that he can work up to 960 hours for SCV Water, a state agency or other CalPERS contracting agencies (collectively "CalPERS Agencies") during the 2021-2022 fiscal year. MARKS represents that he has not received unemployment compensation from any CalPERS Agencies during the 12-month period preceding the effective date of this Agreement.

E. SCV Water has determined that it is necessary to hire MARKS, a retired annuitant, because the position of Interim Director of Water Resources requires special skills, and MARKS, by virtue of his experience has those special skills.

F. Although MARKS' retirement became effective on December 31, 2021, less than the 180 days from the effective date of this Agreement, the Board of Directors took action on December 21, 2021, pursuant to Government Code Section 7522.56(f), to deem the appointment of MARKS within the 180-day period as critically necessary as reflected in Resolution No. [REDACTED].

NOW, THEREFORE, SCV Water and MARKS, in consideration of the mutual covenants and agreements herein contained, agree as follows:

1. **DESIGNATION OF INTERIM DIRECTOR OF WATER RESOURCES.**

In accordance with Resolution No. [REDACTED], MARKS is appointed Interim Director of Water Resources of SCV Water under the terms of this Agreement.

2. **POSITION AND DUTIES.**

2.1 Position. MARKS has been appointed by the Board of Directors as Interim Director of Water Resources of SCV Water to perform, on a basis set forth in Paragraph 4 below, the duties and functions pertaining to the Director of Water Resources position, and to perform other legally permissible duties and such functions as the General Manager shall from time-to-time assign. The General Manager shall have the authority to determine the specific duties and functions which MARKS shall perform under this Agreement and the means and manner by which MARKS shall perform those duties and functions. MARKS agrees to devote all his business time, skill, attention, and best efforts to the discharge of the duties and functions assigned to him by the General Manager.

2.2 Term. MARKS shall commence the performance of his duties as the Interim Director of Water Resources on January 3, 2022, or at such later date as the parties hereto shall agree in writing ("Commencement Date"). This Agreement shall expire as of the first of the following to occur: (i) upon the employment commencement date of a permanent Director of Water Resources employed by SCV Water; (ii) upon MARKS working 960 hours for all CalPERS Agencies during fiscal year 2021-2022 or 960 hours in any subsequent fiscal year; or (iii) upon termination of the Agreement by either MARKS or SCV Water as provided below.

2.3 At-Will. MARKS acknowledges that he is an at-will, temporary employee of SCV Water who shall serve at the pleasure of the General Manager at all times during the period of his service hereunder and shall be subject to termination by the General Manager at any time without advance notice and without cause. The terms of SCV Water's personnel rules, policies, regulations, procedures, ordinances, and resolutions regarding administrative personnel (collectively "Personnel Policies"), as they may be amended or supplemented from time to time, shall not apply to MARKS, and nothing in this Agreement is intended to, or does, confer upon MARKS any right to any property interest in continued employment, or any due process right to a hearing before or after a decision by the General Manager to terminate his employment, except as is expressly provided in Section 2.2 [Term] or Section 4 [Termination] of this Agreement. Nothing contained in this Agreement shall in any way prevent, limit or otherwise interfere with the right of SCV Water to terminate the services of MARKS, as provided in Section 2.2 [Term] or Section 4 [Termination]. Nothing in this Agreement shall prevent, limit or otherwise interfere with the right of MARKS to resign at any time from his position with SCV Water, subject only to the provisions set forth in Section 2.2 [Term] or Section 4 [Termination] of this Agreement. This at-will employment shall be expressly subject to the rights and obligations of SCV Water and MARKS, as set forth in Section 2.2 [Term] or Section 4 [Termination] below.

2.4 Hours of Work. MARKS shall devote the time necessary to adequately perform his duties as Interim Director of Water Resources. The parties anticipate that MARKS will work a sufficient number of hours per week allocated between regular business hours and hours outside of regular business hours including, without limitation, attendance at regular and special Board meetings and other SCV Water functions as the General Manager may direct.

However, in no event shall MARKS be required to work in excess of 960 hours in fiscal year 2021-2022 and 960 hours per each subsequent fiscal year for SCV Water, including hours worked for other CalPERS Agencies during such fiscal years. The position of Interim Director of Water Resources shall be deemed a non-exempt position under California wage and hour law.

3. **COMPENSATION.**

3.1 **Rate of Pay.** For all services performed by MARKS as the Interim Director of Water Resources under this Agreement, SCV Water shall pay MARKS compensation at the rate of \$107.35 per hour according to the public available pay schedule in place for SCV Water employees paid bi-weekly subject to the limitations provided below.

(a) **Compliance with CalPERS requirements.** It is the intent of the parties to compensate MARKS only to the extent permitted under Government Code sections 7522.56 and 21221(h), and corresponding CalPERS regulations and policy statements. The Rate of Pay set forth above is based on the salary limitations established by CalPERS and is not less than the minimum, nor more than the maximum rate of pay, for the position of Deputy Director of Water Resources as listed on SCV Water's publicly available pay schedule, divided by 173.333 to equal an hourly rate.

(b) **Recordation and Reporting of Hours Worked.** MARKS will comply with all applicable CalPERS regulations governing employment after retirement, including the recordation and reporting of all hours worked for SCV Water to CalPERS as may be required. SCV Water shall assist in any such reporting obligations to CalPERS. Additionally, MARKS shall keep SCV Water continually apprised of any hours worked by MARKS for other CalPERS Agencies during the term of this Agreement.

3.2 **Benefits.** Other than the compensation described in Section 3.1, MARKS will receive no other benefits, incentives, compensation in lieu of benefits, or any other form of compensation. MARKS understands and agrees that he is not, and will not be, eligible to receive any benefits from SCV Water, including any group plan for hospital, surgical, or medical insurance, any SCV Water retirement program, or any paid holidays, vacation, sick leave, or other leave, with or without pay, or any other job benefits available to an employee in the regular service of SCV Water, except for Worker's Compensation Insurance coverage or similar benefits required by state or federal law.

4. **TERMINATION.**

4.1 **By SCV Water.** This Agreement may be terminated by SCV Water for any reason thirty (30) days after providing written notice to MARKS of such termination. SCV Water's only obligation in the event of such termination will be payment to MARKS of all compensation then due and owing as set forth in Section 3.1 [Rate of Pay] up to and including the effective date of termination. However, this Agreement may be terminated immediately if necessitated by changes to CalPERS statutory or regulatory requirements.

4.2 **By MARKS.** This Agreement may be terminated by MARKS for any reason thirty (30) days after providing written notice to SCV Water of such termination. SCV Water shall have the option, in its complete discretion, to make MARKS' termination effective at any time prior to the end of such period, provided SCV Water pays MARKS all compensation as set forth in Section 3.1 [Rate of Pay] then due and owing his through the last day actually worked.

4.3 No Notice for Expiration. Nothing in this Section 4 [Termination] shall be construed to require either party to give advance written notice in order for the Agreement to expire as set forth in Section 2.2 [Term].

4.4 Termination Obligations. MARKS agrees that all property, including, without limitation, all equipment, tangible Proprietary Information (as defined below), documents, records, notes, contracts, and computer-generated materials furnished to or prepared by his incident to his employment belongs to SCV Water and shall be returned promptly to SCV Water upon termination of MARKS' employment. MARKS' obligations under this subsection shall survive the termination of his employment and the expiration of this Agreement.

5. **PROPRIETARY INFORMATION.** "Proprietary Information" is all information and any idea pertaining in any manner to the business of SCV Water (or any SCV Water affiliate), its employees, clients, consultants, or business associates, which was produced by any employee of SCV Water in the course of his/her employment or otherwise produced or acquired by or on behalf of SCV Water. Proprietary Information shall include, without limitation, trade secrets, product ideas, inventions, processes, formulae, data, know-how, software and other computer programs, copyrightable material, marketing plans, strategies, sales, financial reports, forecasts, and customer lists. All Proprietary Information not generally known outside of SCV Water's organization, and all Proprietary Information so known only through improper means, shall be deemed "Confidential Information." During his employment by SCV Water, MARKS shall use Proprietary Information, and shall disclose Confidential Information, only for the benefit of SCV Water and as is, or may be, necessary to perform his job responsibilities under this Agreement. Following termination, MARKS shall not use any Proprietary Information and shall not disclose any Confidential Information, except with the express written consent of SCV Water. MARKS' obligations under this Section shall survive the termination of his employment and the expiration of this Agreement.

6. **NOTICE.** Notices required pursuant to this Agreement shall be given by personal service upon the party to be notified or by delivery of same to the custody of the United States Postal Service, or its lawful successor, postage prepared and addressed as follows:

SCV Water
27234 Bouquet Canyon Road
Santa Clarita, CA 91350
Attn: General Manager

MARKS
Dirk S. Marks
[Address on File with Human Resources]

7. **REIMBURSEMENT.** SCV Water shall reimburse MARKS for authorized, reasonable and necessary travel expenses incurred by MARKS in the performance of his duties pursuant to this Agreement. MARKS shall document and claim said reimbursement for such travel in the manner and forms required by the SCV Water. All reimbursements shall be for actual expenses and shall be subject to and in accordance with California and federal law and SCV Water's adopted reimbursement policies. Such reimbursements **shall not be reported** to CalPERS. Other than as specifically provided herein, MARKS shall receive no other compensation or reimbursements for expenses incurred by his in performance of this Agreement.

8. **GENERAL PROVISIONS.**

8.1 **Waiver.** No waiver of any provision of this Agreement shall be deemed or shall constitute a waiver of any other provision whether or not similar, nor shall any such waiver constitute a continuing or subsequent waiver of the same provision. No waiver shall be binding, unless executed in writing by the party making the waiver.

8.2 **Integration.** This Agreement is intended to be the final, complete, and exclusive statement of the terms of MARKS' employment by SCV Water. This Agreement supersedes all other prior and contemporaneous agreements and statements, whether written or oral, express or implied, pertaining in any manner to the employment of MARKS, and it may not be contradicted by evidence of any prior or contemporaneous statements or agreements. To the extent that the practices, policies, or procedures of SCV Water, now or in the future, apply to MARKS and are inconsistent with the terms of this Agreement, the provisions of this Agreement shall control.

8.3 **Amendments.** This Agreement may not be amended except in a written document signed by MARKS and the General Manager.

8.4 **Assignment.** MARKS shall not assign any rights or obligations under this Agreement. SCV Water may, upon prior written notice to MARKS, assign its rights and obligations hereunder.

8.5 **Severability.** If a court or arbitrator holds any provision of this Agreement to be invalid, unenforceable, or void, the remainder of this Agreement shall remain in full force and effect.

8.6 **Attorneys' Fees.** In any legal action, arbitration, or other proceeding brought to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs.

8.7 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California, with venue proper only in Los Angeles County, State of California.

8.8 **Interpretation.** This Agreement shall be construed as a whole, according to its fair meaning, and not in favor of or against any party. By way of example and not in limitation, this Agreement shall not be construed in favor of the party receiving a benefit nor against the party responsible for any particular language in this Agreement. Captions are used for reference purposes only and should be ignored in the interpretation of the Agreement. This Agreement may be altered, amended or modified only by an instrument in writing, executed by the parties to this Agreement and by no other means. Each party waives their future right to claim, contest or assert that this Agreement was modified, cancelled superseded or changed by any oral agreement, course of conduct, waiver or estoppel.

8.9 **Acknowledgment.** MARKS acknowledges that he has had the opportunity to consult legal counsel in regard to this Agreement, that he has read and understands this Agreement, that he is fully aware of its legal effect, and that he has entered into it freely and voluntarily and based on his own judgment and not on any representations or promises other than those contained in this Agreement.

8.10 Status of Recruitment. SCV Water warrants that as of the Commencement Date it has initiated the process for the recruitment of a permanent replacement to the Director of Water Resources position.

IN WITNESS WHEREOF, SCV Water has caused this Agreement to be signed and executed on its behalf by the General Manager and duly attested to by its Board Clerk, and MARKS has signed and executed this Agreement, as of the date first indicated above.

MARKS

SCV WATER

Dirk S. Marks

Matthew G. Stone, General Manager

ATTEST:

APPROVED AS TO FORM:

Board Secretary


Best Best & Krieger LLP
General Counsel



COMMITTEE MEMORANDUM

DATE: December 7, 2021

TO: Finance and Administration Committee

FROM: Eric Campbell 
Chief Financial and Administrative Officer

SUBJECT: Update to the Recommendation for Approval of a Resolution Revising Wholesale Water Rates

SUMMARY

Agency staff has completed its wholesale water rate analysis that has resulted in a proposed new wholesale water rate structure and wholesale water rates. Currently, SCV Water provides wholesale water service to one agency, the Los Angeles County Waterworks District No.36 ("District 36"). In November, Staff reviewed the recommended new wholesale water rates with the Finance and Administration Committee. Two implementation options were discussed by the committee – one option to provide a transition path with an initial lower rate, and the other option to implement the new wholesale rate in April 2022, rather than in January 2022. Staff was directed to review any legal considerations with counsel and bring a recommended option to Board of Directors in December 2021.

Staff has consulted with legal counsel and due to a combination of factors, a preferred option has been selected and legal counsel has advised that the Agency not consider it until after January 1, 2022. This would provide the Agency with the benefit of recently enacted SB 323, which shortens the time during which a party may challenge new rates to 120 days. Further, counsel advised that the option of adopted new rates at their full cost of service that take effect in April 2022 was preferable to adopting transitional rates that do not recover the new determination of cost of service.

Thus, staff will prepare an item for approval of new wholesale water rates for Board consideration at the January 18, 2022 regular Board meeting, to take effect in April 2022. This will also provide our wholesale water rate customer with some advance notice of the change in rate.

FINANCIAL CONSIDERATIONS

The proposed rates will recover \$292,338 annually in fixed costs of providing District 36 with the readiness to serve water. Up to an additional \$257,300 (1250 AF x \$205.88 per AF) could be received by the Agency if District 36 purchased this amount of water. In recent years, District 36 purchases very little water.

RECOMMENDATION

That the Finance and Administration Committee consider this follow-up information to the Committee's prior direction on revising wholesale water rates.

EC

[This page intentionally left blank.]



ITEM NO.
5

Monthly Financial Report

AUGUST 2021

[This page intentionally left blank.]

Statements of Revenues and Expenses

[This page intentionally left blank.]

[This page intentionally left blank.]

Ten Largest Disbursements Check Register

[This page intentionally left blank.]

SCV Water

Ten Largest Disbursements August 1, 2021 to August 31, 2021

No.	Payee	Payment Date	Payment Amount
1	Newhall Land and Farming Co.	08-20-2021	1,563,014.13
2	Department of Water Resources	08-12-2021	1,067,319.00
3	Newhall Land and Farming Co.	08-20-2021	695,551.05
4	Newhall Land and Farming Co.	08-20-2021	410,238.50
5	ACWA	08-06-2021	287,106.56
6	Cedro Construction Inc.	08-20-2021	277,428.71
7	State Water Contractors	08-23-2021	228,923.00
8	GSE Construction Company Inc.	08-19-2021	206,504.61
9	GSE Construction Company Inc.	08-19-2021	202,825.00
10	Nossaman, LLP	08-20-2021	195,980.24
			5,134,890.80

Summary	5,134,890.80
----------------	---------------------

Summary-All Checks Issued During August 2021	11,582,539.76
---	----------------------

Largest Ten Vendor Payments as Compared to Total	44%
---	------------

[This page intentionally left blank.]

Director Stipends

[This page intentionally left blank.]

Director Reimbursements

[This page intentionally left blank.]

CA Govt. Code Section 53065.5

List of Reimbursement for "Individual Charges" = \$100 or more

[Annual Disclosure for Fiscal Year 20/21](#) [AP Transactions Updated as of: 8/31/21](#)

[P-Card \(VISA\) Transactions Updated as of:](#)

DIRECTORS

Date of Reimbursement	Recipient of Reimbursement	Reason for Reimbursement	Amount of Reimbursement
-----------------------	----------------------------	--------------------------	-------------------------

** No Transactions Aug 2021 **

[This page intentionally left blank.]

**Finance and Administration Committee
Planning Calendar
FY 2021/22**

Item	July 6 Board	July 19 Comm	Aug 3 Board	Aug 16 Comm	Sept 7 Board	Sept 20 Comm	Oct 5 Board	Oct 18 Comm	Nov 2 Board	Nov 15 Comm	Nov 16 Board	Dec 7 Board	Dec 13 RESCHEDULED Comm	Dec 21 Board	Jan 4 Board	Jan 18 Board	Jan 24 RESCHEDULED Comm	Feb 15 Board	Feb 28 RESCHEDULED Comm	Mar 15 Board	Mar 21 Comm	April 5 Board	April 18 Comm	May 3 Board	May 16 Comm	June 7 Board	June 20 Comm	June 21 Board
1	Approve a Resolution Allowing for PFAS Financing	C																										
2	Recommend Approval of Revised Customer Service Policy	C																										
3	Recommend Approval of a Contract Amendment with Equation Technologies for Project Management Services	C																										
4	Recommend Approval of Resolutions Setting Santa Clarita Valley Water Agency Tax Rate for FY 2021/22 and Requesting Levy of Tax by Los Angeles County and Ventura County (consent)	C																										
5	Recommend Approval of Resolution Authorizing July 2021 Water Supply Contract Payment (consent)	C																										
6	Recommend Receiving and Filing of April 2021 Monthly Financial Report (consent)	C																										
7	Recommend Approval of a Resolution Revising the Appropriations Limits for FY 2020/21 and FY 2021/22		C	C																								
8	Recommend Approval of a Resolution Authorizing FY 2021/22 Water Supply Contract Payments (consent)		C	C																								
9	Recommend Receiving and Filing of May 2021 Monthly Financial Report (consent)		C	C																								

ITEM NO.
6

**Finance and Administration Committee
Planning Calendar
FY 2021/22**

Item	July 6 Board	July 19 Comm	Aug 3 Board	Aug 16 Comm	Sept 7 Board	Sept 20 Comm	Oct 5 Board	Oct 18 Comm	Nov 2 Board	Nov 15 Comm	Nov 16 Board	Dec 7 Board	Dec 13 RESCHEDULED Comm	Dec 21 Board	Jan 4 Board	Jan 18 Board	Jan 24 RESCHEDULED Comm	Feb 15 Board	Feb 28 RESCHEDULED Comm	Mar 15 Board	Mar 21 Comm	April 5 Board	April 18 Comm	May 3 Board	May 16 Comm	June 7 Board	June 20 Comm	June 21 Board
10																												
11				C	C																							
12				C	C																							
13				C	C																							
14				C	C																							
15				P																								
16				C	C																							
17						C																						
18						C	C																					
19						C																						
20								C																				
21								C																				
22								C																				
23								P																				
24									C																			
25										C		P																
26										C		P																
27										C		P																

**Finance and Administration Committee
Planning Calendar
FY 2021/22**

	Item	July 6 Board	July 19 Comm	Aug 3 Board	Aug 16 Comm	Sept 7 Board	Sept 20 Comm	Oct 5 Board	Oct 18 Comm	Nov 2 Board	Nov 15 Comm	Nov 16 Board	Dec 7 Board	Dec 13 RESCHEDULED Comm	Dec 21 Board	Jan 4 Board	Jan 18 Board	Jan 24 RESCHEDULED Comm	Feb 15 Board	Feb 28 RESCHEDULED Comm	Mar 15 Board	Mar 21 Comm	April 5 Board	April 18 Comm	May 3 Board	May 16 Comm	June 7 Board	June 20 Comm	June 21 Board
28	Recommend Approval of a Revised Community Facilities District (CFD) Policy												P																
29	Discuss California Water and Wastewater Arrears Payment Program												P																
30	Recommend Receiving and Filing of SCV Water Annual Comprehensive Financial Report (ACFR) ended June 30, 2021 (consent)													P															
31	Recommend Approval of a Resolution Appointing Dirk S. Marks as Interim Director of Water Resources and Approving Employment Agreement													P															
32	Update to the Recommendation for Approval of a Resolution Revising Wholesale Water Rates													P															
33	Recommend Receiving and Filing of August 2021 Monthly Financial Report (consent)													P															
34	Recommend Approval of a Professional Services Agreement for Oracle Managed Services																												
35	Discuss Ratepayer Assistance Program																												
36	Recommend Approval of a Revised Investment Policy - (Annually adopted via reso) (consent)																												
37	Recommend Receiving and Filing of September 2021 Monthly Financial Report (consent)																												
38	Recommend Receiving and Filing of October 2021 Monthly Financial Report (consent)																												
39	Review Financial Performance Metrics																												
40	Recommend Receiving and Filing of November 2021 Monthly Financial Report (consent)																												
41	Recommend Receiving and Filing of December 2021 Monthly Financial Report (consent)																												
42	Recommend Approval of a Resolution Revising Wholesale Water Rates																												

**Finance and Administration Committee
Planning Calendar
FY 2021/22**

Item	July 6 Board	July 19 Comm	Aug 3 Board	Aug 16 Comm	Sept 7 Board	Sept 20 Comm	Oct 5 Board	Oct 18 Comm	Nov 2 Board	Nov 15 Comm	Nov 16 Board	Dec 7 Board	Dec 13 RESCHEDULED Comm	Dec 21 Board	Jan 4 Board	Jan 18 Board	Jan 24 RESCHEDULED Comm	Feb 15 Board	Feb 28 RESCHEDULED Comm	Mar 15 Board	Mar 21 Comm	April 5 Board	April 18 Comm	May 3 Board	May 16 Comm	June 7 Board	June 20 Comm	June 21 Board
43 Review Budget Calendar																												
44 Review Annual List of Professional Services Contracts (consent)																					P	P						
45 Technology Update																					P	P						
46 Recommend Receiving and Filing of January 2022 Monthly Financial Report (consent)																					P	P						
47 Recommend Approval of a Proposed Employee Salary Adjustment for FY 2022/23																							P	P				
48 Review Status of Operating FY 2021/22 and FY 2022/23 Biennial Budget																							P	P				
49 Recommend Receiving and Filing of February 2022 Monthly Financial Report (consent)																							P	P				
50 Recommend Approval of a Resolution Revising the FY 2021/22 and FY 2022/23 Biennial Budget																									P	P		
51 Approve a Resolution Adopting the Appropriation of All As-Yet Unappropriated Funds for FY 2021/22 (consent)																									P	P		
52 Approve a Resolution Adopting the Appropriation Limit for FY 2022/23 (consent)																									P	P		
53 Review Financial Performance Metrics																									P	P		
54 Recommend Receiving and Filing of March 2022 Monthly Financial Report (consent)																									P	P		
55 Recommend Approval of Resolution Authorizing July 2021 Water Supply Contract Payment																											P	
56 Technology Update																												P
57 Recommend Receiving and Filing of April 2022 Monthly Financial Report (consent)																												P