



SCV Water Agency Water Resources and Watershed Committee Meeting

Wednesday, December 13, 2023

Committee Meeting Begins at 5:30 PM

Members of the public may attend by the following options:

IN PERSON

Santa Clarita Valley Water Agency
Engineering Services Section
Boardroom
26521 Summit Circle
Santa Clarita, CA 91350

BY PHONE

Toll Free: 1-(833)-568-8864
Webinar ID: 160 152 2133

VIRTUALLY

Please join the meeting from your
computer, tablet or smartphone:
scvwa.zoomgov.com/j/1601522133

Have a Public Comment?

Members of the public unable to attend this meeting may submit comments either in writing to ekang@scvwa.org or by mail to Eunie Kang, Executive Assistant, Santa Clarita Valley Water Agency, 26501 Summit Circle, 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 Santa Clarita Valley Water Agency website prior to the start of the meeting. Anything received after 4:00 PM. the day of the meeting will be made available at the meeting, if practicable, and posted on the SCV Water website the following day. All correspondence with comments, including letters or emails, will be posted in their entirety. (Public comments take place during Item 2 of the Agenda and before each Item is considered. Please see the Agenda for details.)

This meeting will be recorded and the audio recording for all Committee meetings will be posted to yourSCVwater.com within 3 business days from the date of the Committee meeting.

Disclaimer: Attendees should be aware that while the Agency is following all applicable requirements and guidelines regarding COVID-19, the Agency cannot ensure the health of anyone attending a Committee meeting. Attendees should therefore use their own judgment with respect to protecting themselves from exposure to COVID-19.

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Date: December 6, 2023

To: **Water Resources and Watershed Committee**
Piotr Orzechowski, Chair
William Cooper
Dirk Marks
Gary Martin

From: Steve Cole, Assistant General Manager *SM*

The **Water Resources and Watershed Committee** meeting for **Wednesday, December 13, 2023 at 5:30 PM at 26521 Summit Circle, Santa Clarita, CA 91350 in the Engineering Services Section (ESS) Boardroom**. Members of the public may attend in person or virtually. To attend this meeting virtually, please see below.

IMPORTANT NOTICES

This meeting will be conducted in person at the address listed above. As a convenience to the public, members of the public may also participate virtually by using the **Agency's Call-In Number 1-833-568-8864, Webinar ID: 160 152 2133 or Zoom Webinar by clicking on the link scvwa.zoomgov.com/j/1601522133**. 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. However, in the event there is a disruption of service which prevents the Agency from broadcasting the meeting to members of the public using either the call-in option or internet-based service, this meeting will not be postponed or rescheduled but will continue without remote participation. The remote participation option is being provided as a convenience to the public and is not required. Members of the public are welcome to attend the meeting in person.

Attendees should be aware that while the Agency is following all applicable requirements and guidelines regarding COVID-19, the Agency cannot ensure the health of anyone attending a Committee meeting. Attendees should therefore use their own judgment with respect to protecting themselves from exposure to COVID-19.

Members of the public unable to attend this meeting may submit comments either in writing to ekang@scvwa.org or by mail to Eunie Kang, Executive Assistant, Santa Clarita Valley Water Agency, 26501 Summit Circle, 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 Santa Clarita Valley Water Agency website prior to the start of the meeting. Anything received after 4:00 PM the day of the meeting will be made available at the meeting, if practicable, and will be posted on the SCV Water website the following day. All correspondence with comments, including letters or emails, will be posted in their entirety.

MEETING AGENDA

ITEM

PAGE

1. **PLEDGE OF ALLEGIANCE**
2. **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. Members of the public wishing to comment on item covered in Closed Session before they are considered by the Committee must request to make the comment at the commencement of the meeting at 5:30 P.M. (Comments may, at the discretion of the Committee Chair, be limited to three minutes for each speaker.) To participate in public comment from your computer, tablet, or smartphone, click the “raise hand” feature in Zoom. You will be notified when it is your turn to speak, please unmute when requested. To participate in public comment via phone, dial *9 to raise your hand. When it is your turn to speak, dial *6 to unmute.
3. **CLOSED SESSION**
 - 3.1 Conference with Real Property Negotiators
Property: Devil’s Den Water District Property Encompassing Approx. 8,800 Acres Located in Kings and Kern Counties Along Hwy 33 North of Twisselman Road and South of Route 41
Agency Negotiators: Assistant General Manager Stephen L. Cole, Director of Water Resources Ali Elhassan, and Water Resources Planner Rick Vasilopoulos
Negotiating Parties: Intersect Power
Under Negotiation: Price and Terms of Payment
4. **CLOSED SESSION ANNOUNCEMENTS**
5. * Recommend Authorizing the General Manager to Enter into an Agreement for Purchase and Sale of Recycled Water Between City of Santa Clarita and SCV Water Agency 1
6. * Discuss and Consider Potential Amendment to the Deposit and Funding Agreement Between Santa Clarita Valley Water and DACA-Castaic LLC for Tapia Ranch 29
7. Water Resources Director’s Report – Staff Activities

8. Sustainability Manager Report – Staff Activities
9. * Committee Planning Calendar 93
10. Adjournment

* Indicates Attachment

● Indicates Handout

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 Eunie Kang, Executive Assistant, at (661) 297-1600, or email to ekang@scvwa.org or by writing to Eunie Kang, Santa Clarita Valley Water Agency, 26501 Summit Circle, 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 the Santa Clarita Valley Water Agency, located at 27234 Bouquet Canyon Road, Santa Clarita, CA 91350, during regular business hours. When practical, these public records will also be made available on the Agency's Internet Website, accessible at yourSCVwater.com.

Posted on December 6, 2023

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COMMITTEE MEMORANDUM

DATE: December 13, 2023

TO: Water Resources and Watershed Committee

FROM: Courtney Mael
Chief Engineer *CM*

SUBJECT: Recommend Authorizing the General Manager to Enter into an Agreement for Purchase and Sale of Recycled Water between City of Santa Clarita and SCV Water Agency

SUMMARY

The Vista Canyon Water Factory is producing recycled water and is under the City of Santa Clarita (City) ownership. The Santa Clarita Valley Water Agency (Agency), as the provider of Potable and Recycled water in the Santa Clarita Valley, would like to purchase the available recycled water from the City and distribute and sell the recycled water. This is the Agreement between the City and Agency to establish the roles and responsibility of the parties for the production and sale of recycled water as well as the cost for the purchase of recycled water from the City.

DISCUSSION

Recycled water is highly treated wastewater that is used for non-drinking water purposes. Recycled water has been delivered to the Santa Clarita / Valencia community since 2003. Currently, SCV Water delivers an average of 475 acre-feet per year to 13 irrigation sites, including a golf course, shopping center and street medians. The use of recycled water is a key component of our conservation and water use efficiency programs as every gallon of recycled water used results in a gallon of drinking water that can be saved for potable domestic uses.

The Vista Canyon Development in the eastern part of Santa Clarita Valley constructed as part of the development project, a waste water treatment plant. The treatment facility is called, The Water Factory and is capable of producing up to 371,000 gallons of recycled water per day. (Equivalent to 415.5 acre feet per year). The Developer transferred ownership of the Water Factory to the City of Santa Clarita.

The City adopted a Recycled Water Ordinance, Ordinance No. 19-3 (“**Ordinance**”) on July 9, 2019. The Ordinance establishes requirements for all users of the City’s recycled water, including the requirement that all users execute a user agreement. This Agreement constitutes the user agreement required by the Ordinance. The City will make available and sell to the Agency the recycled water produced at the Water Factory in accordance with the terms of this Agreement and Ordinance 19-3.

STRATEGIC NEXUS

This Agreement is in support of strategic goal C 3.3, Work with agencies to develop foundation for a successful recycled water program.

FINANCIAL CONSIDERATIONS

None at this time

RECOMMENDATION

That the Water Resources and Watershed Committee recommend that the Board of Directors authorize the General Manager to execute Agreement for Purchase and Sale of Recycled Water between Santa Clarita Valley Water Agency and the City of Santa Clarita.

Attachment
Agreement for Purchase and Sale of Recycled Water

AGREEMENT FOR PURCHASE AND SALE OF RECYCLED WATER

This Agreement for Purchase and Sale of Recycled Water (“**Agreement**”) is dated _____, 2023 (“Effective Date”) and is between the City of Santa Clarita (the “**City**”) and the Santa Clarita Valley Water Agency (“**SCVWA**”). The City and the SCVWA are referred to in this Agreement individually as a “**Party**” and collectively as the “**Parties**.”

RECITALS

This Agreement is made and entered into on the basis of the following facts and understandings of the Parties set forth in these recitals:

A. The City is a municipality located within Los Angeles County, more specifically within the Santa Clarita Valley.

B. SCVWA is a wholesale and retail water agency formed by SB 634 which went into effect on January 1, 2018 and is the merger of Castaic Lake Water Agency, Valencia Water Company, Newhall Water Agency and Santa Clarita Water Agency. SCVWA is the exclusive purveyor of potable and recycled water within its boundaries, including within the City of Santa Clarita and for the Vista Canyon project. SCVWA currently purchases recycled water from the Santa Clarita Valley Sanitation District from the Valencia Water Reclamation Plant for distribution and use in the western portion of its service area.

C. The City will own, operate and maintain a water reclamation factory known as the Vista Canyon Water Factory (“**Water Factory**”) located at 17365 Humphreys Parkway, Santa Clarita, CA, 91387. The City presently owns the land where the Water Factory is located.

D. On April 16, 2020, the Regional Water Board adopted WDRs and WRRs, as Order No. R4-2020-0049, to regulate the proposed discharge of disinfected tertiary wastewater generated at the Water Factory for non-potable recycled water applications.

E. The Water Factory will be designed to treat wastewater generated by the Vista Canyon project, and to treat a portion of the wastewater flow from an existing City sewer line serving existing development upstream of the Water Factory. The Water Factory will produce disinfected tertiary recycled water in accordance with all applicable state and federal standards, including the California Code of Regulations Title 22 requirements.

F. The Water Factory has a design capacity of 392,135 gallons per day (“**gpd**”) (equivalent to 439.2 acre-feet per year), and is expected to produce approximately 371,000 gpd (equivalent to 415.5 acre-feet per year) of recycled water.

G. The City adopted a Recycled Water Ordinance, Ordinance No. 19-3 (“**Ordinance**”) on July 9, 2019. The Ordinance establishes requirements for all users of the City’s recycled water, including the requirement that all users execute a user agreement. This Agreement constitutes the user agreement required by the Ordinance.

H. The City will make available and sell to the SCVWA the recycled water produced at the Water Factory in accordance with the terms of this Agreement and Ordinance 19-3.

The Parties therefore agree as follows:

1. **Definitions.** For the purposes of this Agreement, the terms below have the following definitions:
 - 1.1. “**AFY**” means acre-feet per year.
 - 1.2. “**Agreement**” means this Agreement for Purchase and Sale of Recycled Water.
 - 1.3. “**Alternative Water**” means the water supply provided by the SCVWA which may include groundwater, imported water, or other water sources.
 - 1.4. “**City Engineer**” means the City Engineer and/or the Director of Public Works of the City or his or her authorized designee.
 - 1.5. “**City**” means the City of Santa Clarita.
 - 1.6. “**DDW**” means the State Water Resources Control Board Department of Drinking Water.
 - 1.7. “**Fiscal Year**” means the City’s fiscal year, beginning on July 1 of any given year, and continuing through June 30 of the following calendar year.
 - 1.8. “**gpd**” means gallons per day.
 - 1.9. “**Neighbor Issues**” Includes odor, noise and other complaints or concerns generated from the public around the area of treatment or area of use.
 - 1.10. “**Off-Site SCVWA Facilities**” means facilities constructed, operated, or maintained by or on behalf of the SCVWA, which are not physically located on the Water Factory or City property, and

which the SCVWA uses to draw, convey, or distribute recycled water.

- 1.11. **“Ordinance”** means the *Ordinance Providing for the Establishment and Enforcement of Regulations Pursuant to the Water Recycling Requirements for Recycled Water Users*, also known as the City’s Recycled Water Ordinance, adopted July 9, 2019, and as may be amended from time to time, and attached as Exhibit A.
- 1.12. **“On-Site SCVWA Water Factory Facilities”** means facilities constructed, operated, or maintained by or on behalf of the SCVWA which are physically located on the Water Factory or City property, and which the SCVWA uses to draw, convey, or distribute recycled water as contemplated on Exhibit B. These facilities shall be owned by the SCVWA.
- 1.13. **“Party” or “Parties”** means the City and the SCVWA, either individually or collectively, who have entered into this Agreement.
- 1.14. **“Permit”** means any permit (e.g. WRR or Master Reclamation Permit) issued by the Regional Board to the City relating to the use of recycled water.
- 1.15. **“Public Health”** means the Los Angeles County Department of Public Health.
- 1.16. **“Recycled Water Distribution System”** means the recycled water distribution system owned and operated by SCVWA.
- 1.17. **“Regional Board”** means the California Regional Water Quality Control Board, Los Angeles Region.
- 1.18. **“Reuse Site”** means an authorized location at which recycled water provided by the SCVWA is used.
- 1.19. **“Regulations”** means the City’s *“Requirements for Recycled Water Users,”* which is attached as Exhibit A.
- 1.20. **“SCVWA”** means the Santa Clarita Valley Water Agency.
- 1.21. **“Termination Date”** shall have the meaning set forth in Section 2 of this Agreement.
- 1.22. **“Vista”** means Vista Canyon Ranch, LLC, the project proponent for the Vista Canyon project, or its successors or assigns.

- 1.23. **“Vista Canyon project”** means the Vista Canyon Specific Plan approved by the City on May 10, 2011, and its related entitlements.
- 1.24. **“Water Factory”** means the Vista Canyon Water Factory.
- 1.25. **“WDR”** means the Waste Discharge Requirements established for the Water Factory’s percolation ponds by the Regional Board.
- 1.26. **“WRR”** means the Water Reclamation Requirements or Water Recycling Requirements established for the Water Factory by the Regional Board.

2. **Principal Duties and Privileges of the Parties.**

- 2.1. The City shall make available to the SCVWA up to 371,000 gpd of recycled water produced by the Water Factory.
- 2.2. The City will provide SCVWA daily records of recycled water delivered to SCVWA from the City’s recycled water meter located at the Water Factory, on a monthly basis.
- 2.3. SCVWA will reimburse the City on quarterly basis for recycled water delivered to SCVWA based upon the metering records provided by the City.
- 2.4. SCVWA will be the exclusive retail seller of water produced at the Vista Plant.
- 2.5. The City will own, operate and maintain the Water Factory.
- 2.6. The City will be responsible for treatment and all matters, costs and liabilities related to or associated with treatment of the recycled water including all onsite equipment and facilities at the Water Factory, excluding only the Onsite SCVWA Water Factory Facilities.
- 2.7. SCVWA will be responsible for delivery and all matters, costs and liabilities related to or associated with delivery of the recycled water including the distribution pipelines after it leaves the Water Factory site and all associated appurtenances and the Recycled Water Reservoir.
- 2.8. The City will be responsible for all permitting and compliance associated with production of water at the Water Factory, including meeting applicable current and future standards for recycled water treatment and use, including but not limited to any requirements imposed by DDW, the Regional Board, the United States

Environmental Protection Agency and any other relevant state, federal or local agency.

- 2.9. SCVWA will be responsible for all permitting and compliance associated with the recycled water delivery system and use of recycled water by retail customers, including but not limited to any requirements imposed by DDW, the Regional Board, the United States Environmental Protection Agency and any other relevant state, federal or local agency.
- 2.10. The City will be responsible for “neighbor issues” associated with the treatment and related collection system.
- 2.11. SCVWA will be responsible for “neighbor issues” associated with the recycled water delivery system.
- 2.12. The City will grant SCVWA an easement for locating, accessing and operating the Onsite SCVWA Water Factory Facilities; the easement shall be at no cost, however, SCVWA will cover staff, title, and other-related costs.
- 2.13. SCVWA has no financial obligation for operations and maintenance of the Water Factory; however, SCVWA will pay for recycled water based upon metered amounts of recycled water actually used by SCVWA.
- 2.14. The City has no financial obligation for operations and maintenance of the Recycled Water Distribution System; however, as provided herein, the City shall provide water for distribution that meets all applicable requirements.
- 2.15. The City will make reasonable best efforts to operate the Water Factory in compliance with applicable regulatory standards for the provision of recycled water to SCVWA.
- 2.16. SCVWA shall make reasonable best efforts to utilize available recycled water but shall have no obligations or liabilities associated with a failure to take water from the Water Factory.
- 2.17. SCVWA will provide water service to the City, including recycled water service in accordance with the service terms and conditions and at current prices adopted by the SCVWA Board of Directors applicable to such service. No separate obligation to provide water service is conferred upon SCVWA by this Agreement nor is any obligation to use water conferred to the City by this Agreement.

- 2.18. The City and SCVWA shall cooperate in all permitting efforts and share information and access as necessary for each to comply with applicable law.
- 2.19. The SCVWA may at their sole discretion provide supplemental water to meet peak irrigation needs of its recycled water users if the Water Factory's output is not sufficient to meet demand.
- 2.20. The SCVWA shall pay the City for all recycled water drawn from the Water Factory at the per-unit price described in Section 7, and pursuant to the payment provisions described in Section 8.
- 2.21. The City will comply with all applicable Permit requirements of the Regional Board for the Water Factory.
- 2.22. SCVWA will comply with all applicable Permit requirements of the Regional Board for the Water Factory and for the Recycled Water Distribution System.
- 2.23. SCVWA will adopt Recycled Rules and Regulations and obtain any and all permits and regulatory approvals necessary to utilize recycled water and operate the Recycled Water Distribution System.

3. **Records and Reports.** The City shall report in writing to the SCVWA as follows:

- 3.1. **City Monthly Reports.** Within 30 days after the end of each calendar month, the City shall report in writing to the SCVWA: The total volume of recycled water drawn during that month and the relevant meter readings; City shall ensure that the meter is calibrated on an as needed basis and at a minimum interval of once every five years.
- 3.2. **SCVWA Right of Entry and Examination.** SCVWA or its representative may enter the City's recycled water facilities for the purpose of verifying the volume and conformance with all water reuse regulations. Accordingly, the City shall provide SCVWA with a right-of-entry at the Water Factory for the purpose of this verification. In addition, upon request by the SCVWA, the City shall provide full access to the City's meter and to any records that measure, register, record, or reflect recycled water flow, delivery, or distribution volumes.

- 3.3. **SCVWA Monthly Reports.** Within 30 days after the end of each calendar month, SCVWA shall report in writing to the City:
 - A. The total volume delivered or distributed during that month to each Reuse Site; and
 - B. The type of use of recycled water at each Reuse Site.
- 3.4. **Annual Reports.** Within 45 days after the end of each fiscal year, the SCVWA shall report to the City:
 - A. All Reuse Site contact persons and inspection activities for that fiscal year.
- 3.5. **City's Right of Entry and Examination.** The City or its representative may enter any of the SCVWA's recycled water facilities and any Reuse Site for the purpose of verifying the volume or type of use of recycled water reported by the SCVWA, and conformance with all water reuse regulations. Accordingly, SCVWA shall provide the City with a right-of-entry at each Reuse Site for the purpose of this verification. In addition, upon request by the City, the SCVWA shall provide full access to any of the SCVWA's or Reuse Sites' meters and to any records that measure, register, record, or reflect recycled water flow, delivery, or distribution volumes.

4. **Treatment and Water Quality.**

- 4.1. **Applicable Water Reclamation Requirements.** The City shall make available to the SCVWA recycled water that conforms to all applicable federal, state and local health and water quality requirements for recycled water, the Permit, or any similar regulation adopted by the Regional Board for the Water Factory.
- 4.2. **More Stringent Water Reclamation Requirements.** If the Regional Board imposes WRRs more stringent than, the City may, at its discretion and at its expense, undertake steps to meet the more stringent WRRs and shall indicate to the SCVWA in writing such intent within 90 days after the adoption of the more stringent WRRs by the Regional Board.
- 4.3. **Point of Compliance of Water Quality.** The point of compliance for determining whether the recycled water provided by the City meets the applicable Permit requirements will be immediately after the final treatment process at the Water Factory, but before the on-site recycled water storage and recycled water pump station. Notwithstanding the foregoing, the City shall bear all legal and

regulatory responsibility associated with the production of recycled water at the Water Factory including the water quality leaving the Water Factory. Legal and regulatory responsibility shall pass from the City to the SCVWA at the point of entry to the Recycled Water Distribution System.

5. **Distribution and Delivery.**

5.1. **Distribution.** The SCVWA may sell or transfer the recycled water that SCVWA purchases from the City under this Agreement to third parties.

5.2. **Non-Water Factory Facilities.**

A. **Costs of Facilities.** The SCVWA shall bear all construction, operation, and maintenance costs for all delivery and distribution facilities related to the SCVWA's sale or transfer of recycled water from the Water Factory to third parties or to any Reuse Site maintained by the SCVWA, excepting construction costs associated with the Vista Canyon project within the project boundaries, which shall be bore by the Developer.

B. **Approval of Distribution Facilities.** Any new or extended portion of the SCVWA's recycled water distribution system must first be approved by Public Health and Regional Board before beginning deliveries of recycled water through that portion of the system. The SCVWA and the City shall cooperate in order to prepare and submit an engineering report detailing the new or extended distribution system for approval by Public Health and the Regional Board. The SCVWA shall prepare and pay for the engineering report, and provide a copy of the report to the City. The SCVWA shall submit the engineering report to Public Health and the Regional Board.

5.3. **Usage.**

A. **Legal and Regulatory Responsibility.** In accord with Section 2 of this Agreement, SCVWA shall bear all legal and regulatory responsibility associated with the use of the recycled water it draws from the Water Factory. The City shall bear all legal and regulatory responsibility associated with the production of recycled water at the Water Factory including the water quality leaving the Water Factory, as specified in Section 4.3 of this agreement. Legal and

regulatory responsibility shall pass from the City to the SCVWA at the point of entry to the Recycled Water Distribution System.

B. **Permissible Uses.** The SCVWA acknowledges that recycled water has limited uses. The SCVWA shall ensure that the recycled water drawn from the Water Factory is only used for those uses or purposes that are legally permissible under:

- i. California law; and
- ii. The established WRRs issued by the Regional Board for the Water Factory; and
- iii. Public Health's Water Recycling Criteria contained in Title 22, Division 4, Chapter 3 of the California Code of Regulations as may be amended from time to time; and
- iv. The directions of any and all regulatory agencies with appropriate jurisdiction.

C. **Compliance with City Regulations.** The SCVWA shall comply with, and shall cause all Reuse Sites to which it distributes or delivers water to comply with the City's Ordinance and Regulations, attached as Exhibit A, or any subsequent revisions to that Ordinance and/or Regulations.

D. **Reuse Sites.**

- i. The SCVWA shall notify the City prior to first initiating the delivery of recycled water to a Reuse Site.
- ii. The SCVWA shall oversee all Reuse Sites that obtain recycled water from the SCVWA in conformity with the Regulations attached as Exhibit A, or any subsequent revisions to these Regulations.
- iii. The SCVWA shall ensure, by agreement, ordinance, or other administrative mandate, that each Reuse Site is managed in accordance with the rules, regulations, guidelines, and any other pertinent criteria for such use mandated by Public Health and other regulatory agencies with appropriate

jurisdiction, while ensuring the Reuse Site does not constitute a nuisance.

- iv. The SCVWA shall provide a copy of the effective WRRs, and the City's Ordinance and Regulations to each recycled water user.
- v. **Inspections.** The SCVWA shall periodically inspect all Reuse Sites that obtain recycled water from the Water Factory, including third party users, and perform cross-connection shut down tests, when required, in accordance with: the California Water Code; the most recent version of the Water Recycling Criteria contained in Title 22 of the California Code of Regulations; and orders and directives from the regulatory agencies with appropriate jurisdiction. The SCVWA shall supply copies of all inspection reports to the City in connection with their annual reporting requirements, or upon request by the City.
- vi. **Right of Access.** The City or its authorized representative may enter upon any Reuse Site at any time for purposes of verifying compliance with requirements under Water Code Section 13523.1(b)(5) and the City's Regulations. The SCVWA shall include this right of City access in any agreement to supply recycled water to Reuse Sites.

6. **Interruption of Service.**

- 6.1. The SCVWA acknowledges that factors beyond the control of the City could cause operational difficulties or other constraints at the Water Factory resulting in the production of recycled water that does not meet the established WRRs. If that occurs, the Director of Public Works may temporarily limit availability of recycled water from the Water Factory.
- 6.2. The City will not be liable for any costs or damages incurred by the SCVWA arising out of or relating to any interruption in service or limitation of availability due to an inability of the City to meet the current Permit requirements. The City will use reasonable efforts to re-establish the availability of recycled water to the SCVWA. The SCVWA acknowledges that alternative water may be necessary to prevent any damages that might result from an interruption in the

supply of recycled water from the Water Factory. The City shall not be liable for consequential damages resulting from temporary outages of the recycled water supply resulting from causes outside the reasonable control of the City. The SCVWA hereby releases the City from any and all claims and actions arising out of an interruption in service.

- 6.3. The SCVWA will not be liable and the City hereby releases the SCVWA for any costs or damages incurred by the SCVWA or the City arising out of or relating to water quality complaints or fines due to an inability of the City to meet the current WDRs and/or WRRs.

7. Pricing Policy.

- 7.1. The cost of water for SCVWA will initially be \$175.35 / AF, annually escalating at the consumer price index rate. This cost is equal to the price charged to SCVWA by the Santa Clarita Valley Sanitation District (SCVSD) for recycled water.
- 7.2. For the purposes of this Agreement, the annual per acre foot baseline payment rate will be increased on July 1 by an amount equal to the change in the CPI during the immediately preceding 12-month period ending December 31 ("CPI Adjustment"), with a minimum 2% increase and maximum 5% increase. For purposes of this Agreement, "CPI" means the Consumer Price Index – All Items for All Urban Customers, Los Angeles-Long Beach-Anaheim area published by the United States Department of Labor, Bureau of Labor Statistics (or a reasonably equivalent index if such index is discontinued).
- 7.3. If the cost formula provided in this Agreement results in a price disparity between what SCVWA pays the City for recycled water and what SCVWA pays the SCVSD for water, the price will be revised to match the SCVSD price for water, as so long as the price does not cause the City to operate at a deficit.
- 7.4. Should the City agree to purchase recycled water from SCVWA, it shall pay for the recycled water at the rate in effect for all recycled water customers at the time of the purchase.
- 7.5. The City may increase the price of recycled water commensurate with the additional expense of meeting the more stringent WRRs, if applicable, and SCVWA agrees to pay the increased price as of the date the City completes the above-mentioned steps and sets the increased price. If City chooses not to comply with more stringent WRR's, then the SCVWA is not required to take the recycled water.

8. Invoice and Payment.

- 8.1. **Quarterly Estimated Invoices.** Within 60 days after the end of each of the quarter of each fiscal year, the City will invoice the SCVWA for the price of the recycled water drawn by the SCVWA during that period.
- 8.2. **Payment.** The SCVWA shall pay the full amount of each invoice within 45 days after the date of the invoice from the City.
- 8.3. **Failure to Timely Pay.** Interest will accrue at the rate of 10% per year for all invoices that remain unpaid after 45 days.

9. Term and Termination

- 9.1. **Duration.** The Agreement shall be a 25-year term and shall renew automatically for a one-year term, annually, unless and until otherwise terminated by the Parties.
- 9.2. **Termination.** Any party may terminate this Agreement by providing the other party with written notice ninety (90) days in advance of the termination date.
- 9.3. **Costs.** If the City terminates this Agreement, or otherwise ceases producing recycled water during the term of this Agreement, the City will reimburse the SCVWA for the costs that SCVWA has incurred constructing and installing infrastructure necessary to operate the Recycled Water Distribution System. The cost to the City will be 50% of the cost of SCVWA's infrastructure reduced in an amount equal to the depreciated value of the infrastructure at the time of termination. The depreciation method shall be mutually agreed upon and the method shall be used for current and future infrastructure. Further, should SCVWA build new infrastructure needed for the Recycled Water Distribution System, SCVWA shall notify the City, as early as feasible, and provide a depreciation schedule upon request. This clause shall be null if the City terminated for reasons beyond its control, such as a result of a catastrophe event (e.g. major earthquake, fire, etc.) that would make it cost prohibitive to rebuild.

10. Liabilities and Indemnities.

10.1. **General Indemnity.** The SCVWA and the City shall indemnify each other and each of their respective officers, directors, agents, and employees from and against any and all claims, actions, suits, causes of action (whether legal, equitable, or administrative), liabilities, losses, costs, demands, damages, attorneys' fees and other expenses, which arise out of or are otherwise related to their performance of and/or compliance with the terms and conditions of this Agreement, except for any claims related to or arising out of the sole negligence or willful misconduct of the other party or any representative of the other party, and provided that the water delivered by the City to SCVWA meets the requirements required by this Agreement. This indemnity includes, but is not limited to, causes of action based on strict liability for defective products, breach of warranty, strict liability for abnormally dangerous activities, dangerous condition of public property, inverse condemnation, trespass, nuisance, and negligence.

10.2. **Regulatory Fines Indemnity.**

A. The SCVWA acknowledges that the City, as the entity holding the Permits for the Water Factory, may be subject to monetary fines or penalties imposed by the Regional Board for violations of the Permits.

B. If the City becomes the responsible party in an action resulting in a fine or penalty, the City shall be financially responsible for the payment of that fine or penalty.

C. If the City finds upon substantial evidence that the SCVWA is responsible for any action resulting in a fine or penalty, the SCVWA shall review such claim and upon agreement reimburse the City for the total amount within 45 business days after receiving notice of any such fine or penalty. In such events, both parties shall work in good faith to resolve issues.

D. If the City finds that a third-party purchaser of recycled water from the SCVWA is responsible for any action resulting in such a fine or penalty, the SCVWA shall join with the City in any legal or other effort to recover for the City all or a part of the fine or penalty imposed against the City by the Regional Board for such action. The SCVWA and City shall share in the payment of any legal or other fees, costs, or expenses incurred to recover from the responsible third party.

E. Notwithstanding paragraph 10.1 to this Agreement, the SCVWA shall indemnify the City and its directors, agents, and employees from and against any and all claims, actions, suits, causes of action (whether legal, equitable, or administrative), liabilities, losses, costs, demands, damages, attorneys' fees and other expenses, which arise out of or are otherwise related to the City's entry onto any Reuse Site for the purpose of verifying compliance as described in this section, unless the City was negligent in its management of the Reuse Site.

F. Notwithstanding paragraph 10.1 to this Agreement, the City shall indemnify the SCVWA and its directors, agents, and employees from and against any and all claims, actions, suits, causes of action (whether legal, equitable, or administrative), liabilities, losses, costs, demands, damages, attorneys' fees and other expenses, which arise out of or are otherwise related to the SCVWA's entry onto the Water Factory for any purpose associated with or arising from this Agreement, under SCVWA or its representative is negligent while conducting business at the Water Factory.

G. The SCVWA shall notify the City of any spills of recycled water in accordance with criteria established by the City in its Ordinance and in its Regulations and shall indemnify the City and its directors, agents, and employees from and against any and all claims, actions, suits, causes of action (whether legal, equitable, or administrative), liabilities, losses, costs, demands, damages, attorneys' fees and other expenses, which arise out of or are otherwise related to any spills of recycled water.

11. **Insurance.** The parties to this Agreement shall at all times carry insurance sufficient to meet their obligations under this Agreement.

12. **Assignments.**

12.1. The SCVWA may not transfer or assign any of its rights or duties under this Agreement without the prior written consent of the City.

12.2. The City may not transfer or assign any of its rights or duties under this Agreement without the prior written consent of SCVWA.

13. **Notices.** All notices, correspondence, reports, or other written documents exchanged between the Parties under this Agreement must be addressed to the City or the SCVWA as set forth below or as the City or the SCVWA may later designate in writing, and shall be sent through the United States mail, duly registered or

certified, return receipt requested, with postage prepaid thereon, or by any other method providing positive proof of delivery.

13.1. **TO CITY**
Director of Public Works
City of Santa Clarita
23920 Valencia Blvd., Suite 302
Santa Clarita, CA 91355

13.2. **TO SCVWA**
General Manager
Santa Clarita Valley Water Agency
27234 Bouquet Canyon Road
Santa Clarita, California 91350

14. **General Provisions.**

- 14.1. **Integration.** This Agreement, together with its Exhibits, supersedes any and all other agreements, either oral or in writing, between the Parties with respect to the subject matter herein. Each Party to this Agreement acknowledges that no representation by either Party, which is not embodied in this Agreement, nor any other agreement, statement, or promise contained in this Agreement, shall be valid and binding.
- 14.2. **Modification.** Any modification of the Agreement shall be effective only if it is in writing and signed by all Parties.
- 14.3. **Interpretation.** Each Party has received independent legal advice from its attorneys with respect to the advisability of executing this Agreement and the meaning of its provisions. This Agreement has been drafted through a joint effort of the Parties and their counsel and therefore shall not be construed against either of the Parties, but instead in accordance with its fair meaning.
- 14.4. **Choice of Law and Venue.** This Agreement is governed by California law. Any legal action arising out of this Agreement must be brought in the Los Angeles County Superior Court, Central Division.
- 14.5. **Arbitration.** Before filing any claims in Superior Court, the Parties agree to submit all claims or disputes arising out of or relating to this Agreement to non-binding arbitration, to be decided according to the rules of the American Arbitration Association. The Parties shall mutually select and equally share in the cost of the services of an arbitrator. In the event that the dispute is not resolved following

arbitration, it shall be brought in the Los Angeles County Superior Court, Central Division.

- 14.6. **Attorneys' Fees.** In the event of any legal proceeding arising from or related in any way to a breach of or an enforcement or interpretation of this Agreement, the prevailing Party will be entitled to recover reasonable attorneys' fees and court costs from the other Party.
- 14.7. **Counterparts.** This Agreement may be executed in duplicate originals, one for each Party, each of which duplicate original shall be deemed to be an original, but all of which shall constitute one and the same agreement.
- 14.8. **Director of Public Works Authority.** The Director of Public Works is delegated the authority to take all actions on behalf of the City in connection with any approvals, consents, or actions required of or by the City under this Agreement and to approve and execute minor amendments to the terms of this Agreement. Minor amendments shall be defined as those which would not effectuate an increased cost to the City or impact City revenue.
- 14.9. **Force Majeure.** If the performance of any act required of any Party is directly prevented or delayed by reason of strikes, lockouts, labor disputes, unusual governmental delays, acts of God, fire, floods, epidemics, freight embargoes, or other causes beyond the reasonable control of the Party required to perform an act, that Party shall be excused from performing that act for a period of time equal to the period of time of the prevention or delay; provided that the Party claiming the has notified the other Party in writing of that fact within 10 calendar days after the beginning of any such delay.
- 14.10. **Severability.** The unenforceability, invalidity, or illegality of any provision of this Agreement shall not render any other provision of this Agreement unenforceable, invalid, or illegal to the extent practicable or provided by law.

Signatures on Following Page

The parties are executing this Agreement on the day and year stated above.

SANTA CLARITA VALLEY WATER
AGENCY SCVWA

CITY OF SANTA CLARITA

By: _____
General Manager

By: _____
City Manager

ATTEST

ATTEST

By: _____

By: _____
City Clerk

APPROVED AS TO FORM

APPROVED AS TO FORM

By: _____

By: _____
City Attorney

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EXHIBIT A

*Ordinance Providing for the Establishment and Enforcement of Regulations Pursuant to
the Water Recycling Requirements for Recycled Water Users*

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Chapter 15.18

WATER RECYCLING AT THE WATER FACTORY

Sections:

[15.18.010 Title.](#)

[15.18.020 Purpose.](#)

[15.18.030 Prohibition on Sale, Distribution, or Use without Wholesale-Recycled Water Purchase Agreement.](#)

[15.18.040 Authority.](#)

[15.18.050 Violation—Penalty.](#)

15.18.010 Title.

The ordinance codified in this chapter shall be known as the “City of Santa Clarita recycled water ordinance” and may be cited as such. (**Ord. 19-3** § 2, 7/9/19)

15.18.020 Purpose.

The purpose of this chapter is to provide for the establishment and enforcement of regulations pertaining to the sale and use of recycled water produced at the Water Factory. (**Ord. 19-3** § 3, 7/9/19)

15.18.030 Prohibition on Sale, Distribution, or Use without Wholesale-Recycled Water Purchase Agreement.

A. No person may purchase, sell, distribute or use (either directly or through an intermediate party) recycled water produced at the Water Factory unless such sale, distribution, or use is governed by, in accord with, or pursuant to the requirements of a wholesale-recycled water purchase agreement with the City. As used in this chapter, the term “person” shall include natural persons, corporations, any city, county, district, joint powers authority, the state, and the United States, to the extent authorized by federal law.

B. Wholesale-recycled water purchase agreements shall govern resale and use of recycled water produced at the Water Factory, and incorporate the terms and conditions of all applicable waste discharge requirements, water reclamation requirements, and other applicable orders of the California State Water Resources Control Board, and the California Regional Water Quality Control Board, Los Angeles Region; and applicable requirements of state and federal law, including but not limited to the Federal Clean Water Act ([33 U.S.C. 1251](#) through [1388](#)); the Federal Safe Drinking Water Act ([42 U.S.C. 300f](#) through [300j-27](#)); the California Porter-Cologne Water Quality Control Act (California Water

Code [13000](#) through [16104](#)), and Title 22, Division 4, Chapter 3 of the California Code of Regulations.

C. Prior to initiating delivery of any recycled water from the Water Factory, the City Engineer shall enter into a wholesale-recycled water purchase agreement with SCV Water or any other person who is authorized by state law to distribute recycled water within the City's jurisdiction. (Ord. 19-3 § 4, 7/9/19)

15.18.040 Authority.

The City Engineer is granted authority to establish rules and regulations governing the use of recycled water as necessary, which shall be in accordance with existing law. The City Engineer shall administer, implement, and enforce the provisions of this chapter. Any powers granted to or duties imposed upon the City Engineer may be delegated to persons acting in the beneficial interest of, or in the employ of, the City. (Ord. 19-3 § 5, 7/9/19)

15.18.050 Violation—Penalty.

Upon a written determination of the City Engineer that a violation of this chapter has occurred, such action shall constitute a basis for:

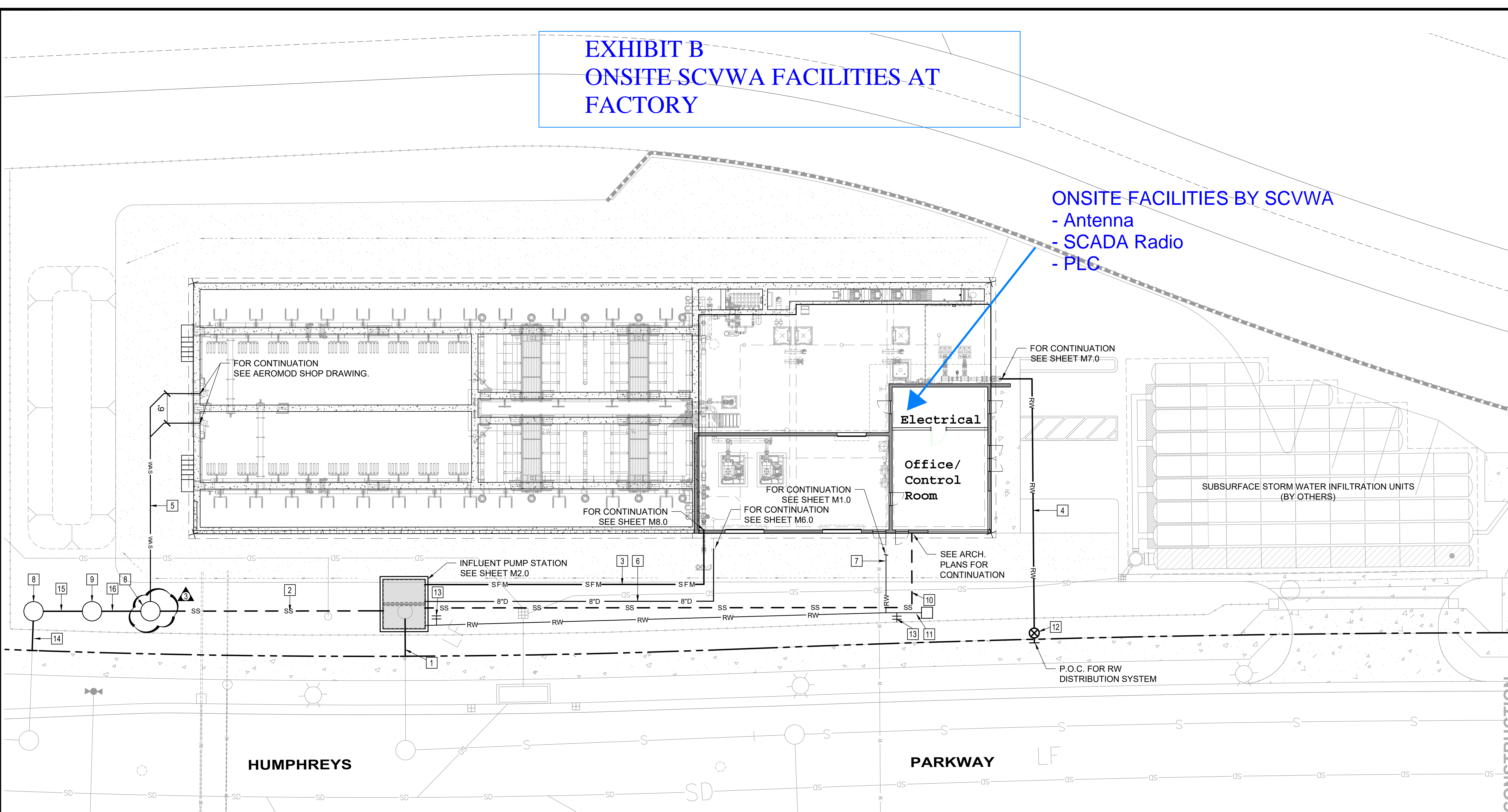
- A. Termination of any user agreement;
- B. Immediate cessation of recycled water delivery;
- C. The City Engineer shall adopt notice and hearing procedures to implement this section, which shall be consistent with the rights afforded by due process. (Ord. 19-3 § 6, 7/9/19)

EXHIBIT B
On-Site SCVWA Water Factory Facilities

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EXHIBIT B ONSITE SCVWA FACILITIES AT FACTORY

ONSITE FACILITIES BY SCVWA
 - Antenna
 - SCADA Radio
 - PLC



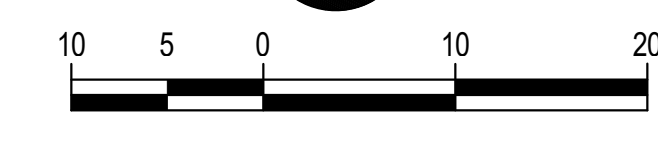
LINETYPE LEGEND

---	SS	SANITARY SEWER
---	RW	RECYCLED WATER
---	PW	POTABLE WATER
---	SFM	SEWER FORCE MAIN
---	D	DRAIN
---	WAS	WAS
---	SD	STORM DRAIN (BY OTHERS)
---	S	SEWER (BY OTHERS)
---		PROPERTY LINE

- CONSTRUCTION NOTES**
- INSTALL 8 ± L.F. OF 15" ASTM D3034 SDR 35 PVC INFLUENT SEWER PIPE PER SHEET C4.0.
 - INSTALL 81 ± L.F. OF 12" ASTM D3034 SDR 35 PVC SEWER PIPE PER SHEET C4.0.
 - INSTALL 69 ± L.F. OF 6" PVC C900 INFLUENT FORCE MAIN PER SHEET C4.1.
 - INSTALL 61 ± L.F. OF 8" PVC C900 RECYCLED WATER PIPE PER SHEET C4.2.
 - INSTALL 53 ± L.F. OF 6" ASTM D3034 SDR 35 PVC WAS PIPE PER SHEET C4.3.
 - INSTALL 74 ± L.F. OF 8" PVC SCH 80 DRAIN PIPE PER SHEET C4.1.
 - INSTALL 218 ± L.F. OF 2" PVC SCH 80 RECLAIMED WATER PIPE.
 - INSTALL MANHOLE SEE [C5.1]
 - INSTALL METERING MANHOLE PER APPROVED SHOP DRAWINGS
 - INSTALL 113 ± L.F. 3" PVC WASTE. SLOPE 2% MINIMUM.
 - INSTALL 2" SCH 80 PVC BURIED BALL VALVE IN CONCRETE VALVE BOX. FOR CONNECTION TO SITE IRRIGATION, COORDINATE CONNECTION WITH LANDSCAPE PLAN.
 - INSTALL 8" BURIED GATE VALVE PER DETAIL [C5.0]
 - INSTALL HOSEBIB AND HOSE RACK PER DETAIL [C5.0]
 - INSTALL ±6 L.F. OF 12" ASTM D3034 SDR35 PVC SEWER PIPE PER SHEET C4.0.
 - INSTALL ±8 L.F. OF 12" ASTM D3034 SDR35 PVC SEWER PIPE PER SHEET C4.0.
 - INSTALL ±8 L.F. OF 12" ASTM D3034 SDR35 PVC SEWER PIPE PER SHEET C4.0.

- NOTES:**
- THRUST BLOCKS TO BE INSTALLED PER DETAIL [C5.0]
 - D.I. PIPE AND FITTINGS SHALL BE CLASS 350 UNO.
 - D.I. PIPE AND FITTINGS SHALL BE POLYETHYLENE WRAPPED FOR ALL UNDERGROUND INSTALLATIONS. BURIED D.I.P. SHALL BE M.J., EXPOSED D.I.P. SHALL BE FLANGED, AS NOTED.
 - TRENCH AND BURIAL DEPTH SHALL BE PER DETAIL [C5.0]
 - ALL BURIED PIPELINES SHALL BE HYDROSTATICALLY TESTED AND DISINFECTED PER SPECIFICATIONS.
 - CONTRACTOR SHALL FIELD VERIFY EXISTING CONDITIONS PRIOR TO START OF CONSTRUCTION.
 - EXISTING UTILITIES LOCATION IS APPROXIMATE BASED ON RECORD DRAWINGS. CONTRACTOR SHALL FIELD VERIFY LOCATION OF EXISTING UTILITIES.

City owns/operates the gate valve at point of connection and the effluent pumps and flow meter within the Water Factory.



BUILDING PERMIT NO.
 TRASH ENCLOSURE: BLD16-02208
 SUPER STRUCTURE: BLD16-02130
 OFFICE: BLD16-02207

100% ISSUED FOR CONSTRUCTION

VISTA CANYON
 WATER FACTORY
 YARD PIPING PLAN



SHEET
C3.0
 7 OF 13 SHEETS

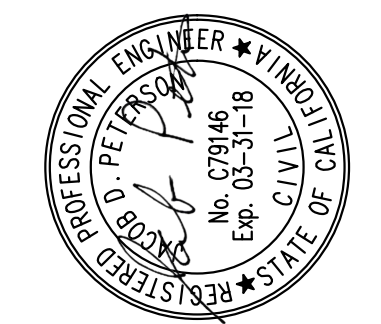
JOB NO. A897-E

PREPARED BY
 JACOB PETERSON
 PROJECT ENGINEER
 R.C.E. NO. 7777
 EXP. 3/31/18

DRAWN
 D.S.
 DESIGNED
 C.F.

SCALE
 AS NOTED

DATE
 OCTOBER 2017



NO.	BY	DATE	REVISIONS	DATE	APP.
1	AL	10/2/17	CONFORMED FOR CITY COMMENTS	10/2/17	JP

THESE DRAWINGS ARE THE PROPERTY OF P.A.C.E. AND SHALL NOT BE REPRODUCED IN ANY MANNER NOR BE USED FOR CONSTRUCTION UNLESS STAMPED "ISSUED FOR CONSTRUCTION".

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COMMITTEE MEMORANDUM

DATE: December 13, 2023

TO: Water Resources and Watershed Committee

FROM: Ali Elhassan
Director of Water Resources *AE*

SUBJECT: Discuss and Consider Potential Third Amendment to the Deposit and Funding Agreement between Santa Clarita Valley Water Agency and DACA-Castaic, LLC for Tapia Ranch

SUMMARY

On November 13, 2017, the former Castaic Lake Water Agency (now Santa Clarita Valley Water Agency (SCV Water)) executed the Deposit and Funding Agreement for the Tapia Ranch - Vesting Tentative Tract Map 72126 (Annexation Property) which in part made available 498 AF of the Buena Vista Rosedale-Rio Bravo (BVRRB) water for the proposed annexation and provided the annexing party, DACA-Castaic, LLC (DACA) five years to complete its entitlements. The Agreement also required DACA to pay certain past acquisition and carrying costs associated with the BVRRB water. On May 21, 2019, the First Amendment to the Deposit and Funding Agreement was executed and in part provided for the deferral of \$3,775,117 of past acquisition and carrying costs of the BVRRB water supply through December 31, 2021. Copies of the Deposit and Funding Agreement (Attachment A) as well as the First Amendment (Attachment B) are attached to this memorandum. On December 28, 2022, the Second Amendment to the Deposit and Funding Agreement (Attachment C) was executed, which in part provided for a deferral of \$2,691,987 of past acquisition and carrying costs of the BVRRB water supply through December 31, 2023, after a payment of \$1,000,000 was received from DACA in January 2022. DACA is current with all payments due under the Deposit and Funding Agreement, however, delays in acquiring entitlements have resulted in a third request to extend the term of the Deposit and Funding agreement and continued deferral of payment for past BVRRB acquisition and carrying costs through December 31, 2024. Section 6 of the Deposit and Funding Agreement provides for such an extension upon mutual agreement by DACA and SCV Water. To date, DACA has paid SCV Water \$4,438,476. Staff requests the Committee review this request and make a recommendation to the Board for its consideration at the January 2, 2024 Board meeting.

BACKGROUND AND DISCUSSION

In October 2006, CLWA certified the Final EIR Water Acquisition from the Buena Vista Water Storage District and the Rosedale-Rio Bravo Water Storage District Water Banking and Recovery Program. The EIR estimated that 4,375 acre-feet per year (AFY) of the 11,000 AFY BVRRB water would be available to annexations with an estimated 750 AFY going to the Tapia Ranch project. In 2007, potential annexing parties were informed that because of more restrictive Sacramento-San Joaquin Delta regulatory measures, the Agency would not make BVRRB water available at that time.

Subsequent analyses included revised population and development information consistent with the One-Valley-One-Vision General Plan were incorporated into the 2015 UWMP allowing for a reexamination of the availability of BVRRB water to meet annexation requirements. Consistent with the Agency’s Annexation Policy, staff had undertaken an analysis to determine the demand for the proposed Annexation Property. That determination was made considering the landowner’s plan to develop the property. The staff’s determination of the demand is 489 AFY, which is less than the original estimate of 750 AFY. The 489 AFY is also less than the 575 AFY that was included in the 2015 UWMP and consistent with the demands included in the 2020 UWMP. The following table compares the demand values included in the 2015 UWMP and 2020 UWMP to those currently estimated:

Annexing Development Potentially Using BVRRB Supplies	2015 UWMP Estimate (AFY)	2020 UWMP Estimate (AFY)	Current Estimate (AFY)
Legacy	2,500	2,500	2,500
Tesoro	500	389	389
Tapia	575	489	489
Total	3,575	3,378	3,378

The 2015 UWMP demand estimates incorporated demands for the proposed Legacy, Tesoro, and Tapia annexations. The conclusion reached in the 2015 UWMP was that assuming the water supply portfolio in the UWMP, the water supplies exceeded demands (including potential demands for annexing areas) at buildout. These results are summarized in the table below:

Supply Source	Average/ Normal	Single Dry-Year	4-Year Drought	3-Year Drought
Existing Groundwater	31,545	40,215	36,175	35,875
Existing Recycled	450	450	450	450
Existing Imported	70,707	22,087	45,177	33,167
Bank/Exchanges		7,950	7,950	7,950
Future Groundwater	10,230	20,335	21,875	21,325
Future Recycled	9,604	9,604	9,604	9,604
Future Bank/Exchanges		22,000	22,000	22,000
Total Supply	122,536	122,641	143,231	130,371
Demand w/Active Conservation	93,900	103,300	103,300	103,300
Surplus	28,636	19,342	39,931	27,071

As supplies substantially exceeded demands for the scenarios in the 2015 UWMP, staff concluded that sufficient BVRRB supplies would exist for the proposed Tapia Ranch Project.

On June 13, 2018, the Water Resources and Watershed Committee considered staff’s recommendation to approve a resolution authorizing the General Manager to execute an assignment of BVRRB water supply to the proposed Tapia Annexation. On July 17, 2018, the Board concurred and authorized, through Resolution No. SCV-47, the General Manager to execute a deposit and funding agreement (Attachment D). In response to DACA’s January 16, 2019 letter (Attachment E), the Board subsequently authorized the First Amendment to the Deposit and Funding Agreement that provided for deferral of past BVRRB acquisition and carrying costs through December 31, 2021, the time in which DACA projected the CEQA documentation for the project would be completed.

Since that time, SCV Water adopted its 2020 UWMP. The 2020 UWMP incorporated the demands for the proposed annexation areas including Legacy, Tesoro, and Tapia Developments. The conclusion reached in the 2020 UWMP was that the water supplies also exceeded demands (including potential demands for the three annexing areas) at buildout. These results are summarized in the table below.

Supply Source	Average/ Normal	Single Dry-Year	5-Year Drought
Existing Groundwater	14,410	22,220	23,200
Existing Recycled	450	450	450
Existing Imported	62,107	22,047	41,347
Bank/Exchanges		19,950	16,809
Future & Recovered Groundwater	26,280	36,420	28,520
Future Recycled	8,511	8,511	8,389
Future Bank/Exchanges		10,000	10,000
Total Supply	111,758	119,598	128,715
Demand w/Active Conservation	101,000	107,100	102,870
Surplus	10,758	12,498	25,845

On October 27, 2021, SCV Water received a second request (Attachment F) to extend the timeline of the Deposit and Funding Agreement, stating DACA would be unable to certify their EIR in the time allotted in the First Amendment. The Board authorized the Second Amendment to the Deposit and Funding agreement with DACA, providing the deferral of a portion of the past BVRRB acquisition and carrying costs through December 31, 2023, after a \$1,000,000 paydown of the past carrying costs was received. DACA has made timely payments of the past carrying cost paydown, ongoing BVRRB annual carrying costs, interest payments on past BVRRB acquisition and carrying costs and option payments, all as provided under the second amended Deposit and Funding Agreement. As indicated above DACA has paid approximately \$4,438,476 to date.

On November 20, 2023, staff received a letter (Attachment G) from DACA requesting that SCV Water consider amending the Deposit and Funding Agreement for a third time to defer the payment of the past BVRRB acquisition and carrying costs through December 31, 2024, less a \$1,000,000 paydown of these costs, and also to extend the date to obtain CEQA entitlements under paragraph 6 of the Deposit and Funding agreement to December 31, 2025, citing the complexity of the EIR requiring the replacement of the primary EIR consultant, termination of a second CEQA consultant, the expansion of subject areas studied as a result of recent case law and the increase of review times required by Los Angeles County Planning Department.

Options for Committee Consideration

Option 1 – Take No Action. Should the Board decline to amend the agreement DACA may or may not be able to meet its financial obligation to pay the \$2,691,987 in past BVRRB acquisition and carrying costs or have their CEQA certifications completed. Assuming it does not make this payment, or complete the project’s CEQA documentation, DACA would be in default and the Agency may terminate the agreement.

Option 2 – Amend the Deposit and Funding Agreement as requested by DACA. A third amendment (Attachment H) would be prepared that continues the agreement through December 31, 2025. Under such an amendment, DACA would continue the payment of ongoing

BVRRB carrying costs, interest on the past BVRRB acquisition and carrying costs and an option payment. Further, DACA would pay down the past acquisition and carrying cost in the amount of \$1,000,000 by January 31, 2023, and the balance of these costs (\$1,691,987) by December 31, 2024. A proposed amended payment schedule is shown on Attachment I.

Option 3 – Amend the Deposit and Funding Agreement with additional or alternate terms to satisfy the Water Resources and Watershed Committee and Board of Directors.

California Environmental Quality Act (CEQA) Finding

The Final EIR for BVRRB water supply was certified by the Agency in 2006. The CEQA determination is that the proposed action (potentially amending the Deposit and Funding Agreement) has been previously addressed in the certified 2006 Final EIR and findings and that no further environmental analysis or documentation is required at this time. However, the Agency is only being asked at this time to extend the current Deposit and Funding Agreement and carrying cost payment schedule. No approval of the Tapia Project is being requested and, as contemplated in the Deposit and Funding Agreement, any future commitment to provide water to the Proposed Annexation Lands could only be made following the completion of certain conditions, including CEQA review, the issuance of land use entitlements by the County, the approval of the annexation by the Los Angeles County LAFCO, and final review of the Proposed Annexation Lands and development proposal by the Santa Clarita Valley Water Agency Board of Directors.

STRATEGIC NEXUS

These actions help support SCV Water’s Strategic Plan Goal C.1 – Conduct planning to ensure long-term water demands are met.

FINANCIAL CONSIDERATIONS

If SCV Water decides to terminate the Deposit and Funding Agreement with DACA, SCV Water would begin paying the entire amount of our BVRRB water, increasing costs by approximately \$500,000 per year.

RECOMMENDATIONS

That the Water Resources and Watershed Committee consider the options for potential amendment to the Deposit and Funding Agreement between Santa Clarita Valley Water Agency and DACA-Castaic, LLC for Tapia Ranch and recommends an option for Board consideration.

Attachments

Attachment A

DEPOSIT AND FUNDING AGREEMENT

This Agreement is made and entered into this 14th day of November, 2017, by and between CASTAIC LAKE WATER AGENCY (“CLWA”) and DACA Castaic, LLC (“Landowner”).

RECITALS

- A. CLWA is a public agency organized and operated in accordance with California Water Code Appendix, Chapter 103, for the purpose of acquiring water and water rights and to provide and sell such water at wholesale and retail to customers in the Los Angeles and Ventura Counties, California. The boundaries of CLWA are attached hereto as Exhibit “A”.
- B. CLWA has adopted a policy setting the criteria for annexation to CLWA (“Annexation Policy”). The Annexation Policy is attached hereto as Exhibit “B.”
- C. Landowner is DACA Castaic, LLC which owns lands consisting of 1167 acres in the County of Los Angeles, zoned as A2-2 and partially within the boundary of CLWA and partially adjacent to the boundary of CLWA as shown on the map attached hereto as Exhibit “C” (“Annexation Lands” or “Lands”).
- D. Landowner desires to annex the Annexation Lands into CLWA for purposes of receiving a water supply for such Lands, which involves the approval of the County of Los Angeles (“County”) for land use approval, the approval of the Los Angeles County Local Agency Formation Commission (“L. A. LAFCO”) for annexation, and compliance with the requirements of the Annexation Policy.
- E. County will be the lead agency for purposes of conducting the analysis of environmental impacts of the proposed land use, including the annexation and water supply from CLWA, pursuant to the requirements of the California Environmental Quality Act (“CEQA”) and CLWA is a responsible agency pursuant to the provisions of CEQA.
- F. Pursuant to the Annexation Policy, Landowner has submitted a written request for annexation pursuant to the Annexation Policy (“Request for Annexation”) and desires to enter into this Agreement for the purpose of defraying CLWA costs of time and expense of evaluating and processing the feasibility of the proposed annexation to CLWA.
- G. CLWA has completed CEQA review for acquiring 11,000 acre-feet per year (“AFY”) of water supply from Buena Vista Water Storage District and Rosedale-Rio Bravo Water Storage District in Kern County (“BV-RRB Acquisition” herein), a portion of which may be available to serve the Annexation Lands under certain terms and conditions, including a determination that there is sufficient water to allow the use of the BV-RRB Acquisition water (the “Additional Water Supply”). If CLWA does not make a determination that the Additional Water Supply is available, the Landowner shall be responsible for acquiring a

fully reliable permanent water supply for the Annexation Lands (the “Alternative Water Supply”).

- H. At this time, CLWA and Landowner are negotiating, but have not yet entered into, an annexation agreement in the form attached hereto as Exhibit D, which will set out the terms and conditions for annexation and utilization of the Additional Water Supply, if available, or Alternative Water Supply if appropriate, (the “Annexation Agreement”).
- I. Certain costs for processing and administration already have and will continue to accrue for the negotiation of an Annexation Agreement with CLWA
- J. Pursuant to the CLWA Annexation Policy, certain such costs shall be paid by the Landowner whether or not the annexation is completed.
- K. The parties understand that the costs covered by this Agreement are separate from those covered by the Annexation Agreement and that both agreements are required by CLWA.
- L. No CEQA review is required for this Agreement as this provision for payment does not meet the definition of “project” as set out in Public Resources Code Section 21065.

NOW, THEREFORE, the parties agree as follows:

1. **RECITALS.** All Recitals set out above are true and correct.
2. **FORM OF ANNEXATION AGREEMENT.** The form of Annexation Agreement is attached hereto as Exhibit “D”.
3. **PAYMENT OF PROCESSING AND ADMINISTRATIVE COSTS.**

Landowner shall pay its fair share of costs to CLWA in the amounts, for the purposes and at the times set out below. These costs shall continue to be paid under this Agreement separate from the Annexation Agreement.

A. **Definitions:**

As used herein, “Carrying Costs” means “Carrying Costs” as defined in Section 3.4 of the Annexation Policy, and includes but is not limited to all costs of acquiring the Additional Water Supply, if available, or Alternative Water Supply if appropriate, and, and the facilities, works, property and improvements needed for them. “Carrying Costs” does not include administrative or processing costs provided for in this Agreement or the Annexation Agreement.

B. Cost of Processing the Request for Annexation:

(i) Pursuant to the Annexation Policy, upon execution of this Agreement, Landowner has provided CLWA with an initial non-refundable deposit of Ten Thousand Dollars (\$10,000) and shall provide Forty Thousand Dollars (\$40,000) processing costs, for a total of Fifty Thousand Dollars (\$50,000). Such deposit shall be applied to the following costs that have been or will be incurred by CLWA for reviewing the Request for Annexation, negotiation and preparation of this Agreement and the Annexation Agreement, preparation of documents for L.A. LAFCO and participation in the LAFCO process, CEQA compliance as a responsible agency, and any and all other actions necessary up to the time of execution of the Annexation Agreement. Such costs may include, but are not limited to, engineering, planning, environmental and legal services (including, but not limited to, any and all costs of litigation challenging the Request for Annexation), and CLWA's direct overhead as determined by its customary practices, which includes, by way of example and not of limitation, salaries, benefits, equipment and facilities costs.

(ii) Such costs shall be itemized and charged first against the initial non-refundable deposit until exhausted and then against the deposit for processing costs. At such time as the initial nonrefundable deposit has been exhausted and the amount of the deposit for processing has dropped below Ten Thousand Dollars (\$10,000), Landowner shall replenish the deposit to the original Fifty Thousand Dollar (\$50,000) amount within thirty (30) days of receipt of notice to replenish. If such amount is not replenished, CLWA may stop work until that occurs. CLWA shall provide Landowner with a written summary of such charges on a quarterly basis.

(iii) Such costs shall be charged against the deposit for processing (and subject to replenishment as set out above) until the sooner of: (a) the annexation is completed by the filing of a revised boundary statement with the State and any litigation related to such annexation has been concluded by final judgment of a court of competent jurisdiction; or (b) Landowner, in writing, withdraws its Request for Annexation. At such time of withdrawal, any outstanding amounts owing to CLWA shall be paid and the remainder returned to Landowner, without interest.

C. Fair Share Costs Arising from the Acquisition of the Additional Water Supply:

Upon a completion of an estimate of water demand by CLWA and the request of the Landowner, CLWA will undertake an analysis of what quantity if any of the Additional Water Supply might be available from the BV-RRB water acquisition and what quantity the Alternative Water Supply, if any, the Landowner would

have to provide. Such an analysis shall be presented to the CLWA Board of Directors, which may in its complete and sole discretion may make a determination of the availability of the BV-RRB for the Additional Water Supply for the annexation. If CLWA determines that the Additional Water Supply is available, in addition to the costs of processing the Request for Annexation as set out above in Section 3.A, CLWA will allocate a fair share of the administrative costs for the BV-RRB Acquisition and Carrying Costs for the Additional Water Supply that will be attributable to the Annexation Lands consistent with the below.

1. **ADMINISTRATIVE AND OPERATING COSTS.** Upon a determination by the CLWA Board that Additional Water Supply is available to the Annexation Lands and presentation of a bill from CLWA, the Landowner shall reimburse CLWA for its administrative costs incurred, which costs include, but are not limited to, title reports, staff time, engineering, environmental (including CEQA compliance) and legal services arising from the acquisition of the Additional Water Supply, including negotiation and preparing of all water transfer agreements, as well as agreements with the Department of Water Resources and other parties whose consent is required to complete performance of this Agreement, defense of any litigation challenging the BV-RRB Acquisition, as well as direct overhead as determined by CLWA's customary practices. "Direct overhead includes, by way of example and not of limitation, salaries, benefits, equipment and facilities costs. Landowner shall not be required to reimburse CLWA for its normal administrative costs and operating costs. Landowner shall pay such bill within one hundred eighty (180) days after execution of this agreement.
2. **CARRYING COSTS.** Upon a determination by the CLWA Board that Additional Water Supply is available to the Annexation Lands and presentation of a bill Landowner shall reimburse CLWA for the past Carrying Costs of the Additional Water Supply incurred by CLWA up to that point in time within 180 days of the execution of this agreement. Thereafter, until CLWA's actual receipt of funds pursuant to Section 6.B of the Annexation Agreement (the Standby Charge), Carrying Costs for the Additional Water Supply will be billed to Landowner in a manner which allows CLWA to meet its obligations to BV-RRB in a timely manner without requiring CLWA to advance its own funds to pay such costs. The Landowner's Carrying Costs shall be determined as follows: The total Carrying Costs for the BV-RRB acquisition, less direct sales of the BV-RRB water in a given year, shall be divided by the total number of AFY acquired in the BV-RRB acquisition to determine the unit cost. That unit cost then shall be multiplied by the number of AFY of the Additional Water Supply which CLWA has determined will be needed to serve the Annexation Lands.

3. **REFUND.** In the event that Landowner withdraws its Request for Annexation before the date of annexation, or if the conditions in Section 6 are not met, Landowner shall not be entitled to a refund of amounts paid out herein, but shall not be required to reimburse CLWA for any costs thereafter.

D. **Costs Associated with Acquisition of an Alternative Water Supply**

If CLWA determines that the Land owner must provide an Alternative Water Supply, the Landowner shall reimburse CLWA under this agreement for all direct and indirect costs incurred in analyzing the adequacy of the proposed water supply.

E. **Acknowledgment of Arms-Length Negotiation of Annexation Costs; Waiver of Claims**

Landowner hereby agrees and acknowledges that Landowner is or will be required to pay certain costs, including without limitation Carrying Costs, and costs for Alternative Water Supply, as well as back-payments for 1% property taxes (the "Annexation Costs"), pursuant to this Agreement, the Annexation Agreement, and in accordance with CLWA's policies for annexation entitled "Annexations to Castaic Lake Water Agency." Landowner hereby further agrees and acknowledges that the Annexation Costs are a result of an arms-length negotiation between Landowner and CLWA, that such Annexation Costs are in consideration for the privilege of annexing into CLWA, and are not being imposed upon Landowner. Landowner hereby waives any and all claims of any kind against CLWA relating in any way to the Annexation Costs, and agrees to hold CLWA harmless from any and all claims Landowner may have relating in any way to the Annexation Costs. Landowner further agrees that failure to pay such Annexation Costs as required herein or under the Annexation Agreement will result in a breach hereunder and/or under the Annexation Agreement."

4. **CLWA NOT COMMITTED/NO LIMITATION OF DISCRETION.** CLWA cannot and does not commit itself or agree that it can or will provide water service to the Annexation Lands since CEQA and other review and approvals for the project have not been completed. Landowner understands and assumes any and all risk that the annexation and related approvals may not be approved by the respective governmental agencies or that such approvals, if granted, may be challenged in court. Nothing contained in this Agreement shall be construed to require CLWA to proceed with any action of any kind. The sole purpose of this Agreement is to provide for the repayment or payment to CLWA for costs expended or committed on Landowner's behalf.
5. **TERM.** This Agreement shall take effect on the date of execution by both parties and shall continue in full force and effect until CLWA provides written notice to Landowner that CLWA has determined all obligations hereunder have been performed or otherwise provided for.

6. **TERMINATION FOR FAILURE TO TIMELY OBTAIN ENTITLEMENTS.** Landowner and CLWA are negotiating an Annexation Agreement in substantially the form attached hereto as Exhibit D. Landowner and CLWA acknowledge that such Annexation Agreement will be necessary to govern the terms of provision of the Additional Water Supply, and until that time, CLWA is obligated hereunder to reserve any such Additional Water Supply for the benefit of Landowner. Landowner and CLWA further acknowledge that the Annexation Agreement must be approved by the L.A. LAFCO, and that Landowner must work with the County as the Lead Agency under CEQA for Landowner's project, to process project entitlements and prepare a CEQA document that CLWA and L.A. LAFCO may adopt as CEQA responsible agencies (collectively, the "Entitlements"). Landowner and CLWA hereby agree that, subject to subsection 3.C.3 herein, should Landowner fail to obtain such Entitlements as are necessary to submit the Annexation Agreement for approval by the L.A. LAFCO within five (5) years from the Effective Date hereof, this Agreement, and the rights and obligations existing hereunder for both Landowner and CLWA with the exception of Section 10 herein, shall terminate as of such date. The five year period may be extended by the mutual agreement of both parties and the approval of the CLWA Board of Directors.

7. **DEFAULT.** If Landowner fails to meet any of the conditions, covenants, or requirements set forth herein, including without limitation non-compliance with the timelines and payment provisions set forth in Section 3 of this Agreement, such failure shall constitute an Event of Default hereunder. With the exception of an Event of Default arising out of failure to meet payment deadlines under Section 3 of this Agreement, CLWA shall provide written notice to Landowner of the occurrence of an Event of Default. If Landowner fails to cure such Event of Default within thirty (30) days from the date of the Event of Default, with respect to defaults under Section 3 of this Agreement, or thirty (30) days of receipt of written notice, CLWA shall have the right (but not the obligation) to immediately terminate this Agreement. If CLWA terminates this Agreement in accordance with this provision, CLWA shall rescind any findings made with respect to the availability of Additional Water Supply and shall no longer be obligated to reserve such Additional Water Supply for the benefit of Landowner. The rights and remedies of CLWA enumerated in this Section 6 are cumulative and shall not limit CLWA's rights under any other provision of this Agreement, or otherwise waive or deny any right or remedy, at law or in equity, existing as of the Effective Date or enacted or established at a later date, that may be available to CLWA. Nothing herein shall constitute a waiver of amounts owed to CLWA hereunder, including amounts owed pursuant to Section 3 herein.

8. **ASSIGNMENT.** Except as otherwise provided herein, Landowner may not assign this Agreement without the prior written consent of CLWA, which shall not be unreasonably withheld. Assignment without consent shall not be effective

to terminate Landowner's obligations hereunder. CLWA's consent to one assignment shall not constitute consent to a subsequent assignment or waiver of the requirement for such consent.

9. **SUCCESSORS AND PERMITTED ASSIGNS.** All covenants and agreements contained in this Agreement by or on behalf of any of the Parties shall bind and inure to the benefit of their respective successors and permitted assigns, whether so expressed or not.
10. **INDEMNIFICATION.** Landowner shall indemnify, defend, and hold harmless CLWA, its officers, agents, and employees, from and against any and all litigation brought by third parties pertaining to this Agreement, except that arising from the sole negligence or misconduct of CLWA.
11. **ATTORNEYS' FEES.** In the event of litigation between the parties hereto arising out of or in connection with this Agreement, the prevailing party shall, in addition to any other relief awarded by the court, be entitled to recover its costs and attorneys' fees as determined by the court.
12. **NOTICE.** Any notice to be given hereunder shall effective only when in writing and delivered to the party to whom notice is being given personally, by fax or by mail, to the address set out below:

To CLWA:
Matthew Stone
General Manager
27234 Bouquet Canyon Road
Santa Clarita CA 91350

To Landowner:
Howard Justus
DACA-Castaic, LLC
1565 Hotel Circle South, Suite 310
San Diego, CA 92107

Either party may change the place of notice to any other location by giving notice to the other.

13. **NO CONTINUING WAIVER.** No waiver of any term or condition of this Agreement shall be a continuing waiver thereof. This Agreement shall be interpreted in a manner consistent with all other terms and agreements between the parties.
14. **COUNTERPARTS.** This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which, taken together, shall

constitute one and the same instrument. Signatures sent by facsimile shall be deemed originals and treated in all respects as originals.

15. **APPROVAL.** Landowner and CLWA each acknowledges that execution of this Agreement by each other is conditioned upon any necessary approval of the terms of the Agreement by their respective governing bodies.
16. **AUTHORITY.** In signing below, each of the Parties represents and warrants to each of the other Parties that each is a duly organized or constituted entity, with all requisite power to carry out its obligations under this Agreement, and that the execution, delivery, and performance of this Agreement have been duly authorized by all necessary action of the Board of Directors or other governing body of such Party, and shall not result in a violation of such Party's organizational documents.
17. **GOVERNING LAW.** This Agreement shall be construed and enforced in accordance with the laws of the State of California.
18. **AGREEMENT.** No amendment of this Agreement shall be binding upon the Parties unless it is in writing and executed by all of the Parties.
19. **FURTHER ACTION.** The Parties agree to and shall take such further action and execute and deliver such additional documents as may be reasonably required to effectuate the terms and conditions of this Agreement and to the extent consistent with the terms hereof.
20. **JOINT DRAFTING AND NEGOTIATION.** This Agreement has been jointly negotiated and drafted. The language of this Agreement shall be construed as a whole according to its fair meaning and without regard to or aid of Civil Code Section 1654 or similar judicial rules of construction. Each Party acknowledges that it has had the opportunity to seek the advice of experts and legal counsel prior to executing this Agreement and that it is fully aware of and understands all of its terms and the legal consequences thereof.
21. **HEADINGS.** Headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.
22. **NO THIRD PARTY BENEFICIARIES.** No third party shall be entitled to claim or enforce any rights under this Agreement.
23. **SEVERABILITY.** In the event that any provision of this Agreement is determined by a court to be invalid, the court shall reform the provision in a manner that is both consistent with the terms of this Agreement taken as a whole and legally valid. The remainder of this Agreement shall not be affected thereby.

24. **INTEGRATION.** This Agreement is separate and apart from the Annexation Agreement and survives execution thereof. To the extent the Annexation Policy is inconsistent with this Agreement, this Agreement shall prevail.

IN WITNESS WHEREOF, each Party has executed this Agreement on the date set forth below, said Agreement to be effective on the later of the two, i.e., when both Parties have signed this Agreement (the "Effective Date").

Date: 11/12/17

CASTAIC LAKE WATER AGENCY

By: Matthew [Signature]

Title: General Manager

ATTEST:

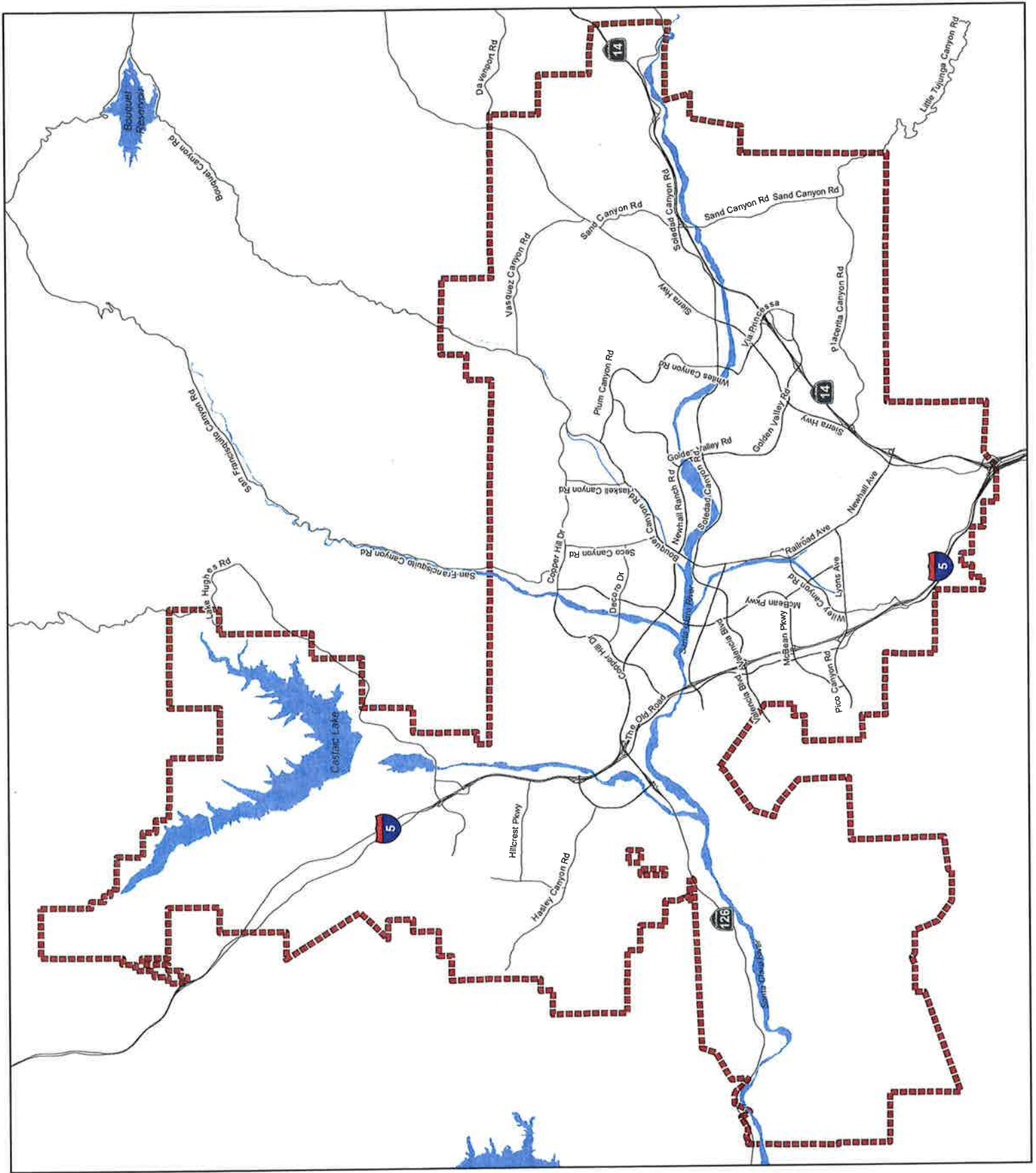
[Signature]
Secretary

Date: 11.1.2017

LANDOWNER, ANNEXATION LANDS

By: [Signature]

Title: Manager

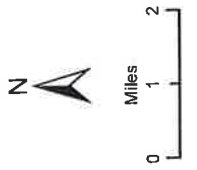


**CLWA
Service Area**

**EXHIBIT A
CLWA Boundaries**

- Legend**
- Freeway / Major Road
 - Water Feature
 - CLWA Service Area Boundary

Created by
CLWA Engineering Dept.
27 Nov 2017



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EXHIBIT B
ANNEXATION POLICY

ANNEXATIONS TO CASTAIC LAKE WATER AGENCY

SECTION

- 1. ANNEXATION COMMENCEMENT PROCEDURES**
- 2. GENERAL POLICIES RELATED TO ANNEXATIONS**
- 3. FINANCIAL POLICIES RELATED TO ANNEXATIONS**

1. ANNEXATION COMMENCEMENT PROCEDURES

1.1 Request for Annexation, Basic Information, Non-Refundable Payment.

A request for annexation of land(s) (“Annexation Land”) shall be made by the fee owners or their duly authorized agents (“Applicants”) to the Agency and shall be in writing. The request shall include:

- (a) A map of the area proposed to be annexed specifically identifying the location of all assessor’s parcels and roads, and a list of the assessed values by assessor’s parcel number;
- (b) Identification of the current ownership of each parcel;
- (c) A statement of the present use of each of the parcels;
- (d) A statement of proposed land use and/or zoning changes for each parcel, plus a copy of all vesting tentative maps or tentative maps affecting the area proposed to be annexed; and
- (e) For Local Agency Formation Commission informational purposes, a statement setting forth whether the number of voters within the area proposed to be annexed is less than 12, or 12 or more.

Each request for annexation shall be accompanied by a non-refundable payment of up to \$10,000 as determined by the General Manager to reimburse the Agency for staff time and expenses of evaluating, processing the feasibility of the proposed annexation and publishing the petition and preparing and making the filings required by law. If the request involves more than one Water Service Area (“WSA”) of the Agency, then the non-refundable payment for such request will be up to \$10,000 for lands within each WSA.

1.2 Submittal of Request

A request for annexation and all information required in connection therewith shall be submitted to the General Manager.

2. GENERAL POLICIES RELATED TO ANNEXATIONS

2.1 Water Supply

- (a) **Water Demand.** The Agency’s General Manager shall estimate the highest potential water use, in acre-feet per year, (“Water Demand”) for the proposed Annexation Land. This estimate shall be on the basis that the proposed Annexation Land will ultimately be put to its highest and best use, which shall be determined by considering land planning information available, including that of the landowner in determining the Water Demand for the proposed Annexation Land. The sole exception to this highest and best use standard shall be for lands irrevocably dedicated to a non-irrigated public use, in their natural state, for park or open space purposes.

- (b) **Additional Water Supplies Determination.** The Agency shall evaluate and determine the source of water supply needed by the Agency to serve the Annexation Land (“Additional Water Supplies”) and also the reliability of that source of supply for potable water purposes (“Reliability”). The Additional Water Supplies for the Annexation Land shall be equal to the amount of Water Demand, plus an upward adjustment for the source of supply’s Reliability so as to avoid any diversion from the Agency’s existing water supply from and/or reduction in water supply reliability within the existing Agency service area.
- (c) **Transfers of Water Rights.** Additional Water Supplies, at the reasonable discretion of the Board of Directors and on advice and recommendation of the General Manager, can be provided from transfers of contractual rights to the State Water Project Contract Table A Amounts or rights to water from other sources.
- (d) **Agency Vesting.** The rights to the Additional Water Supplies and all appurtenant requirements to exercise such rights for the delivery of the Additional Water Supplies to the Agency must be fully vested in the name of the Agency as a condition precedent to the approval and to completion of the annexation.

2.2 Revenue Plan

Prior to completion of an annexation, the General Manager shall present to the Board a revenue plan concerning the Annexation Lands (“Revenue Plan” herein). The Revenue Plan will include a component for 1% property taxes, a component setting forth the method of payment of Acquisition Costs of the

Additional Water Supplies, Carrying Costs (Section 3.4), and Back Taxes (Section 3.2(a)(1)) as set forth herein.

(a) **1% Property Taxes.** Absent mitigating factors, the Revenue Plan shall require the Applicant to secure dedication to the Agency the same percentage share of 1% property tax monies that exist in the remainder of the Los Angeles and Ventura Counties portions of the Agency that are not impacted by redevelopment projects. This requirement is to avoid use of the Agency's existing share of the 1% property tax money to subsidize the costs related to the Annexation Lands. To the extent that the dedication of the share of the 1% property tax money from the Annexation Land is not equal to the same percentage share that exists in the Agency, an equivalent sum of money ("1% Tax Equivalent" herein) shall be paid by the annexing land as set forth in the Annexation Agreement, including by way of stand-by charge.

(b) **Acquisition Costs and Carrying Costs.** The Revenue Plan will set out the acquisition costs and the Carrying Costs to the Agency of the Additional Water Supplies and the method of payment of such obligations by the annexing lands to the Agency. Such obligations shall be set forth in the Annexation Agreement.

(c) **Back Taxes.** The Revenue Plan will set forth the manner in which the Back Taxes (Section 3.2(a)(1)) will be paid by the owners of the annexing land. Such obligation shall be set forth in the Annexation Agreement.

2.3 Retail Water Service

Retail Water Purveyor Service. The Applicant's plan for service of water to the Annexation Land must, absent mitigating factors, include contractual or other appropriate provisions for service of the Annexation Land by an existing retail water purveyor of the Agency.

2.4 Additional Approvals

- (a) **DWR.** To the extent required by Agency's SWP contract, the Director of the Department of Water Resources ("DWR") of the State of California must approve all changes in the Agency's service territory prior to completion of an annexation.
- (b) **LAFCO.** The relevant Local Agency Formation Commission must process and approve changes in Agency boundaries if, and to the extent, required by California law.

2.5 No Agricultural Use

The Agency will not process any annexation where Agency water will be used for agricultural purposes. The Agency, further, will condition all annexations, to the maximum extent permitted by law, to preclude use of water of the Agency for agricultural purposes.

2.6 Contiguous Territory

An area proposed for annexation shall be contiguous to the Agency. No annexation shall leave an unannexed area entirely or nearly surrounded by area annexed to the Agency, unless the Board specifically finds that the Agency's interests will not be adversely affected by such a configuration of annexed territory.

2.7 Minimum Acreage

The Agency, absent mitigating factors, will not process an annexation involving less than 250 acres. This minimum acreage requirement may, however, be satisfied by simultaneous annexation of smaller parcels whose combined acreage exceeds 250 acres.

2.8 Annexation Terms and Conditions

All annexations shall be subject to the following terms and conditions:

- (a) **Regulations.** The sale and delivery of all water by the Agency, regardless of the nature and time of use of such water, shall be subject to regulations promulgated from time to time by the Agency, and also those regulations promulgated by the retail water purveyor(s) serving the proposed Annexation Land.
- (b) **No outside use.** Except upon terms and conditions specifically approved by the Board, water sold and delivered by the Agency shall not be used in any manner which intentionally or avoidably results in its use outside the Agency service area.
- (c) **No additional works.** The Agency shall not be obligated to provide additional works or facilities, necessitated by the annexing area, as defined by Agency policies in effect from time-to-time for the delivery of water to the Annexation Land from works or facilities owned and operated by the Agency.
- (d) **Common pool.** Except as set forth in this paragraph or in the Annexation Agreement, Additional Water Supplies acquired to meet the Water Demand of Annexation Land is a water right of the Agency for use in its service area, including the Annexation Land when annexation is

completed. Subject to the Water Demands on the Agency, the Additional Water Supplies may be used for water banking and other uses as deemed appropriate at the discretion of the Board and is not dedicated solely for use on the Annexation Land. Notwithstanding the foregoing, if, pursuant to the Annexation Agreement, the owners of the Annexation Land are required to pay the capital and/or the carrying costs for the Additional Water Supplies as described in Section 3.2(a)(2) of this Policy, and are not in default of such obligation as determined by a final judgment, the Agency shall not treat such Additional Water Supplies as water available to support “can-serve”, “will-serve”, or “water availability” letters (“Water Availability” herein) for any new development within the service area of the Agency and shall, upon request, provide the retail water purveyor serving the Annexation Land with the necessary water supply assurances to enable the retail provider to issue Water Availability letters for the Annexation Land to the extent the Additional Water Supplies would be sufficient to support such letters.

- (e) **Lead Agency.** At its election, the Agency, in cooperation with the LAFCO, shall be the lead agency for purposes of compliance with the California Environmental Quality Act and, in any event, shall direct, conduct, and have final approval of the environmental analysis for the Additional Water Supplies.
- (f) **Water Efficiency Guidelines.** To the extent practicable, the retail water purveyor(s) and owner(s) of parcels, as appropriate, within an Annexation Land, shall comply with all Agency rules and regulations, including the following:

- (1) **Conservation.** Annual water use shall be minimized by incorporating water conservation measures into the development plans. Use of local groundwater, surface water, and recycled wastewater supplies shall be maximized to reduce demands on the Agency.
- (2) **BMPs:** Best Management Practices (“BMPs”) conservation measures, as identified by the Agency from time to time, shall be applied uniformly in all new and existing developments within the annexed area. At least one model home constructed in each new development within the proposed Annexation Land shall demonstrate a water conserving landscape.
- (g) **Coordination Compliance.** The retail water purveyor(s), within which the proposed Annexation Land is or will be located, and the Agency shall coordinate to assure compliance with these provisions so that information is provided to the Agency regarding such compliance.

3. FINANCIAL POLICIES RELATED TO ANNEXATIONS

3.1 Annexation Agreement; Additional Water Supplies; Processing Costs, and Annexation Charges

- (a) **Annexation Agreement.** An Applicant shall enter into an agreement with the Agency whereby the Applicant agrees to pay all Agency Processing Costs and Annexation Charges as defined herein (“Annexation Agreement” herein). Unless approved otherwise by the Board, all Processing Costs must be paid as a condition precedent to completion of the annexation. The Annexation Agreement shall provide the

security for and method of payment of the Processing Costs (if appropriate), the 1% Tax Equivalent, and Annexation Charges as determined appropriate by the Board.

- (b) **No Guarantee.** The Annexation Agreement will recite that obtaining amendments in the Agency's State Water Contract or new contracts to secure Additional Water Supplies from other sources is not a routine process, could take considerable months or years, and that there can be no guarantee or prediction of success for the annexation and/or contract amendment, or new contract negotiation efforts.
- (c) **Assumption of Risk.** The Annexation Agreement will explicitly provide that the Agency lacks legal authority in any way to predict its decision concerning a proposed annexation prior to completion of required environmental review processes, and that the Applicant assumes all financial risk related to ultimate Agency Board decisions to approve or to deny annexations in whole, or in part.
- (d) **Processing Deposit.** Unless a lesser sum is approved by the Board, the Annexation Agreement shall require a deposit of \$50,000 by each fee owner of the Annexation Land (in addition to the initial payment of up to \$10,000) as a condition of processing or continuing to process the annexation. The deposit will be used to pay for Processing Costs. Further, whenever the Agency so requests, additional sums must be paid by the Applicant to restore the deposit to \$50,000. Following completion of the annexation or termination of the annexation process, any unexpended deposit money shall be returned to the Applicant. Periodic accounting of the expenditures shall be provided by the Agency to the Applicant.

- (e) **Board Approval.** All Agency-Applicant Annexation Agreements shall be subject to Board-approval. The terms will differ for individual annexations because all annexations are unique and raise special issues.
- (f) **No Subsidy.** The obligation for the owners of Annexing Land to pay processing costs is to ensure that the Applicant is not subsidized in any way by existing Agency ratepayers and taxpayers.
- (g) **Processing Costs.** Processing Costs, include, but are not limited to, title reports, Carrying Costs incurred before completion of annexation, staff time, engineering, environmental, and legal services, including the negotiation and amendment of the Annexation Agreement, the Agency's State Water Contract, or negotiation and execution of contracts to secure Additional Water Supplies from other sources and litigation, including costs and attorneys' fees, if any, required to complete the annexation (Processing Costs" herein).

3.2 Annexation Charges

- (a) **Condition Precedent.** The annexation charge shall be paid to the Agency pursuant to the Annexation Agreement as a condition precedent to any obligation of the Agency with regard to providing Additional Water Supplies, and shall consist of the following components ("Annexation Charges" herein):
 - (1) **Back-Tax Computation.** In order to equitably share in benefits provided by the Agency through its existing Agency-wide facilities, the annexing area shall be required to pay an amount that is equivalent to total Agency ad valorem taxes that would have been levied

on the annexation area lands had they been included in the Agency territory since 1963 (“Back Tax” or Back Taxes” herein). Payment for Back Taxes for Agency facilities shall be calculated as follows: Applicant will provide the Assessor’s Parcel Number for the Annexation Land. The assessed value of the parcel will be obtained from the latest Assessor’s list in Los Angeles or Ventura County where the Annexation Land is located. Based on past history of increases in assessed value, the assessed value of the parcel(s) will be calculated for each year back to 1963. The computed annual assessed value will then be multiplied by the combined tax for that year to determine the amount of tax that would have been paid in that year. The result of each year’s calculation will then be brought forward to reflect the current value of those annual amounts. The calculation will use the interest rate the Agency received for its investments during each period. From 1963 to 1986, the Agency invested its savings in Certificates of Deposit. From 1987 forward, the Agency also deposited funds in the Local Agency Investment Fund. The total sum of payments from 1963 to the present represents the Back Tax amount for those parcels to be annexed.

- (2) **Payment for Additional Water Supplies.** Applicant will, at its sole expense, pay for the Additional Water Supplies needed to serve the proposed Annexation Land. The payment may be made by issuance of Agency debt secured by assessments, charges, standby charges, fees, or taxes on the proposed Annexation

Land. The Applicant will accordingly pay, as part of its Annexation Charges, the costs of Additional Water Supplies, including, without limitation, the “purchase or transfer price” exacted by the holder of the right to the water to be transferred to the Agency, any payment for contractual or other rights required for the Agency to use water transportation, water storage, or other facilities, cost of financing, and issuance of securities (“Acquisition Costs” herein, “Carrying Costs” (as defined in Section 3.4) to be paid after completion of annexation, and the 1% Tax Equivalent (§2.2).

3.3 Payment Requirement in Full

All Processing Costs shall be paid in full prior to completion of the annexation and Annexation Charges paid as set forth in the Annexation Agreement.

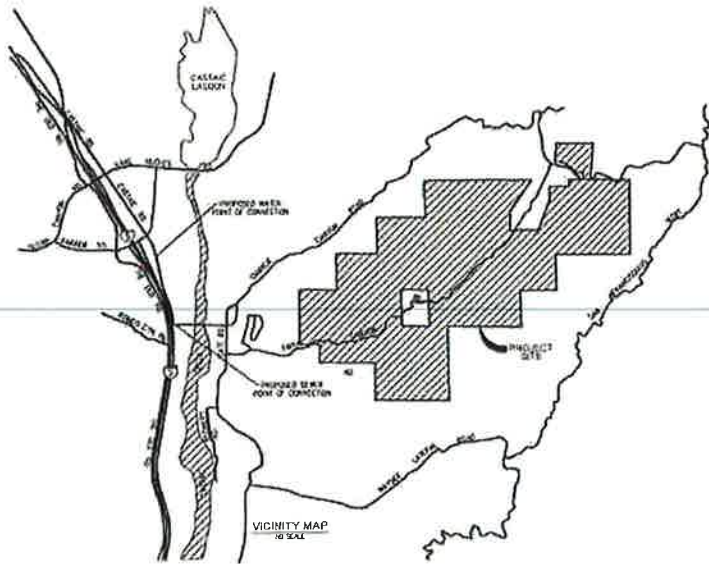
3.4 “Carrying Costs” Defined

The term “Carrying Costs” refers to any required payments to the State of California Department of Water Resources for additional Table A Amount, or to the contracting party with the Agency for other source of water supply.

3.5 Facility Capacity Fees

Upon development of property within the Annexation Land, Agency facility capacity fees shall be payable pursuant to then existing Agency policies as a condition precedent to water service. To the extent the Annexation Charges include capital costs covered by Agency facility capacity fees, a credit against such fees will be provided.

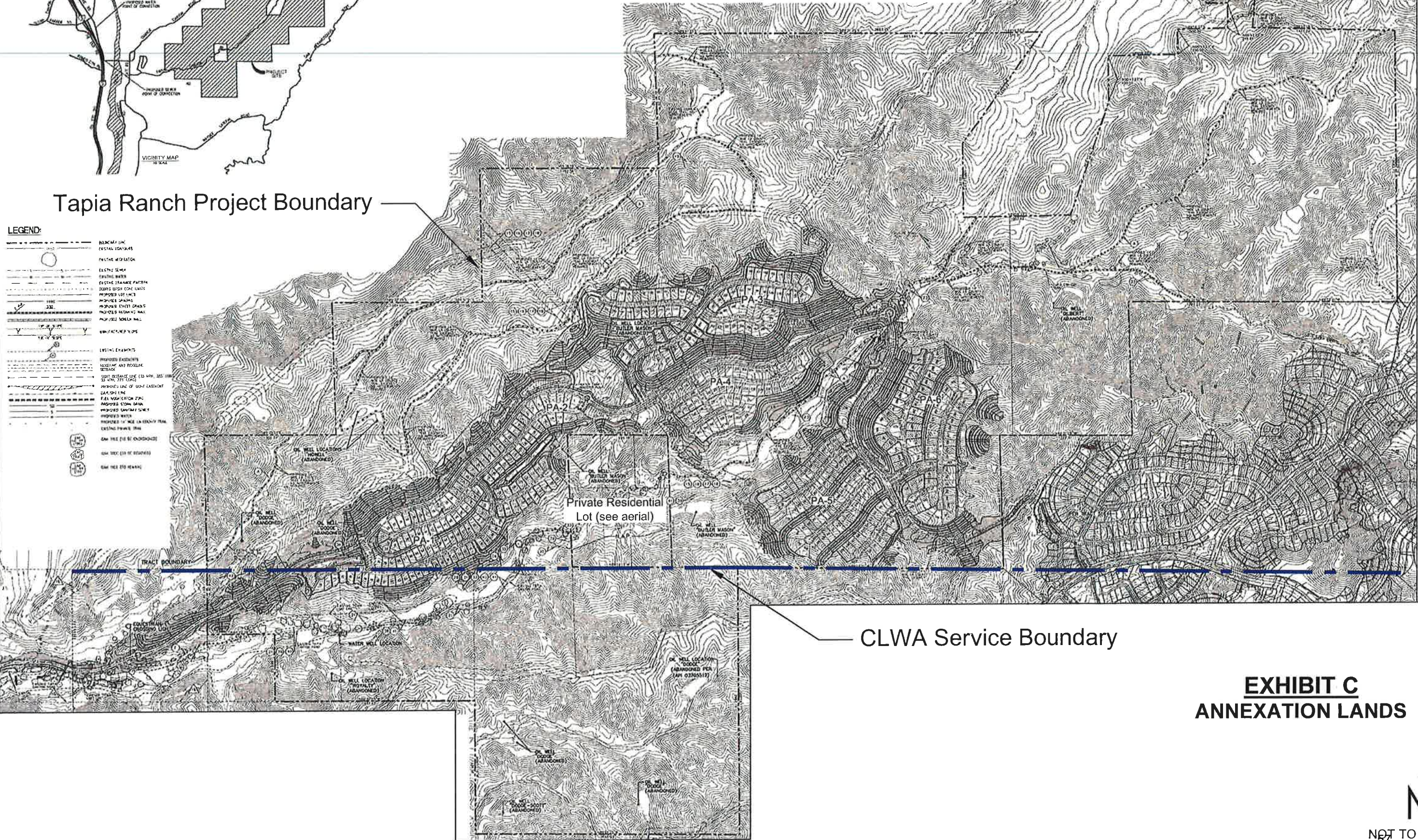
TAPIA RANCH DEVELOPMENT BOUNDARY



Tapia Ranch Project Boundary

LEGEND:

- BOUNDARY LINE
- EXISTING DRAINAGE
- FUTURE UTILIZATION
- EXISTING SEWER
- EXISTING WATER
- EXISTING STORM DRAINAGE
- EXISTING UTILITY
- PROPOSED LOT LINES
- PROPOSED DRIVEWAYS
- PROPOSED EXISTING DRIVEWAYS
- PROPOSED SIDEWALKS
- PROPOSED TRAILS
- EXISTING EXHIBITS
- PROPOSED EXHIBITS
- EXISTING AND PROPOSED SETBACKS
- SOUTH DRAINAGE LINE (30 MPH, 300' TO 350' LONG)
- PROPOSED LINE OF SOUTH DRAINAGE
- EXISTING AND PROPOSED FLOOD WALLS
- PROPOSED EXISTING DRIVEWAYS
- PROPOSED WATER MAINS
- EXISTING POWER LINES
- CAN TIE TO BE CONSIDERED
- CAN TIE TO BE REMOVED
- CAN TIE TO BE REPAIRED



CLWA Service Boundary

EXHIBIT C
ANNEXATION LANDS



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EXHIBIT D **ANNEXATION AGREEMENT**

ANNEXATION AGREEMENT

This Agreement is entered into by and between Castaic Lake Water Agency (“CLWA”) and _____ (“Landowner” herein).

RECITALS

A. CLWA is a public agency organized in accordance with California Water Code Appendix, Chapter 103 (the “Act”) for the purpose of acquiring water and water rights and to provide and sell such water at wholesale and retail to customers in Los Angeles and Ventura Counties, California. The boundaries of CLWA are attached hereto as Exhibit “A”.

B. CLWA has adopted an Annexation Policy (“Annexation Policy”) which determines the criteria for annexation to Agency, a copy of which is attached and incorporated as Exhibit “B”.

C. Landowner is a _____ which owns lands consisting of _____ acres in the County of Los Angeles, zoned as _____ and adjacent to the boundary of Agency as shown on the map attached hereto as Exhibit “C” (“Annexation Lands” or “Lands”).

D. Landowner desires to annex the Annexation Lands into Agency for purposes of receiving a water supply for such Lands conditioned on the approval of the County of Los Angeles (“County”) for land use approval and the approval of the Los Angeles County Local Agency Formation Commission (“L. A. LAFCO”) for annexation and compliance with the requirements of this Agreement and the Annexation Policy.

E. County is the lead agency for purposes of conducting the analysis of environmental impacts of the proposed land use, including the annexation and water supply from CLWA, pursuant to the requirements of the California Environmental Quality Act (“CEQA”) and Agency is a responsible agency pursuant to the provisions of CEQA.

F. Pursuant to the Annexation Policy, Landowner has submitted a written request for annexation (“Request for Annexation”), and has entered into the Deposit and Funding Agreement between the parties dated _____, for the purpose of defraying the cost of the time and expense of evaluating and processing the feasibility of the proposed annexation. A copy of the executed Deposit and Funding Agreement is attached as Exhibit “D” (“Deposit and Funding Agreement”).

G. CLWA has a water supply, which supplements local groundwater, to serve existing lands within its present boundaries. This water supply consists of 95,200 acre-feet per year (“AFY”) Table A Amount from the State Water Project and 11,000 AFY of water supply from Buena Vista Water Storage District (BV) and Rosedale-Rio Bravo

Water Storage District (RRB) pursuant to a joint project of the BV and RRB (“BV-RRB Acquisition”)

H. Subject to the foregoing, CLWA has evaluated the Request for Annexation and has determined that the annexation as proposed is feasible based upon its SWP and BV-RRB Acquisition supplies.

I. A portion of the total CLWA supply will be a supply of water for the Lands (“Additional Water Supply”) on the terms and conditions described herein.

J. CLWA, in its discretion, has determined the highest potential use of water demand of the Annexation Lands based on to the proposed land uses and other relevant information provided by Landowner, and that it will be able to provide a supply of water for the Annexation Lands which will meet such needs when the lands are fully developed in the foreseeable future.

K. CLWA has determined that, assuming all conditions precedent have been met, the Additional Water Supply is sufficient in amount and reliability so as not to divert any water supply or water supply reliability from CLWA’s existing service area.

L. CLWA has estimated the Additional Water Supply cost for the Annexation Lands, in addition to the costs to process the Request for Annexation, and Landowner previously has agreed to pay for such Additional Water Supply along with the costs to process the Request for Annexation pursuant to the separate Deposit and Funding Agreement.

M. Landowner also shall pay the costs for acquisition of the Additional Water Supply and other costs of annexation as part of the terms and conditions of this Agreement set out below.

N. Notwithstanding anything to the contrary, unless specifically superseded by this Agreement, Landowner shall be responsible for CLWA charges, assessments and taxes as applicable within its WSA’s (as defined below) or as imposed by L. A. LAFCO.

NOW, THEREFORE, in consideration of the payment of money and the mutual promises of the parties hereto, it is agreed as follows:

1. RECITALS, DEFINED TERMS.

A. RECITALS. All recitals set out above are true and correct.

B. DEFINED TERMS. All terms shall have the meanings set out here or in the Annexation Policy. In the event of an inconsistency between this Agreement and the Annexation Policy, this Agreement shall govern. As used herein, “annexation” or “date of

annexation” shall mean the later of (i) that date on the annexation legally is completed as evidenced by the filing of a revised boundary statement with the State; or (ii) the date any litigation related to such annexation has been concluded by final judgment of a court of competent jurisdiction

As used herein, “Carrying Costs” means “Carrying Costs” as defined in Section 3.4 of the Annexation Policy, and includes but is not limited to all costs of acquiring the Additional Water Supply and the facilities, works, property and improvements needed for them, as determined and calculated pursuant to Section 3.C.2 of the Deposit and Funding Agreement. “Carrying Costs” does not include administrative or processing costs provided for in this Agreement or the Deposit and Funding Agreement.

2. ANNEXATION LANDS.

A. PROPOSED USE. The Landowner’s proposed use of the Annexation Lands is divided into land use areas (“Land Use Area(s)”). Each Land Use Area’s proposed use and density is set out on Exhibit “C”.

B. WATER DEMAND. CLWA has determined that the highest potential use in AFY, taking into consideration information and land planning information available, including the proposed use by the Landowner in each Land Use Area (“Water Demand”), is as follows:

- [Land Use Area 1]
- [Land Use Area 2]
- [Land Use Area 3]
- [Land Use Area 4]
- [Land Use Area 5]

Total:

C. PROPOSED USE AND WATER DEMAND CONDITIONAL AND SUBJECT TO ADJUSTMENT. The proposed use of the Annexation Lands is subject to the approval of the County Planning Commission and the Board of Supervisors. In addition, the annexation of the Annexation Lands into Agency for purposes of obtaining a water supply is conditional and subject to the approval of L. A. LAFCO. Should the land use and density be changed as a result of conditions imposed by the County or L. A. LAFCO in a manner that materially affects the Water Demand for the Annexation Lands, CLWA will re-evaluate the Water Demand

and make the appropriate adjustments (including, without limitation, in costs to be paid by Landowner for the Additional Water Supply) to correspond to the land use and density authorized for the Annexation Lands in a timely manner and this Agreement shall be amended accordingly.

3. SOURCE OF WATER SUPPLY.

- A. ADDITIONAL WATER SUPPLY.** It is the policy of CLWA to avoid any diversion of water supply from or reduction in water supply reliability within the existing service area. CLWA has invested in water supply, importation, distribution, banking, and water treatment facilities, the costs of which are apportioned and budgeted among various Water Service Area(s) (“WSA” or “WSAs”) within its service area pursuant to the Act. In anticipation of increased demand for water within CLWA and the Santa Clarita Valley, CLWA has completed its analysis pursuant to CEQA and has acquired rights to water from BV and RRB pursuant to the BV-RRB Acquisition. The agreement is titled “Agreement for Buena Vista/Rosedale-Rio Bravo Water Banking and Recovery Program Water Acquisition by Castaic Lake Water Agency” duly executed and dated May 22, 2007 by CLWA, BV, and RRB and is on file with CLWA. The water supply for the Annexation Lands in the amount of _____ AFY will be provided from CLWA’s common supply as augmented by the BV-RRB Acquisition.
- B. COMMON POOL.** The Additional Water Supply needed for CLWA to serve the Lands is part of the CLWA common supply for all of the lands within CLWA, including, but not limited to, the Annexation Lands Subject to the Water Demands on CLWA and the provisions of this Agreement, including Section 3.C. below, the Additional Water Supply may be used for any lawful purpose, including water banking and other uses as deemed appropriate at the discretion of CLWA and is not dedicated solely for the benefit of any particular lands, including the Annexation Lands.
- C. ASSURANCE.** Notwithstanding that the Additional Water Supply is part of the CLWA common supply as set forth in Section 3.B. above, upon execution of this Agreement and payment of the Carrying Costs for the Additional Water Supply, and provided that Landowner is not in default in the performance of obligations set forth in this Agreement or the Deposit and Funding Agreement, as established by a final judgment, CLWA shall not treat such Additional Water Supply related to the demand of the Annexation Lands as water available to support “can-serve”, “will-serve”, or

“water availability” letters (“Water Availability”) for any existing or other new development within the present CLWA service area. Upon request, as provided by law, CLWA will provide the retail water purveyor for the Annexation Lands with the necessary water supply assurances to enable the retail purveyor to issue a Water Availability letter for the Annexation Lands to the extent CLWA water supplies, including the Additional Water Supplies, are sufficient to support such letter as is consistent with law and with this Agreement. Pending confirmation from retail purveyors of delivery of water to dwelling units, the Additional Water Supply may be used by CLWA for banking or other uses consistent with this assurance.

D. CONDITIONS PRECEDENT. The following events and actions must take place prior to and as an express condition precedent to any obligation of CLWA to provide the Additional Water Supply to the Annexation Lands:

1. Final land use approvals by the County for the Lands.
2. Landowner’s consent to establishment of WSAs with boundaries which include the Annexation Lands.
3. Landowner’s consent to final adoption and implementation of the CLWA Standby Charge to be levied on Annexation Lands.
6. Final written approval by the Department of Water Resources (DWR) for extension of CLWA’s service area to coincide with the Annexation Lands’ boundaries.
7. Execution of a Water Availability letter (and/or other appropriate provision for water services as required by the retail water agency) for the Annexation Lands with the retail water purveyor with jurisdiction in each WSA.
8. The Additional Water Supply is physically available to serve the Annexation Lands.

4. WATER SERVICE AREAS. Pursuant to the Act, CLWA will assign WSAs to Annexation Lands to apportion rates, charges, fees, assessments, and taxes (collectively “Charges” herein) to the WSA to provide funds for the annual budget of CLWA for water facilities as set out therein and in the Annexation Policy. Because each WSA varies from another in a number of respects, including, but not limited to, proximity to various CLWA water facilities, each WSA may have a different schedule of

Charges to fund the portion of the budget of CLWA allocated to that WSA. ”).

5. **ANNEXATION CHARGES: BACK TAXES.** Pursuant to the Annexation Policy and, in addition to any other amounts to be paid pursuant to this Agreement or the Deposit and Funding Agreement, Landowner is required to pay to CLWA, as a condition precedent to CLWA’s obligation to provide Additional Water Supply to the Land, a sum of money or other equivalent consideration (as determined at the sole discretion of CLWA) equivalent to the ad valorem taxes that would have been paid by Annexation Lands had they been within CLWA since 1963 (“Back Taxes” herein)

6. **ANNEXATION CHARGES: CARRYING COSTS.**

A. **Payments under the Deposit and Funding Agreement.**

Pursuant to the Deposit and Funding Agreement, Landowner has agreed to pay the costs of processing the Request for Annexation, the Administrative and Operating Costs, and the Carrying Costs for the Additional Water Supply for the time periods set out therein. The permanent funding for the Carrying Costs and associated Capital Costs shall be the Standby Charge described below. Landowner’s payment of the Carrying Costs under the Deposit and Funding Agreement shall terminate only at such time as CLWA receives actual funds from the Standby Charge.

B. **Standby Charge.**

CLWA may request that L.A. LAFCO make this Standby Charge a term and condition of annexation. Notwithstanding, as of the date of the annexation, the Carrying Costs shall be calculated and paid to CLWA pursuant to an annual water standby charge adopted and levied by CLWA on the Lands in each WSA as follows:

1. **Calculation of Costs and Amortization.** Such costs shall be determined as follows: The unit cost as determined under Section 3.C.2 of the Deposit and Funding Agreement shall be multiplied by the number of AFY of the Additional Water Supply which CLWA has determined will be needed to serve the Annexation Lands during that year.

This calculation shall be performed on an annual basis before January 1 of each year and shall be in an amount

sufficient to pay for all such costs during the coming year at whatever times they may be levied.

2. **Adoption.** The annual Standby Charge shall be adopted by CLWA pursuant to the Uniform Standby Charge Act and the provisions of the Act as they exist at the time of adoption each year. As allowed by State Law, such charge shall be collected on the tax roll in the same manner and at the same time as ad valorem property taxes.
3. **Enforcement.** Failure to pay the Standby Charge shall be considered failure to pay real property taxes, resulting in the lien and foreclosure procedure set out in state law

7. **ANNEXATION CHARGES: 1% PROPERTY TAX TRANSFER.** The 1% Tax Transfer equivalent component shall be determined as set out in the Annexation Policy in effect on the date of annexation. In the event the County agrees to transfer such 1% property tax collected from the Annexation Lands to CLWA as a term and condition of annexation, no equivalent component shall be owed from Landowner.

In the event that the amount of the 1% property tax transfer related to the Annexation Lands is not transferred to CLWA by the County or the amount transferred is less than the existing 1% property tax received by CLWA from existing lands, the present value of that portion of the 1% property tax that CLWA would have received ("1% Tax Equivalent") will be calculated as follows:

CLWA's estimated assessed value of the proposed land use when fully developed will be escalated over a fifty- (50) year period using the 2% inflation factor allowed by law. The annual tax revenue will be calculated by taking CLWA median tax increment at the time of the calculation (currently 0.058064) multiplied by the assessed value for that year. The present value of those amounts will be calculated using the current interest yield on a thirty- (30) year treasury bond.

This amount shall be paid by Landowner to CLWA in a lump sum upon the date of annexation.

8. **CONDITIONS PRECEDENT TO ANNEXATION.** The following events and actions must take place prior to and as an express condition precedent to annexation of the Annexation Lands and with the approval of L.A. LAFCO, will be terms and conditions of annexation:

- A. Payment of all costs pursuant to the Deposit and Funding Agreement.
- B. Payment of all costs owing as of the date of annexation under this Agreement.
- C. Certification of environmental review by County for the Annexation Lands accepted by CLWA as a responsible agency.
- D. Approval of County of annexation to CLWA, which approval is conditioned on the payment of all costs as set forth herein.
- E. Guarantee of payment of the 1% Tax Equivalent.
- F. Compliance with any and all other terms and conditions of annexation required by L.A. LAFCO.

9. **COVENANTS.**

- A. **Standby Charges.** Landowners of Annexation Lands shall take all actions necessary, execute contracts, consents, and waivers of notice and hearing as required for CLWA to adopt and impose the Standby Charge (as allowed by law) before final tract map approval and establish the WSAs for the Annexation Lands.
- B. **DWR Consent, CEQA, Urban Water Management Plans and Related Documents.** CLWA will exercise its best efforts and, with due diligence and in good faith, seek DWR and any other agency's consent as required to extend CLWA boundaries to include Annexation Lands and to use the SWP facilities to transport the Additional Water Supply to CLWA as provided herein. CLWA will seek to amend, certify, and adopt any CEQA document or UWMP (including water supply assessments and written verifications as applicable) that is declared by final judgment of a court of competent jurisdiction to be invalid in whole or in part and affects the ability of CLWA to provide the assurance required in Section 3.C.

10. **WATER USE.**

- A. **No Agricultural Use.** The water supply shall not be used for agricultural purposes.
- B. **Regulations.** The sale and delivery of all water by CLWA, regardless of the nature and time of use of such water, shall be

subject to regulations promulgated from time-to-time by CLWA, and also those regulations promulgated by the retail water purveyor(s) serving the proposed Annexation Lands.

C. No Outside Use. Except upon terms and conditions specifically approved by the Board, water sold and delivered by CLWA shall not be used in any manner which intentionally or avoidably results in its use outside the CLWA service area.

D. Water Efficiency Guidelines. To the extent practicable, the retail water purveyor(s) and owner(s) of parcels, as appropriate, within an Annexation Land, shall comply with all CLWA rules and regulations, including, but not limited to, the following:

1. **Conservation.** Annual water use shall be minimized by incorporating water conservation measures into the development plans.

2. **BMPs.** Best Management Practices (“BMPs”) conservation measures, as identified by CLWA from time-to-time, shall be applied uniformly in all new and existing developments within the annexed area. At least one model home constructed in each new development within the proposed Annexation Lands shall demonstrate a water conserving landscape.

11. INDEMNITY. Landowner shall, at all times, indemnify, defend, and save CLWA, its Board of Directors, officers, representatives, consultants, contractors, agents and employees free and harmless from, and pay in full, any and all claims, demands, losses, damages, or expenses, including reasonable attorneys’ fees for counsel acceptable to CLWA and costs that CLWA, its Board of Directors, officers, representatives, consultants, contractors, agents and/or employees may sustain or incur in any manner relating to Landowner’s performance or failure to perform under this Agreement, or challenging the validity of this or related agreements or approvals (including but not limited to environmental certifications) but excepting any loss, damage, or expense, and claims for loss, damage, or expense resulting solely from the negligent acts or misconduct of CLWA, its Board of Directors, officers, representatives, consultants, contractors, agents, or employees.

12. DISCLAIMERS.

A. No Guarantee. Landowner hereby acknowledges that the process to complete the provisions of this Agreement can take considerable time and is subject to delay as a result of governmental processing and litigation.

B. Assumption of Risk. Landowner acknowledges that CLWA cannot predict its decision concerning the Annexation of Lands, and the conditions that may be imposed by government agencies with jurisdiction and how they may affect CLWA and Landowner assumes all financial risk related to the ultimate decision by CLWA to approve or deny the annexation should conditions occur or be imposed that are not expressly set forth in this Agreement.

13. NOTICES. All written notices required to be given pursuant to the terms hereof shall be either: (i) personally delivered, (ii) deposited in the United States express mail or first class mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by overnight courier service, or (iv) delivered by facsimile transmission, provided that the original of such notice is sent by certified United States mail, postage prepaid, no later than one (1) business day following such facsimile transmission. All such notices shall be deemed delivered upon actual receipt (or upon first attempt at delivery pursuant to the methods specified in clauses (i), (ii) or (iii) above if the intended recipient refuses to accept delivery). All such notices shall be delivered to the following addresses or to such other address as the receiving Party may from time to time specify by written notice to the other Party:

<p>To CLWA:</p> <p>Castaic Lake Water Agency 27234 Bouquet Canyon Road Santa Clarita, CA 91350 ATTN: Dan Masnada Telephone: 661-297-1600 Facsimile: 661-297-1610</p>	<p>To Landowner:</p>
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14. COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed an original and, all of which taken together, shall constitute one and the same instrument. Signatures sent by facsimile shall be deemed originals and treated in all respects as originals. As may be necessary for any alternative dispute resolution required or permitted under this Agreement, a copy of this Agreement shall be deemed to be an original for the purposes of satisfying the California and/or Federal Rules of Evidence.

15. APPROVAL. Landowner and CLWA each acknowledges that execution of this Agreement by each other is conditioned upon any necessary approval of the terms of the Agreement by their respective governing bodies.

16. **AUTHORITY.** In signing below, each of the Parties represents and warrants to each of the other Parties that each is a duly organized or constituted entity, with all requisite power to carry out its obligations under this Agreement, and that the execution, delivery, and performance of this Agreement have been duly authorized by all necessary action of the Board of Directors or other governing body of such Party, and shall not result in a violation of such Party's organizational documents.
17. **GOVERNING LAW.** This Agreement shall be construed and enforced in accordance with the laws of the State of California.
18. **AGREEMENT.** No amendment of this Agreement shall be binding upon the Parties unless it is in writing and executed by all of the Parties.
19. **FURTHER ACTION.** The Parties agree to and shall take such further action and execute and deliver such additional documents as may be reasonably required to effectuate the terms and conditions of this Agreement and to the extent consistent with the terms hereof.
20. **NO ASSIGNMENT.** Except as otherwise provided in this Agreement, neither Party shall assign or otherwise transfer its rights or obligations under this Agreement without the prior written consent of CLWA, which shall not be unreasonably withheld. Assignment without consent shall not be effective to terminate Landowner's obligations hereunder. Agency's consent to one assignment shall not constitute consent to a subsequent assignment or waiver of the requirement for such consent.
21. **JOINT DRAFTING AND NEGOTIATION.** This Agreement has been jointly negotiated and drafted. The language of this Agreement shall be construed as a whole according to its fair meaning and without regard to or aid of Civil Code Section 1654 or similar judicial rules of construction. Each Party acknowledges that it has had the opportunity to seek the advice of experts and legal counsel prior to executing this Agreement and that it is fully aware of and understands all of its terms and the legal consequences thereof. This Agreement is intended to be the entire agreement of the Parties as to the matters set forth herein.
22. **HEADINGS.** Headings used in this Agreement are for reference only and shall not affect the construction of this Agreement.
23. **NO THIRD PARTY BENEFICIARIES.** Except as otherwise provided herein, no third party shall be entitled to claim or enforce any rights under this Agreement.

24. **SEVERABILITY.** In the event that any provision of this Agreement is determined by a court to be invalid, the court shall reform the provision in a manner that is both consistent with the terms of this Agreement taken as a whole and legally valid. The remainder of this Agreement shall not be affected thereby.
25. **SUCCESSORS AND PERMITTED ASSIGNS.** All covenants and agreements contained in this Agreement by or on behalf of any of the Parties shall bind and inure to the benefit of their respective successors and permitted assigns, whether so expressed or not.
26. **INTEGRATION.** This Agreement shall constitute the entire agreement of the Parties as to those matters set out here. To the extent the provisions of the Annexation Policy or the Deposit and Funding Agreement are inconsistent with this Agreement, the provisions of this Agreement shall prevail.

[THE REMAINDER OF THIS PAGE LEFT BLANK]

27. **TERM.** This Agreement shall take effect on the date of execution by both parties and shall continue in full force and effect until CLWA provides written notice to Landowner that all obligations hereunder have been performed or otherwise have been provided for.

IN WITNESS WHEREOF, each Party has executed this Agreement on the date set forth below, said Agreement to be effective on the later of the two, i.e., when both Parties have signed this Agreement (the "Effective Date").

Date: _____

CASTAIC LAKE WATER AGENCY

By: _____

Title: _____

ATTEST:

Secretary

Date: _____

LANDOWNER, ANNEXATION LANDS

By: _____

Title: _____

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Attachment B
FIRST AMENDMENT TO DEPOSIT AND FUNDING AGREEMENT

This First Amendment to Deposit and Funding Agreement (“First Amendment”), is entered into as of ~~April 21~~^{MAY 21}, 2019 by and between Santa Clarita Valley Water Agency, a Special Act Agency and successor in interest to the Castaic Lake Water Agency (“SCV Water”) and DACA Castaic, LLC (“Landowner”). SCV Water and Landowner are each a “Party” and may be referred to collectively as the “Parties”.

RECITALS:

- A. SCV Water and Landowner entered into that certain Deposit and Funding Agreement dated November 14, 2017 (“Agreement”).
- B. On July 17, 2018, the SCV Water Board of Directors adopted Resolution No. SCV-47, determining that 489 acre feet of its Buena Vista Rosedale Rio Vista Water Supply (“Additional Water Supply”) is potentially available for the Tapia Ranch Annexation Lands subject to certain conditions.
- C. Pursuant to Section 3(C) of the Agreement, Landowner was required to pay SCV Water the administrative and operating costs arising from the Acquisition of the Additional Water Supply and the past Carrying Costs of the Additional Water Supply by January 17, 2018.
- D. Landowner requested a payment plan to meet its financial obligations under the Agreement.
- E. The Parties desire to amend the Agreement to provide for a Payment Schedule that sets forth the required payments and deadlines for such payments.
- F. The Parties further desire to amend the Agreement to change the name Castaic Lake Water Agency (“CLWA”) to Santa Clarita Valley Water Agency (“SCV Water”) throughout the Agreement because SCV Water is by law the successor in interest to CLWA.

NOW THEREFORE, in consideration of the mutual promises set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree to amend the Agreement as follows:

- 1. ‘Castaic Lake Water Agency’ or ‘CLWA’ is hereby replaced throughout the Agreement with ‘Santa Clarita Valley Water Agency’ or ‘SCV Water.’
- 2. Section 3(C)(1) and 3(C)(2) are amended to read as follows:
 - “1. **ADMINISTRATIVE AND OPERATING COSTS.** Landowner is responsible for paying SCV Water the administrative and operating costs arising from the acquisition of the Additional Water Supply. Administrative and operating costs include, but are not limited to, title reports, staff time, engineering, environmental (including CEQA compliance) and legal services arising from the acquisition of the Additional Water Supply, including negotiation and preparing of all water transfer

agreements, as well as agreements with the Department of Water Resources and other parties whose consent is required to complete performance of this Agreement, defense of any litigation challenging the BV-RRB Acquisition, as well as direct overhead as determined by SCV Water's customary practices. "Direct overhead includes, by way of example and not of limitation, salaries, benefits, equipment and facilities costs. Landowner shall not be required to reimburse SCV Water for its normal administrative costs and operating costs.

2. **CARRYING COSTS.** Landowner is responsible for paying SCV Water the Carrying Costs of the Additional Water Supply. Until SCV Water's actual receipt of funds pursuant to Section 6.B of the Annexation Agreement (the Standby Charge), Landowner is responsible for paying the Carrying Costs for the Additional Water Supply in a manner which allows SCV Water to meet its obligations to BV-RRB in a timely manner without requiring SCV Water to advance its own funds to pay such costs. The Landowner's Carrying Costs shall be determined as follows: The total Carrying Costs for the BV-RRB acquisition shall be divided by the total number of AFY acquired in the BV-RRB acquisition, less direct sales of the BV-RRB water in a given year, to determine the unit cost. That unit cost then shall be multiplied by the number of AFY of the Additional Water Supply which SCV Water has determined will be needed to serve the Annexation Lands."
3. Section 3(C)(3) is renumbered as Section 3(C)(4).
4. Section 3(C)(3) is added to read as follows:
 - "3. **PAYMENT OF ADMINISTRATIVE AND OPERATING COSTS AND CARRYING COSTS.** The administrative and operating costs arising from the acquisition of the Additional Water Supply and the Carrying Costs of the Additional Water Supply required to be paid by Sections 3(C)(1) and (2) above, including interest, shall be paid by Landowner to SCV Water according to the Payment Schedule and as described in the attached Exhibit E. Consistent with Section 7 of this Agreement, failure to make payments by the due dates in Exhibit E shall be an Event of Default "
5. The attached Payment Schedule is added to the Agreement as Exhibit E.
6. Continuing Effect of Agreement. Except as amended by this First Amendment, all other provisions of the Agreement remain in full force and effect. From and after the date of this Amendment, whenever the term "Agreement" appears in the Agreement, it shall mean the Agreement as amended by this First Amendment.
7. No Assignment. Nothing in this First Amendment to Annexation Agreement may in any way be interpreted as SCV Water's consent to an assignment of the Agreement, which is required for any assignment in Section 23. Any such consent has not been provided by SCV Water and Applicant remains and is a Party to the Agreement and is bound by the terms and conditions of the Agreement.

IN WITNESS WHEREOF, each Party has executed this First Amendment on the date set forth below, said First Amendment to be effective on the later of the two, i.e., when both Parties have signed this First Amendment (the "Effective Date").

5/21/19

Date: ~~Matthew D. [Signature]~~
MUS

SANTA CLARITA VALLEY WATER AGENCY

By: Matthew [Signature]

Title: GENERAL MANAGER

ATTEST:

April Jacobs

Secretary

Date: 5/13/19

DACA CASTAIC, LLC

By: Howard [Signature]

Title: Manager of DACRV, Managing Member of DACA-Castaic, LLC

APPROVED AS TO FORM:

Best, Best, & Krieger, LLP

By: Joseph P. Byrne [Signature]

Joseph P. Byrne, Esq.
Co-General Counsel

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SECOND AMENDMENT TO DEPOSIT AND FUNDING AGREEMENT

This Second Amendment to Deposit and Funding Agreement (“Second Amendment”), is entered into as of December __, 2021 by and between Santa Clarita Valley Water Agency, a Special Act Agency and successor in interest to the Castaic Lake Water Agency (“SCV Water”) and DACA Castaic, LLC (“Landowner”). SCV Water and Landowner are each a “Party” and may be referred to collectively as the “Parties”.

RECITALS:

- A. SCV Water and Landowner entered into that certain Deposit and Funding Agreement dated November 14, 2017 (“Agreement”).
- B. On July 17, 2018, the SCV Water Board of Directors adopted Resolution No. SCV-47, determining that 489 acre feet of its Buena Vista Rosedale Rio Vista Water Supply (“Additional Water Supply”) is potentially available for the Tapia Ranch Annexation Lands subject to certain conditions.
- C. Pursuant to Section 3(C) of the Agreement, Landowner was required to pay SCV Water the administrative and operating costs arising from the Acquisition of the Additional Water Supply and the past Carrying Costs of the Additional Water Supply by January 17, 2018.
- D. At Landowner’s request, the Parties executed a First Amendment to Deposit and Funding Agreement dated May 21, 2019 that extended that deadline to December 31, 2021 and provided for a payment plan (“Payment Schedule”) for Landowner to meet its financial obligations (“First Amendment.”)
- E. Landowner has requested another extension of time to meet its financial obligations under the Agreement.
- F. SCV Water is willing to amend the Agreement to provide for an amended Payment Schedule that sets forth the required payments and deadlines and obligations for such payments.

NOW THEREFORE, in consideration of the mutual promises set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree to amend the Agreement as follows:

- 1. Section 3(C)(3) is amended to read as follows:

“3. **PAYMENT OF ADMINISTRATIVE AND OPERATING COSTS AND CARRYING COSTS.** The administrative and operating costs arising from the acquisition of the Additional Water Supply and the Carrying Costs of the Additional Water Supply required to be paid by Sections 3(C)(1) and (2) above, including interest, shall be paid by Landowner to SCV Water according to the payment schedule and as described in the attached Exhibit E. Consistent with Section 7 of this Agreement, failure to make payments by the due dates in Exhibit

E shall be an Event of Default, and any and all payments made by Landowner to SCV Water shall not be refunded to Landowner.”

- 2. The attached amended and updated Payment Schedule replaces the previous Exhibit E and is the new Exhibit E to the Agreement.
- 3. Consistent with the terms of the Agreement, Landowner agrees and acknowledges that, in the Event of Default by Landowner, any and all payments made by Landowner to SCV Water at any time pursuant to this Agreement, including those that have already been made and those that are made in the future, are not refundable to Landowner and Landowner further agrees to waive any and all rights to bring any action in law or equity to recover such payments.”
- 4. Continuing Effect of Agreement. Except as amended by this Second Amendment, all other provisions of the Agreement remain in full force and effect. From and after the date of this Amendment, whenever the term “Agreement” appears in the Agreement, it shall mean the Agreement as amended by the First Amendment and this Second Amendment.

IN WITNESS WHEREOF, each Party has executed this Second Amendment on the date set forth below, said Second Amendment to be effective on the later of the two, i.e., when both Parties have signed this Second Amendment (the “Effective Date”).

1/12/2022
Date: _____

SANTA CLARITA VALLEY WATER AGENCY

DocuSigned by:
Matthew Stone
By: 1C50DE94EC6B485...
Title: General Manager

ATTEST:

Secretary

Date: 12.29.2021

DACA CASTAIC, LLC

By: Howard Justice
Title: Manager

APPROVED AS TO FORM:
Best, Best, & Krieger, LLP

By: _____
Joseph P. Byrne Esq.
Co-General Counsel

REVISED TAPIA RANCH PAYMENT SCHEDULE - (AMENDED EXHIBIT E)

	Estimated Payment (1/31/2022) (8)	Partial Payment of Acquisition and Past Carrying Costs (12/31/22) (6)	Estimated Payment (1/31/2023) (8)	Payment Due (12/31/2023)
Annual Interest on Acquisition and Past Carrying Costs (1)	\$156,667		\$115,167	
Annual Carrying Costs (2)(9)	\$455,792		\$471,900	
Option Payment (3)	\$125,000		\$150,000	
Acquisition and Past Carrying Cost (4)				\$3,775,117
Credit for Water Sales in 2018-2020 (5)				-\$83,130
Partial Payment of Acquisition and Past Carrying Costs		\$1,000,000		-\$1,000,000
Total Payment (7)	\$737,459	\$1,000,000	\$737,067	\$2,691,987

Notes:

- (1) The highlighted numbers in this row are estimates and assume SCV Water interest rates remain at 4.15%. The actual required payments may be adjusted and will be based on the actual interest rates.
- (2) The highlighted Annual Carrying Costs numbers in this row are estimates and the actual required payments will be adjusted to reflect the actual Annual Carrying Costs.
- (3) The Option Payments are hard numbers and must be paid by the due dates.
- (4) The highlighted lump sum payment in this row is an estimate and the final required payment may be adjusted and will be based on the actual remaining Acquisition and Past Carrying Costs.
- (5) Revenue for 2018 water sales will be credited upon final payment on 12/31/2023 . No water sales are assumed in 2021 and 2022.
- (6) Partial payment of Acquisition and Past Carrying Costs.
- (7) The highlighted number in this row will be adjusted based on actual numbers consistent with the above comments.
- (8) Payments of interest, annual carrying costs, partial Past Carrying Costs and Options are not refundable.
- (9) Ongoing annual carrying costs assumed to be paid under the future Annexation Agreement

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Attachment D
RESOLUTION NO. SCV-47

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SANTA CLARITA VALLEY WATER AGENCY
DETERMINING THAT 489 ACRE-FEET PER YEAR
OF BUENA VISTA-ROSEDALE RIO BRAVO WATER SUPPLY
IS AVAILABLE FOR POSSIBLE USE FOR THE PROPOSED TAPIA RANCH ANNEXATION**

WHEREAS, Santa Clarita Valley Water Agency (SCV Water) is a special district water agency created to acquire, hold, and utilize water and water rights, including, but not limited to, water available from the state under the State Water Resources Development System, and to provide, sell, manage, and deliver surface water, groundwater, and recycled water for municipal, industrial, domestic, and other purposes at retail and wholesale within the territory of the SCV Water; and

WHEREAS, Debt Acquisition Company of America (Applicant), owns 1,167 acres adjacent to the boundary of SCV Water in the County of Los Angeles of which approximately 650 acres is proposed for annexation to SCV Water (Annexation Lands); and

WHEREAS, on November 14, 2017, Castaic Lake Water Agency (CLWA) and Applicant executed a Deposit and Funding Agreement (Agreement) under which Applicant has agreed to certain obligations, conditions and responsibilities consistent with CLWA's Annexation Policy and its underlying principles which is necessary for the orderly development and service of water to the Annexation Lands; and

WHEREAS, SCV Water is the successor to CLWA; and

WHEREAS, the Agreement has a term of five years from the date of execution, unless extended by mutual consent; and

WHEREAS, SCV Water has determined that the proposed action has been previously addressed in the certified 2006 Final EIR and findings for the Buena Vista Water Storage District and the Rosedale-Rio Bravo Water Storage District Water Banking and Recovery Program and no further environmental analysis or documentation is needed at this time to comply with the California Environmental Quality Act; and

WHEREAS, SCV Water staff has undertaken an analysis to determine the water demand and has taken into consideration the Applicant's plan to develop the Annexation Lands; and

WHEREAS, the Board of Directors of SCV Water has reviewed available water supplies as set forth in the 2015 Urban Water Management Plan for the Santa Clarita Valley and has determined water supplies exceed demands; and

WHEREAS, SCV Water cannot and does not commit itself or agree that it can or will provide water service to the Annexation Lands since environmental compliance and other review and approvals for such a project has not been completed; and

WHEREAS, the Applicant anticipates environmental compliance and other approvals will be completed prior to November 14, 2022.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Santa Clarita Valley Water Agency hereby determines that , 489 acre feet per year of its Buena Vista-Rosedale Rio Bravo Water Supply is available for potential provision to the proposed Tapia Ranch Annexation Lands but that, as contemplated in the Deposit and Funding Agreement, any future commitment to provide water to the Proposed Annexation Lands could only be made following the completion of certain conditions, including CEQA review, the issuance of land use entitlements by the County, the approval of the annexation by the Los Angeles County LAFCO, and final review of the Proposed Annexation Lands and development proposal by this Board.


President

I, the undersigned, hereby certify: That I am the duly appointed and acting Secretary of the Santa Clarita Valley Water Agency, and that at a regular meeting of the Board of Directors of said Agency held on July 17, 2018, the foregoing Resolution No. SCV-47 was duly and regularly adopted by said Board, and that said resolution has not been rescinded or amended since the date of its adoption, and that it is now in full force and effect.

DATED: July 17, 2018


Secretary





Attachment E

January 16, 2019

Board of Directors
Santa Clarity Valley Water Agency
27234 Bouquet Canyon Road
Santa Clarita, CA 31350

Att: SCV Water Board Members
Re: Tapia Ranch Project

Dear Board Members:

Having worked together for many years, the Tapia Ranch Project appreciates the cooperation and partnership with the SCV Water Agency (SCV Water). The history of working together exceeds the six (6) years DACA-Castaic LLC has owned the property, and goes all the way back to Castaic Lake Water Agency's acquisition of Buena Vista Rosedale-Rio Bravo (BV-RRB) water in 2007 that was allocated to the Tapia Ranch Project. More recently SCV Water and Tapia Ranch have executed a Deposit and Funding Agreement in 2017 that resulted in extensive analysis to determine that the Tapia Ranch Project will require 489 acre feet of water annually. Following the execution of the Deposit and Funding Agreement, SCV Water determined in 2018 that its supplies are adequate to proceed with allocating the water to Tapia Ranch.

As the process moves forward, Tapia Ranch has been very pleased that SCV Water is willing to be flexible with the payment terms of the water allocated to the project. It is our understanding that SCV Water will accept a payment structure that includes a payment in January 2019 for certain past and present carrying costs, and a full reimbursement of the acquisition and carrying costs in December 2019. This is a very generous offer that we would gladly accept if the Tapia Ranch Project was an approved project. Unfortunately, the approval process through the County of Los Angeles is very slow and difficult, and our Tapia Ranch Project is not approved and remains a very high entitlement risk.

The reality is that the Tapia Ranch Project could very well be denied or significantly reduced during the County approval process. Since the Tapia Ranch Project application was accepted by the County in 2012, the property has been downzoned through One Valley One Vision (OVOV) to be rural 5 and 10 acre lots that effectively make the property undevelopable. The only viable development of the Tapia Ranch project is through the grandfathered application filed by DACA-Castaic LLC in 2012.

As small developers without an endless supply of capital, we are forced to finance large capital outlays such as the water purchase. It is not possible to finance the water acquisition under current market conditions and the terms of the Water Purchase Agreement. The provision allowing SCV Water ten years to return the purchase price if our project is not entitled or reduced in size precludes any financing source from advancing the capital. We certainly agree that carrying costs should be paid by any developer that expects to have the water reserved, but we request your understanding of the entitlement risks. Help us get you paid. Simply allowing the water costs to be paid after the project is approved but before the project is formally annexed into the District will allow us to get the purchased price funded. It is our expectation that the Tapia Ranch Project will be approved within the next 24 months.

Thus we propose the following terms for paying for the 489 AFY of BV-RRB water listed below. Many of the costs are based on information and an understanding of the costs provided by SCV Water staff. If they are not correct, we agree to minor adjustments. Please note that we have added additional money for i) an Option Payment and, ii) True-up Adjustment that is in the BV-RRB Water Acquisition Agreement.

1) Past Acquisition and Carrying Costs due March 31, 2019

• July-December 2018 Interest Costs	\$ 78,334
• Jan-December 2019 Interest Costs	\$ 156,667
• 2019 Carry Costs	\$ 419,277
• 2018 Water Sales Credit	(\$ 83,352)
• Option Payment	\$ 25,000
• True-up Adjustment per BV-RRB Agreement	<u>\$ 25,000</u> (estimate)
Total:	\$ 620,956

2) Carrying Costs due January 31, 2020

• Jan-December 2020 Interest Costs	\$ 160,000 (estimate)
• 2020 Carrying Costs	\$ 425,000 (estimate)
• 2019 Water Sales Credit	(\$ 80,000) (estimate)
• Option Payment	\$ 50,000
• True-up Adjustment per BV-RRB Agreement	<u>\$ 25,000</u> (estimate)
Total:	\$ 580,000

3) Carrying Costs due January 31, 2021

• Jan-December 2020 Interest Costs	\$ 165,000 (estimate)
• 2021 Carrying Costs	\$ 435,000 (estimate)
• 2020 Water Sales Credit	(\$ 80,000) (estimate)
• Option Payment	\$ 75,000
• True-up Adjustment per BV-RRB Agreement	<u>\$ 25,000</u> (estimate)
Total:	\$ 620,000

4) Past Acquisition and Carrying Costs due December 31, 2021

• Acquisition and Carrying Costs	<u>\$ 3,755,117</u>
Total:	\$ 3,755,117

Once again, we want to emphasize that we are extremely appreciative for SCV Water’s flexibility with the proposed terms that have been extended to us. Unfortunately we just need a bit more time that we are willing to pay for through carrying costs, interest, and option payments. The very significant entitlement risks to pay the full acquisition costs prior to approval of the project are just not financeable.

Thank you and we look forward to hearing your response.



Howard Justus
Manager DACA-Castaic LLC

Cc: Jon Myhre
Matt Stone



Attachment F

October 27, 2021

Steve Cole
Dirk Marks
Rick Vasilopoulos
Santa Clarita Valley Water Agency
27234 Bouquet Canyon Road
Santa Clarita, CA 91350

Dear Misters Cole, Marks and Vasilopoulos:

DACA-Castaic, LLC hereby requests the date to obtain entitlements under paragraph six of the Deposit and Funding Agreement be extended from November 14, 2022 to December 31, 2023 and the payment plan for the additional water supply be extended two years from December 31, 2021 to the same December 31, 2023.

DACA-Castaic, LLC and Castaic Lake Water Agency ("SCV Water") entered into the Deposit and Funding Agreement ("DFA") on November 14, 2017. On April __, 2019, that agreement was amended by the First Amendment to Deposit and Funding Agreement ("Amended DFA"). The DFA provided in paragraph six that DACA-Castaic obtain the certification of its Environmental Impact Report ("EIR") by the fifth anniversary of the DFA. The fifth anniversary will occur on November 14, 2022. The Amended DFA was entered into, in part, to provide DACA-Castaic will a payment plan for the Carrying Costs incurred by the SCV Water for the Additional Water Supply as defined in the Amended DFA.

DACA-Castaic will not be able to obtain the certification of its EIR within the allotted five years for a host of reasons including, without limitation, the complexity of the EIR requiring the replacement of the primary EIR consultant, the expansion of subject areas studied as a result recent case law and the increase of review times required by Los Angeles County Planning Department. We are on schedule to have our EIR before the Los Angeles County Planning Commission by December 31, 2022. Given the probability of litigation over the EIR, we are requesting the entitlement period be extended a year beyond that date to accommodate the expected litigation.

Accordingly, we are also requesting the maturity date for the payment plan of the Carrying Costs be extended to the same December 31, 2023. We are not requesting a waiver of the payment of annual carrying cost. As such, we expect to make annual payments on January 31, 2022 and January 31, 2023 and payment in full on December 31, 2023.

According to our projections, the earliest homes will be occupied will be July 2025, assuming our project is approved and EIR certified in December 2022, final engineering requires a year, grading requires a year and road construction, model construction and the first group of inhabitable homes requires six months to complete.

Should you require additional information, please contact me at 619-405-3585.

Sincerely,

A handwritten signature in blue ink, appearing to read "Howard Justus". The signature is fluid and cursive, with the first name "Howard" being more prominent and the last name "Justus" following in a similar style.

Howard Justus

Manager,
DACA Castaic, LLC



Attachment G

November 20, 2023

Steve Cole
Rick Vasilopoulos
Santa Clarita Valley Water Agency
27234 Bouquet Canyon Road
Santa Clarita, CA 91350

Dear Misters Cole and Vasilopoulos:

DACA-Castaic, LLC hereby requests the date to obtain entitlements under paragraph six of the Deposit and Funding Agreement be extended from December 31, 2023 to December 31, 2025 and the payment plan for the additional water supply be extended one year from December 31, 2023 to December 31, 2024.

DACA-Castaic, LLC and Castaic Lake Water Agency (“SCV Water”) entered into the Deposit and Funding Agreement (“DFA”) on November 14, 2017. On May 21, 2019, that agreement was amended by the First Amendment to Deposit and Funding Agreement (“Amended DFA”). On December __, 2021 the Second Amendment To Deposit and Funding Agreement was entered into. The Second Amended DFA provided that DACA-Castaic obtain the certification of its Environmental Impact Report (“EIR”) and make a full payment of the water supply by December 31, 2023.

DACA-Castaic will not be able to obtain the certification of its EIR by December 31, 2023 for a host of reasons including, without limitation, the complexity of the EIR requiring the replacement of the primary EIR consultant, the termination of the second consultant due to an inability to complete the Draft EIR in an agreed upon time and price, changes in recent case law (wildfires), increases in areas studied (biology) and the increase of review times required by Los Angeles County Planning Department. Our revised schedule now has our EIR before the Los Angeles County Planning Commission by December 31, 2024. Given the probability of litigation over the EIR, we are requesting the entitlement period be extended a year beyond that date to accommodate the expected litigation.

Accordingly, we are also requesting the maturity date for the payment plan of the Past Carrying Costs be extended to the same December 31, 2024. We are not requesting a waiver of the payment of annual carrying cost and will make a \$1,000,000 paydown of the Past Carrying Costs. As such, we expect to make annual payments on January 31, 2024, 2025 and 2026 and payment in full of the Past Carrying Costs on December 31, 2024.

According to our projections, the earliest homes will be occupied will be July 2027, assuming our project is approved and EIR certified in December 2024, final engineering requires a year, grading requires a year and road construction, model construction and the first group of inhabitable homes requires six months to complete.

Should you require additional information, please contact me at 619-405-3585.

Sincerely,

A handwritten signature in blue ink, appearing to read "Howard Justus". The signature is fluid and cursive, with a large initial "H" and "J".

Howard Justus

Manager,
DACA Castaic, LLC

THIRD AMENDMENT TO DEPOSIT AND FUNDING AGREEMENT

This Third Amendment to the Deposit and Funding Agreement (“Third Amendment”), is entered into as of January 2, 2024, by and between Santa Clarita Valley Water Agency, a California Special Act Agency and successor in interest to the Castaic Lake Water Agency (“SCV Water”) and DACA Castaic, LLC (“Landowner”). SCV Water and Landowner are each a “Party” and may be referred to collectively as the “Parties”.

RECITALS:

- A. SCV Water and Landowner entered into that certain Deposit and Funding Agreement dated November 14, 2017 (“Agreement”).
- B. On July 17, 2018, the SCV Water Board of Directors adopted Resolution No. SCV-47, determining that 489 acre-feet of its Buena Vista Rosedale Rio Vista Water Supply (“Additional Water Supply”) is potentially available for the Tapia Ranch Annexation Lands subject to certain conditions.
- C. Pursuant to Section 3(C) of the Agreement, Landowner was required to pay SCV Water the administrative and operating costs arising from the Acquisition of the Additional Water Supply and the past Carrying Costs of the Additional Water Supply by January 17, 2018.
- D. At Landowner’s request, the Parties executed a First Amendment to the Deposit and Funding Agreement dated May 21, 2019, that extended that deadline to December 31, 2021, and provided for a payment plan (“Payment Schedule”) for Landowner to meet its financial obligations (“First Amendment.”).
- E. At Landowner’s request, the Parties executed a Second Amendment to the Deposit and Funding Agreement dated December 28, 2022, that extended that deadline to December 31, 2023, and provided for a revision of the Payment Schedule for Landowner to meet its financial obligations (“Second Amendment”).
- F. Landowner has requested a third extension of time to meet both its financial obligations and California Environmental Quality Act (“CEQA”) obligations under the Agreement.
- G. Landowner has paid a total of \$4,438,476 for the cost associated with the Deposit and Funding Agreement to date.
- H. SCV Water is willing to amend the Agreement to provide for an amended schedule in which to complete the project’s CEQA certifications and to provide for an amended Payment Schedule that sets forth the required payments and deadlines and obligations for such payments.

NOW THEREFORE, in consideration of the mutual promises set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree to amend the Agreement as follows:

- 1. Section 3(C)(3) is amended to read as follows:

“3. **PAYMENT OF ADMINISTRATIVE AND OPERATING COSTS AND CARRYING COSTS.** The administrative and operating costs arising from the acquisition of the Additional Water Supply and the Carrying Costs of the Additional Water Supply required to be paid by Sections 3(C)(1) and (2) above, including interest, shall be paid by Landowner to SCV Water according to the payment schedule and as described in attached Exhibit E. Consistent with Section 7 of this Agreement, failure to make payments by the due dates in Exhibit E shall be an Event of Default, and any and all payments made by Landowner to SCV Water shall not be refunded to Landowner.”

2. The attached amended and updated Payment Schedule replaces the previous Exhibit E and is the new Exhibit E to the Agreement.

3. Section 3(E)(6) is amended to read as follows:

“6. **TERMINATION FOR FAILURE TO TIMELY OBTAIN ENTITLEMENTS.** Landowner and SCV Water are negotiating an Annexation Agreement in substantially the form attached hereto as Exhibit D. Landowner and SCV Water acknowledge that such Annexation Agreement will be necessary to govern the terms of provision of the Additional Water Supply, and until that time, SCV Water is obligated hereunder to reserve any such Additional Water Supply for the benefit of Landowner. Landowner and SCV Water further acknowledge that the Annexation Agreement must be approved by the Los Angeles LAFCO (LAFCO), and that Landowner must work with the County as the Lead Agency under CEQA for Landowner’s project, to process project entitlements and prepare a CEQA document that SCV Water and LAFCO may adopt as CEQA responsible agencies (collectively, the “Entitlements”). Landowner and SCV Water hereby agree that, should Landowner fail to obtain such Entitlements as are necessary to submit the Annexation Agreement for approval by LAFCO by December 31, 2025, this Agreement, and the rights and obligations existing hereunder for both Landowner and SCV Water, with the exception of Section 3.C.3 and Section 10 and all of the obligations and requirements in them, shall terminate as of such date. The deadline may be extended by the mutual agreement of both parties and the approval of the SCV Water Board of Directors.”

4. As agreed to in the Second Amendment and restated in this Third Amendment, Landowner agrees and acknowledges that, in the Event of Default by Landowner, any and all payments made by Landowner to SCV Water at any time pursuant to this Agreement, including those that have already been made and those that are made in the future, are not refundable to Landowner and Landowner further agrees to waive any and all rights to bring any action in law or equity to recover such payments.

5. Continuing Effect of Agreement. Except as amended by this Third Amendment, all other provisions of the Agreement remain in full force and effect. From and after the date of this Amendment, whenever the term “Agreement” appears in the Agreement, it shall mean the Agreement as amended by the First Amendment, Second and Third Amendments.

IN WITNESS WHEREOF, each Party has executed this Third Amendment on the date set forth below, said Third Amendment to be effective on the later of the two, i.e., when both Parties have signed this Third Amendment (the “Effective Date”).

Date: _____

SANTA CLARITA VALLEY WATER AGENCY

By: _____

Title: _____

ATTEST:

Secretary

Date: _____

DACA CASTAIC, LLC

By: _____

Title: _____

APPROVED AS TO FORM:

Best, Best, & Krieger, LLP

By: _____

Joseph P. Byrne, Esq.
Co-General Counsel

THIRD AMENDMENT OF THE DEPOSIT AND FUNDING AGREEMENT - REVISED TAPIA RANCH PAYMENT SCHEDULE - (EXHIBIT E) - Attachment I

	Payments Made (1/31/2023) (7)	Paydown of Acquisition and Past Carrying Costs Due (1/31/2024)	Annual Carrying Cost Payment (1/31/2024) (7)	Final Payment of Acquisition and Past Carrying Costs Due (12/31/2024)	Estimated Annual Carrying Cost Payment Due (1/31/2025)	Estimated Annual Carrying Cost Payment Due (1/31/2026)
Annual Interest on Acquisition and Past Carrying Costs (1)	\$115,167		\$111,717		\$70,217	
Annual Carrying Costs (2)(8)	\$487,396		\$498,188		\$490,000	\$490,000
Option Payment (3)	\$150,000		\$200,000			
Balance of Acquisition and Past Carrying Costs (4)				\$2,691,987		
Partial Payment of Acquisition and Past Carrying Costs (5)	\$1,000,000	\$1,000,000		-\$1,000,000		
Total Payment Due (6)	\$1,752,563	\$1,000,000	\$809,905	\$1,691,987	\$560,217	\$490,000

Notes:

- (1) The highlighted numbers in this row are estimates and assume SCV Water interest rates remain at 4.15%. The actual required payments may be adjusted and will be based on the actual interest rates.
- (2) The highlighted Annual Carrying Costs numbers in this row are estimates and the actual required payments will be adjusted to reflect the actual Annual Carrying Costs.
- (3) The Option Payments are hard numbers and must be paid by the due dates.
- (4) The highlighted balance in this row is an estimate and the final required payment may be adjusted and will be based on the actual remaining Acquisition and Past Carrying Costs.
- (5) Partial payment of Acquisition and Past Carrying Costs.
- (6) The highlighted numbers in this row will be adjusted based on actual numbers consistent with the above comments.
- (7) Payments of interest, annual carrying costs, paid Past Carrying Costs and Options are not refundable.
- (8) Ongoing annual carrying costs assumed to be paid under the future Annexation Agreement.



December 13, 2023 Committee Meeting

1. CLOSED SESSION: Conference with Real Property Negotiators
Property: Devil's Den Water District Property Encompassing Approx. 8,800 Acres Located in Kings and Kern Counties Along Hwy 33 North of Twisselman Road and South of Route 41
Agency Negotiators: Assistant General Manager Stephen L. Cole, Director of Water Resources Ali Elhassan, and Water Resources Planner Rick Vasilopoulos
Negotiating Parties: Intersect Power
Under Negotiation: Price and Terms of Payment
2. Discuss and Consider Potential Amendment to the Deposit and Funding Agreement between Santa Clarita Valley Water Agency and DACA-Castaic, LLC for Tapia Ranch
3. Recommend Authorizing the General Manager to Enter into an Agreement for Purchase and Sale of Recycled Water between City of Santa Clarita and SCV Water Agency
4. Water Resources Manager Report – Staff Activities
5. Sustainability Manager Report – Staff Activities

January 2, 2024 Board Meeting

1. CLOSED SESSION: Conference with Real Property Negotiators
Property: Devil's Den Water District Property Encompassing Approx. 8,800 Acres Located in Kings and Kern Counties Along Hwy 33 North of Twisselman Road and South of Route 41
Agency Negotiators: Assistant General Manager Stephen L. Cole, Director of Water Resources Ali Elhassan, and Water Resources Planner Rick Vasilopoulos
Negotiating Parties: Intersect Power
Under Negotiation: Price and Terms of Payment
2. Discuss and Consider Potential Amendment to the Deposit and Funding Agreement between Santa Clarita Valley Water Agency and DACA-Castaic, LLC for Tapia Ranch
3. Recommend Authorizing the General Manager to Enter into an Agreement for Purchase and Sale of Recycled Water between City of Santa Clarita and SCV Water Agency

January 10, 2024 Committee Meeting

1. Recommend Adoption of the Water Use Efficiency Strategic Plan
2. Recommend Approval of a Resolution Authorizing the General Manager to Execute an Agreement between SCV Water Agency and SCV-GSA to Provide Management and Technical Services
3. Water Resources Manager Report:
 - Status of the Recycled Water Optimization Study
 - Status of Upper Santa Clara River Salt and Nutrient Management Plan
 - Status of Water Supplies
 - Staff Activities
4. Sustainability Manager Report – Staff Activities

February 6, 2024 Board Meeting

1. Recommend Adoption of the Water Use Efficiency Strategic Plan
2. Recommend Approval of a Resolution Authorizing the General Manager to Execute an Agreement between SCV Water Agency and SCV-GSA to Provide Management and Technical Services

February 14, 2024 Committee Meeting

1. Authorize the General Manager to Enter into Contracts for Water Resiliency Plan Initiative
2. Recommend Authorizing the General Manager to Enter into MOU with Antelope Valley East Kern Water District to Fund Planning Costs for a Portion of the Proposed Phase 2 Proposed High Desert Water Bank
3. Water Resources Manager Report:
 - Status of the Groundwater Recharge Feasibility Studies
 - Status of New Drop Program

- Staff Activities
3. Sustainability Manager Report – Staff Activities

March 5, 2024 Board Meeting

1. Authorize the General Manager to Enter into Contracts for Water Resiliency Plan Initiative
2. Recommend Authorizing the General Manager to Enter into MOU with Antelope Valley East Kern Water District to Fund Planning Costs for a Portion of the Proposed Phase 2 Proposed High Desert Water Bank

March 13, 2024 Committee Meeting

1. Water Resources Manager Report – Staff Activities
2. Sustainability Manager Report – Staff Activities

April 10, 2024 Committee Meeting

1. Water Resources Manager Report – Staff Activities
2. Sustainability Manager Report – Staff Activities

May 15, 2024 Committee Meeting

1. Water Resources Manager Report – Staff Activities
2. Sustainability Manager Report – Staff Activities

June 12, 2024 Committee Meeting

1. Water Resources Manager Report – Staff Activities
2. Sustainability Manager Report – Staff Activities

July 10, 2024 Committee Meeting

1. Water Resources Manager Report – Staff Activities
2. Sustainability Manager Report – Staff Activities