



UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY REGULAR BOARD MEETING

Tuesday, July 18, 2023
See Agenda for Start Time

Members of the public may attend by the following options:

In Person

Santa Clarita Valley Water Agency
Rio Vista Water Treatment Plant
Boardroom
27234 Bouquet Canyon Road
Santa Clarita, CA 91350

By Phone

Toll Free:
1-(833)-568-8864
Webinar ID: 160 089 5177

Virtually

Please join the meeting from your
computer, tablet or smartphone:
<https://scvwa.zoomgov.com/j/1600895177>

Have a Public Comment?

Members of the public unable to attend this meeting may submit comments either in writing to ajacobs@scvwa.org or by mail to April Jacobs, Board Secretary, Santa Clarita Valley Water Agency, 27234 Bouquet Canyon Road, Santa Clarita, CA 91350. All written comments received before 4:00 PM the day of the meeting will be distributed to the Board 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 1.2 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 Board meetings will be posted to yourscvwater.com within 3 business days from the date of the Board 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 Board meeting. Attendees should therefore use their own judgment with respect to protecting themselves from exposure to COVID-19.

Santa Clarita Valley Water Agency
Rio Vista Water Treatment Plant
27234 Bouquet Canyon Road
Santa Clarita, CA 91350
(661) 297-1600

[This page intentionally left blank.]

**UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
REGULAR MEETING AGENDA**

**RIO VISTA WATER TREATMENT PLANT
BOARDROOM
27234 BOUQUET CANYON ROAD
SANTA CLARITA, CA 91350**

**TUESDAY, JULY 18, 2023 AT 7:00 PM
OR IMMEDIATELY FOLLOWING
THE REGULAR MEETING OF THE
SANTA CLARITA VALLEY WATER AGENCY
BOARD OF DIRECTORS**

IMPORTANT NOTICES

President Martin will be participating remotely per Government Code Section 54953(e) (AB 2449) under the "Emergency Circumstances" exception if approved by the Board at tonight's meeting.

BOARD OF DIRECTORS

PRESIDENT
MARIA GUTZEIT

VICE PRESIDENT
KATHYE ARMITAGE

WILLIAM COOPER
GARY MARTIN
PIOTR ORZECZOWSKI

EXECUTIVE DIRECTOR
MATTHEW G. STONE

GENERAL COUNSEL
BEST BEST AND KRIEGER

SECRETARY
APRIL JACOBS

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: 160 089 5177 or Zoom Webinar by clicking on the link <https://scvwa.zoomgov.com/j/1600895177>**. Any member of the public may listen to the meeting or make comments to the Board using the call-in number or Zoom Webinar link above. Because a Board member may be participating remotely pursuant to AB 2449, 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, no action will be taken until the disruption is resolved.

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 Board 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 ajacobs@scvwa.org or by mail to April Jacobs, Board Secretary, Santa Clarita Valley Water Agency, 27234 Bouquet Canyon Road, Santa Clarita, CA 91350. All written comments received before 4:00 PM the day of the meeting will be distributed to the Board 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.

1. REGULAR PROCEDURES

1.1. Call to Order

1. REGULAR PROCEDURES (CONT.)

- 1.2. 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. (Comments may, at the discretion of the Board’s presiding officer, be limited to three minutes for each speaker.)
- 1.3. Consider and Approve a Request by Director Martin to Attend the July 18, 2023 USCJVPA Meeting Remotely Due to “Emergency Circumstances” and Approve the Agenda **PAGE**
5

2. CONSENT CALENDAR

PAGE

- 2.1. * Approve Minutes of the June 20, 2023 Regular Upper Santa Clara Valley Joint Powers Authority Meeting 7

3. GENERAL AGENDA ITEM

PAGE

- 3.1. * Approve a Resolution Authorizing the Approval of the Preliminary Official Statement for Issuance of the 2023A Revenue Bond 9

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

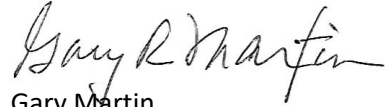
Pursuant to Government Code Section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection at the Santa Clarita Valley Water Agency, located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

Posted on July 12, 2023.

July 10, 2023

I am requesting that I be approved by the Board to participate remotely in the USCVJPA meeting scheduled for July 18, 2023 under the emergency circumstances provision in Section 54953(e) because of a physical medical emergency that prevents me from participating in person.

Thank you for the consideration.

A handwritten signature in cursive script that reads "Gary R. Martin".

Gary Martin

[This page intentionally left blank.]

Minutes of the Regular Meeting of the Upper Santa Clara Valley Joint Powers Authority – June 20, 2023

A regular meeting of the Upper Santa Clara Valley Joint Powers Authority was held at Santa Clarita Valley Water Agency, 27234 Bouquet Canyon Road, Santa Clarita, CA 91350 at 7:08 PM on Tuesday, June 20, 2023 immediately following the Santa Clarita Valley Water Agency regular Board meeting. A copy of the Agenda is inserted in the Minute Book of the District preceding these minutes.

DIRECTORS PRESENT: Kathye Armitage, William Cooper, Maria Gutzeit, Gary Martin and Piotr Orzechowski.

DIRECTORS ABSENT: None.

Also present: Assistant General Manager Steve Cole, Board Secretary April Jacobs, Executive Director Matthew Stone, General Counsel for SCV Water Tom Bunn, Information Technology Technician I Jonathan Thomas, Treasurer Rochelle Patterson as well as additional SCV Water Agency staff and members of the public.

President Gutzeit called the meeting to order at 7:08 PM. A quorum was present.

There were no changes to the June 20, 2023 Authority Agenda and it was accepted as shown (Item 1.3).

Upon motion of Director Martin, seconded by Director Cooper and carried, the Authority approved the Consent Calendar by the following roll call votes (Item 2):

Vice President Armitage	Yes	Director Cooper	Yes
President Gutzeit	Yes	Director Martin	Yes
Director Orzechowski	Yes		

Upon motion of Director Orzechowski, seconded by Director Martin and carried, the Authority approved Resolution No. 2023-02 adopting the FY 2023/24 and FY 2024/25 Budgets by the following roll call votes (Item 3.1):

Vice President Armitage	Yes	Director Cooper	Yes
President Gutzeit	Yes	Director Martin	Yes
Director Orzechowski	Yes		

RESOLUTION NO. 2023-02

**RESOLUTION OF THE
UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
ADOPTING THE BUDGETS FOR FISCAL YEARS 2023/24 and 2024/25**

[Link to Resolution 2023-02](#)


The meeting was adjourned at 7:18 PM (Item 4).

April Jacobs, Board Secretary

ATTEST:

President

UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY

Date: July 11, 2023
To: Upper Santa Clara Valley Joint Powers Authority Board of Directors
From: Rochelle Patterson 
Treasurer
Subject: Approve a Resolution Authorizing the Approval of the Preliminary Official Statement for Issuance of the 2023A Revenue Bond

SUMMARY

The Santa Clara Valley Water Agency (“Agency”) Board of Directors approved resolutions for the issuance of bonds for new or continuing capital improvement projects. Prior to the issuance of the revenue bonds, the Agency and the Upper Santa Clara Valley Joint Powers Authority (the “Authority”) must approve the attached resolution (Attachment 1) approving a Preliminary Official Statement (the “POS,” Attachment 2) and authorize the issuance of revenue bonds. The proposed bond issuance is consistent with the Agency’s Debt Management Policy.

DISCUSSION

At its April 4, 2023, regular Board meeting, the Board of Directors adopted Resolution No. SCV-341 authorizing the legal documents for the issuance of bonds. To implement the new money issuance, management recommends the Boards of the Agency and the Authority adopt the attached resolutions approving the attached POS and authorizing the sale of the revenue bonds. The POS is the Upper Santa Clara Valley Joint Power Authority’s disclosure document, and it is important that management and the Board of Directors carefully review this document prior to approval.

The POS discloses material information on the offering of the Series 2023A revenue bonds and this information is used by potential investors to evaluate the credit quality of and potential risks associated with the bonds. The POS includes technical information on the Agency’s issuance of the bonds. The POS also includes information on the Agency’s finances and how the bonds would be repaid, as well as general information on the financial and economic characteristics of the Agency and its service area, the Agency’s water supply situation, the Agency’s long-term capital improvement program and litigation. If any Director has questions or comments about any of the information contained in the POS or with respect to information that would be material and should be included in the POS, please contact the Chief Financial and Administrative Officer before or after the meeting.

The proposed revenue bonds issuance is anticipated to close in August 2023.

FINANCIAL CONSIDERATIONS

Following approval of the POS by the Board, the Authority will have the authority to issue revenue bonds on behalf of the Agency and incur debt to be paid by the Agency through

installment payments. Based on current market conditions, the finance team is considering a shorter term of bonds to generate a lower cost of borrowing versus the traditional 30-year bond. Due to the flexible repayment and prepayment terms of the WIFIA Loan, the Agency has an opportunity to push out costs on debt attributed to the WIFIA Loan that has a lower cost of financing with no impact on the interest rate. The shorter maturity is consistent with the current annual debt service forecast, and not expected to result in higher proposed rate changes. This allows the Agency to structure its bond financing to maximize savings. Estimated annual payments for 13-or 15-year bonds range from \$3,100,000 to \$15,300,000 to fund \$75 million in capital improvement projects. The shorter terms are estimated to reduce the borrowing cost by 1.00%, saving the Agency approximately \$50 million or more over the life of the debt versus a 30-year issuance, subject to market conditions.

RECOMMENDATION

That the JPA Board of Directors approve a resolution authorizing the approval of the Preliminary Official Statement in connection with the issuance of the Series 2023A revenue bond.

RP

Attachments

ATTACHMENT 1

RESOLUTION NO. _____

RESOLUTION OF THE UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY APPROVING CERTAIN PORTIONS OF AN OFFICIAL STATEMENT IN CONNECTION WITH THE ISSUANCE OF REVENUE BONDS AND AUTHORIZING CERTAIN ACTS IN CONNECTION THEREWITH

WHEREAS, the Upper Santa Clara Valley Joint Powers Authority (the "Authority"), a joint exercise of powers authority duly organized and existing under and pursuant to the Constitution and laws of the State of California, has been requested to assist the Santa Clarita Valley Water Agency (the "Agency") by undertaking the financing of the acquisition of certain capital improvements on behalf of the Agency with the issuance of one or more series of Authority revenue bonds; and

WHEREAS, the Board of Directors of the Authority previously approved documents to finance the acquisition of certain capital improvements and to pay the costs of issuance by the Authority on behalf of the Agency; and

WHEREAS, the Authority has determined to approve an official statement to be used in connection with the issuance of Authority revenue bonds.

NOW THEREFORE, the Board of Directors of the Upper Santa Clara Valley Joint Powers Authority hereby finds, determines, declares and resolves as follows:

1. The preparation and distribution of the Preliminary Official Statement, including appendices C, D, and E but excluding appendices A, B, and F (the "Authority Portion"), in substantially the form on file with the Secretary of the Board, is hereby approved, subject to final approval as to form by General Counsel and Stradling Yocca Carlson & Rauth, a Professional Corporation, as bond counsel ("Bond Counsel"). The Executive Director is hereby authorized to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 relating to the Authority Portion of the Preliminary Official Statement.

2. The President, Vice President, Executive Director or the Treasurer are hereby authorized and directed to execute, approve and deliver the Authority Portion of the final Official Statement with such changes, insertions and omissions as may be approved by General Counsel and Bond Counsel, said Authority officers' execution being conclusive evidence of such approval. The underwriters named in the Preliminary Official Statement are hereby authorized to distribute copies of the Authority Portion of Preliminary Official Statement to persons who may be interested in the initial purchase of the previously approved Upper Santa Clara Valley Joint Powers Authority bonds (the "Bonds") and are directed to deliver copies of the final version of the Authority Portion of the Official Statement to all actual initial purchasers of the Bonds.

3. This resolution shall take effect immediately.

[This page intentionally left blank.]

ATTACHMENT 2

Stradling Yocca Carlson & Rauth
Draft of 7/10/23

PRELIMINARY OFFICIAL STATEMENT DATED JULY __ 2023

NEW ISSUE—BOOK-ENTRY ONLY

RATING: See the caption “RATING”

\$ _____ *

UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY REVENUE BONDS, SERIES 2023A

Dated: Date of Delivery

Due: As shown on the inside cover

The Upper Santa Clara Valley Joint Powers Authority Revenue Bonds, Series 2023A are being issued by the Authority pursuant to an Indenture of Trust, dated as of May 1, 2023, by and between the Authority and U.S. Bank Trust Company, National Association, as trustee, and will be payable from the sources described herein. The 2023 Bonds are being issued to (i) finance the acquisition of certain capital improvements for the Santa Clarita Valley Water Agency’s Water System, and (ii) pay certain costs of issuance of the 2023 Bonds.

Interest due on the 2023 Bonds is payable semiannually on each August 1 and February 1, commencing February 1, 2024. The 2023 Bonds are being issued in fully registered book-entry form and initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers will not receive certificates representing their interest in the 2023 Bonds. Individual purchases of the 2023 Bonds will be in principal amounts of \$5,000 and integral multiples thereof. Payments of principal of and interest on the 2023 Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the 2023 Bonds.

The 2023 Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity as described in this Official Statement.

The 2023 Bonds are limited obligations of the Authority. The 2023 Bonds are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues consist primarily of Series 2023 Installment Payments received by the Authority from the Agency pursuant to an Installment Purchase Agreement, dated as of May 1, 2023, by and between the Agency and the Authority.

The obligation of the Agency to make the Series 2023 Installment Payments is a special obligation of the Agency payable solely from Net Revenues of the Agency’s Water System. Revenues of the Water System generally consist of the Agency’s retail water sales revenues, amounts allocated by the Counties from the 1% *ad valorem* property tax to the Agency, facility capacity fees and certain other revenues. Revenues also include transfers from the Rate Stabilization Fund. Net Revenues available for the payment of the Series 2023 Installment Payments are the Revenues of the Water System less Operation and Maintenance Costs, less debt service on the 1999 Installment Purchase Agreement which is currently outstanding in the approximate amount of \$67,061,078 (adjusted for the accreted value of certain capital appreciation certificates as of February 1, 2023). The 2023 Bonds are payable from Net Revenues on a parity with the Installment Payments pursuant to the 2018A Installment Purchase Agreement and the 2020 Installment Purchase Agreement in the aggregate principal amount of \$243,620,000, except for any 1% *ad valorem* property tax remaining following the payment of the 1999 Installment Payments, which will be first applied to the payment of the 2018A Installment Payments and then to the 2020 Installment Payments and the Series 2023 Installment Payments.

Ad Valorem Property taxes levied by the Agency to pay certain State Water Project costs are not included in Revenues of the Water System pledged to the payment of the Series 2023 Installment Payments. Such State Water Project costs, which are paid from such *ad valorem* property taxes, are not treated as Operation and Maintenance Costs of the Water System.

The Agency has covenanted not to incur additional obligations payable from Net Revenues senior to the Series 2023 Installment Payments. The Agency may incur additional obligations payable from Net Revenues of the Water System on a parity with the Series 2023 Installment Payments, subject to the terms and conditions set forth in the Installment Purchase Agreement, as further described herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF OR ANY MEMBER OF THE AUTHORITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF, OR INTEREST ON, THE 2023 BONDS. THE AUTHORITY HAS NO TAXING POWERS. THE 2023 BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF (OTHER THAN THE AUTHORITY) OR ANY MEMBER OF THE AUTHORITY IN CONTRAVENTION OF ANY STATE OF CALIFORNIA CONSTITUTIONAL OR STATUTORY PROVISION.

MATURITY SCHEDULE
(See inside front cover)

THE OBLIGATION OF THE AGENCY TO MAKE THE SERIES 2023 INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE AGENCY PAYABLE SOLELY FROM NET REVENUES OF THE AGENCY’S WATER SYSTEM AND OTHER FUNDS DESCRIBED IN THE INSTALLMENT PURCHASE AGREEMENT, INCLUDING BUT NOT LIMITED TO THE RATE STABILIZATION FUND, AND DOES NOT CONSTITUTE AN OBLIGATION OF THE AGENCY FOR WHICH THE AGENCY IS OBLIGATED TO PAY FROM ANY OTHER AGENCY REVENUES OR TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AGENCY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE AGENCY TO MAKE THE SERIES 2023 INSTALLMENT PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE A DEBT OF THE AGENCY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the 2023 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2023 Bonds and the portion of each Installment Payment constituting

* Preliminary, subject to change.
4894-3703-8175v9/024151-0033

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

interest (and original issue discount) is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences with respect to the 2023 Bonds, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.

This cover page contains certain information for quick reference only. It is not a complete summary of the 2023 Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used and not defined on the cover of this Official Statement have the meanings ascribed thereto in this Official Statement.

The 2023 Bonds are offered when, as and if issued, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Underwriter by its counsel, Katten Muchin Rosenman LLP, for the Agency by Best Best & Krieger LLP, as Co-General Counsel to the Agency, for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Special Counsel, for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel to the Authority and for the Trustee by its counsel. It is anticipated that the 2023 Bonds will be available through the facilities of The Depository Trust Company in New York, New York by Fast Automated Securities Transfer (FAST) on or about on or about August 8, 2023.

BofA Securities

Dated: August __, 2023

MATURITY SCHEDULE

\$ _____^{*}
UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
REVENUE BONDS, SERIES 2023A

<i>Maturity (August 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†]</i>
--------------------------------	-----------------------------	--------------------------	--------------	--------------	--------------------------

\$ _____ % Term Bonds due August 1, 20 __, Yield _____ %, Price _____; CUSIP[†]: _____

^{*} Preliminary, subject to change.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by Factset Research Systems Inc. Copyright© 2023 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the Agency or the Underwriter take any responsibility for the accuracy of such numbers.

**UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
BOARD OF DIRECTORS AND OFFICIALS**

Maria Gutzeit, President
Kathye Armitage, Vice President
William C. Cooper
Gary Martin
Piotr Orzechowski

Matthew Stone, Executive Director
April Jacobs, Secretary
Rochelle Patterson, Treasurer

**SANTA CLARITA VALLEY WATER AGENCY
BOARD OF DIRECTORS AND OFFICIALS**

Gary Martin, President
Piotr Orzechowski, Vice President
Maria Gutzeit Vice President
Kathye Armitage
Beth Braunstein
Ed Colley
William C. Cooper
Dirk S. Marks
Kenneth J. Petersen

Matthew Stone, General Manager
April Jacobs, Secretary to the Board
Stephen Cole, Assistant General Manager
Rochelle Patterson, Chief Financial and Administrative Officer
Keith Abercrombie, Chief Operating Officer

Best Best & Krieger LLP, Co-General Counsel
Lagerlof, LLP, Co-General Counsel

SERVICES

Authority General Counsel

Best Best & Krieger LLP
Los Angeles, California

Authority Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth, A Professional Corporation
Newport Beach, California

Municipal Advisor to the Agency

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Trustee

U.S. Bank Trust Company, National Association
Los Angeles, California

Table of Contents

INTRODUCTION	1	Cybersecurity.....	22
THE FINANCING PLAN	5	THE SANTA CLARITA VALLEY WATER	
The Project.....	5	AGENCY	23
ESTIMATED SOURCES AND USES OF		CONSTITUTIONAL PROVISIONS.....	23
FUNDS	5	Article XIII B	23
THE 2023 BONDS	5	Proposition 218.....	23
Terms of the 2023 Bonds.....	5	Proposition 26.....	25
Redemption of Bonds.....	6	Future Initiatives.....	26
Notice of Redemption	7	THE AUTHORITY	26
Selection of Bonds for Redemption	8	TAX MATTERS	26
Partial Redemption of Bonds	8	CERTAIN LEGAL MATTERS	28
Effect of Redemption of Bonds	8	LITIGATION	29
Book-Entry Only System.....	8	The Authority	29
Transfers and Exchanges Upon Termination of		The Agency	29
Book-Entry Only System.....	9	RATINGS.....	29
Debt Service Schedule	9	MUNICIPAL ADVISOR.....	29
SECURITY FOR THE 2023 BONDS.....	11	UNDERWRITING.....	29
General.....	11	CONTINUING DISCLOSURE UNDERTAKING	
Revenue Pledge Securing the Series 2023		30
Installment Payments	11	MISCELLANEOUS.....	32
Rate Stabilization Fund.....	13		
Rate Covenant.....	13	APPENDIX A INFORMATION RELATING	
Limitations on Parity and Superior		TO THE SANTA CLARITA	
Obligations; Subordinate Obligations	14	VALLEY WATER AGENCYA-1	
INVESTMENT CONSIDERATIONS	15	APPENDIX B AUDITED FINANCIAL	
Accuracy of Assumptions	15	STATEMENTS FOR THE	
1% <i>Ad Valorem</i> Property Tax Allocations...	15	FISCAL YEAR ENDING	
Facility Capacity Fees.....	16	JUNE 30, 2022, INCLUDING	
Rate Covenant Not a Guarantee.....	16	THE AUDITOR’S REPORT ON	
System Demand	17	INTERNAL CONTROL	
System Expenses.....	17	OVER FINANCIAL	
Limited Recourse on Default	18	REPORTING	B-1
Limitations on Remedies Available;		APPENDIX C SUMMARY OF PRINCIPAL	
Bankruptcy	18	LEGAL DOCUMENTS	C-1
Availability of State Water Contract Property		APPENDIX D FORM OF	
Tax to pay State Water Project Contract		LEGAL OPINION	D-1
Expenses	18	APPENDIX E DTC AND BOOK-ENTRY	
Natural Disasters and Seismic Considerations		ONLY SYSTEM.....	E-1
.....	19	APPENDIX F FORM OF CONTINUING	
Limited Obligations	21	DISCLOSURE	
Statutory and Regulatory Compliance	21	CERTIFICATE	F-1
Parity Obligations	21		
Loss of Tax Exemption.....	22		
Secondary Market	22		
COVID-19 Pandemic; Infectious Disease			
Outbreak.....	22		

NO DEALER, BROKER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFER OR SALE OF THE 2023 BONDS, OTHER THAN AS CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE AGENCY, THE AUTHORITY OR THE UNDERWRITER. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE DESCRIBED ON THE COVER PAGE OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE BY ANY SALE OF THE 2023 BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE 2023 BONDS.

The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of this information.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency since the date hereof.

This Official Statement contains forward-looking statements, including: (a) statements containing projections of Net Revenues of the Water System, expenditures and other financial items; (b) statements of the plans and objectives of the Agency for future operations of the Water System; (c) statements of future economic performance of the Water System; and (d) statements of the assumptions underlying or relating to statements described in (a), (b) and (c) above (collectively, "Forward-Looking Statements"). All statements other than statements of historical facts included in this Official Statement, including without limitation statements under Appendix A—"INFORMATION RELATING TO THE SANTA CLARITA VALLEY WATER AGENCY" regarding the Agency's financial position, business strategy, capital resources and plans and objectives for future operations of the Water System, are Forward-Looking Statements. Although such expectations reflected in such Forward-Looking Statements are believed by the Agency to be reasonable, there can be no assurance that such expectations will prove to have been correct. Statements of important factors (collectively, the "Cautionary Statements") that could cause actual results to differ materially from expectations of the Agency are disclosed in this Official Statement. All subsequent written and oral Forward-Looking Statements attributable to the Agency or person acting on behalf of the Agency are expressly qualified in their entirety by the Cautionary Statements.

This Official Statement is submitted in connection with the sale of the 2023 Bonds and may not be reproduced or be used, as a whole or in part, for any other purpose.

Under certain circumstances, the Underwriter may offer and sell the 2023 Bonds to certain dealers and dealer banks and banks acting as agent and others at prices lower than the public offering prices stated on the page immediately following the cover page of this Official Statement, and the Underwriter may change those public offering prices from time to time.

THE 2023 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), IN RELIANCE UPON AN EXEMPTION CONTAINED IN THE ACT. THE 2023 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The Agency maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2023 Bonds. References to web site addresses other than Agency's website presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, Rule 15c2-12 of the United States Securities and Exchange Commission.

(This page left intentionally blank)

\$ _____ *

**UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
REVENUE BONDS, SERIES 2023A**

INTRODUCTION

General. This Official Statement provides information concerning the issuance by the Upper Santa Clara Valley Joint Powers Authority (the “Authority”) of the Upper Santa Clara Valley Joint Powers Authority Revenue Bonds, Series 2023A (the “2023 Bonds”) pursuant to an Indenture of Trust, dated as of May 1, 2023 (the “Indenture”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). See the caption “THE 2023 BONDS.”

Purposes of the 2023 Bonds. The 2023 Bonds are being issued to (i) finance the acquisition of certain capital improvements to the water system of the Santa Clarita Valley Water Agency (the “Agency”) as more particularly described under the caption “THE FINANCING PLAN—The Project,” and (ii) pay certain costs of issuance of the 2023 Bonds.

Authority for Issuance. The 2023 Bonds are being issued under the Indenture and the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “State”), and a Joint Exercise of Powers Agreement, dated as of June 1, 2011, as amended and restated pursuant to the Amended and Restated Joint Exercise of Powers Agreement, dated as of April 1, 2018, each by and between the Agency and the Devil’s Den Water District (the “Joint Powers Agreement”), by and between the Agency and the Devil’s Den Water District, a California Water District (“DDWD”).

The Santa Clarita Valley Water Agency. As further described in Appendix A hereto, the Santa Clarita Valley Water Agency was formed through a statutory merger of the former Castaic Lake Water Agency (“CLWA”) and Newhall County Water District (“NCWD”) effected by Senate Bill 634 (referred to herein as the “Agency Law”) which became effective on January 1, 2018. Pursuant to the Agency Law, the Agency succeeded to all of the rights, duties, obligations, contracts, responsibilities, assets, entitlements, and liabilities of CLWA and NCWD, including, but not limited to, the performance or payment of any outstanding indebtedness of CLWA and NCWD. The initial boundaries of the Agency were the boundaries of CLWA as they existed on December 31, 2017. As a result of the statutory merger of CLWA and NCWD pursuant to the Agency Law, the Agency created a retail division designated as the Newhall Water Division (“NWD”) to account for the revenues, expenses and debt of the former NCWD.

In September 1999, CLWA acquired the stock of an independent retail water provider, the Santa Clarita Water Company (“SCWC”), through the settlement of an eminent domain action. The assets of SCWC were subsequently transferred to CLWA and were operated by CLWA as a retail system through the Santa Clarita Water Division (“SCWD”). The Agency has maintained SCWD to account for the revenues, expenses and debt of the allocable to the SCWD.

In December 2012, the former CLWA acquired 100% of the stock of the Valencia Water Company (“VWC”) through the settlement of an eminent domain action. After such acquisition, VWC continued to operate as a separate company. As required by the Agency Law, VWC’s assets, property, liabilities and indebtedness were transferred to the Agency on January 9, 2018. The Agency is the successor to the assets and liabilities of VWC. To account for the revenues, expenses and debt allocable to the retail service within the boundaries of the former VWC, the Agency established a retail division designated as the Valencia Water Division (“VWD”).

* Preliminary, subject to change.

Pursuant to the terms of the Agency Law, the indebtedness of NCWD, SCWD and VWC which existed as of December 31, 2017, is required to be borne by NWD, SCWD and VWD, and paid from that retail division's rates and charges. The Agency currently maintains the respective retail divisions to account for legacy debt of the former retail agencies and to comply with certain regulatory requirements relating to retail service area boundaries. The Agency expects to consolidate the boundaries of the retail divisions for regulatory purposes in the next several Fiscal Years. See "INTRODUCTION" in Appendix A. When all such pre-December 31, 2017 indebtedness has been retired, the Agency shall dispense with the Agency's tracking of retail divisions for all purposes as soon as feasible, as described in greater detail in "Water Rates and Charges" in Appendix A.

Sources of Payment for the 2023 Bonds. The 2023 Bonds are limited obligations of the Authority. The 2023 Bonds are payable solely from "Revenues" (as defined in the Indenture) and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues consist primarily of payments (the "Series 2023 Installment Payments") received from the Agency pursuant to an Installment Purchase Agreement, dated as of May 1, 2023 (the "Installment Purchase Agreement"), by and between the Agency and the Authority. See the caption "SECURITY FOR THE 2023 BONDS."

The 2023 Bonds do not constitute a charge against the general credit of the Authority. The 2023 Bonds are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts except payments under the Installment Purchase Agreement and other moneys pledged by the Authority under the Indenture. Neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Authority is pledged to the payment of the principal amount or redemption price of, or interest on, the 2023 Bonds. The Authority has no taxing power. The 2023 Bonds do not constitute a debt, liability or obligation of the State or any public agency thereof (other than the Authority) or any member of the Authority in contravention of any State constitutional or statutory provision.

The obligation of the Agency to make the Series 2023 Installment Payments is a special obligation of the Agency payable solely from Net Revenues (as such term is defined in the Installment Purchase Agreement) of the Water System of the Agency and other funds described in the Installment Purchase Agreement, including but not limited to the Rate Stabilization Fund, and does not constitute a debt of the Agency or of the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. Revenues of the Water System generally consist of the Agency's water sales revenues, amounts allocated by the County of Los Angeles (the "County") and the County of Ventura (together, the "Counties") from the 1% *ad valorem* property tax to the Agency, facility capacity fees and certain other revenues. Revenues also include transfers from the Rate Stabilization Fund, as described under the caption "SECURITY FOR THE 2023 BONDS – Rate Stabilization Fund" herein.

Net Revenues available for the payment of the Series 2023 Installment Payments are the Revenues of the Water System remaining after the payment of Operation and Maintenance Costs (as defined in the Installment Purchase Agreement), and payment of the installment payments (the "1999 Installment Payments") under the 1999 Installment Purchase Agreement from certain Revenues. The Series 2023 Installment Payments are payable from certain Net Revenues on a parity with installment payments payable under installment purchase agreements entered into by the Agency and the Authority in 2018 and 2020 aggregating \$243,620,000 (the "Parity Installment Payments"), except for any 1% *ad valorem* property tax remaining following the payment of the 1999 Installment Payments, which will be first applied to the payment of the 2018A Installment Payments and then to the 2020 Installment Payments and the Series 2023 Installment Payments. See Appendix C—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

The Agency levies *ad valorem* property taxes to pay certain costs under the Agency's State Water Project contract. Such State Water Project contract costs are payable from such *ad valorem* property taxes and are not treated as Operation and Maintenance Costs of the Water System. Such State Water Project property taxes are not included in Revenues of the Water System pledged to the Series 2023 Installment Payments.

Additional Parity Obligations. The Agency has covenanted not to incur additional obligations payable from Net Revenues of the Water System senior to the Series 2023 Installment Payments. The Agency may incur additional obligations payable from Net Revenues of the Water System on a parity with the Parity Installment Payments and the Series 2023 Installment Payments, subject to the terms and conditions described under the caption “SECURITY FOR THE 2023 Bonds—Limitations on Parity and Superior Obligations; Subordinate Obligations.”

No Reserve Fund. No reserve fund has been created or will be funded with respect to the 2023 Bonds.

Redemption. The 2023 Bonds are subject to optional, mandatory and extraordinary redemption as described herein. See the caption “THE 2023 Bonds—Redemption.”

Outstanding Obligations of the Agency. In addition to the Installment Purchase Agreement relating to the 2023 Bonds, the Agency will have the following obligations outstanding: the Castaic Lake Water Agency Revenue Certificates of Participation, Series 1999A (Water System Improvement Project) (the “1999 Certificates”), which are outstanding in the principal amount of approximately \$67,061,078 (adjusted for the accreted value of the 1999 Certificates as of February 1, 2023), the installment purchase agreement with respect to the Revenue Bonds, Taxable Series 2018A (the “2018A Bonds”), currently outstanding in the aggregate principal amount of \$26,735,000 (the “2018A Installment Payments”) and the installment purchase agreement with respect to the 2020 Bonds, currently outstanding in the aggregate principal amount of \$216,885,000 (the “2020 Installment Payments”). The Agency revenues pledged to the payment of the 1999 Installment Payments securing the 1999 Certificates and 2018A Installment Payments securing the 2018A Bonds consist primarily of the facility capacity fees, the 1% *ad valorem* property taxes allocated to the Agency by the Counties and certain other revenues. The Agency’s retail water sales revenues are not pledged to the payment of the 1999 Installment Payments or the 2018A Installment Payments. See Appendix A—“INFORMATION RELATING TO THE SANTA CLARITA VALLEY WATER AGENCY” under the caption “—Outstanding Obligations—Senior Wholesale Water System Obligations.”

Under the Installment Purchase Agreement, any 1% *ad valorem* property taxes allocated to the Agency by the Counties are applied first to the payment of the 1999 Installment Payments and then to the 2018A Installment Payments. Any 1% *ad valorem* property tax revenues in excess of the amounts necessary to pay the 1999 Installment Payments and the 2018A Installment Payments will be available for the payment of the 2020 Installment and the Series 2023 Installment Payments. Any facility capacity fees are required under the Installment Purchase Agreement to be applied first to the payment of the 1999 Installment Payments. Any facility capacity fees remaining following such payments will be available to pay the 2018A Installment Payments on a parity basis.

The Agency expects to pay the 1999 Installment Payments and the 2018A Installment Payments from amounts allocated by the Counties from the 1% *ad valorem* property tax to the Agency. See “Appendix A—“INFORMATION RELATING TO THE SANTA CLARITA VALLEY WATER AGENCY” under the caption “—Outstanding Obligations—Senior Wholesale Water System Obligations.”

The Agency has been invited to submit an application to the United States Environmental Protection Agency for the issuance of loans pursuant to the Water Infrastructure Finance and Innovation Act and a master agreement through the Authority in the aggregate amount of up to \$628,361,113. The Agency also currently projects entering into a construction installment sale agreement with the State Water Resources Control Board and causing the issuance by the Authority of an additional series of bonds. See “Appendix A—“INFORMATION RELATING TO THE SANTA CLARITA VALLEY WATER AGENCY” under the caption “—Future Obligations.”

The Agency and the Service Area. The Agency is located in the northwestern portion of the County, approximately 35 miles from downtown Los Angeles. The service area of the Agency (the “Service Area”)

has a population of approximately 298,731 and covers an area of approximately 197 square miles. The majority of the Service Area is located in the County, and includes the City of Santa Clarita (the “City”) and other nearby communities. Approximately 20 square miles of the Service Area extend into unincorporated rural portions of Ventura County. See Appendix A—“INFORMATION RELATING TO THE SANTA CLARITA VALLEY WATER AGENCY” under the caption “The Service Area.”

The Agency has five main sources of water for the Water System: (1) water purchased from the State Water Project, (2) groundwater banking, (3) groundwater pumped by the Agency from the groundwater basin underlying the Agency, (4) other supplemental water purchases by the Agency, and (5) recycled water. In Fiscal Year 2022, the Agency had total water sources of 61,898 acre feet, approximately 24,050 acre feet of which was from local groundwater, approximately 37,506 acre feet of which was imported and purchased under an agreement with the Department of Water Resources (“DWR”) under the State Water Project, an agreement with Buena Vista Water Storage District and Rosedale-Rio Bravo Water Storage District (the “BVWSD RRBWSD Acquisition Agreement”) and the Yuba Water Accord, and approximately 342 acre feet of which was recycled water. See Appendix A—“INFORMATION RELATING TO THE SANTA CLARITA VALLEY WATER AGENCY” under the caption “WATER SUPPLY.”

The Authority. The Authority is a joint exercise of powers agency organized under the provisions of State law governing the joint exercise of powers, being Chapter 5, Division 7, Title 1 of the Government Code of the State (the “Act”) and the Joint Powers Agreement, to provide for the financing and refinancing of capital improvement projects of the Agency or DDWD and to finance working capital for the Agency or DDWD by exercising the powers referred to in the Joint Powers Agreement, and any other transaction authorized by law. Under the Act and the Joint Powers Agreement, the Authority has the power to issue bonds to pay the costs of public capital improvements and to refund outstanding debt. See the caption “THE AUTHORITY.” The Board of Directors of DDWD is elected by DDWD landowners based upon the assessed valuation of land within DDWD. The Agency owns land representing approximately 96% of the assessed valuation within DDWD.

Professionals Involved in the Offering. The 2023 Bonds are offered when, as and if issued, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Underwriter by its counsel, Katten Muchin Rosenman LLP, for the Agency by Best Best & Krieger LLP, Riverside, California, as Co-General Counsel to the Agency, for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Special Counsel, for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel and, and for the Trustee by its counsel. See the caption “CERTAIN LEGAL MATTERS.”

Fieldman, Rolapp & Associates, Inc. is acting as municipal advisor to the Agency. See the caption, “MUNICIPAL ADVISOR.”

U.S. Bank Trust Company, National Association will act as Trustee with respect to the 2023 Bonds.

Other Information About this Official Statement. There follows in this Official Statement (and attached appendices) a brief description of the 2023 Bonds, the security for the 2023 Bonds, the Agency, the Authority and certain other information material to the issuance of the 2023 Bonds and investment considerations. The descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document.

All capitalized terms used herein and not normally capitalized have the meanings assigned to them in the Indenture and the Installment Purchase Agreement, the summaries of which are included in Appendix C, unless otherwise stated in this Official Statement.

The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

THE FINANCING PLAN

The Project

The Agency expects to apply a portion of the proceeds of the 2023 Bonds to finance and reimburse the Agency for costs of the acquisition of certain capital improvements to the Agency’s Water System, including the Castaic Conduit; PFAS Treatment Facilities; the Honby Parallel; the Backcountry Reservoir, Booster Station and Pipelines; the Earl Schmidt Filtration Plant; extraction facilities, treatment facilities, distribution facilities, recycled water facilities, upgrades to pipelines, groundwater treatment facilities, and improvements to certain wells (together, the “Project”).

Environmental approvals for the Project have been prepared or are being prepared. No proceeds of the 2023 Bonds will be expended on any component of the Project for which environmental approval is required prior to compliance with such approval. The Agency expects that substantially all 2023 Bond proceeds deposited in the Acquisition Fund under the Installment Purchase Agreement will be expended within three years.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2023 Bonds are set forth below.

Table 1
UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
Estimated Sources and Uses of Funds

Sources	\$
Principal Amount of 2023 Bonds	\$
Plus Original Issue Premium	\$
TOTAL	<hr/>
 Uses	
Deposit to Acquisition Fund	\$
Costs of Issuance ⁽¹⁾	\$
TOTAL	<hr/>

⁽¹⁾ Includes fees for the Trustee, Municipal Advisor’s fees, legal fees, printing costs, rating agency fees, underwriter’s discount and other costs of delivery.

THE 2023 BONDS

Terms of the 2023 Bonds

The 2023 Bonds will be issued in the aggregate principal amount of \$_____*. The 2023 Bonds will be dated as of the date of issuance. Interest on the 2023 Bonds is payable on each August 1 and February 1, commencing February 1, 2024 (each an “Interest Payment Date”). The principal of and premium, if any, and interest on the 2023 Bonds is payable in lawful money of the United States of America. Such amounts will be paid by the Trustee on the applicable payment dates by check mailed by the Trustee to the respective Owners thereof on the applicable Interest Payment Date at their addresses as they appear as of the close of

* Preliminary, subject to change.

business on the fifteenth day of the calendar month preceding the Interest Payment Date (the “Record Date”) in the registration books kept by the Trustee, except that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of 2023 Bonds, upon the written request of such Owner to the Trustee at least two Business Days before the Record Date, specifying the account or accounts in the United States to which such payment will be made, such payments will be made by wire transfer of immediately available funds on the applicable payment date following such Record Date. Any request referred to in the preceding sentence will remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Trustee. When a Book-Entry System is in effect, interest may be paid by wire transfer in accordance with mutually satisfactory arrangements between the Trustee and the Securities Depository.

Principal and interest will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfers payable in such money. Interest on the 2023 Bonds will accrue at the rates per annum and will mature on the dates set forth on the inside front cover page of this Official Statement. Interest on the 2023 Bonds will be computed based on a 360-day year based on twelve 30-day months. Individual purchases will be made in principal amounts of \$5,000 and integral multiples thereof.

Principal of the 2023 Bonds is payable in lawful money of the United States of America at the Principal Corporate Trust Office of the Trustee in St. Paul, Minnesota.

Redemption of Bonds

Optional Redemption*. In accordance with the Indenture, the 2023 Bonds maturing on and after August 1, 20__ are subject to optional redemption, in whole or in part, at any time on and after August 1, 20__ in the order directed by the Agency in a written request to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date and by lot within each maturity, in integral multiples of \$5,000 from any source of available funds provided to the Authority by or at the discretion of the Agency at a Redemption Price equal to the principal amount of the 2023 Bonds to be redeemed, together with accrued interest to the date of redemption, without premium.

Redemption from Net Proceeds. The 2023 Bonds shall be subject to redemption prior to their respective stated maturities, as a whole or in part, on any date in the order of maturity as directed by the Agency in a Written Request provided to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date and by lot within each maturity in integral multiples of \$5,000 from prepaid 2020 Installment Payments made by the Agency from Net Proceeds, upon the terms and conditions of, and as provided for in, Section 7.1 of the Installment Purchase Agreement, at a Redemption Price equal to the principal amount thereof and accrued interest thereon to the redemption date without premium.

Mandatory Redemption*. The 2023 Bonds with stated a maturity on August 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each August 1 on and after August 1, 20__, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest evidenced and represented thereby to the date fixed for redemption, without premium, in accordance with the following schedule:

* Preliminary; subject to change.

Redemption Date
(August 1)

Principal
Amount

\$

*

* Maturity.

Extraordinary Redemption from Insurance or Eminent Domain Proceeds. The 2023 Bonds are subject to redemption prior to their respective stated maturities, as a whole or in part, on any date in the order of maturity as directed by the Agency in a Written Request provided to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date and by lot within each maturity in integral multiples of \$5,000 from prepaid Installment Payments made by the Agency from Net Proceeds, upon the terms and conditions of, and as provided for in, the Installment Purchase Agreement, at a Redemption Price equal to the principal amount thereof and accrued interest thereon to the redemption date without premium.

Notice of Redemption

The Agency will notify the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee) prior to the redemption date for 2023 Bonds pursuant to the Indenture. Notice of redemption will be mailed by the Trustee, not less than 30 nor more than 60 days prior to the redemption date: (i) to the respective Owners of any 2023 Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee by first-class mail; (ii) to the Securities Depository by facsimile and by first-class mail; and (iii) to the Information Services by first-class mail. Notice of redemption will be given in the form and in accordance with the terms of the Indenture.

Each such notice of redemption will state the date of notice, the redemption date, the place or places of redemption and the redemption price, will designate the maturities, CUSIP numbers, if any, and, if less than all of any such maturity is to be redeemed, the serial numbers of the 2023 Bonds of such maturity to be redeemed by giving the individual number of each 2023 Bond or by stating that all 2023 Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2023 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said 2023 Bonds the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2023 Bond to be redeemed in part only, together with interest accrued with respect thereto to the redemption date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such redemption date interest thereon ceases to accrue, and will require that such 2023 Bond be then surrendered to the Trustee. Any failure to receive such notice or any defect in the notice or the mailing will not affect the validity of the redemption of any 2023 Bond.

With respect to any notice of optional redemption of 2023 Bonds, such notice will state that such redemption is conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the Redemption Price of such 2023 Bonds to be redeemed and that, if such moneys are not so received, said notice will be of no force and effect and the Trustee will not be required to redeem such 2023 Bonds. If funds are not available to consummate such optional redemption, and if the Agency has knowledge of such unavailability, the Agency will notify the trustee in writing. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee will promptly after receipt of written instruction from the Agency, give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Selection of Bonds for Redemption

If any 2023 Bond is in a denomination larger than a minimum Authorized Denomination, a portion of such 2023 Bonds (the minimum Authorized Denomination or any integral multiple thereof) may be redeemed pursuant to the Indenture, in which case the Trustee will, without charge to the Owner, authenticate and issue a replacement 2023 Bond or 2023 Bonds for the unredeemed portion thereof.

In the case of a partial redemption of 2023 Bonds, if less than all of the 2023 Bonds of a maturity are called for prior optional redemption, the Trustee will select the 2023 Bonds to be redeemed by lot at such times as directed by the Agency in writing at least 30 days prior to the redemption date and if such selection is more than 60 days before a redemption date, will appropriately identify the 2023 Bonds so called for redemption by stamping them at the time any 2023 Bonds so selected for redemption is presented to the Trustee for stamping or for transfer or exchange, or by such other method of identification as is deemed adequate by the Trustee, and any 2023 Bond or 2023 Bonds issued in exchange for, or to replace, any 2023 Bond so called for prior redemption will likewise be stamped or otherwise identified.

Partial Redemption of Bonds

Upon surrender of any 2023 Bond redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Agency, a new 2023 Bond of Authorized Denominations, and of the same Maturity Date and interest rate, equal in aggregate principal amount to the unredeemed portion of the 2023 Bond surrendered.

Effect of Redemption of Bonds

If notice of redemption has been duly given pursuant to the Indenture, and money for payment of the Redemption Price of, together with interest accrued to the redemption date on, the 2023 Bonds (or portions thereof) so called for redemption is held by the Trustee, on the redemption date designated in such notice, the 2023 Bonds (or portions thereof) so called for redemption will become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the date fixed for redemption, interest on the 2023 Bonds so called for redemption will cease to accrue, the 2023 Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of the 2023 Bonds will have no rights in respect thereof except to receive payment of the Redemption Price and accrued interest. Any defect as failure to receive notice will not affect the sufficiency of the proceedings of redemption. All 2023 Bonds redeemed pursuant to the provisions of the Indenture will be cancelled upon surrender thereof and destroyed.

Book-Entry Only System

One fully-registered 2023 Bond for each maturity will be issued in the principal amount of such 2023 Bond. Such 2023 Bonds will be registered in the name of Cede & Co. and will be deposited with DTC.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2023 Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

The Agency cannot and does not give any assurances that DTC participants or others will distribute payments with respect to the 2023 Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix E hereto for additional information concerning DTC.

Transfers and Exchanges Upon Termination of Book-Entry Only System

Any 2023 Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Indenture, by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such 2023 Bond for cancellation at the Principal Corporate Trust Office of the Trustee, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee.

Whenever any 2023 Bond or 2023 Bonds are surrendered for transfer, the Trustee will authenticate and deliver a new 2023 Bond or 2023 Bonds of the same series and maturity, for a like aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new 2023 Bond authenticated and delivered upon any transfer. The Trustee may require the payment by any 2023 Bond Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2023 Bonds, the Trustee will cancel and destroy the 2023 Bonds it has received.

The 2023 Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee for a like aggregate principal amount of 2023 Bonds of other authorized denominations of the same series and maturity. The Trustee may charge a sum for each new 2023 Bond authenticated and delivered upon any exchange except in the case of any exchange of temporary 2023 Bonds for definitive 2023 Bonds. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2023 Bonds, the Trustee will cancel and destroy the 2023 Bonds it has received.

The Trustee is not required to register the exchange or transfer pursuant to the Indenture, of any 2023 Bond: (i) within 15 days preceding selection of 2023 Bonds for redemption; or (ii) selected for redemption.

Debt Service Schedule

Set forth on the following page is a table of the 1999 Installment Payments, the 2018A Installment Payments, the 2020 Installment Payments and the Series 2023 Installment Payments on a Fiscal Year basis.

Table 2
SANTA CLARITA VALLEY WATER AGENCY
Installment Payment Schedule

Fiscal Year	Series 2023 Installment Payments				Total Debt Service
	1999 Installment Payments⁽¹⁾	2018A Installment Payments⁽²⁾	2020 Installment Payments	Total	
2024	\$ 10,445,000.00	\$ 1,618,037.50	\$ 21,703,961.82		
2025	10,445,000.00	1,614,540.63	21,852,139.29		
2026	10,445,000.00	1,614,706.26	21,950,887.72		
2027	10,445,000.00	1,613,856.26	22,107,604.55		
2028	10,445,000.00	1,616,875.01	22,658,160.79		
2029	10,445,000.00	1,613,281.26	16,749,854.61		
2030	10,445,000.00	1,613,015.63	16,737,737.16		
2031	10,445,000.00	1,616,353.13	16,714,613.68		
2032	-	1,613,243.76	8,994,709.61		
2033	-	1,613,668.76	8,982,452.69		
2034	-	1,617,396.88	8,975,015.38		
2035	-	1,613,831.25	8,972,194.53		
2036	-	1,613,487.50	8,958,782.01		
2037	-	1,616,737.50	5,397,720.28		
2038	-	1,613,581.25	5,402,568.83		
2039	-	1,614,018.75	5,401,024.23		
2040	-	1,617,162.50	5,397,961.48		
2041	-	1,612,987.50	5,402,999.53		
2042	-	1,617,068.75	5,399,200.00		
2043	-	1,614,309.38	5,402,200.00		
2044	-	1,614,709.38	5,399,200.00		
2045	-	1,613,171.88	5,400,000.00		
2046	-	1,614,600.01	5,404,200.00		
2047	-	1,613,896.88	5,406,500.00		
2048	-	1,615,965.63	5,401,800.00		
2049	-	1,615,709.38	5,399,900.00		
2050	-	0.00	7,017,400.00		
2051	-	0.00	7,017,600.00		
TOTAL	\$ 83,560,000.00	\$ 41,986,212.62	\$ 289,608,388.19		

⁽¹⁾ The 1999 Installment Payments are expected to be paid from amounts allocated by the Counties from the 1% *ad valorem* property tax to the Agency. See Appendix A—“INFORMATION RELATING TO THE SANTA CLARITA VALLEY WATER AGENCY” under the caption “Outstanding Obligations.”

⁽²⁾ The 2018A Installment Payments are expected to be paid from amounts allocated by the Counties from the 1% *ad valorem* property tax to the Agency. See Appendix A—“INFORMATION RELATING TO THE SANTA CLARITA VALLEY WATER AGENCY” under the caption “Outstanding Obligations.”

SECURITY FOR THE 2023 BONDS

General

Pursuant to the Indenture, the Authority, for good and valuable consideration, has unconditionally granted, transferred and assigned to the Trustee without recourse all its rights to receive the Revenues (as defined in the Indenture) and to enforce the Installment Purchase Agreement, upon an Event of Default thereunder for the benefit of the Owners of the 2023 Bonds, for the purpose of securing: (a) the payment of all sums due and owing to the Owners of the 2023 Bonds under the terms of the Indenture; and (b) the observance, performance and discharge of each agreement, condition, covenant and term of the Agency contained in the Installment Purchase Agreement.

The 2023 Bonds are limited obligations of the Authority. The 2023 Bonds are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues consist primarily of Series 2023 Installment Payments received from the Agency pursuant to the Installment Purchase Agreement. See the caption “—Revenue Pledge Securing the Series 2023 Installment Payments.”

The 2023 Bonds do not constitute a charge against the general credit of the Authority. The 2023 Bonds are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts except payments under the Installment Purchase Agreement and other moneys pledged by the Authority under the Indenture. Neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Authority is pledged to the payment of the principal amount or redemption price of, or interest on, the 2023 Bonds. The Authority has no taxing power. The 2023 Bonds do not constitute a debt, liability or obligation of the State or any public agency thereof (other than the Authority) or any member of the Authority in contravention of any State constitutional or statutory provision.

The obligation of the Agency to make the Series 2023 Installment Payments is a special obligation of the Agency payable solely from Net Revenues (as described below) of the Water System, and does not constitute a debt of the Agency or of the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

The obligation of the Agency to make the Series 2023 Installment Payments is absolute and unconditional, and until such time as the Purchase Price has been paid in full (or provision for the payment thereof has been made pursuant to the Installment Purchase Agreement), the Agency will not discontinue or suspend any Series 2023 Installment Payments required to be made by it under the Installment Purchase Agreement when due, whether or not the Project or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments are not subject to reduction whether by offset or otherwise and are not conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Revenue Pledge Securing the Series 2023 Installment Payments

All Revenues, the Revenue Fund, the Rate Stabilization Fund and all amounts on deposit in such funds have been irrevocably pledged by the Agency to the payment of the Series 2023 Installment Payments as provided in the Installment Purchase Agreement, subject however, to the pledge thereon securing Senior Obligations now in existence, and the Revenues will not be used for any other purpose while any of the Series 2023 Installment Payments remain unpaid; provided that out of the Revenues and amounts on deposit in the Revenue Fund and the Rate Stabilization Fund, there may be apportioned such sums for such purposes as are expressly permitted in the Installment Purchase Agreement. Such pledge, together with the pledge created by all other Contracts and Bonds, including but not limited to the 2018A Installment Purchase Agreement, constitutes a second lien on Revenues, the Revenue Fund and the Rate Stabilization Fund and all amounts on deposit therein as permitted in the Installment Purchase Agreement subordinate to the pledge securing Senior

Obligations and subject to the application of Revenues in accordance with the terms of the Installment Purchase Agreement.

Net Revenues available for the payment of the Series 2023 Installment Payments are the Revenues remaining after the payment of (i) Operation and Maintenance Costs (as defined below), (ii) amounts of the 1% *ad valorem* property taxes, facility capacity fees and certain other revenues allocated to the Agency's obligation to make or pay the 1999 Installment Payments, and (iii) amounts of the 1% *ad valorem* property taxes allocated to its obligation to make or pay the 2018A Installment Payments.

The term "Revenues" is defined in the Installment Purchase Agreement to mean all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System on or after the date hereof, including, without limiting the generality of the foregoing: (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the Agency from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System; (2) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including Agency reserves and the Rate Stabilization Fund; (3) the proceeds of any facility capacity fees or any other connection fees collected by the Agency in connection with the Water System; (4) the proceeds of any stand-by or water availability charges collected by the Agency in connection with the Water System; (5) amounts received by the Agency from the counties of Los Angeles and Ventura from the levy by such counties of the 1% *ad valorem* property tax; but excluding in all cases, all taxes and assessments, *ad valorem* or otherwise (including investment earnings thereon), levied and received by the Agency and restricted by law to be applied to the payment of the Water Contract and related costs, customers' deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the Agency, excluding any proceeds of taxes or assessments restricted by law to be used by the Agency to pay bonds hereafter issued and any and all revenues derived from the ownership or operation of or a connection with Separate Facilities.

"Revenues" also include all amounts transferred from the Rate Stabilization Fund to the Revenue Fund with respect to any Fiscal Year in accordance with the Installment Purchase Agreement and will not include any amounts transferred from the Revenue Fund to the Rate Stabilization Fund with respect to any Fiscal Year in accordance with the Installment Purchase Agreement.

The term "Operation and Maintenance Costs" is defined in the Installment Purchase Agreement to mean: (i) costs spent or incurred for maintenance and operation of the Water System calculated in accordance with Generally Accepted Accounting Principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the Agency that are charged directly or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, consultants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the Agency or charges (other than debt service payments) required to be paid by it to comply with the terms of the 2023 Bonds or of Installment Purchase Agreement or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds, or payments, if any, required in connection with the Water Contract; and (ii) all payments with respect to Operation and Maintenance Obligations; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, amortization of intangibles, including amortization of water rights, unrealized losses in investments, write offs of the value of any impaired assets or other bookkeeping entries of a similar nature and any amounts transferred to the Rate Stabilization Fund.

Net Revenues of the Agency DO NOT include *ad valorem* property taxes levied by the Agency to pay costs under the State Water Contract. In addition, such State Water Project contract costs are not Operation and Maintenance Costs of the Water System. See Appendix C—"SUMMARY OF PRINCIPAL LEGAL

DOCUMENTS” under the caption “INSTALLMENT PURCHASE AGREEMENT—Definitions; Rules of Construction; Contents of Certificates and Opinions.”

THE OBLIGATION OF THE AGENCY TO MAKE THE SERIES 2023 INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE AGENCY PAYABLE SOLELY FROM NET REVENUES OF THE AGENCY’S WATER SYSTEM AND OTHER FUNDS DESCRIBED IN THE INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE AN OBLIGATION OF THE AGENCY FOR WHICH THE AGENCY IS OBLIGATED TO PAY FROM ANY OTHER AGENCY REVENUES OR TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AGENCY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE AGENCY TO MAKE THE SERIES 2023 INSTALLMENT PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE A DEBT OF THE AGENCY OR OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Rate Stabilization Fund

The Installment Purchase Agreement continues a special fund designated as the “Rate Stabilization Fund” which was previously created and is held by the Agency in trust. The Agency has covenanted to maintain and to hold the Rate Stabilization Fund separate and apart from other funds so long as any Installment Payments or Bonds remain unpaid. Money transferred by the Agency to the Rate Stabilization Fund in accordance with the Installment Purchase Agreement will be held in the Rate Stabilization Fund and applied in accordance with the Installment Purchase Agreement.

The Agency may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with the Installment Purchase Agreement or, in the event that all or a portion of the Series 2023 Installment Payments are discharged in accordance with the Installment Purchase Agreement, transfer all or any portion of such amounts for application to the payment of the Series 2023 Installment Payments in accordance with the Installment Purchase Agreement.

Under certain circumstances, moneys received in one Fiscal Year may be required or permitted by generally accepted accounting principles applicable to governmental agencies such as the Agency to be recorded as revenue in a subsequent Fiscal Year, regardless of whether such moneys have been deposited in the Rate Stabilization Fund. See “Appendix B – AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING JUNE 30, 2022.” As of June 30, 2022, there was \$18,183,048 on deposit in the Rate Stabilization Fund.

Rate Covenant

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

The Agency has also covenanted that in any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is at least equal to the Debt Service payable in such Fiscal Year, the Agency will fix and prescribe such Revenues of the Water System, other than the facility capacity fees or any other connection fees, that are reasonably expected to be sufficient to yield during such Fiscal Year such Revenues equal to 120% of Operation and Maintenance Costs during such Fiscal Year.

The Agency may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the Net Revenues or Revenues of the Water System, as the case may be, from such reduced rates and charges will at all times be sufficient to meet the requirements described in the prior paragraph.

Failure to produce Net Revenues of the Water System to equal one hundred twenty percent (120%) of Debt Service at the end of a Fiscal Year is not an Event of Default under the Installment Purchase Agreement so long as the Agency complies with the covenant described above. Such failure may, however, affect the ability of the Agency to issue Bonds or incur Contracts payable from Net Revenues of the Water System on a parity with the Series 2023 Installment Payments.

Limitations on Parity and Superior Obligations; Subordinate Obligations

Additional Obligations Superior to Series 2023 Installment Payments. The Agency has covenanted in the Installment Purchase Agreement that the Agency will not issue any additional evidences of indebtedness or incur other additional obligations that are payable from or secured by a pledge of and lien on Revenues of the Water System, any money in the Revenue Fund or any money in the Rate Stabilization Fund superior to the pledge securing the Series 2023 Installment Payments.

Additional Obligations on a Parity with Series 2023 Installment Payments. The Agency may issue evidences of indebtedness or incur other obligations that are payable from or secured by a pledge of and lien on Revenues of the Water System, and any money in the Revenue Fund and the Rate Stabilization Fund on a parity with the pledge securing the Series 2023 Installment Payments pursuant to the following terms and conditions:

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

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

(3) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest date of operation of any uncompleted Parity Project financed from proceeds of such Contract or Bonds, as evidenced by a certificate on file with the Agency, including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed and prescribed for the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the Manager on file with the Agency, shall produce a sum equal to at least one hundred twenty percent (120%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution

of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects.

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

Subordinate Obligations. The Agency may at any time issue evidence of indebtedness or incur other obligations for any lawful purpose that are payable from and secured by a lien on Revenues or moneys in the Revenue Fund or the Rate Stabilization Fund as may from time to time be deposited therein subordinate to the Series 2023 Installment Payments.

INVESTMENT CONSIDERATIONS

The following information, in addition to the other matters that are described in this Official Statement, should be considered by prospective investors in evaluating the 2023 Bonds. However, the following does not purport to be comprehensive, definitive or an exhaustive listing of risks and other considerations that may be relevant to making an investment decision with respect to the 2023 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal or interest on the 2023 Bonds.

Accuracy of Assumptions

To estimate the Net Revenues which will be available to pay the Series 2023 Installment Payments, the Agency has made certain assumptions with regard to various matters, including but not limited to future development within the Agency, increases in property tax receipts and increases in Revenues resulting therefrom, the rates and charges to be imposed in future years, the expenses associated with operating the Water System and the interest rate at which funds will be invested. The Agency believes these assumptions to be reasonable, but to the extent that any of such assumptions fail to materialize, the Net Revenues available to pay the 2023 Bonds will, in all likelihood, be less than those projected herein. See the caption “SECURITY FOR THE 2023 BONDS—Rate Covenant” herein and the caption “WATER SYSTEM FINANCIAL INFORMATION—Projected Revenues, Operation and Maintenance Costs and Coverage” in Appendix A—“INFORMATION RELATING TO THE SANTA CLARITA VALLEY WATER AGENCY.”

1% Ad Valorem Property Tax Allocations

A portion of the Revenues securing the payment of the Series 2023 Installment Payments consists of amounts allocated by the County of Los Angeles and the County of Ventura from the 1% *ad valorem* property tax to the Agency. Pursuant to the 1999 Installment Purchase Agreement and 2018A Installment Purchase Agreement, the Agency has pledged such 1% *ad valorem* property tax allocations to its payment obligations with respect to the 1999 Installment Payments and the 2018A Installment Payments. Under the Installment Purchase Agreement, the 1% *ad valorem* property tax allocations are to be applied first to the payment of the 1999 Installment Payments and then to the payment of the 2018A Installment Payments. Any 1% *ad valorem*

property tax allocations in excess of the amount necessary for the payment of the 1999 Installment Payments and the 2018A Installment Payments will be deposited in the Revenue Fund and will be available for the payment of the Series 2023 Installment Payments and the Series 2020 Installment Payments. The 1999 Installment Payments and the 2018A Installment Payments are expected to be paid from amounts allocated by the County of Los Angeles and the County of Ventura from the 1% *ad valorem* property tax to the Agency. There is no assurance that, following the application of the 1% *ad valorem* property tax allocations to the payment of the 1999 Installment Payments and the 2018A Installment Payments, there will be any amounts of such funds remaining to apply to the payment of the Series 2020 and Series 2023 Installment Payments. See Appendix C—“DEFINITIONS AND SUMMARY OF THE INDENTURE” under the caption “Definitions—Net Revenues.”

In addition, there can be no assurance that the actual amount of 1% *ad valorem* property tax allocated to the Agency will occur as described in this Official Statement. Factors, including, but not limited to, an economic downturn, natural disasters and an increase in foreclosures on real property in the boundaries of the Agency, among others, may have an adverse impact on the assessed value of taxable property within the boundaries of the Agency, and, consequently, on the amount of 1% *ad valorem* property taxes allocated to the Agency.

Facility Capacity Fees

Another component of the Revenues securing the payment of the Series 2023 Installment Payments is certain facility capacity fees charged in connection with new development undertaken within the Service Area. Pursuant to the 1999 Installment Purchase Agreement and 2018A Installment Purchase Agreement, the Agency has pledged such facility capacity fees to its payment obligations with respect to the 1999 Installment Payments and the 2018A Installment Payments. Under the Installment Purchase Agreement, the facility capacity fees are to be applied first to the payment of the 1999 Installment Payments. Any facility capacity fees remaining following the payment of 1999 Installment Payments will be available for the payment of the Series 2023 Installment Payments on a parity basis with the payment of the 2018A Installment Payments. There is no assurance that, following the application of the facility capacity fees to the payment of the 1999 Installment Payments and 2018A Installment Payments, there will be any amounts of such funds remaining to apply to the payment of the Series 2020 and Series 2023 Installment Payments. See Appendix C—“DEFINITIONS AND SUMMARY OF THE INDENTURE” under the caption “Definitions—Net Revenues.”

There can be no assurance that facility capacity fee income will be in the amounts estimated in this Official Statement. Failure of development activity to increase in the Service Area could have an adverse impact upon the collection of facility capacity fees. Development in the Service Area is influenced by a number of factors including economic activity in the region, availability of financing for development and costs of construction materials, in addition to other factors.

Rate Covenant Not a Guarantee

The Series 2023 Installment Payments are payable from Net Revenues. See “SECURITY FOR THE 2023 BONDS.” The Agency’s ability to pay the Series 2023 Installment Payments depends on its ability to generate Net Revenues at the levels required by the Installment Purchase Agreement. Although the Agency has covenanted in the Installment Purchase Agreement to impose rates and charges as more particularly described under the caption “SECURITY FOR THE 2023 BONDS—Rate Covenant” and expects that sufficient Net Revenues will be generated through the imposition and collection of such rates and charges, there is no assurance that the imposition and collection of such rates and charges will result in the generation of Net Revenues in the amounts required by the Installment Purchase Agreement. No assurance can be made that Net Revenues, estimated or otherwise, will be realized by the Agency in amounts sufficient to pay the Series 2023 Installment Payments. Among other matters, the availability of and demand for water services, and changes in law and government regulations could adversely affect the amount of Revenues realized by the Agency.

Projected Rate Increases

For purposes of projecting water sales revenues in this Official Statement, the Agency has projected certain water rate increases for Fiscal Years 2025, 2026 and 2027 that have not been approved by the Board. Such rate increases are subject to future Board approval and the notice, hearing and protest provisions of Proposition 218. See the caption “CONSTITUTIONAL PROVISIONS—Proposition 218.”

The Board has previously adopted a rate plan that includes annual rate increases of 6.5% for Fiscal Years 2025 and 2026, which rate increases are lower than the rate increases for such Fiscal Years projected in this Official Statement. There can be no assurance that the Board will consider or, if considered by the Board, will approve, the rate increases for Fiscal Year 2025 and 2026 projected in this Official Statement. If the rate increases for Fiscal Years 2025 and 2026 are not approved by the Board, and water rates are increased annually by 6.5%, as previously approved by the Board, parity debt service coverage is projected to be 1.62x and 1.65x, respectively, which would be lower than the parity debt service coverage for such Fiscal Years projected in table 14 under the caption “WATER SYSTEM FINANCIAL INFORMATION—Projected Revenues, Operation and Maintenance Costs and Coverage.” See Appendix A—“INFORMATION RELATING TO THE SANTA CLARITA VALLEY WATER AGENCY—THE WATER SYSTEM – Water Rates and Charges – *Retail Water Rate Structure and Billing.*”

The projections include projected rates for Fiscal Year 2027, which is beyond the current Board-approved rate plan. There can be no assurance that the rate increases which are projected in this Official Statement for Fiscal Year 2027 will be approved by the Board.

Regardless of whether a new rate plan is adopted by the Board or the Agency’s current rate plan remains in effect, there is no assurance that the Board will not repeal or modify any rate increases that are scheduled under the rate plan. In addition, there is no assurance the Agency’s ratepayers will not approve an initiative to repeal or modify any increase in water rates and charges approved by the Board.

In the event that the Board does not approve increases to the water rates in the amounts projected in this Official Statement or if such water rate increases are repealed or modified by an initiative action, the Net Revenues available to pay the Series 2023 Installment Payments may be less than those projected herein. See the caption “—Accuracy of Assumptions” above. In addition, in the Installment Purchase Agreement, the Agency has covenanted to impose rates and charges, as more particularly described under the caption “SECURITY FOR THE 2023 BONDS—Rate Covenant”. If the Board does not approve future water rate increases or such increases are repealed, the Agency may be required by the rate covenant described under the caption “SECURITY FOR THE 2023 BONDS—Rate Covenant” to take other actions to comply with such covenant, including but not limited to, reducing projected Operation and Maintenance Costs and increasing other sources of Revenues. See the caption “—Rate Covenant Not a Guarantee” above.

System Demand

There can be no assurance that the demand for Water Service will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges in order to comply with the rate covenant. See the caption “SECURITY FOR THE 2023 BONDS—Rate Covenant.” Demand for Water Service could be reduced or may not occur as projected by the Agency as a result of reduced levels of development in the Agency’s Service Area, hydrological conditions, conservation efforts, an economic downturn, mandatory State conservation orders and other factors.

System Expenses

There can be no assurance that the Agency’s expenses will be consistent with the descriptions in this Official Statement. Operation and Maintenance Costs may vary with hydrological conditions, the quality and amount of water supplies, the quality and treatment requirements of water, as well as treatment costs,

regulatory compliance costs, labor costs (including costs related to pension and other post-employment benefits) and other factors including but not limited to inflationary cost increases. See Appendix A—“INFORMATION RELATING TO THE SANTA CLARITA VALLEY WATER AGENCY—WATER SUPPLY.” Increases in Operation and Maintenance Costs could require an increase in rates or charges in order to comply with the rate covenant. See the caption “SECURITY FOR THE 2023 BONDS—Rate Covenant.”

Limited Recourse on Default

If the Agency defaults on its obligation to pay the Series 2023 Installment Payments, the Trustee has the right to declare the total unpaid principal amount of the Series 2023 Installment Payments, together with the accrued interest thereon, to be immediately due and payable. However, in the event of a default and such acceleration, there can be no assurance that the Agency will have sufficient funds to pay such accelerated amounts from Net Revenues. As discussed in “- 1% *Ad Valorem* Property Tax Allocations” above, amounts allocated by the County of Los Angeles and the County of Ventura from the 1% *ad valorem* property tax to the Agency will only be available for the payment of Series 2023 Installment Payments following the application of the 1% *ad valorem* property tax revenues to the payment of the 1999 Installment Payments and the 2018A Installment Payments. In addition, as discussed in “- Facility Capacity Fees” above, certain facility capacity fees charged in connection with new development undertaken within the Service Area will only be available for the payment of Series 2023 Installment Payments, Series 2020 Installment Payments, and the 2018A Installment Payments following to the payment of the 1999 Installment Payments.

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of the Agency, including the application of amounts allocated by the County of Los Angeles and the County of Ventura from the 1% *ad valorem* property tax to the Agency held in the 1% Property Tax Account, may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; equitable principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation or modification of their rights.

The opinion to be delivered by Bond Counsel concurrently with the issuance of the 2023 Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the 2023 Bonds will be similarly qualified. See Appendix C. In the event that the Agency fails to comply with its covenants under the Installment Purchase Agreement or fails to pay the Series 2023 Installment Payments, which secure the payments of principal and interest on the 2023 Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the Owners of the 2023 Bonds.

Availability of State Water Contract Property Tax to pay State Water Project Contract Expenses

The Agency, like other California State Water Project contractors, levies the State Water Project property tax on land and taxable property (exclusive of personal property) located within the territorial limits of the Agency to generate the funds necessary to meet its obligations under the State Water Project Contract. There is litigation challenging the levy and use of State Water Project property tax by the Coachella Valley Water District (“CVWD”), a State Water Project contractor, to pay expenses under its SWP contract. A decision was rendered by the court on March 14, 2023. See the caption “WATER SYSTEM FINANCIAL

INFORMATION— *Litigation – Roberts v. Coachella Valley Water District*” in Appendix A of this Official Statement for further discussion of the case.

The Agency’s levy of the State Water Project property tax and the Agency’s expenditure of the State Water Project property tax on State Water Project expenses has not been challenged to date. The Agency does not commingle State Water Project property tax proceeds with other Agency Revenues and accounts for such State Water Project property tax proceeds separately from other Agency Revenues. In addition, the Agency has expended State Water Project property tax on State Water Project expenses that the Agency believes are permitted to be paid with the State Water Project property tax. As a result, the Agency does not currently expect that the outcome of the CVWD case will have a material adverse impact on the Agency’s current practice of levying the State Water Project property tax and the application by the Agency of the State Water Project property tax on State Water Project expenses. The decision of the court in the CVWD case is subject to appeal and the Agency cannot predict the ultimate outcome of the CVWD case.

Natural Disasters and Seismic Considerations

General. The Agency, like all southern California communities, is subject to unpredictable seismic activity, fires, floods, high winds, landslides or other natural disasters. A severe natural disaster, such as an earthquake, fire, flood, high wind event or landslide, could result in substantial damage to the Agency, including the Water System.

Although the Agency maintains insurance, including flood insurance for certain of its facilities, for damage to the Water System as described in Appendix A—“INFORMATION RELATING TO THE SANTA CLARITA VALLEY WATER AGENCY—Insurance,” there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers. Furthermore, significant portions of the Water System, including underground pipelines and manhole covers, are not covered by property casualty insurance. Damage to such portions of the Water System as a result of natural disasters could result in uninsured losses to the Agency.

Seismic Activity. The Agency is located in a seismically active region. There is potential for destructive ground shaking during the occurrence of a major seismic event. In addition, land along fault lines may be subject to liquefaction during the occurrence of such an event. In the event of a severe earthquake, there may be significant damage to both property and infrastructure within the Agency, including the Water System. The Agency has an emergency response plan that would be implemented under such circumstances.

Newer Water System facilities are designed to withstand earthquakes with minimal damage, as earthquake loads are taken into consideration in the design of project structures. In addition, certain older water tanks have been retrofitted to withstand earthquakes with minimal damage. The Agency has also undertaken a vulnerability assessment of critical Water System facilities. The vulnerability assessment ranks Agency infrastructure by importance, builds redundancy into existing operations and includes contingency plans in the event of damage to Agency assets. The impact of lesser magnitude events is expected by the Agency to be temporary, localized and repairable. In 1994, as a result of the magnitude 6.7 Northridge earthquake, certain of the Agency’s tanks were damaged and certain portions of the Agency’s Service Area were without water for a period of up to two weeks. Outside of the damage and service disruption caused by the Northridge earthquake, the Water System has never sustained major damage to its facilities or experienced extended incidences of service interruptions as a result of seismic disturbances.

The Agency maintains limited earthquake insurance in the amount of \$70,000,000 aggregate limit on certain Water System facilities, excluding the Saugus Perchlorate Treatment Facility, which has coverage of \$25,000,000 under a separate policy. See Appendix A—“INFORMATION RELATING TO THE SANTA CLARITA VALLEY WATER AGENCY—Insurance.”

Flooding. Portions of the Agency are mapped within the 100-year flood plain and have the potential to flood if rain events exceed the floodplain capacity. The Agency maintains insurance covering damage to the Water System caused by flooding for certain of its facilities. See Appendix A—“INFORMATION RELATING TO THE SANTA CLARITA VALLEY WATER AGENCY—Insurance” and the subcaption “—Climate Change.”

Fire. Wildfires have occurred in recent years in different regions of the State. Certain of the Agency’s facilities are located in areas considered by the Department of Forestry and Fire Protection of the State of California to have an elevated risk of wildfires. To mitigate the risk of wildfire and the related property damage, the Agency has certain preventative measures in place that include most Agency tanks having asphalt or concrete around the base to provide a fire barrier, as well as performing annual weed abatement at all Agency facilities. The Agency has an emergency response plan that would be implemented in the event of wildfire.

There can be no assurance that fires will not occur within the boundaries of the Agency in the future, leading to decreased usage of the Agency’s Water System resulting in a decline in Net Revenues. The Agency carries property insurance for fire damage.

Drought. On April 1, 2015, for the first time in California’s history, the State Governor directed the SWRCB to implement mandatory water reductions in cities and towns across California to reduce total water usage in the State by 25%. Such restrictions applied to the Agency, as described in Appendix A—“INFORMATION RELATING TO THE SANTA CLARITA VALLEY WATER AGENCY—Recent California Drought and Response.” Although most of such mandatory water reductions have since been lifted, the State has since enacted permanent restrictions on water usage.

Hydrological conditions in California can vary widely, both in location and from year to year. The water years 2020 and 2021 combined ranked as the two driest years in California’s statewide precipitation record. (A water year begins on October 1 and ends on the following September 30.). Beginning in April 2021, Governor Newsom signed a series of proclamations, determining that certain counties in the State were in a state of emergency due to drought conditions affecting such areas. On July 8, 2021, Governor Newsom signed Executive Order N-10-21, which asks citizens of the State to voluntarily reduce their water use by 15% compared to 2020 levels. On October 19, 2021, Governor Newsom expanded the drought proclamation to cover all counties in the State. On March 28, 2022, Governor Newsom signed Executive Order N-7-22 to prepare for and mitigate the effects of the ongoing drought by implementing additional shortage response measures on urban water suppliers under Section 10632.1 of the Water Code. Due to improved hydrological conditions, most of the Executive Orders executed during the most recent drought have been rescinded.

There can be no assurance that drought conditions will not re-appear in the future, leading to decreased usage of the Agency’s Water System resulting in a decline in Net Revenues, or that the State’s permanent water usage restrictions or future actions by the Governor’s office to encourage voluntary reductions will not lead to decreased usage of the Agency’s Water System resulting in a decline in Net Revenues.

Climate Change. Climate change, including changes caused by human activities, may have adverse effects on the Agency’s Water System. Climate change can also result in more variable weather patterns throughout the State, which can lead to longer and more severe droughts as well as increased risk of flooding and a rise in sea levels. The Agency considers the potential effects of climate change in its planning.

Projections of the impacts of global climate change on the Agency are complex and depend on many factors that are outside the Agency’s control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, while the Agency has considered climate change in maintaining and expanding its Water

System, the Agency is unable to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts. While the impacts of climate change may be mitigated by the Agency’s past and future investment in adaptation strategies, the Agency can give no assurance about the net effects of those strategies and whether the Agency will be required to take additional adaptive mitigation measures.

Limited Obligations

The Installment Purchase Agreement is a limited obligation of the Agency payable solely from Net Revenues and secured solely by the Revenues pledged in the Installment Purchase Agreement. If for any reason, the Agency does not collect sufficient Revenues to pay the Series 2023 Installment Payments, the Agency will not be obligated to utilize any other of its funds to pay the Series 2023 Installment Payments.

Statutory and Regulatory Compliance

Laws and regulations governing treatment and delivery of water are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be costly, and, as more stringent standards are developed, such costs will likely increase.

The regulation of PFAS at the State level and the expected regulation of PFAS at the federal level have required water agencies across the State that pump groundwater to take wells offline and to invest in remediation measures to bring impacted groundwater supply into compliance with PFAS regulations. Due to these regulations, as of May 2023, the Agency has determined that 17 of Agency wells contain either PFOA or PFOS at levels that exceed the response level. The Agency has removed each of these wells from service. See Appendix A—“INFORMATION RELATING TO THE SANTA CLARITA VALLEY WATER AGENCY—WATER SUPPLY—Water Quality Compliance—PFAS.” For information regarding the Agency’s sources of supply for the Water System, see Appendix A—“INFORMATION RELATING TO THE SANTA CLARITA VALLEY WATER AGENCY” under the caption “WATER SUPPLY.”

Claims against the Water System for failure to comply with applicable laws and regulations could be significant. Such claims may be payable from assets of the Water System and constitute Operation and Maintenance Costs or from other legally available sources. In addition to claims by private parties, changes in the scope and standards for municipal water systems such as that operated by the Agency may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders can also impose substantial additional costs on the Agency. In addition to the other limitations described herein, the State electorate or Legislature could adopt a Constitutional amendment, legislation or an initiative with the effect of reducing revenues payable to or collected by the Agency. No assurance can be given that the cost of compliance with such laws, regulations and orders would not adversely affect the ability of the Agency to generate Net Revenues in amounts that are sufficient to pay the Series 2023 Installment Payments.

Parity Obligations

The Installment Purchase Agreement permits the Agency to issue Bonds and enter into Contracts payable from Net Revenues on a parity with the Series 2023 Installment Payments, which secure the 2023 Bonds, subject to the terms and conditions set forth therein. The issuance of additional Bonds and entry into Contracts could result in reduced Net Revenues available to pay the Series 2023 Installment Payments. The Agency has covenanted to maintain coverage of at least 120% of Debt Service, as further described under the caption “SECURITY FOR THE 2023 BONDS—Limitations on Parity and Superior Obligations; Subordinate Obligations—Additional Obligations on a Parity with the Series 2023 Installment Payments.”

Loss of Tax Exemption

Interest with respect to the 2023 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date that the 2023 Bonds were issued as a result of future acts or omissions of the Agency in violation of its covenants in the Installment Purchase Agreement and Indenture. In addition, current and future legislative proposals, if enacted into law, may cause interest with respect to the 2023 Bonds to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by individuals. See the caption “TAX MATTERS.” Should such an event of taxability occur, the 2023 Bonds are not subject to a special prepayment and will remain outstanding until maturity.

Secondary Market

There can be no guarantee that there will be a secondary market for the 2023 Bonds or, if a secondary market exists, that any 2023 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

COVID-19 Pandemic; Infectious Disease Outbreak

The COVID-19 pandemic negatively affected economic activity throughout the world, including the United States and the State of California. The initial impacts of stay-at home orders globally were unprecedented, with commerce, travel, asset values and financial markets experiencing disruptions worldwide. The negative effects of the COVID-19 pandemic and its aftermath on global, national and local economies may continue at least for some period of time. Future pandemics and other widespread public health emergencies may arise from time-to-time and can impact broader economic conditions in the affected region. Given the uncertainties surrounding the COVID-19 pandemic, its aftermath and the outbreak of infectious disease in general, there can be no assurances that COVID-19, the outbreak of another infectious disease or governmental actions in response thereto will not materially adversely impact the financial condition of the Agency in the future. To date, the Agency does not believe that the impacts of COVID-19 or governmental actions in response thereto and its aftermath will have a material adverse effect on its ability to make the Series 2023 Installment Payments.

Cybersecurity

Municipal agencies, like other business entities, face significant risks relating to the use and application of computer software and hardware. The Agency and its vendors employ a multi-level cyber protection scheme that includes end-user training and education, firewalls, anti-virus software, anti-spam/malware software, intrusion protection and domain name system filtering service, Payment Card Industry (“PCI”) best practices and PCI annual audits. The Agency regularly analyzes the network construct for potential weaknesses in cybersecurity and thereafter, promptly implements solutions for identified shortfalls. In addition, the Agency contracts with third-party vendors to monitor and augment internal monitoring of the Agency’s computer systems. See Appendix A—“INFORMATION RELATING TO THE SANTA CLARITA VALLEY WATER AGENCY” under the caption “Insurance” for information with respect to Agency’s cyber liability program and cybersecurity insurance policy coverage limits.

To date, the Agency has not experienced an external attack on its network systems resulting in a data breach. Agency staff are regularly trained in cybersecurity awareness to spot potential scams or phishing schemes. However, there can be no assurance that a future attack or attempted attack would not result in disruption of Agency operations. The Agency expects that any such disruptions would be temporary in nature.

THE SANTA CLARITA VALLEY WATER AGENCY

Appendix A hereto presents information relating to the Agency, one of its predecessors, CLWA, and NCWD, SCWD, NWD and VWD. The Series 2023 Installment Payments are payable solely from Net Revenues of the Agency. Capitalized terms used in this Appendix A and not defined shall have the meanings set forth in the Official Statement.

CONSTITUTIONAL PROVISIONS

Article XIII B

The State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The “base year” for establishing such appropriation limit is the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (i) the financial responsibility for a service is transferred to another public entity or to a private entity; (ii) the financial source for the provision of services is transferred from taxes to other revenues; or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIII B generally include the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions and refunds of taxes. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from: (a) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation); and (b) the investment of tax revenues. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. The Agency’s revenues do not exceed any applicable appropriations limit.

Certain expenditures are excluded from the appropriations limit including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

Proposition 218

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.”

Article XIII D. Article XIII D defines the terms “fee” and “charge” to mean “any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service.” A “property-related service” is defined as “a public service having a direct relationship to property ownership.” Article XIII D further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIII D requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to

be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water or wastewater service is ultimately determined to be a “fee” or “charge” as defined in Article XIID, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIID includes a number of limitations applicable to existing fees and charges including provisions to the effect that: (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Based upon the California Second District Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the California Supreme Court, it was generally believed that Article XIID did not apply to charges for metered water, which had been held to be commodity charges related to consumption of the service, not property ownership. CLWA was of the opinion that, under similar reasoning, the water rates imposed by SCWD were not subject to Article XIID. In a decision rendered in February, 2004, the California Supreme Court in *Richmond et al. v. Shasta Community Services District* (S105078) upheld a Third District Court of Appeal decision that water connection fees were not property-related fees or charges subject to Article XIID while at the same time stating in dicta that fees for ongoing water service through an existing connection were property related fees and charges. In October 2004, the California Supreme Court granted review of the decision of the Fourth District Court of Appeal in *Bighorn-Desert View Water Agency v. Beringson*, 120 Cal. App. 4th 891 (2004), in which the appellate court had relied on *Howard Jarvis Taxpayers Association v. City of Los Angeles* and rejected the Supreme Court’s dicta in *Richmond et al. v. Shasta Community Services District*. On March 23, 2005, the California Fifth District Court of Appeal held in *Howard Jarvis Taxpayers Association v. City of Fresno*, 127 Cal. App. 4th 914 (2005) that an “in lieu” fee which is payable to the City of Fresno’s general fund from its water utility and which is included in the city’s water rate structure was invalid. In reaching its decision, the court concluded that the city’s water rates were “property related” fees, governed by the limitations of Article XIID. The City of Fresno requested a review of this decision by the California Supreme Court, which denied review. On July 24, 2006 the Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil*. The Court restated the dicta in *Richmond et al. v. Shasta Community Services District* that fees and charges for ongoing domestic water service through an existing connection were property related fees and charges under Article XIID. The Agency does not believe the procedural or substantive requirements of Article XIID apply to the rates and charges of its wholesale water operations. The Agency believes it is in compliance with the procedural and substantive provisions of Article XIID with respect to its rates and charges for the retail water operations.

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano* upholding tiered water rates under Proposition 218 provided that the tiers correspond to the actual cost of furnishing service at a given level of usage. The opinion was specific to the facts of the case, including a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The Agency’s water rates are described under the caption “THE WATER SYSTEM—Water System Rates and Charges” in Appendix A. The Agency does not currently expect the decision to affect its water rate structure. The Agency believes that its current water rates comply with the requirements of Proposition 218 and expects that any future water rates will comply with Proposition 218’s procedural and substantive requirements to the extent applicable thereto.

Article XIIC. Article XIIC provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of

initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIII C does not define the terms “local tax,” “assignment,” “fee” or “charge.” On July 24, 2006, the Supreme Court held in *Bighorn-Desert View Water Agency v. Verjil* that the provisions of Article XIII C included rates and fees charged for domestic water use. The Supreme Court noted, however, that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations of the public agency involved in the litigation. The Agency and its general counsel do not believe that Article XIII C grants to the voters within the jurisdiction of the Agency the power to repeal or reduce its wholesale rates and charges or retail fees and charges in a manner which would be inconsistent with the statutory or contractual obligations of the legislative body of the Agency. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the 2023 Bonds. Remedies available to beneficial owners of the 2023 Bonds in the event of a default by the Agency are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the right and obligation with respect to the 2023 Bonds is subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix D), will be similarly qualified.

The Agency believes that its current water rates and other property-related charges comply with the requirements of Proposition 218 and expects that any increases in current rates and charges or the adoption of any new future water rates and other property-related charges will be subject to compliance with Proposition 218’s procedural and substantive requirements to the extent applicable thereto.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. The Agency currently believes that the rates that Agency charges for services provided by the Water System are in compliance with the requirements of Proposition 26.

Future Initiatives

Articles XIII B, XIII C and XIII D were enacted by voter initiative. There can be no assurance that the voters of the State will not approve another initiative that could affect the Agency, its operations or financial condition or the Net Revenues of the Water System.

Initiative 1935. A voter initiative, designated as Initiative 1935 and entitled “The “Taxpayer Protection and Government Accountability Act” (“Initiative 1935”) has been determined to be eligible for the State’s November 5, 2024 statewide general election, and, unless withdrawn by its proponent prior to June 27, 2024, will be certified as qualified for the ballot in such election. If it were to be approved by a majority of voters in the election, Initiative 1935 would amend Article XIII C of the State Constitution to, among other things, provide that charges (or increases in charges) imposed by a local government after January 1, 2022 for services or products provided directly to the payor (including, potentially, fees and charges for water utility services) are “taxes” subject to voter approval unless the local government can prove by clear and convincing evidence that the charge is reasonable and does not exceed the “actual cost” of providing the service or product to the payor. “Actual cost” is defined in Initiative 1935 to mean “(i) the minimum amount necessary to reimburse the government for the cost of providing the service or product to the payor and (ii) where the amount charged is not used by the government for any purpose other than reimbursing that cost.” Initiative 1935 further states that “[i]n computing “actual cost” the maximum amount that may be imposed is the actual cost less all other sources of revenue including, but not limited to taxes, other exempt charges, grants, and state or federal funds received to provide such service or product.” If submitted to, and approved by the voters, Initiative 1935 would be subject to judicial interpretation. The Agency is unable to predict whether and how Initiative 1935, if approved, would be interpreted or applied. The Agency is additionally unable to predict whether the approval of Initiative 1935 would further limit future fees and charges or future increases in fees and charges for water service, require stricter standards for the allocation of costs among customer classes and/or otherwise adversely impact Revenues.

THE AUTHORITY

The Authority is a joint powers authority organized pursuant to the Joint Powers Agreement. The Joint Powers Agreement was entered into pursuant to the provisions of the Act. The Authority is governed by a board of five Directors comprised of three members appointed by the Agency and two members appointed by DDWD. The Authority was created to provide for the financing and refinancing of capital improvement projects of the Agency or DDWD and to finance working capital for the Agency or DDWD by exercising the powers referred to in the Joint Powers Agreement, and any other transaction authorized by law. Under the Act, the Authority has the power to issue bonds to assist its member agencies in the financing and refinancing of public capital improvements, or projects for the public benefit. Neither the Agency nor DDWD is responsible for repayment of the indebtedness of the other.

The Board of Directors of DDWD is elected by DDWD landowners based upon the assessed valuation of land within DDWD. The Agency owns land representing approximately 96% of the assessed valuation within DDWD. As the owner of the majority of the land within DDWD, the Agency has the ability to elect the Board of Directors of DDWD. While the Board of Directors of DDWD currently consists of members of the Agency Board, there can be no assurance that DDWD Board members will be Agency Board members in the future.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 2023 Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations

as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the 2023 Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2023 Bonds is exempt from State of California personal income tax.

The difference between the issue price of a 2023 Bond (the first price at which a substantial amount of the 2023 Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the 2023 Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to an Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by an Owner will increase the Owner’s basis in the applicable 2023 Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Owner of the 2023 Bond is excluded from gross income of such Owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Owner of the 2023 Bonds is exempt from State of California personal income tax.

Bond Counsel’s opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the 2023 Bonds is based upon certain representations of fact and certifications made by the Agency and others and is subject to the condition that the Agency complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the 2023 Bonds to assure that interest (and original issue discount) on the 2023 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the 2023 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2023 Bonds. The Agency will covenant to comply with all such requirements.

The amount by which an Owner’s original basis for determining loss on sale or exchange in the applicable 2023 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Owner’s basis in the applicable 2023 Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in an Owner realizing a taxable gain when a 2023 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2023 Bond to the Owner. Purchasers of the 2023 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel’s opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2023 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any 2023 Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the 2023 Bonds is excluded from gross income for federal income tax purposes provided that the Agency continues to comply with certain requirements of the Code, the ownership of the 2023 Bonds and the accrual or receipt of interest (and original issue discount) with respect to the 2023 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly,

before purchasing any of the 2023 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2023 Bonds.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2023 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2023 Bonds might be affected as a result of such an audit of the 2023 Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2023 Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the 2023 Bonds or their market value.

FOLLOWING THE ISSUANCE OF THE 2023 BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE 2023 BONDS OR THE MARKET VALUE OF THE 2023 BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2023 BONDS. IT IS POSSIBLE THAT LEGISLATIVE CHANGES WILL BE INTRODUCED WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME OR STATE TAX BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2023 BONDS. NO ASSURANCE CAN BE GIVEN THAT FOLLOWING THE ISSUANCE OF THE 2023 BONDS, STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE 2023 BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2023 BONDS.

A complete copy of the proposed opinion of Bond Counsel is set forth in Appendix D—“FORM OF OPINION OF BOND COUNSEL.”

CERTAIN LEGAL MATTERS

The validity of the 2023 Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Bond Counsel. The form of such legal opinion is attached hereto as Appendix D and such legal opinion will be attached to each 2023 Bond. Bond Counsel expresses no opinion as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the 2023 Bonds and expressly disclaims any duty to advise the Owners of the 2023 Bonds as to matters related to this Official Statement.

Certain legal matters will be passed on for the Underwriter by its counsel Katten Muchin Rosenman LLP (“Underwriter’s Counsel”), for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Special Counsel to the Authority, for the Agency by Best Best & Krieger LLP, Riverside, California, as Co-General Counsel to the Agency, for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Special Counsel, for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel and, and for the Trustee by its counsel.

Payment of the fees of Stradling Yocca Carlson & Rauth, a Professional Corporation and Underwriter’s Counsel is contingent upon issuance of the 2023 Bonds.

Bond Counsel represents the Underwriter from time-to-time on other financings and matters unrelated to the Authority, the Agency or the 2023 Bonds. Bonds Counsel does not represent the Underwriter or any other party with respect to the issuance of the 2023 Bonds other than the Authority and the Agency.

LITIGATION

The Authority

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Authority, threatened against the Authority affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the 2023 Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the action of the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Authority or its authority with respect to the 2023 Bonds or any action of the Authority contemplated by any of said documents.

The Agency

See Appendix A—“INFORMATION RELATING TO THE SANTA CLARITA VALLEY WATER AGENCY” under the caption “Litigation” for information with respect to litigation affecting the Agency.

RATING

The Agency expects that S&P Global Ratings, a Standard & Poor’s Financial Services LLC business (“S&P”) will assign the 2023 Bonds the rating of “___”. There is no assurance that such credit rating given to the 2023 Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the rating may have an adverse effect on the market price of the 2023 Bonds. Such rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained from S&P.

The Agency has covenanted in a Continuing Disclosure Certificate to file on EMMA, notices of any rating change on the 2023 Bonds. See the caption “CONTINUING DISCLOSURE UNDERTAKING” below and Appendix F—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.” Notwithstanding such covenant, information relating to a rating change on the 2023 Bonds may be publicly available from S&P prior to such information being provided to the Agency and prior to the date the Agency is obligated to file a notice of rating change on EMMA. Purchasers of the 2023 Bonds are directed to S&P and its website and official media outlets for the most current rating change with respect to the 2023 Bonds after the initial issuance of the 2023 Bonds.

MUNICIPAL ADVISOR

The Agency has retained Fieldman, Rolapp & Associates, Inc., Irvine, California (the “Municipal Advisor”) as municipal advisor in connection with the issuance of the 2023 Bonds. The Municipal Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The fees being paid to the Municipal Advisor by the Agency are contingent upon the issuance of the 2023 Bonds.

The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

UNDERWRITING

The 2023 Bonds are being purchased by BofA Securities, Inc., pursuant to a Bond Purchase Agreement (the “Bond Purchase Agreement”), by and between the Agency and the Underwriter. Under the Bond Purchase Agreement, the Underwriter has agreed to purchase all, but not less than all, of the 2023 Bonds for an aggregate purchase price of \$_____ (representing the principal amount of the 2023 Bonds, less

an Underwriter's discount of \$ _____, plus an original issue premium of \$ _____). The Bond Purchase Agreement provides that the Underwriter will purchase all of the 2023 Bonds if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices stated on the inside front cover of this Official Statement may, under certain circumstances, be changed from time to time by the Underwriter. The Underwriter may offer and sell the 2023 Bonds to certain dealers (including dealers depositing 2023 Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority and the Agency for which they received or will receive customary fees and expenses. In addition, certain affiliates of the Underwriter are lenders, and in some cases agents or managers for the lenders, under credit and liquidity facilities.

In the ordinary course of their various business activities, the Underwriter and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority and the Agency.

CONTINUING DISCLOSURE UNDERTAKING

The Agency has covenanted in a Continuing Disclosure Certificate dated the date of issuance of the 2023 Bonds (the "Continuing Disclosure Certificate") to provide annually certain financial information and operating data relating to the Agency by not later than 270 days following the end of its Fiscal Year (commencing with Fiscal Year 2023) including the audited Financial Statements of the Agency for each such Fiscal Year (together, the "Annual Report"), and to provide notices of the occurrence of certain other enumerated events.

The Annual Report will be filed by the Agency with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/> ("EMMA"). The notices of material events will be timely filed by the Agency with EMMA. The form of the Continuing Disclosure Certificate is attached hereto at Appendix F.

In the past five years, the Agency has been subject to continuing disclosure certificates previously entered into with respect to various obligations incurred by the Agency or CLWA, a predecessor to the Agency (each a "Prior Continuing Disclosure Undertaking"). Pursuant to the Prior Continuing Disclosure Undertakings, the Agency or CLWA agreed to file its audited financial reports, certain operating data relevant to the respective obligations, notices of certain enumerated events and notices of the occurrence of certain other enumerated events, if material.

The Agency did not include in its annual reports for Fiscal Years 2018 and 2019 the following information relating to the following issues, as required under the respective Prior Continuing Disclosure Undertakings: (i) for the 1999 Certificates, the balance in the reserve fund for the 1999 Certificates, a statement of reserve requirement with respect to the 1999 Certificates, the historic water sales to retail purveyors by the Agency, the historic water sales revenues from retail purveyors, the total assessed valuation of the Agency and the total capacity fees per acre foot, (ii) for the Castaic Lake Water Agency Refunding Revenue Certificates of Participation, Series 2010A (2001 Refunding Project) (the "2010A Certificates"), the

balance in the reserve fund for the 2010A Certificates, a statement of reserve requirement with respect to the 2010A Certificates and the total capacity fees per acre foot, (iii) for the Castaic Lake Water Agency Refunding Revenue Bonds, Series 2014A (the “2014A Bonds”) information relating to the balance in the reserve fund for the 2014A Bonds and a statement of reserve requirement with respect to the 2014A Bonds, (iv) for the Upper Santa Clara Valley Joint Powers Authority Revenue Bonds, Series 2015A (the “2015A Bonds”), the balance in the reserve fund for the 2015A Bonds and a statement of reserve requirement with respect to the 2015A Bonds, and (v) for the Upper Santa Clara Valley Joint Powers Authority Revenue Bonds, Series 2016A (the “2016A Bonds”), the balance in the reserve fund for the 2016A Bonds and a statement of reserve requirement with respect to the 2016A Bonds. On July 9, 2020, the Agency filed supplements to the respective annual reports to provide such missing information. In addition, the Agency did not include in its annual report for the 1999 Certificates for Fiscal Years 2020, 2021 and 2022 total capacity fees per acre foot. In Fiscal Year 2018, the Agency changed its capacity fee structure and began charging by meter size rather than by acre foot.

The audited financial statements for the Fiscal Year 2018 were filed by the Agency 8 days following the due date for each of 1999 Certificates, the 2010A Certificates, the 2014A Bonds, the 2015A Bonds, the 2016A Bonds, the Upper Santa Clara Valley Joint Powers Authority Refunding Revenue Bonds, Series 2017A (Santa Clarita Division) and the 2018A Bonds.

In addition, the Agency’s predecessor failed to file a notice of rating change relating to the Castaic Lake Water Agency Refunding Revenue Certificates of Participation (1999 Refunding Project), Series 2006A (the “2006A Certificates”) and the Castaic Lake Water Agency Revenue Certificates of Participation (2006 Project), Series 2006C (the “2006C Certificates”). The notice of rating change was filed on July 9, 2020.

The Agency cannot assure potential investors in the 2023 Bonds that, in the last five years, notices of changes in the ratings of the obligations of the Agency’s predecessor agencies resulting from each change in the rating of a bond insurer insuring such obligations were filed with EMMA. The Agency can confirm that the current ratings of its predecessor agencies’ obligations insured by bond insurers are on file with EMMA. Other than such ratings change notices described above, the Agency is not aware of any events in the last five years which may have required the filing of significant event notices under the Prior Continuing Disclosure Undertakings that were not filed.

As described above, the Agency believes that it is in compliance in all material respects with the Prior Continuing Disclosure Undertakings.

On March 17, 2020, the Agency filed its audited financial statements for the Fiscal Year ending June 30, 2019 with EMMA. On May 2, 2020, the Agency filed revised audited financial statements for the Fiscal Year ending June 30, 2019 with EMMA. The revised audited financial statements addressed issues relating to certain interfund activities that were improperly included as operating activities. The activities related to water sales and purchases between the Agency’s retail and wholesale divisions, which were previously separate entities. The activities were removed from the operating activities and eliminated for presentation in the revised financial statements.

In order to ensure compliance by the Agency with its continuing disclosure undertakings in the future, the Board of Directors approved an updated Disclosure Procedures Policy on February 5, 2019 (the “Agency Disclosure Procedures”). Such Agency Disclosure Procedures are an update to the Disclosure Procedures Policy originally adopted in April 2018. Pursuant to the Agency Disclosure Procedures, the Treasurer is required to take steps to ensure that continuing disclosure filings are prepared and filed in a timely manner.

On February 5, 2019, the board of directors of the Authority approved a Disclosure Procedures Policy (the “Authority Disclosure Procedures”) to assist in complying with any continuing disclosure undertakings that the Authority may enter into in the future. Pursuant to the Authority Disclosure Procedures, the Treasurer of the Authority is required to take steps to ensure that continuing disclosure filings are prepared and filed in a timely manner.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2023 Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

UPPER SANTA CLARA VALLEY JOINT POWERS
AUTHORITY

President

Secretary

APPENDIX A

INFORMATION RELATING TO THE SANTA CLARITA VALLEY WATER AGENCY

The following information relates to the Agency, including its Santa Clarita Water Division, Valencia Water Division and Newhall Water Division, its predecessors Castaic Lake Water Agency and Newhall County Water District. The Series 2023 Installment Payments are payable solely from Net Revenues of the Agency. Capitalized terms used in Appendix A and not defined shall have the meanings set forth in the Official Statement.

History and Background

The Santa Clarita Valley Water Agency (the “Agency”) was formed through a statutory merger of the former Castaic Lake Water Agency (“CLWA”) and Newhall County Water District (“NCWD”) effected by the Agency Law (as hereinafter defined). CLWA was organized on April 20, 1962, under Assembly Bill No. 26, Chapter 28, California Statutes of 1962, the Castaic Lake Water Agency Law (the “CLWA Law”), enacted by the State Legislature. CLWA was formed to provide its service area with a supplemental water supply from the State Water Project and provide the necessary treatment and conveyance facilities to deliver this water. CLWA originally entered into an agreement to receive State Water Project water supplies in 1963, and today such contract amount (as assumed by the Agency, as described below) is for 95,200 acre-feet per year. Prior to September 1999, CLWA was solely a wholesale provider of supplemental water, primarily to four independent retail water providers within its borders. Three of these retail water providers have since been acquired by or succeeded to by the Agency as discussed below.

In September 1999, CLWA acquired the stock of one of these independent retail water providers, the Santa Clarita Water Company (“SCWC”), through the settlement of an eminent domain action. The assets of SCWC were subsequently transferred to CLWA and were operated by CLWA as a retail system through the Santa Clarita Water Division (“SCWD”).

In December 2012, CLWA acquired 100% of the stock of the Valencia Water Company (“VWC”), one of the other retail water providers, in accordance with a settlement of an eminent domain action. After such acquisition and until VWC was dissolved on January 22, 2018, VWC continued to operate as a separate company, with a board of directors composed of the general manager of CLWA, the assistant general manager of CLWA, the retail manager of the SCWD and an officer of the VWC.

To settle an action brought by NCWD in the Los Angeles County Superior Court challenging CLWA’s acquisition of the stock of the VWC (the “NCWD Action”), CLWA and NCWD supported Senate Bill 634 which merged CLWA and NCWD. On October 15, 2017, Governor Edmund G. Brown, Jr. signed Senate Bill 634 into law, which repealed the CLWA Law and merged CLWA and NCWD into a new agency called the “Santa Clarita Valley Water Agency” effective January 1, 2018.

As enacted, Senate Bill 634 is known as the “Santa Clarita Valley Water Agency Act” (the “Agency Law”) and provides that the Agency may provide retail water service within its boundaries. In addition, the Agency Law provides that the Agency is the successor to CLWA and NCWD for the purpose of succeeding to all of the rights, duties, obligations, contracts, responsibilities, assets, entitlements, and liabilities of CLWA and NCWD. The initial boundaries of the Agency were the boundaries of CLWA as of December 31, 2017.

The Agency Law requires that the Agency take steps to dissolve VWC and includes certain timing requirements related thereto. Dissolution of VWC occurred on January 22, 2018. The Agency is the successor to the assets and liabilities of VWC. To account for the revenues, expenses and debt allocable to the retail service within the boundaries of the former VWC, the Agency established the Valencia Water Division (“VWD”).

Pursuant to the terms of the Agency Law, the indebtedness of NCWD, SCWD, and VWC which existed as of December 31, 2017, is required to be borne by retail divisions of the Agency that correspond with NCWD, SCWD, and VWC respectively.

Since January 1, 2018, the Agency’s wholesale water system revenues have historically consisted primarily of facility capacity fees, amounts allocated by the County of Los Angeles (the “County”) and the County of Ventura (together, the “Counties”) from the 1% *ad valorem* property tax to the Agency and revenues generated from the sale of wholesale water to the Los Angeles County Waterworks District No. 36, Val Verde (“District No. 36”), the sole remaining independent retail purveyor within the boundaries of the Agency, as well as to SCWD, NCWD and VWD. See “—Outstanding Obligations—Wholesale Water System Obligations.”

The Agency has eliminated the wholesale water charge paid by SCWD, NCWD and VWD. As a result, debt service on the 1999 Certificates and the 2018A Bonds is expected to be paid from amounts allocated by the Counties from the 1% *ad valorem* property tax to the Agency. Any 1% *ad valorem* property tax revenues remaining following the payment of the 1999 Installment Payments and the 2018A Installment Payments will be deposited in the Revenue Fund and will be available for the payment of the Series 2023 Installment Payments and the Series 2020 Installment Payments. If the amounts allocated by the Counties from the 1% *ad valorem* property tax are insufficient to pay all of the 1999 Installment Payments and the 2018A Installment Payments coming due, then facility capacity fees will be applied to the payment of such amounts.

The Agency previously created separate retail divisions for regulatory and other purposes, including accounting for the respective revenues, expenses, and debt of the former NCWD, former SCWD, and former VWC. The Agency currently maintains such retail divisions to account for the legacy debt of the former retail agencies and to meet certain regulatory requirements of the State Water Resources Control Board-Division of Drinking Water (“DDW”) relating to the boundaries of the service areas of the former retail agencies. The Agency has applied to DDW to consolidate the boundaries of the retail divisions. The Agency expects to consolidate the boundaries of the retail divisions for regulatory purposes in the next several Fiscal Years. The Agency expects that the legacy debt will continue to be paid by rate payers within the historic boundaries of such divisions even after the divisions are consolidated for regulatory purposes.

The Agency

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

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

The Agency is the successor in interest to CLWA’s agreement with the Department of Water Resources (“DWR”) to receive State Water Project water supplies, which was entered into in 1963. Currently, the Agency’s contract amount is for 95,200 acre-feet per year. The Agency, together with other State Water Project contractors,

has executed an extension of the State Water Project Contract through December 31, 2085; however, see the caption “WATER SUPPLY—Sources of Supply” for a discussion of certain litigation regarding the extension of the contracts between DWR and the State Water Project Contractors, including the Agency.

The Agency’s water system (the “Water System”) is also supplied by other sources, including up to 11,000 acre-feet per year acquired pursuant to the BVWSD-RRBWS Acquisition Agreement (as defined below), up to 850 acre-feet per year pursuant to the Yuba Water Accord (as defined below) and approximately 560 acre-feet per year of recycled water. The Agency also produces approximately 27,674 acre-feet of groundwater per year. See the caption “WATER SUPPLY—Sources of Supply.”

The Agency sells supplemental wholesale water to District No. 36. The Agency does not currently have a water service contract with District No. 36 which the Agency enforces or which the Agency believes is enforceable. As a result, District No. 36 is not obligated to purchase water from the Agency.

The Agency levies property taxes to pay certain costs under the State Water Project contract. Such State Water Project contract costs are not Operation and Maintenance Costs of the Water System. Such State Water Project property taxes are not pledged to and are not available to pay the Series 2023 Installment Payments.

The Service Area

The Agency is located in the northwestern portion of the County, approximately 35 miles from downtown Los Angeles. The service area of the Agency (the “Service Area”) has a population of approximately 298,731 and covers an area of approximately 197 square miles. The majority of the Service Area is located in the County of Los Angeles, including the City of Santa Clarita (the “City”) and other nearby communities. Approximately 20 square miles of the Service Area extend into unincorporated rural portions of Ventura County.

Agency Organization and Management

The Board of Directors of the Agency (the “Board”) consists of nine members. The Service Area is divided into three divisions for electoral purposes. Elections are held each even-numbered year and the term of office of all elected directors is four years. Two directors for each division are elected on a four-year election cycle that commenced in 2020 (with the next election for such directors to occur in 2024), and one director for each electoral division is elected on a four-year election cycle that commenced in 2022 (with the next election for such directors to occur in 2026). The current members of the Agency Board are set forth in the table below.

Table 1
SANTA CLARITA VALLEY WATER AGENCY
Board of Directors

<i>Name</i>	<i>Expiration of Term</i>	<i>Occupation</i>
Gary Martin, President	January 1, 2025	Retired Civil Engineer and former Director of Engineering
Piotr Orzechowski, Vice President	January 1, 2025	Engineer/ Environmental Water Programs Manager
Maria Gutzeit, Vice President	January 1, 2027	Engineer
Kathye Armitage	January 1, 2025	Public Health Professional
Beth Braunstein	January 1, 2025	Self-Employed
Edward S. Colley	January 1, 2025	Retired U.S. Air Force Captain/Retired Electrical Engineer
William C. Cooper	January 1, 2027	Retired Special Projects Manager – Water System Operations, Metropolitan Water District
Dirk S. Marks	January 1, 2027	Retired Civil Engineer and Former Water Resources Manager
Kenneth J. Peterson	January 1, 2025	Retired Civil Engineer and Former General Manager

The daily operations of the Agency are administered by the General Manager, Matthew Stone, and other Agency staff. Brief biographical information for certain Agency staff members is set forth below.

Matthew Stone is the General Manager of the Agency and was appointed as general manager of the former CLWA in December 2015. Prior to joining CLWA, Mr. Stone served as General Manager of the Rancho California Water District in Temecula, California for seven years. Mr. Stone had also served as the Associate General Manager of the Municipal Water District of Orange County for eleven years and as the Principal Engineer of the Municipal Water District of Orange County for three years. In addition, Mr. Stone served for eight years with RBF Consulting where he worked on numerous projects in various capacities including Project Engineer, Project Manager, and Director of Water Resources. Mr. Stone serves on the board of State Water Contractors, a non-profit corporation founded in 1982 which represents State Water Project contracting agencies. Mr. Stone has also served as Chairman of the Urban Water Institute, a non-profit organization focusing on education for elected officials, water managers and others interested in water policy and economics. Mr. Stone holds a Bachelor of Science degree in Civil Engineering from Santa Clara University, a Master of Public Administration degree from the University of La Verne and a Master of Science degree in Environmental Engineering from Loyola Marymount University. Mr. Stone is a registered Civil Engineer within the State.

Stephen Cole is the Assistant General Manager of the Agency and was the general manager of the former NCWD, acting as the chief executive officer responsible for the operations and management of NCWD for thirteen years. Mr. Cole has over twenty years of experience dealing with a variety of issues in the water field and actively participates in the Association of California Water Agencies serving as the Region 8 Chair. He has served as chairman of the College of the Canyons Water Systems Technology Committee and as chair for the Santa Clarita Valley Water Committee. Mr. Cole is certified by the State as a Grade V Water Distribution Operator, a Grade 3 Water Treatment Operator and as a Registered Environmental Health Specialist. He received his Bachelor of Science degree in Environmental Science from California State University, Fresno and his Master of Science degree in Environmental Science degree from California State University Northridge.

Rochelle Patterson is the Chief Financial and Administrative Officer for the Agency. Ms. Patterson has held several roles over the past 25 years with the Agency and NCWD, including Accounting Supervisor, Accounting Manager and Director of Finance and Administration. Ms. Patterson has taken a leadership role in

building and shaping the Agency’s Finance and Administration team. These roles have included transitioning the four legacy agencies from separate budgets, audits, accounting, human resources and customer service functions and systems to a unified single agency. Ms. Patterson serves as the Agency’s alternate to the ACWA JPIA board and is a member of the Government Finance Officers Association and the California Municipal Financial Officers Association. Ms. Patterson received her Bachelor of Business Administration degree and Master of Public Administration degree from the University of Phoenix.

Keith Abercrombie is the Chief Operating Officer of the Agency and was previously the Retail Manager of SCWD. Mr. Abercrombie received his Bachelor of Science degree in Agricultural Business from Colorado State University and received his Master’s degree in Business Administration, Agribusiness from Santa Clara University. Prior to employment with CLWA, Mr. Abercrombie served as General Manager of the Valencia Water Company. Mr. Abercrombie previously worked at the Newhall Land and Farming Company serving as assistant to the Vice President of Agriculture and Manager of Energy Resources. Mr. Abercrombie holds a Grade 5 Water Distribution Operator certification and a Grade 2 Water Treatment Operator certification from the State Water Resources Control Board – Division of Drinking Water, and is a member of the American Water Works Association and the Association of California Water Agencies.

Employee Relations

As of April 25, 2023, the Agency had 223 employees, ten of whom were part-time employees. No Agency employees are represented by a labor union. None of the Agency, CLWA or NCWD has experienced any strike or other labor actions in the ten most recent calendar years.

Budget Process

Every other year, Agency staff provide the Board with a biennial budget including estimates of revenues and expenditures for operations for the upcoming two Fiscal Years. The Board conducts public meetings and makes such revisions as the Board deems desirable and adopts a biennial budget by July 1. The budget for the Fiscal Year beginning on July 1 being approved and the budget for the subsequent Fiscal Year being conditionally approved. Prior to the beginning of the second Fiscal Year of the biennial budget term, Agency staff reviews the budget for such Fiscal Year and makes any necessary revisions. The budget for the second Fiscal Year of the biennial budget term is presented to the Board for adoption prior to the start of such Fiscal Year. In July of each year the Agency expects to receive billing for the upcoming calendar year from DWR (for State Water Project water). On or about August 15 of each year, the Agency submits the property tax levy for the Service Area to the County of Los Angeles and the County of Ventura.

The Agency’s biennial budget for Fiscal Years 2022 and 2023 was approved on June 21, 2021. The budget for Fiscal Year 2023 was amended in May 2022. The Agency adopted the biennial budget for Fiscal Years 2024 and 2025 on May 16, 2023.

Insurance

The Agency is a member of the Association of California Water Agencies Joint Powers Insurance Authority (the “JPIA”), an intergovernmental risk-pooling self-insurance authority created to provide self-insurance programs for California water agencies. The JPIA arranges and administers programs of insurance for the pooling of self-insured losses and purchases excess insurance coverage for its members. The JPIA began operations on October 1, 1979, and has continued without interruption since that time.

As of June 30, 2022, the Agency’s participation in the self-insurance programs of JPIA is as follows:

- General and auto liability, public officials and employees’ errors and omissions: Total risk financing self-insurance limits of \$5,000,000 combined single limit per occurrence. The JPIA purchased additional excess coverage layers of \$ 50,000,000 for general, auto and public officials’ liability, which increases the limits on the insurance coverage noted above.

- Property losses are paid at the replacement cost for buildings, fixed equipment and personal property on file, if replaced within two years after the loss, otherwise such losses are paid on an actual cash value basis, subject to a \$25,000 deductible per loss, and actual cash value for mobile equipment, subject to a \$1,000 deductible per loss, and licensed vehicles, subject to a \$500 deductible per loss. The JPIA purchased excess coverage for a combined total of \$500,000,000 per occurrence.

- Boiler and machinery coverage for the replacement cost up to \$100,000,000 per occurrence, subject to various deductibles depending on the type of equipment.

- Workers compensation insurance up to State statutory limits for all work-related injuries/illnesses covered by State law, and employer’s liability coverage up to \$4,000,000. The Agency is self-insured up to \$2,000,000 and excess loss insurance has been purchased.

In addition to the above, the Agency also has the following insurance coverage:

- Crime coverage up to \$1,000,000 per loss, including public employee dishonesty, including public officials who are required by law to give bonds for the faithful performance of their service, forgery or alteration and computer fraud, subject to a \$1,000 deductible.

- The cyber liability program covers a wide range of cyber security issues originating from both third (external) and first (internal) parties. Coverage includes defense costs and damages for security, privacy and media liability; fees and expenses incurred from cyber extortion; as well as costs to restore network business interruption and digital asset protection. Coverage limits are \$2,000,000 per occurrence with an aggregate of \$5,000,000 and a deductible of \$50,000.

- Earthquake and flood insurance coverage for the Saugus Perchlorate Treatment Facility, (JPIA) and Agency facilities (NFP). Earthquake and flood insurance for the Saugus Perchlorate Treatment Facility has annual coverage limits of \$25,000,000 per occurrence and in the aggregate. Deductibles for the Saugus Perchlorate policy are 5% of value, subject to a \$25,000 minimum, per loss of earthquake and \$25,000 per loss for flood. Agency facilities have coverage limits of \$35,000,000 primary and \$35,000,000 excess, total of \$70,000,000 per occurrence. Deductibles for Agency facilities policy are \$100,000 or 5% per incident, whichever is greater, for earthquake or flood coverage. This coverage also includes business personal property, business income, extra expense and terrorism.

- Pollution and remediation legal liability insurance for certain NWD sewer facilities with coverage limit of \$1,000,000 for each loss and in the aggregate with a \$25,000 retention for each loss.

For additional information with respect to the Agency’s insurance coverage, see Note 11 of the Agency’s Annual Financial Report attached to the Official Statement as Appendix B

Outstanding Obligations

General. Pursuant to the Agency Law, the Agency is the successor to CLWA’s outstanding obligations, which includes the following:

Senior Wholesale Water System Obligations. In connection with the execution and delivery of the 1999 Certificates, currently outstanding in the approximate amount of \$67,061,078 (adjusted for the accreted value of the 1999 Certificates as of February 1, 2023), CLWA entered into the Installment Purchase Agreement, dated as of June 1, 1999 (the “1999 Installment Purchase Agreement”), with the Castaic Lake Water Agency Financing Corporation (the “Corporation”), which is secured by the revenues derived from the Agency’s historic wholesale operations and payable from such historic wholesale revenues net of any operation and maintenance costs of the Agency’s wholesale water system. The Agency’s historic wholesale revenues consists primarily of facility capacity fees, amounts allocated by the Counties from the 1% *ad valorem* property tax to the Agency and revenues generated from the sale of wholesale water to District No. 36, SCWD, NCWD and VWD. The Agency

eliminated the wholesale water charge that was previously paid by SCWD, NCWD and VWD. The 1999 Installment Payments which secure the 1999 Certificates are expected to be paid from amounts allocated by the Counties from the 1% *ad valorem* property tax to the Agency. In the event that the amounts allocated by the Counties from the 1% *ad valorem* property tax are insufficient to pay the 1999 Installment Payments coming due, then facility capacity fees will be applied to the payment of such amounts. Since Fiscal Year 2022, 1% *ad valorem* property taxes have been sufficient to pay the 1999 Installment Payments.

Wholesale Water System Obligations. In connection with the issuance of the Authority's Revenue Bonds, Taxable Series 2018A (the "2018A Bonds"), currently outstanding in the aggregate principal amount of \$26,735,000, the Agency entered into the Installment Purchase Agreement, dated as of January 1, 2018, with the Authority, which is secured by the historic revenues previously derived from the Agency's wholesale operations, which includes amounts allocated by the Counties from the 1% *ad valorem* property tax to the Agency, and payable from such historic wholesale revenues, net of any operation and maintenance costs of the Agency's historic wholesale water system, on a subordinate basis to the payment of the 1999 Installment Payments. The Agency expects to apply amounts allocated by the Counties from the 1% *ad valorem* property tax to the Agency, following the application of such 1% *ad valorem* property tax to the payment of the 1999 Installment Payments, to the payment of the 2018A Installment Payments, prior to applying the other sources of revenues securing the 2018A Installment Payments. If amounts allocated by the Counties from the 1% *ad valorem* property tax are insufficient to pay the 2018A Installment Payments coming due, then facility capacity fees will be applied to the payment of such amounts. Since Fiscal Year 2022, 1% *ad valorem* property taxes have been sufficient to pay the 2018A Installment Payments.

Any 1% *ad valorem* property tax revenues remaining following the payment of the 1999 Installment Payments and the 2018A Installment Payments will be deposited in the Revenue Fund and will be available for the payment of the Series 2023 Installment Payments and the Series 2020 Installment Payments.

Parity Obligations. The Series 2023 Installment Payments are payable from Net Revenues on a parity basis with the installment payments (the "2020 Installment Payments") made by the Agency pursuant to the Installment Purchase Agreement, dated as of February 1, 2020, by and between the Agency and the Authority, which the Agency entered into in connection with the issuance of the Authority's Revenue Bonds, Series 2020A and Revenue Bonds, Taxable Series 2020B (the "2020 Bonds"). The 2020 Installment Payments are payable in semi-annual installment payments through August 1, 2050 and have a current outstanding principal amount payable of \$216,885,000. The Series 2023 Installment Payments are secured by certain revenues historically derived from the wholesale system on a parity with the 2018A Installment Payments.

Future Obligations. The Agency currently expects to enter into a construction installment sale agreement with the State of California Water Resources Control Board in Fiscal Year 2024 (the "SRF Loan"). The Agency expects to use the proceeds of the SRF Loan to finance the cost of capital improvements to the Agency's Water System. The estimated aggregate principal amount of the SRF Loan is \$10,000,000. The SRF Loan proceeds may be used earlier or later than the time currently projected or in an amount other than as currently projected. The timing and amount of such proceeds will depend on the actual need for the capital projects at that time and market conditions.

In addition, the Agency has been invited to submit an application to the United States Environmental Protection Agency ("USEPA") for the issuance of loans pursuant to the Water Infrastructure Finance and Innovation Act and a master agreement (the "WIFIA Master Agreement") through the Authority in the aggregate amount of up to \$628,361,113 to finance a portion of the costs of the design and construction of the Agency's 10-year capital improvement program, including PFAS treatment facilities. The Agency currently expects the Authority to enter into an initial loan, for which the Agency expects to enter into a corresponding installment purchase agreement with the Authority (the "2024 WIFIA Installment Purchase Agreement"), in the amount of up to \$266,401,172.75 (the "2024 WIFIA Loan") in 2024.

As of the date of this Official Statement, the Agency is evaluating whether the installment payments under the 2024 WIFIA Installment Purchase Agreement (the "2024 WIFIA Installment Payments") and any

installment payments under any installment purchase agreements entered into in connection with any additional loans entered into under the WIFIA Master Agreement will be payable from Net Revenues on a parity with the Series 2023 Installment Payments and payments with respect to other Bonds and Contracts or will be payable from Net Revenues subordinate to the payment of the Series 2023 Installment Payments and payments with respect to other Bonds and Contracts. In the event that the payments of the 2024 WIFIA Installment Payments are payable from Net Revenues on a subordinate basis, the WIFIA Master Agreement may include provisions that will elevate the payment of the 2024 WIFIA Installment Payments to a parity basis following the occurrence of certain events specified in the WIFIA Master Agreement. For purposes of calculations set forth under the caption “SECURITY FOR THE 2023 Bonds—Limitations on Parity and Superior Obligations; Subordinate Obligations – *Additional Obligations on a Parity with Series 2023 Installment Payments*” in the front part of this Official Statement, the 2024 WIFIA Installment Payments and any other installment payments made pursuant to an installment purchase agreement entered into by the Agency in connection with a loan issued under the WIFIA Master Agreement will be treated as payable from Net Revenues on a parity with the Series 2023 Installment Payments and the payment of any other Bonds and Contracts, regardless of whether the payment of 2024 WIFIA Installment Payments has actually been elevated to parity.

No assurances can be made whether the Agency will submit an application to the USEPA, whether such application will be approved by the USEPA or whether the Agency and USEPA will execute and deliver the WIFIA Master Agreement on a parity or subordinate basis.

The Agency currently expects to cause the issuance or execution and delivery of additional obligations payable from Net Revenues on a parity with the Series 2023 Installment Payments in Fiscal Year 2026 (the “2026 Bonds”). The Agency expects to use the proceeds of the 2026 Bonds to finance the cost of capital improvements to the Agency’s Water System. The estimated aggregate principal amount of the 2026 Bonds is \$34,500,000. The 2026 Bonds may be issued earlier or later than the time currently projected or in an amount other than as currently projected. The timing and amount of such issuance will depend on the actual need for the capital projects at that time and market conditions.

In addition, the Agency may incur additional obligations in connection with the California Eco Restore Project (“EcoRestore”) and the Delta Conveyance Project (formerly known as California Water Fix), which are collaborative efforts between water agencies, environmental organizations and State and federal agencies to develop a comprehensive conservation plan for the Delta (as defined below). Payments on obligations incurred in connection with EcoRestore and the Delta Conveyance Project are expected to continue to be paid from the *ad valorem* property taxes levied to pay State Water Project costs and not from Revenues. See the caption “THE WATER SYSTEM—Future State Water Project Obligation.”

The Agency may incur additional obligations in connection with the development and construction of the Sites Reservoir, which is a proposed reservoir of approximately 1.5 million acre-feet located in Colusa County, that is expected to be undertaken as a joint effort among several local water agencies and counties. To date, payments with respect to the Sites Reservoir have been and are expected to be paid by the Agency through calendar year 2024 from Revenues or Agency reserves. In the event that the Agency elects to continue participating in the Sites Reservoir beyond calendar year 2024, the Agency currently expects future payments relating to the Sites Reservoir to be paid from Revenues or Agency reserves. If an agreement is reached with DWR to incorporate Sites Reservoir storage and supplies into the State Water Project and to bill the Agency for such costs on the SWP statement of charges, the Agency could determine to pay obligations incurred in connection with the Sites Reservoir from *ad valorem* property taxes levied to pay State Water Project costs. See the caption “THE WATER SYSTEM—Future State Water Project Obligations—Sites Reservoir Project.”

The Agency may issue from time-to-time tax revenue anticipation notes. Tax revenue anticipation notes are a general obligation of the Agency payable from taxes, income, revenue, cash receipts and other moneys received by the Agency which are lawfully available for the payment of current expenses and other obligations of the Agency. The Agency does not currently expect to issue tax revenue anticipation notes. However, no assurance can be made that the Agency will not issue tax revenue anticipation notes in the future which are secured by Revenues on a parity with the Series 2023 Installment Payments and other Contracts and Bonds.

Other Long-Term Obligations. On April 30, 1963, CLWA entered into a water supply contract with DWR for a water supply from the State Water Project (the “State Water Project Contract”), under which CLWA agreed to make payments which include, among other charges, capital charges and operation and maintenance charges. The Agency is CLWA’s successor to the State Water Project Contract. Under the State Water Project Contract, in any year the Agency fails or is unable to raise sufficient funds by other means, the Agency is required to levy upon all property in the Agency not exempt from taxation a tax sufficient to provide for all payments thereunder then due or to become due within such year.

Although the State Water Project Contract was not required to be, and was not, submitted for approval by voters in the Agency, relevant case law (*Goodman v. County of Riverside*, 140 Cal. App. 3d 900, 190 Cal. Rptr. 7 (Cal. App. 4th Dist. (1983)) (the “Goodman Case”) has held that similar State Water Project contracts not approved by the voters are nevertheless deemed to be voter approved indebtedness for purposes of Article XIII A of the California Constitution (Proposition 13). The Goodman Case held that, when the voters approved the Burns-Porter Act in 1960 (which authorized the construction and financing of the State Water Project), they intended that the cost to finance construction, operation, maintenance, and replacement of the State Water Project would be paid by local agencies through their water contracts, which in turn could be paid through local property taxes.

Based on current binding case law, CLWA and the Agency have historically levied, and the Agency expects to continue to levy, property taxes to pay amounts due under the State Water Project Contract. The Agency has covenanted in the Installment Purchase Agreement to comply with the provisions of the State Water Project Contract, which requires the levying of property taxes to the extent necessary. There has been recent litigation regarding the collection and use of the State Water Project property tax by another State Water Project contractor. See caption “WATER SYSTEM FINANCIAL INFORMATION—*Litigation – Roberts v. Coachella Valley Water District*” herein for a further discussion of the case.

The Agency, together with other State Water Project contractors, has agreed to an extension of the State Water Project Contract through December 31, 2085; however, see the caption “WATER SUPPLY—Sources of Supply” for a discussion of certain litigation regarding the extension of the contracts between DWR and the State Water Project Contractors, including the State Water Project Contract. The Agency cannot predict the outcome of such litigation. The Agency has covenanted in the Installment Purchase Agreement that the Agency will neither take nor omit to take any action under any contract, including the State Water Project Contract, if the effect of such act or failure to act would in any manner impair or adversely affect the ability of the Agency to make the Series 2023 Installment Payments. See the caption in Appendix C, “PARTICULAR COVENANTS—Compliance with Contracts.”

On May 22, 2007, CLWA entered into the BVWSD-RRBWS Acquisition Agreement (as defined below) for the acquisition of up to 11,000 acre-feet of water supply per year for a 30-year period. The Agency is CLWA’s successor to the BVWSD-RRBWS Acquisition Agreement. See the caption “WATER SUPPLY” for further discussion of this program.

WATER SUPPLY

Sources of Supply

General. The Agency has five main sources of water supply: (1) water purchased from the State Water Project, (2) groundwater banking, (3) groundwater pumped from the groundwater basin underlying the Agency, (4) other supplemental water purchases and (5) recycled water. A description of each source of water is set forth below.

Table A Amounts from the State Water Project. The Agency is supplied with water from the State Water Project through DWR under the State Water Project Contract. On April 30, 1963, CLWA entered into an agreement with DWR which, as amended from time-to-time, provides for a contract Table A Amount of 95,200 acre-feet per year. The Agency is CLWA’s successor to the State Water Project Contract.

The State Water Project Contract was originally to expire by its terms on June 30, 2038. DWR and various State Water Project contractors, including the Agency, previously agreed to an “Agreement in Principle” to amend the existing State Water Project contracts to extend them through December 31, 2085 and to make certain changes relating to the billing process under such contracts. DWR prepared an environmental impact report under the California Environmental Quality Act (“CEQA”) analyzing the proposed long-term contract extensions. In December 2018, after CEQA review and determination, DWR filed an action to validate the proposed extension of the State Water Project contracts, including the State Water Project Contract, in the Superior Court of Sacramento County. Several environmental groups and counties and districts filed answers or separate actions opposing DWR’s approval, asserting that the extension approval violated CEQA, the Public Trust Doctrine, and the Delta Reform Act. The trial court granted judgment in favor of DWR and supporting State Water Project contractors on all causes of action. The environmental groups and opposing agencies filed notices of appeal and their appeals have been coordinated. Appellants’ opening briefs were filed on January 13, 2023.

On January 9, 2023, DWR notified the Agency that the required number of State Water Project contractors have executed letter agreements to allow the contract extension amendment to become effective as of January 1, 2023 as to the contractors that executed such agreements, including the Agency. This amendment extended the term of the State Water Project Contract to December 31, 2085 or the period ending with the latest maturity date of any bond issue used to finance construction of State Water Project facilities, whichever is longer.

The Agency cannot predict the impact of the outcome of the appeal on the extension of the Agency’s State Water Project Contract.

The Agency owns and operates water conveyance pipelines and water treatment facilities to supply water delivered through the State Water Project to its retail customers and District No. 36. The California Aqueduct releases water to the Agency at the Castaic Lake Reservoir (the “Castaic Reservoir”). The Castaic Reservoir is a multiple use reservoir owned by DWR which serves as the terminal point of the west branch of the California Aqueduct.

Monterey Agreement. In December 1994, the State Water Project contractors (including CLWA) and DWR reached an understanding known as the “Monterey Agreement.” The Monterey Agreement aimed to increase the reliability of existing water supplies and equalize the effect of water shortages on agricultural and urban users. Under the Monterey Agreement, water is delivered based upon contract Table A Amounts, and in years of water shortage, each participating water contractor will receive a prorated portion of its Table A Amounts. The Monterey Agreement has been substantially implemented since its execution via contract amendments between DWR and the State Water Project contractors in 1995 (the “Monterey Amendments”). The Monterey Agreement provides opportunities for the Agency (through its contract with DWR) to increase its water supply, water management activities and future supply reliability.

The adequacy of the Environmental Impact Report (“EIR”) for the Monterey Amendments was challenged in litigation. After revising the EIR and completing remedial CEQA review, in September 2021, the court of appeal upheld the adequacy of the EIR, the validity of the Monterey Amendments and the agreement relating to the Kern Water Bank, and the trial court’s denial of attorney fees for one of the plaintiffs.

On January 5, 2022, the California Supreme Court denied petitions seeking review of the court of appeal’s decision. The court of appeal’s decision upholding the Monterey Amendments is therefore final.

Based on an April 20, 2023 announcement by DWR, the Agency’s State Water Project contractors’ Table A allocations for 2023 is 100 percent, which is approximately 95,200 acre-feet. The allocation for 2023 is subject to revision by DWR.

Groundwater Banking Programs. The Agency currently has two groundwater banking programs and two water exchange programs.

In May 2015, the former CLWA's Stored Water Recovery Program within the Semitropic Water Storage District's Groundwater Banking Program (the "Semitropic Banking Program") became operational. Under this agreement two short-term ten-year accounts containing 35,970 acre-feet were transferred into this new program. Under this agreement the Agency can store an additional 15,000 acre-feet. The term of the Semitropic Banking Program extends through 2035 with the option for two 10-year renewal periods. The Agency may withdraw up to 5,000 acre-feet annually from its accounts in the Semitropic Banking Program. As of January 1, 2023, the Agency's banking accounts totaled 30,275 acre-feet. In light of the April 20, 2023 announcement that the Agency's State Water Project Contractor's Table A allocation is 100% for 2023, the Agency plans to recharge approximately 5,000 acre-feet of water into storage at the Semitropic Banking Program.

In September 2005, the former CLWA initiated participation in the Rosedale-Rio Bravo Water Storage District Groundwater Banking Program (the "Rosedale-Rio Bravo Banking Program"). This program allows the storage of 20,000 acre-feet annually of the Agency's State Water Project Table A Amount or other State Water Project supplies, up to a maximum of 100,000 acre-feet, and has a contract term through 2035, renewable according to the terms of the Agency's water supply contract with DWR. By 2012, the Agency's storage capacity had been maximized, and subsequently began withdrawing water during critical dry years that followed. The Agency withdrew approximately 2,800 acre-feet of water from storage in 2014, 3,000 acre-feet in 2015, 1,600 acre-feet in 2020, and 20,000 acre-feet in both 2021 and 2022. In 2016, hydrological conditions improved, and the Agency was able to recharge 5,060 acre-feet, leaving approximately 58,810 acre-feet stored in the Rosedale-Rio Bravo Banking Program as of January 1, 2023. In 2020, the Rosedale-Rio Bravo Water Storage District ("RRBWS") detected 1,2,3-Trichloropropane ("TCP") above the California regulatory maximum contaminant level ("MCL") in certain wells utilized by RRBWS in connection with the Rosedale-Rio Bravo Banking Program. Since detection of TCP in RRBWS supply, there have been no impacts to water banking program operations. The Agency has successfully maximized water banking recoveries as needed in dry years following the detection of TCP recovering 41,600 acre-feet between 2020 and 2022. In 2015 CLWA exercised an option under the Rosedale-Rio Bravo Banking Program agreement to construct additional extraction wells and conveyance facilities to increase the firm recovery capacity for withdrawals by approximately 7,500 acre-feet annually. These facilities were completed in the fall of 2019 and were utilized in the 2020-2022 recoveries of banked water and water from the exchange programs with the Rosedale-Rio Bravo Storage District described below.

In addition to its accounts with the Semitropic Banking Program, the Agency has access to additional capacity under the Semitropic Banking Program through an agreement with another Semitropic Banking Program participant, Newhall Land and Farming Company ("Newhall Land"). In 2014, the Agency utilized Newhall Land's extraction capacity to withdraw approximately 4,950 acre-feet of Agency water through Newhall Land's Semitropic short-term account under an agreement with Newhall Land.

In 2011, the former CLWA implemented a two-for-one exchange program with Rosedale-Rio Bravo Water Storage District pursuant to which the Agency recovers one acre-feet of water for each two acre-feet stored. This program has a maximum of 19,000 acre-feet, or 9,500 acre-feet of recoverable water. In 2011 and 2012, the former CLWA delivered water to the account such that after losses, 9,440 acre-feet of recoverable water was available. In 2019, the Agency entered into an additional two-for-one exchange program with Rosedale-Rio Bravo Water Storage District and delivered 11,000 acre-feet to the Rosedale-Rio Bravo Banking Program, with approximately 4,900 acre-feet available for the Agency to recover after losses. In 2020 all Rosedale exchange program water was recovered and used within the Agency to help meet demands, finalizing the execution of all exchanges. In 2023, the Agency is considering new exchange opportunities with Rosedale-Rio Bravo Water Storage District in light of the large State Water Project Table A allocation as these programs have been very successful in the past.

In 2011, CLWA also implemented a two-for-one banking program with the West Kern Water District in Kern County and delivered 5,000 acre-feet, resulting in a recoverable total of 2,500 acre-feet. The Agency recovered 2,000 acre-feet of water in 2014 and the remaining 500 acre-feet in 2020. This exchange has been fully executed.

In 2019, the Agency entered into a two-for-one exchange program with Antelope Valley-East Kern Water Agency and delivered 7,000 acre-feet, resulting in 3,500 acre-feet of recoverable water. The Agency recovered 1,400 acre-feet in 2020 leaving 2,350 acre-feet of recoverable water as of January 1, 2023.

In 2019, the Agency also entered into a two-for-one exchange program with United Water Conservation District and delivered 1,000 acre-feet, resulting in 500 acre-feet of recoverable water. As of January 1, 2023 the Agency has a balance of 500 acre-feet of recoverable water.

Groundwater. The Agency has two main sources of groundwater: the Alluvial aquifer and the Saugus Aquifer formation. The Agency's Water System has a total of 45 potable wells. As of May 2023, 23 of the wells were in operation with a combined permitted capacity to extract groundwater at a rate of up to 49 million gallons per day ("mgd"). Among all of the Agency's groundwater well supply, 36 of the wells draw groundwater from the Alluvial aquifer and 9 of the wells draw groundwater from the Saugus Aquifer formation. The Agency currently has voluntarily shut off 17 of Agency wells in order to comply with DDW response levels ("Response Levels") for per- and polyfluoroalkyl substances ("PFAS"). Two additional wells have been shut off due to perchlorate concentration above the MCL, two wells have been shut off due to mechanical failures and one well has been destroyed and is in the process of being replaced. The Agency expects that the regulations proposed by the USEPA, which include MCLs for certain PFAS constituents, will be finalized by the end of 2023. Once finalized, the Agency expects to have three years to comply with these regulations. The Agency expects approximately 11 additional Agency wells may be impacted by the proposed USEPA regulations. In addition to PFAS, perchlorate and volatile organic compounds have been detected in certain of the Agency's wells. For a discussion of perchlorate, volatile organic compounds, PFAS and the Agency's response to the detection of such substances in the affected wells, see "Water Quality Compliance—Perchlorate Contamination in Certain Production Wells" and "—PFAS" below.

Recycled Water. Starting in September 2003, the former CLWA began adding recycled water to its supply. The Agency is currently serving approximately 560 acre-feet per year of recycled water. The Agency has completed several planning level documents which identify the potential expansion of the recycled water system. These documents include a report entitled "Reclaimed Water System Master Plan" dated September 1993 and a draft report entitled "Recycled Water Master Plan" dated May 2002, both prepared by Kennedy/Jenks Consultants. The environmental impact report for the 2002 draft Recycled Water Master Plan was approved by the former CLWA's board in March 2007.

The Agency completed a more recent draft of the Recycled Water Master Plan in 2016. The Agency is proceeding with the expansion of the recycled water program through multiple phases of capital improvements over a number of years. The Agency recently completed Phase 2B and Phase 2D and is in the final permitting stages and pursuing customer conversions to begin recycled water service. Additional planning and design is currently underway for Phase 2C. The projects which have either been constructed or are under design are considered by the Agency to be the most cost-effective to implement and are aimed at converting large turf/non-potable users to recycled water, resulting in the conversion of approximately 2,400 acre-feet per year of potable water to recycled water. The Agency is undertaking additional environmental studies and analyses to support its recycled water program goals. The Agency projects recycled water deliveries will gradually increase beginning in Fiscal Year 2023 with the completion of several near-term phased recycled water projects. There can be no assurance that such projects will be completed as expected or, that when completed, the projects will provide the level of recycled water currently expected by the Agency.

Buena Vista and Rosedale-Rio Bravo Water Acquisition. On May 22, 2007, the former CLWA entered into a purchase agreement with Buena Vista Water Storage District and RRBWSD (the "BVWSD-RRBWSD Acquisition Agreement") to purchase up to 11,000 acre-feet of water per year for a 30-year period. This supply is from a program that provides for the capture, spreading, storage, recovery and export of water, including high-flow Kern River water which is a pre-1914 appropriative water right. The term of the BVWSD-RRBWSD Acquisition Agreement is from January 1, 2007 through December 31, 2036. When the original term expires, the BVWSD-RRBWSD Acquisition Agreement is anticipated to be extended to a date certain consistent with any extensions of the Agency's Water Supply Contract with DWR, although there can be no assurance of such

extension or the terms of any such extension. See the caption “Groundwater Banking Programs” above for a discussion of certain contaminants detected in certain of RRBWSD’s wells.

Other Water Supply Agreements. In 2009, the former CLWA entered into an agreement with DWR to participate in the Yuba Water Accord program (the “Yuba Water Accord”) to 2025. This non-State Water Project water supply is available to the Agency in critically dry years as a result of DWR agreements with Yuba County Water Agency and the United States Bureau of Reclamation relating to settlement of water rights issues on the Lower Yuba River in northern California. Additional supplies may be available in wetter years. The quantity of water varies depending on hydrology, and the extent of participation by other State Water Project contractors. Under the Yuba Water Accord, the Agency has the option to receive on average approximately 1,000 acre-feet of water per year. The Agency’s original Fiscal Year 2023 operating plan assumed that the Agency would receive 1,000 acre-feet of water pursuant to the Yuba Water Accord, but as hydrology has shifted to very wet conditions this supply is no longer needed. The Agency has sufficient State Water Project supplies available to meet all demands. As this agreement is set to expire in 2025, negotiations for drafting a new Yuba Accord Agreement began in 2023.

Newhall Land owns rights to approximately 1,600 acre-feet per year of Kern River water from the Nickel Ranch (the “Nickel Ranch Program”). The Agency currently expects to allocate such water to the Newhall Ranch project and will effectively offset demand for Agency water for that area beginning in 2035. However, there can be no assurance that such allocation will be made.

Recent California Drought and Response

State Water Project Allocations. Hydrological conditions in California can vary widely from year to year. The water years 2020 through 2022 combined ranked as the three driest years in California’s statewide precipitation record. (A water year begins on October 1 and ends on the following September 30.) Beginning in April 2021, Governor Newsom issued a series of drought emergency proclamations affecting various counties throughout the State, culminating in an October 19, 2021 proclamation declaring a drought state of emergency to be in effect statewide and directing local water suppliers to implement water shortage contingency plans at a level appropriate to local conditions. On March 28, 2022, Governor Newsom issued an executive order directing the State Water Resources Control Board (the “SWRCB”) to consider adopting regulations by May 25, 2022, to require urban water suppliers with water shortage contingency plans to implement, at a minimum, shortage response actions for a shortage level of up to 20 percent (a “Level 2” shortage). On May 24, 2022, in response to the executive order, the SWRCB adopted a new emergency water conservation regulation. The new regulation temporarily bans irrigating turf with potable water at commercial, industrial, and institutional properties, such as grass in front of or next to large industrial or commercial buildings. The ban does not include watering turf that is used for recreation or other community purposes, water used at residences or water to maintain trees. The regulation also requires all urban water suppliers to implement conservation actions under Level 2 of their water shortage contingency plans.

The Agency does not currently believe that further reductions in water use within the Service Area will have a material adverse effect on the Agency’s ability to pay the Series 2023 Installment Payments which secure the 2023 Bonds. The Agency is obligated under the Installment Purchase Agreement to set rates and charges sufficient to provide Net Revenues equal to 120% of Debt Service due in each Fiscal Year as more particularly described under the caption “SECURITY FOR THE 2023 BONDS—Rate Covenant.

Agency Drought Response Actions and Impact.

Castaic Lake Water Agency. In response to the various drought executive orders and SWRCB regulations described above, the former CLWA adopted ordinances with respect to customers served through SCWD to outline a water conservation plan, outdoor watering restrictions and penalties for noncompliance. In July 2016, the former CLWA’s Board adopted Ordinance No. 44, which provided for penalties for violations of State-mandated watering restrictions. The restricted watering schedules have been lifted; however, the penalties for violations of State-mandated watering restrictions remain in effect. The former CLWA also implemented

conservation efforts such as distribution of free low-flow shower heads and hose nozzles and lawn replacement programs funded by CLWA. To complement these programs, the former CLWA also initiated programs to assist commercial and smaller homeowner associations to reduce landscape irrigation usage and to assist residential customers in reducing indoor water use. In 2015, The Santa Clarita Valley Family of Water Supplier's Water Use Efficiency Plan was completed and adopted by the former CLWA. The former CLWA adopted an addendum to this plan on June 29, 2017 to provide updated information based on the 2015 Urban Water Management Plan. This includes a model which guides the Agency's conservation efforts in meeting the water use reduction goals under Senate Bill X7-7 (the Water Conservation Act of 2009) ("SB X7-7") as well as future water demands. Additionally, the Agency recognizes that recycled water is an important source of supply. The Agency is currently in the planning and design phase for a recycled water system in a new community within the Service Area. The recycled water system may provide excess recycled water beyond the needs of the new community, which could enable the Agency to distribute recycled water to neighboring irrigation customers.

NCWD, SCWD and VWC. In response to the various drought executive orders and SWRCB regulations described above, NCWD, SCWD and VWC each adopted water conservation plans, outdoor watering restrictions, penalties for noncompliance, and robust customer engagement efforts.

The Agency. In June 2021, the Board adopted its current *Water Shortage Contingency Plan* (the "Contingency Plan"). The Contingency Plan was prepared by the Agency in conjunction with the Agency's 2020 Urban Water Management plan. The Contingency Plan is a strategic plan the Agency uses to prepare for and respond to foreseeable and unforeseeable water shortages, including those caused by drought. The Contingency Plan provides a process for an annual water supply and demand assessment and structured steps designed to respond to actual water supply conditions.

Water Supply Limitations

Factors beyond the control of the Agency could impair the ability of the Agency to supply water to its retail customers in an amount sufficient to yield Net Revenues sufficient to pay the Series 2023 Installment Payments when due. Such factors could include, without limitation, the following:

Weather Patterns. The Agency's existing sources of water could become limited due to changes in Statewide weather patterns caused by climate changes and other factors. The Santa Clarita Valley was not adversely affected during the Statewide drought from 1987 through 1992, drought from 2012 to 2017 and the recent drought from 2020 to 2022 because the combination of State Water Project deliveries and banked water deliveries to the Agency and locally supplied groundwater were sufficient to meet demand. However, there can be no assurance that currently available water supplies would be sufficient to meet demand under current and future conditions in the event of long-term climate changes that could alter snowpack levels or precipitation patterns. In its most recent California Water Plan (Update 2018), DWR assessed the possible impacts of climate changes on the State's future water supplies and the State Water Project and outlines a path for new or modernized infrastructure, restored ecosystems, efficient regulation, cooperation across water management sectors, and greater return on investment. The Agency, as a State Water Project contractor, will receive updated information from DWR on any impacts to its State Water Project allocations and will update its water supply planning accordingly.

Challenges to Department of Water Resources Water Supplies. DWR faces various challenges in continuing to supply imported water to the State Water Project contractors. The ability of the Agency to provide water to Agency retail customers and to District No. 36 on a wholesale basis is significantly dependent upon its receipt of imported water from DWR. No assurance can be given that additional water supplies will be secured, or that the Agency will receive its full Table A Amount pursuant to its contract with DWR. A description of the challenges DWR faces in continuing to supply imported water as well as a variety of other operating information with respect to DWR is included in detail under the caption "STATE WATER PROJECT WATER SUPPLY" in DWR'S Official Statement dated September 13, 2022, relating to DWR's Central Valley Project Water System Revenue Bonds, Series BF ("DWR's Water Supply Disclosure"). DWR's Water Supply Disclosure is the disclosure of DWR and, accordingly, the Agency does not make any representations as to the accuracy or

completeness of DWR's Water Supply Disclosure or as to the absence of material adverse changes in DWR's Water Supply Disclosure after the date hereof. See the caption "—Projected Water Sources."

DWR has entered into certain continuing disclosure agreements pursuant to which DWR is contractually obligated for the benefit of owners of certain outstanding obligations to file with certain information repositories annual reports, notices of certain material events as defined under Rule 15c2-12 of the Exchange Act ("Rule 15c2-12") and annual audited financial statements (the "Department of Water Resources Information"). This information is to be filed by DWR with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>. DWR disclosure documents and annual reports should be reviewed for information pertaining to water supply matters. *DWR has not entered into any contractual commitment with the Agency, the Trustee or the Owners of the 2023 Bonds to provide Department of Water Resources Information to the Agency or the Owners of the 2023 Bonds. The Agency has not incorporated by reference the information filed by DWR described above and none of the Agency, the Municipal Advisor or the Underwriter assumes any responsibility for the accuracy of DWR Information.*

Water Quality Compliance

Water Treatment and Monitoring. The Agency operates facilities as a public water system ("PWS"), which obligations include treating and disinfecting water for the purpose of rendering the water safe for human consumption. This designation of PWS means the Agency is subject to the California Safe Drinking Water Act and DDW in implementation of amendments to that act which were added in 1989 and 1996, as well as other state and federal statutes and regulations concerning water quality. To comply with the SWRCB Regulations for Primary and Secondary Drinking Water Standards outlined under the California Administrative Code Title 22, the Agency has a water quality laboratory at the Rio Vista Water Treatment Plant ("Rio Vista Plant"). This laboratory is fully certified by the SWRCB. Continuous water quality monitoring and daily testing are performed at the Earl Schmidt Filtration Plant and at the Rio Vista Treatment Plant for surface water and various intervals of monitoring and testing is performed at all groundwater wells and groundwater well treatment plants.

Agency facilities currently comply with all applicable State and Federal regulations regarding both plant design and water quality standards.

Perchlorate Contamination in Certain Production Wells. The Saugus Formation aquifer provides the Santa Clarita Valley with firming supplies of water during dry years. In 1997, four production wells in the Saugus Formation were found to be contaminated with perchlorate (a chemical used in the manufacture of solid rocket propellants, munitions and fireworks). Since 1997, an additional four wells tested positive for perchlorate between 2002 and 2011. All of these wells are owned and operated by the Agency.

All eight wells were either temporarily closed or abandoned after the detection of perchlorate. VWC abandoned one impacted well (Well 157) and replaced Well 157 with a new well (Well 206) drilled in an uncontaminated portion of the Saugus Formation. In addition, the Q-2 well was temporarily closed and outfitted with wellhead treatment in 2005. Well Q-2 was restored to service without wellhead treatment in 2007 because perchlorate was no longer detected in the well. Well Q-2 was temporarily closed again in 2019 after perchlorate was once again detected. The Agency plans for Well Q-2 to return to service in May 2023 now that an ion exchange perchlorate treatment facility has been constructed and is expected to be permitted to provide potable water to the distribution system.

The Agency's predecessors in interest, CLWA, SCWD, NCWD and VWC, filed suit in November 2000 against the then-current owner and prior owner and operator of the Whittaker Bermite industrial site, a 996-acre site munitions manufacturing facility was later determined to be the source of the perchlorate contamination and sought to recover the costs to restore lost well water production capacity and other specified damages. The litigation was filed in federal court pursuant to the Comprehensive Environmental Response, Compensation & Liability Act of 1980 (42 USC Section 9601 et seq. or "CERCLA") and included state common law claims. The defendants to the litigation served CLWA with counterclaims alleging that CLWA, SCWD, NCWD, and VWC

contributed to the migration of the perchlorate contamination from the manufacturing facility through the pumping of groundwater from the affected wells.

In May 2007, the Agency's predecessors in interest and defendants entered into the Castaic Water Agency Litigation Settlement Agreement (the "Settlement Agreement") that involved an estimated potential payment of up to \$100,000,000 by the defendants. Under the Settlement Agreement, defendants periodically deposit funds into various escrow accounts from which the Agency draws to pay for the costs of restoration of wells and contamination removal. A major component of the Settlement Agreement involved the construction of the perchlorate treatment facility and related distribution system and the Saugus 1 and Saugus 2 wells (two of the four wells that were shut down in 1997) returned to service in January 2011. The perchlorate treatment facility includes an ion exchange process located at the Rio Vista Intake Pump Station. A perchlorate treatment facility went online in May 2023 for the Q-2 well. The Settlement Agreement also provides funds to assist in the payment of operation and maintenance costs for such a system for up to 30 years, which the agencies estimate to cost as much as \$50,000,000.

In 2010, VWC detected perchlorate in its V-201 well at levels that exceeded the allowable maximum concentration limit and, in response, took the well out of service. In 2017, an ion exchange treatment system was constructed in order to remove perchlorate. In addition, the Agency is currently constructing a granular activated carbon (GAC) treatment system to remove volatile organic compounds ("VOC"). Following regulatory approval, the Agency will introduce the treated water into the Agency's distribution system. Levels of perchlorate and VOCs have also been detected by the Agency in the V-205 well and, as a result, the Agency removed the well from service. The Agency is finishing final design for perchlorate and VOC treatment at V-205 well and is expecting to begin construction in late 2023 or early 2024. The Agency anticipates that the design and construction costs relating to the treatment system will be reimbursed by the Whittaker Corporation pursuant to the terms of the Settlement Agreement or a related jury award (which is currently under appeal).

Approximately \$47,000,000 has been reimbursed to the Agency or its predecessors for past expenditures pursuant to the Settlement Agreement. Another \$8,335,000 has been approved by the Agency to construct wells and pipelines to supply water that will replace capacity lost from contaminated wells. Approximately \$1,000,000 is currently reimbursed to the Agency annually for operations and maintenance costs related to the operation and maintenance of the treatment system for the Saugus 1 and Saugus 2 Wells. The annual operation and maintenance reimbursements are expected to increase as more treatment systems are streamed. Amounts reimbursed to the Agency for such operations and maintenance costs are treated as Revenues of the Water System.

Under the Settlement Agreement, the Whittaker Corporation has the option to reimburse the Agency to seek grant funding, such as money made available by the Department of Defense, other federal programs, or the State, to pay for monitoring, treatment, and other costs not covered by the agreement provided that Whittaker funds the efforts to seek grant funds.

In 2018, the Agency filed a complaint against the Whittaker Corporation over contamination caused by VOCs detected in groundwater supplies at Saugus 1, Saugus 2, V-201 and V-205 wells. A final judgment was awarded to the Agency in June, 2022; however, that award is currently under appeal. The Agency filed a cross appeal which may add damages to the June 2022 judgment. The parties are in the process of drafting and submitting appellate briefs to the 9th Circuit Court of Appeal. The appellate decision is not anticipated until 2024.

In addition to administering the Settlement Agreement to obtain reimbursement, the Agency is also actively evaluating groundwater conditions and assertively seeking continual regulatory agency enforcement of environmental cleanup. The Agency has recently provided technical reports to the California Department of Toxic Substances Control identifying areas where the Agency finds additional cleanup efforts need to be taken by the responsible party.

PFAS. In recent years, federal and state agencies have undertaken a variety of efforts towards the development of legislation, laws and regulations regarding PFAS, focused on limiting levels of PFAS in drinking water sources. PFAS substances are widely used in consumer and industrial products such as fabrics, carpets,

firefighting foams, food packing and nonstick cookware and are known for their nonstick, waterproof, and heat and stain resistant properties. There are current regulations in a number of states set to take effect in 2023 to limit the use and in some instances ban the use of PFAS chemicals.

In May 2016, USEPA established new, lifetime health advisories for Perfluorooctanoic Acid (“PFOA”) and Perfluorooctane Sulfate (“PFOS”) (the two most common synthetic organic chemicals in the group of compounds referred to as PFAS) and advised governmental agencies to notify their state safe drinking water agencies and consumers of the combined or individual presence of PFOA and PFOS over 70 parts per trillion in community water supplies. USEPA health advisories are non-regulatory and serve as technical guidance to assist federal, state and local officials and water system managers by providing information on the health effects of, and methods to sample and treat, PFOA and PFOS in drinking water. In March 2019, DDW issued monitoring orders to all public water systems in the state to begin sampling sources that had positive PFAS chemical detections during the Unregulated Contaminant Monitoring Rule 3 requirements. Since March 2019, a series of additional sampling Orders have been issued and separate notification and response level regulations have been promulgated. As of October 2022, DDW has established the following NL and RL for four (4) PFAS chemicals:

- PFOA – NL = 5.1 ppt, RL = 10 ppt
- PFOS – NL = 6.5 ppt, RL = 40 ppt
- Perfluorobutane sulfonic acid (“PFBS”) – NL = 500 ppt, RL = 5,000 ppt
- Perfluorohexane sulfonic acid (“PFHxS”) – NL = 3 ppt, RL = 20 ppt

On February 22, 2021, the USEPA announced its proposed revisions to the Fifth Unregulated Contaminant Monitoring Rule (“UCMR 5”) for public water systems which includes monitoring for 29 PFAS in drinking water. On October 18, 2021, the USEPA published a “PFAS Strategic Roadmap: EPA’s Commitments to Action, 2021-2024” (PFAS Roadmap). The document outlines four main drinking water actions that the USEPA intends to complete from 2021 to 2024: (1) conduct nationwide monitoring for PFAS in drinking water as part of the UCMR 5 process; (2) establish national primary drinking water regulations for PFOA and PFOS by Fall 2023; (3) publish health advisories for GenX chemicals and PFBS by Spring 2022; and (4) publish updates to PFAS analytical methods to monitor drinking water by Fall 2024. On December 27, 2021, the USEPA published the final UCMR 5 for public water systems which includes monitoring for 29 PFAS in drinking water. UCMR 5 requires pre-sampling preparations in 2022, sample collection from 2023-2025, and reporting of final results through 2026. On June 15, 2022, the USEPA established new interim, updated drinking water health advisories for PFOA and PFOS to replace the health advisories established in 2016. The non-enforceable and non-regulatory interim updated lifetime health advisories for PFOA and PFOS in drinking water are established at concentrations of 0.004 ppt and 0.02 ppt, respectively. In its announcement, the USEPA noted that such concentrations are below the ability to detect under current detection methods. On June 15, 2022, the USEPA also established final health advisories for GenX and PFBS of 10 ppt and 2,000 ppt, respectively. On September 6, 2022, the USEPA issued a proposed rule designating PFOA and PFOS as hazardous substances under CERCLA.

In California, DDW is responsible for establishing the notification levels (the “Notification Levels”) and the Response Levels for local water systems relating to the detection of PFAS in groundwater sources in the State. Notification Levels are non-regulatory, precautionary health-based measures for concentrations of chemicals in drinking water that warrant notification and further monitoring and assessment. If any PFAS chemicals with an established NL (PFOA, PFOS, PFBS and PFHxS) are found to be above the respective Notification Level, the exceedance is required to be reported to the governing body of the water system and the SWRCB and is required to be reported in the annual Consumer Confidence Report.

Response Levels are non-regulatory, precautionary health-based measures that are set at higher levels than Notification Levels and represent thresholds at which DDW recommends water systems remove a water source from use or treat it. If a water system does not remove the water source, DDW requires that the agency notify its local governing body and its customers directly and let them know the reason for continued use of the impacted water source, issue a press release, and conduct regular sampling of such water source.

On March 14, 2023, the USEPA announced proposed regulations for six PFAS, including PFOA, PFOS, perfluorononanoic acid (“PFNA”), hexafluoropropylene oxide dimer acid (commonly known as “GenX chemicals”), PFHxS, and PFBS. The USEPA is proposing: (1) legally enforceable MCLs of 4 ppt for PFOA and PFOS; (2) non-enforceable health-based maximum contaminant level goals (“MCLGs”) for PFOS and PFOS at 0; and (3) a hazard index of 1.0 as MCLs and MCLGs for PFNA, PFHxS, PFBS, and/or GenX chemicals and any mixture containing one or more of these four PFAS. The hazard index is a tool used to evaluate health risks from simultaneous exposure to mixtures of certain chemicals. To determine the hazard index for these four PFAS, water systems would monitor and compare the amount of each PFAS in drinking water to its associated Health Based Water Concentration (“HBWC”), which is the level below which no health effects are expected for that PFAS. Water systems would add the comparison values for each PFAS contained within the mixture. If the value is greater than 1.0, it would be an exceedance of the proposed hazard index MCL for PFHxS, GenX chemicals, PFNA, and PFBS. The proposed rule would require public water systems to monitor for these PFAS, notify the public if monitoring detects such PFAS at levels that exceed the proposed regulatory standards, and reduce the levels of such PFAS in drinking water if they exceed the proposed standards. The USEPA is requesting public comment on the proposed regulation. The public comment period on the proposed regulation closes 60 days after the date of publication in the Federal Register. The proposed PFAS regulation does not require any action until it is finalized. The USEPA has indicated that the USEPA anticipates finalizing the regulations by the end of 2023. The USEPA held a public hearing with respect to such regulations on May 4, 2023. The Agency provided public comments during this hearing and provided written comments by the May 30, 2023 deadline. The Agency anticipates that once these regulations are finalized by the end of 2023, there will be a three-year period for the Agency to come into compliance.

As of May 2023, the Agency has determined that 31 of Agency wells contain either PFOA or PFOS at levels that exceed the Notification Level. Of these 31 wells, five are in service with PFAS removal treatment or blending, eight wells remain online because the levels of PFOA and PFOS detected in such wells are below the Response Level and 17 remain offline with detected levels that exceed the Response Level of PFOA or PFOS. One additional well was taken offline due to mechanical issues. Despite the closure of these wells, the Agency projects that the Agency will be able to meet existing demands for retail and wholesale water in Fiscal Year 2024 from other available sources, including the wells that are currently in service.

The Agency is currently conducting a feasibility and cost analysis to prioritize PFAS groundwater treatment facilities. The Agency currently projects that costs of the additional facilities will be between \$115,000,000 and \$145,000,000 for capital expenditures with total annual operating costs projected to be approximately \$12,000,000 to \$15,000,000 once all facilities are online. PFAS treatment facilities are expected to be funded from proceeds of the 2023 Bonds, proceeds of the proposed WIFIA Loan, and a combination of Revenues and grants. The operations and maintenance costs of the PFAS treatment facilities will be funded by Revenues. Such costs have been included in the projected pumping and wells department expenses set forth in “Table 14 SANTA CLARITA VALEY WATER AGENCY Projected Net Revenues and Coverage” under the caption “WATER SYSTEM FINANCIAL INFORMATION—Projected Revenues, Operation and Maintenance Costs and Coverage” below.

The Agency operating costs for its current PFAS treatment facilities for Fiscal Year 2023 are projected to be approximately \$3.1 million. The Agency projects annual operating costs of such facilities to increase to \$6.1 million by Fiscal Year 2027. Such increased annual operating costs are included as set forth in “Table 14 SANTA CLARITA VALEY WATE AGENCY Projected Net Revenues and Coverage” under the caption “WATER SYSTEM FINANCIAL INFORMATION—Projected Revenues, Operation and Maintenance Costs and Coverage” below. Annual operating costs for PFAS treatment facilities are projected to continue increasing after Fiscal Year 2027.

Service Area Water Production

Table 2 below sets forth the sources of total water production for the Agency within the Service Area for Fiscal Years 2018 through 2022, and includes groundwater pumped from wells by the Agency and its predecessors, State Water Project water acquired and treated by the Agency and recycled water, but does not

include groundwater that is pumped directly by the region’s agricultural and certain private interests not served by the Agency. The Agency anticipates that future water production will be impacted by such factors, as in the past.

Table 2
SANTA CLARITA VALLEY WATER AGENCY
Historic Water Production
(Acre-feet)

<i>Fiscal Years</i>	<i>Agency Groundwater Production⁽¹⁾</i>	<i>Imported Water⁽²⁾</i>	<i>Recycled Water</i>	<i>Total</i>	<i>Increase/ (Decrease)</i>	<i>Percentage Imported</i>
2022	25,318	41,150	646	67,114	(5.06)%	61.31%
2021	19,029	51,152	507	70,688	9.74	72.36
2020	16,685	47,234	495	64,414	6.18	73.33
2019	16,276	44,057	329	60,662	(8.09)	72.63
2018	18,971	46,680	352	66,003	N/A	70.72

⁽¹⁾ Includes groundwater production of the Agency and District No. 36.

⁽²⁾ Represents State Water Project water supplied by the Agency from DWR under the State Water Project Contract as well as water from the BVWSD-RRBWSD Acquisition Agreement, the Yuba Water Accord, and Water Banking and Exchange Programs.

Source: Agency.

Projected Water Sources

The table below sets forth the projected water sources in the years 2023 through 2027, 2030, 2035, 2040, 2045 and 2050. The projections for the years 2023 through 2027, 2030, 2035, 2040, 2045 and 2050 are based on the 2020 Urban Water Management Plan. These figures reflect estimates assuming average weather conditions, groundwater pumping by the Agency based on the groundwater operating plan, and the use of recycled water and other sources under development by the Agency. Actual sources may differ from the sources projected in the below table due to factors such as the impact of dryer than average hydrological conditions. See the caption “—Recent California Drought and Response” above.

Table 3
SANTA CLARITA VALLEY WATER AGENCY
Projected Water Sources
(Acre-feet)

<i>Calendar Years⁽¹⁾</i>	<i>Agency Groundwater Production⁽²⁾</i>	<i>Imported Water⁽³⁾</i>	<i>Recycled Water⁽⁴⁾</i>	<i>Total Sources</i>
2023	26,040	67,220	450	93,710
2024	26,280	67,220	557	94,057
2025	26,790	67,220	608	94,618
2026	27,740	67,220	664	95,624
2027	27,580	67,220	725	95,525
2030	37,950	64,310	4,146	106,406
2035	40,690	64,017	5,541	110,248
2040	40,690	62,107	6,948	109,745
2045	40,690	62,107	7,949	110,746
2050	40,690	62,107	8,961	111,758

- (1) Information for years 2023 through 2027 is based on most recent updated assumptions for planned and restored wells coming online and normal year production associated with those wells from the UWMP. Information for years 2023 through 2027, 2030, 2035, 2040, 2045 and 2050 are based on the 2020 Urban Water Management Plan. See, however, caption “—Sources of Supply—Monterey Agreement” above regarding the Agency’s State Water Project contractors’ Table A allocations for 2020. On April 20, 2023, DWR announced that the Agency’s State Water Project Contractor’s Table A allocation is 100% for 2023.
- (2) Includes groundwater production for the Agency and District No. 36. Assumes an average hydrological year.
- (3) Represents State Water Project water supplied by the Agency from DWR under the State Water Project Contract as well as water from the BVWSD-RRBWS Acquisition Agreement and the Yuba Water Accord. Assumes average State Water Project water allocation of 58% for calendar years 2023 through 2027.
- (4) Reflects projected additional supply made available through the expected development of additional sources in accordance with the 2020 Urban Water Management Plan.

Source: Agency; 2020 Urban Water Management Plan

THE WATER SYSTEM

Water Conveyance and Treatment Facilities

The Agency owns and operates water conveyance pipelines and water treatment facilities to supply water delivered through the State Water Project to customers and District No. 36. The California Aqueduct releases water to the Agency at the Castaic Lake Reservoir (the “Castaic Reservoir”). The Castaic Reservoir is a multiple use reservoir owned by DWR which serves as the terminal point of the west branch of the California Aqueduct.

The Agency’s water conveyance and water treatment facilities are described below.

Intake Piping. The Earl Schmidt Filtration Plant receives water from a connection to the State Water Project’s 60-inch diameter outlet conduit from the Castaic Reservoir. A 54-inch diameter conduit connects with the State’s outlet conduit and eventually decreases in diameter to 42 inches before forming the header manifold for the Pump Station.

Earl Schmidt Intake Pump Station. The Earl Schmidt Intake Pump Station (the “Pump Station”) is located near the shore of the afterbay below the Castaic Dam located at the southern end of Castaic Reservoir. The Pump Station consists of five 350 horsepower vertical turbine pumps each with a rating at 1.2 to 15.5 mgd and two 350 horsepower vertical turbine pumps each with a rating of 14 mgd. The pumping units are used when the water level in the reservoir falls below the elevation necessary to permit gravity flow of water from the reservoir to the filtration plant. The Pump Station can deliver at least 56 mgd to the Earl Schmidt Filtration Plant.

Earl Schmidt Filtration Plant. The Earl Schmidt Filtration Plant (the “Schmidt Plant”), located at the southern end of the Castaic Reservoir, treats State Water Project water for domestic uses. The Schmidt Plant was completed in 1980 with an original capacity of 12.5 mgd and was expanded to a capacity of 25 mgd in 1988. In 2001, the Schmidt Plant was re-rated at 33.6 mgd. In 2005, the Schmidt Plant was expanded to 56 mgd. The treatment process includes ozonation, coagulation, contact clarification, and filtration through anthracite filters. Chloramination occurs after treatment. Wash water is recovered, treated and returned to the headworks. The Schmidt Plant also includes sludge drying facilities, an air-water filter backwash system, and facilities for chemical application of coagulants, disinfectants, pH control, and taste and odor control. Two steel tanks provide a total of ten million gallons of treated water storage.

Rio Vista Water Treatment Plant. The Rio Vista Water Treatment Plant (the “Rio Vista Plant”) is located in the City of Santa Clarita and treats water for domestic uses. Its current capacity is 66 mgd, but the site has sufficient area for a treatment plant with an ultimate capacity of 120 mgd. The treatment process technology includes ozonation, coagulation, contact clarification and filtration through anthracite filters. Chloramination occurs after treatment. Wash water is recovered and returned to the headworks. The Rio Vista Plant includes sludge drying facilities, an air-water filter backwash system, and facilities for chemical application of coagulants, disinfectants, pH control, and taste and odor control. Two clear well reservoirs provide a total of 30 million gallons of treated water storage.

The Rio Vista Plant site includes the seven-acre Water Conservatory Garden and Learning Center (the “Garden”), which informs and educates local water consumers on the source and treatment of their water supply, as well as means to conserve this resource. The Garden and other water education programs of the Agency have received numerous awards, honors and grants from the American Water Works Association, the Association of California Water Agencies, and the California Department of Education, among others.

Rio Vista Intake Pump Station. The Rio Vista Intake Pump Station pumps water from The Metropolitan Water District of Southern California (“MWD”) Foothill Feeder to the Rio Vista Plant.

Water Transmission Pipelines. The Castaic Conduit serves as the pipeline connection between the Schmidt Plant and the Rio Vista Plant. The Castaic Conduit also serves as the main pipeline for conveying treated water to its retail water facilities and District No. 36 through a series of turnouts and laterals.

The portion of the Castaic Conduit between the State outlets works and the Pump Station has a nominal design capacity of 67 mgd. Southerly of the Schmidt Plant, the Castaic Conduit was designed with a nominal capacity of 50 mgd along the length of the 54-inch diameter pipeline, which extends approximately five miles southeast through the center of the Service Area eventually transitioning to a 39-inch diameter pipeline with a design capacity of 27 mgd, where it connects with the Honby and Newhall Laterals which in turn provide water to the retail water facilities and District No. 36. Approximately two miles of 84-inch diameter pipeline with a nominal capacity of 124 mgd connects the Rio Vista Plant to the 39-inch diameter pipeline.

CLWA constructed the Newhall Parallel which connected to the treated water pipeline and provides additional water to the southern portion of Valencia. The Newhall Parallel begins as a 54-inch pipeline and reduces to a 24-inch pipeline. Additionally, CLWA constructed three phases of the Magic Mountain Pipeline, a 42-inch pipeline that connects to the Newhall Parallel and will provide water to the western portion of the Service Area.

Sand Canyon System. In 2007 the Agency completed construction of the Sand Canyon Pipeline System which consists of a pump station, pipeline and reservoir to convey imported water from the end of the existing Honby Lateral to the southern Sand Canyon area. The reservoir also provides emergency storage. The Sand Canyon Pipeline is a 48-inch pipeline, approximately 5 miles in length that delivers water to retail purveyors through seven turnouts. The Sand Canyon Pump Station has a capacity of 30,000 gallons per minute. The Sand Canyon Reservoir can store up to 7,000,000 gallons of treated water.

Recycled Water System. The Agency purchases and distributes recycled water from the Los Angeles County Sanitation District’s Valencia Water Reclamation Plant. The facilities include a 24-inch recycled water pipeline that runs from the Valencia Water Reclamation Plant south to the TPC at Valencia golf course, as well as a 1.5-million-gallon recycled water reservoir located near the golf course.

The Agency delivers water to customers through its retail water facilities and District No. 36 through twenty-four turnouts with a total permitted capacity of 109,600 gpm and 40 pumps.

The Agency’s water delivery facilities consist of the following facilities:

Groundwater Wells. The Agency has 45 wells within the alluvial aquifer and the Saugus Formation aquifer, the two groundwater aquifer systems in the Santa Clarita Valley. The 45 wells have a combined permitted capacity of more than 89 mgd. As of May 2023, 23 of such wells were in operation. The combined permitted capacity of the 23 operational wells is up to 49 mgd. In December 2020 the first Agency PFAS water treatment facility opened. The facility was the first ion exchange PFAS treatment facility in the State. In fall of 2022 an additional PFAS water treatment facility came online. The Agency currently projects adding up to 10 additional PFAS treatment facilities. One such facility is currently under construction with the other potential facilities in the planning and design phases. The Agency expects to have one facility online in 2023, a second facility online in 2024 and a third facility online in 2025. See the captions “THE WATER SUPPLY –Sources of Supply-Groundwater” and “-Water Quality Compliance-PFAS” herein. In conjunction with the surface water the

Agency receives through the State Water Project and the Agency's banking and exchange programs, the Agency has sufficient pumping capacity with the wells which have not been taken out of service to provide water service to all customers within the Service Area. The Agency has an ongoing well replacement and rehabilitation program to ensure that the Agency's groundwater facilities to support the reliability of the Agency's groundwater system.

Storage Facilities. The Agency has 107 storage facilities, consisting of steel tanks located above and partially above ground, ranging in size from 0.05 million gallons to 16 million gallons, with a combined storage of 215 million gallons. In addition, there are three recycled water storage facilities with a combined capacity of 2.5 million gallons.

Booster Facilities. Due to the topography of the Santa Clarita Valley, the Agency operates 65 pumping facilities in order to deliver water to certain portions of its Service Area located in higher elevations. The pumping facilities have a flow rate range of 50 to 24,000 gpm, a combined capacity of 162,052 gpm and 165 pumps in total. In addition, there are two intake pump stations, which provide raw surface water to the two surface water treatment plants. The pump stations have a combined capacity of 84,700 gpm and a total of 13 pumps. There is also one recycled water pump station with two pumps and a capacity of 4,000 gpm.

Turnouts. The Agency has 24 turnouts with a combined capacity of 109,600 gpm and 40 total pumps. Turnouts are locations where imported water is delivered to the Agency's distribution system. Some of the Agency's turnouts require pumps to supply water to higher elevations. Other turnouts supply water through gravity without the need for pumping. The Agency treats its imported water supplies at the Schmidt Plant and the Rio Vista Plant.

Pipelines. The Agency has 928 miles of pipeline ranging from 2 to 102 inches in diameter. The pipelines in the Agency's system are made of a variety of different materials including steel, asbestos cement, PVC and ductile iron.

Sewer Facilities. The sewer facilities are located in a portion of Canyon Country area of the City. The facilities include the Shadow Pines Lift Station (the "Lift Station") and sections of transmission force and gravity mainline. The Agency plans to upgrade the mainline and the Lift Station to comply with current County design standards and then transfer ownership of the sewer facilities to the City. The upgrades are required prior to the transfer because the County is responsible for the maintenance of the City owned sewer system. The Agency estimates that the total costs of the updates will be approximately \$6,000,000 for the Lift Station and transmission force mainline and \$4,500,000 for the gravity mainline upgrades. A portion of the costs of the improvements to the transmission force mainline will be paid with sewer connection fees collected by the Agency for developments that would feed into the Lift Station. The Agency is in the process of identifying financing options for the costs of the Lift Station and the remaining portion of the costs of the transmission force mainline. The gravity mainline upgrades are planned to be funded through the Agency's capital improvement program.

Historic Retail Water Sales and Water Sales Revenues

The following table presents a summary of the Agency's historic retail water sales in acre-feet and water sales revenues received by the Agency.

Table 4
SANTA CLARITA VALLEY WATER AGENCY
Historic Retail Water Sales and Water Sales Revenues⁽¹⁾
(Acre-feet)

<i>Fiscal Year</i>	<i>Water Sales⁽²⁾</i>	<i>Increase/(Decrease)</i>	<i>Water Sales Revenues⁽²⁾</i>	<i>Increase/(Decrease)</i>
2022	62,844	(0.95)%	\$79,321,746	(10.97)%
2021	63,448	9.49	89,094,520	8.13
2020	57,950	1.55	82,393,728	(0.66)
2019	57,067	(8.09)	82,939,784	(0.90)
2018	62,091	N/A	83,694,557	N/A

⁽¹⁾ Includes revenues from the sale of imported water, recycled water and groundwater.

⁽²⁾ Amounts for Fiscal Years 2019 through 2022 were derived from the audited results of the Agency for Fiscal Years 2019 through 2022. Amounts for Fiscal Year 2018 were derived from the audited results of CLWA, SCWD, NCWD and VWD for Fiscal Year 2018.

Source: Agency.

Projected Retail Water Sales and Water Sales Revenues

The following table projects retail water sales and water sales revenues received by the Agency for Fiscal Years 2023 through 2027 based on current demand and water sales estimates derived from the 2021 Cost of Service and Rate Study and the Agency’s Long-Term Financial Plan. Such projected demand is lower than the demand projected in 2020 Urban Water Management Plan for a number of reasons including increased water conservation.

Table 5
SANTA CLARITA VALLEY WATER AGENCY
Projected Retail Water Sales and Water Sales Revenues
(Acre-feet)

<i>Fiscal Year</i>	<i>Water Sales⁽¹⁾</i>	<i>Increase/(Decrease)</i>	<i>Water Sales Revenues⁽²⁾</i>	<i>Increase/(Decrease)</i>
2023 ⁽³⁾	51,545	(6.21) %	\$ 87,436,270	4.47 %
2024	59,073	0.23	97,535,468	11.55
2025	59,804	1.24%	107,045,418	9.75
2026	60,546	1.24%	119,417,933	11.56
2027	61,343	1.32%	132,016,684	10.55

⁽¹⁾ Projected Water Sales are based on projected retail demand by customers and retail customer demand derived from the SCV Economic Development Corporation growth projection for Fiscal Years 2023 through 2027. See the caption “—Water Rates and Charges” below for a discussion on the Agency’s rate structure.

⁽²⁾ Projected water sales revenues reflect an increase in rates and charges for its water 6.5% in Fiscal Year 2024 that became effective on July 1, 2023, as described under the caption “—Water Rates and Charges” below. The Agency has assumed an increase in the rates and charges for its water services of 10.5% in Fiscal Year 2025, 10.0% in Fiscal Year 2026 and 10.0% in Fiscal Year 2027. The rate increases assumed for Fiscal Year 2025, 2026 and 2027 have not been approved by the Board. The Board has previously adopted a rate increase of 6.5% for each of Fiscal Years 2025 and 2026. The assumed water rate increases for Fiscal Years 2025 and 2026 are higher than the 6.5% annual increases for such Fiscal Years previously approved by the Board. See the caption “– Water Rates and Charges – Retail Water Rate Structure and Billing” below.

⁽³⁾ Reflects actual unaudited results for the first six months of Fiscal Year 2023 and projected estimates for the remaining six months of Fiscal Year 2023.

Source: Agency.

Largest Retail Customers by Annual Payments

The following table sets forth the ten largest retail customers of the Agency for Fiscal Year 2022, the latest date for which such information is available, as determined by the amount of their respective annual payments.

Table 6
SANTA CLARITA VALLEY WATER AGENCY
Largest Retail Customers by Annual Payments
(as of June 30, 2022)

<i>Customer</i>	<i>Annual Payments</i>	<i>% of Total Water Sales</i>
City of Santa Clarita	\$ 4,325,547	4.90%
GH Palmer HOA	1,435,968	1.63
LA County Public Works	1,325,649	1.50
Six Flags Magic Mountain	689,608	0.78
Hart School District	592,480	0.67
Friendly Village HOA	560,770	0.64
West Creek/West Hills HOA	436,617	0.49
Rockne Construction	427,358	0.48
Equity Residential HOA	377,330	0.43
Westridge Valencia HOA	<u>349,139</u>	<u>0.40</u>
Total	<u>\$ 10,520,467</u>	11.92%

Source: Agency.

Retail Service Connections

The following table details retail service connections served through the Agency for Fiscal Years 2018 through 2022.

Table 7
SANTA CLARITA VALLEY WATER AGENCY
Historical Retail Service Connections

<i>Fiscal Year</i>	<i>Service Connections⁽¹⁾</i>	<i>Increase/ (Decrease)</i>
2022	73,222	0.70%
2021	72,712	(1.43) ⁽²⁾
2020	73,767	(0.01)
2019	73,776	0.78
2018	73,197	N/A

⁽¹⁾ Amounts for Fiscal Years 2019 through 2022 were derived from the results of the Agency for such Fiscal Years. Amounts for Fiscal Year 2018 derived from results of SCWD, NCWD and VWD for such Fiscal Year.

⁽²⁾ Decrease in retail service connections in Fiscal Year 2021 attributable to excluding private fire meters.

Source: Agency.

As a result of the dissolution of the VWC on January 22, 2018, all of such service connections are service connections of the Agency served through VWD. Effective January 1, 2018, all service connections of the former NCWD are service connections of the Agency served through NWD.

The following table sets forth the projected number of retail service connections for Fiscal Years 2023 through 2027. The Agency projects that its long-term retail service connections are estimated to increase by an

average of 1.38 percent per year from Fiscal Years 2024 through Fiscal Year 2027. Failure of development activity to increase as projected would have a material adverse impact upon the number of new retail service connections.

Table 8
SANTA CLARITA VALLEY WATER AGENCY
Projected Retail Service Connections

<i>Fiscal Year</i>	<i>Service Connections</i>	<i>Increase/ (Decrease)</i>
2023	75,827	3.56 %
2024	76,895	1.38
2025	77,981	1.38
2026	79,088	1.38
2027	80,193	1.38

Source: Agency.

Newhall Ranch, a proposed development of approximately 21,500 units in the Santa Clarita Valley, could be expected to add Agency accounts. The growth rate applied by the Agency to project the service connections in Table 8 above takes into account the phased build out of the Newhall Ranch project.

Water Rates and Charges

Retail Water Rate Structure and Billing. Pursuant to the terms of the Agency Law, as long as the indebtedness of SCWD, NCWD or VWC which existed as of December 31, 2017 remains outstanding, such indebtedness shall continue to be allocated to VWD, SCWD or NWD, as applicable, and paid from that retail division’s rates and charges. As a result, each of the three retail divisions initially had separate water rate structures following the formation of the Agency. In June 2021, the Agency completed a comprehensive rate study with the goal of unifying the retail water rates charged by the Agency. Following the 2021 rate study, on June 15, 2021 (the “2021 Rate Action”), the Board approved water rates for the period of Fiscal Year 2022 through Fiscal Year 2026, which increases become effective July 1 each year. Under the 2021 Rate Action, the Board approved annual water rate increases of 6.5% for Fiscal Years 2023 through 2026. While such rate increases have previously been approved by the Board, there is no assurance that the Board will not repeal or modify any rate increases that are scheduled under the previously approved rate structure in the future. The 2021 rate study and the 2021 Rate Action complied with the substantive requirements under Proposition 218. See the caption “CONSTITUTIONAL PROVISIONS—Proposition 218” in the Official Statement.

The Agency’s current water rate structure for all retail customers consists of a fixed service charge based on meter size, which varies from \$15.47 per month to \$2,319.29 per month (effective July 1, 2023), plus variable charges of \$2.37 and \$1.90 per billing unit served (one billing unit equates to 748 gallons of water) for potable water and recycled water, respectively. The Agency also includes a fixed legacy debt charge based on meter size which is included on the bills of customers within the SCWD and VWD to ensure that the indebtedness of SCWD which existed as of December 31, 2017 is only paid by customers in the SCWD and VWD. Such legacy debt charges range from \$6.80 to \$1,462.65 for SCWD and from \$4.34 to \$932.36 for VWD. The Agency estimates the average monthly residential billing for a ¾” service connection is expected to be \$59.54 based on current water rates and average monthly usage of 18 billing units excluding fixed legacy debt. The Agency’s water rates approved pursuant to the 2021 Rate Action extend through the end of Fiscal Year 2026.

In February 2023, the Board approved a financing plan that, among other things, included the implementation of water rate increases for a five-year period beginning in Fiscal Year 2026, which is a year prior to the expiration of the rates approved pursuant to the 2021 Rate Action. In connection with the approved financing plan, Agency staff is in the process of evaluating whether to develop a new cost of service and rate study for the period beginning Fiscal Year 2026 through Fiscal Year 2030.

Agency staff is also considering an alternative rate plan that would implement rate increases for a five-year period beginning in Fiscal Year 2025 and ending in Fiscal Year 2029. The purpose of such alternative rate plan would be to smooth the implementation of rate increases. The alternative approach has been discussed with the Board, but the no formal action has been taken by the Board to date. Additional discussions between Agency staff and the Agency’s Finance and Administration Committee and the Board are planned for the coming months.

For purposes of projecting water sales revenues in Table 5 – “Projected Retail Water Sales and Water Sales Revenues” and Table 14 – Projected Net Revenues and Coverage,” the Agency has projected water rate increases of 10.5% in Fiscal Year 2025, 10% in Fiscal Year 2026 and 10% in Fiscal Year 2027. The projected water rate increases have not been approved by the Board.

The water rate increases for Fiscal Years 2025 and 2026 projected in this Official Statement are higher than the 6.5% annual increases for such Fiscal Years approved by the Board pursuant to the 2021 Rate Action. If water rate increases in the amounts projected in the this Official Statement are not adopted by the Board for Fiscal Years 2025 and 2026 and water rates are increased by 6.5% in each such Fiscal Year, parity debt service coverage would be projected to be 1.62x for Fiscal Year 2025 and 1.65x for Fiscal Year 2026, which coverage is lower than the parity debt service coverage for such Fiscal Years reflected in table 14 under the caption “WATER SYSTEM FINANCIAL INFORMATION—Projected Revenues, Operation and Maintenance Costs and Coverage.”

The water rates approved under the 2021 Rate Action go through Fiscal Year 2026. The Board has not approved water rates beyond such Fiscal Year. There can be no assurance that the rate increases which are projected in this Official Statement for Fiscal Year 2027 will be approved by the Board.

The projected rate increases are subject to Board approval and the notice, hearing and protest provisions of Proposition 218. There can be no assurance that rate increases which are projected in this Official Statement for Fiscal Year 2025 and thereafter will be approved by the Board. See “INVESTMENT CONSIDERATIONS—Projected Rate Increases” in this Official Statement.

Billing Procedures. Since the merger of CLWA and NCWD on January 1, 2018 and VWC on January 22, 2018, the retail divisions (NWD, SCWD, VWD) were operating under their pre-merger rules and regulations pertaining to retail customers. The Agency aligned customer service practices and processes across all three divisions and developed a new customer service policy for all retail customers of the Agency, which includes the new provisions of Senate Bill 998 (“SB 998”) regarding discontinuation of domestic water service for non-payment. The Agency was required to comply with the provisions of SB 998 by February 1, 2020.

Water charges are billed to retail customers monthly and have a due date of 10 days from the date that the bill is generated. Bills not paid within 45 days from the bill generation date are considered overdue. When a bill becomes overdue, an overdue notice is generated, which includes the termination of service language required in SB 998, and the customer will be billed an overdue notice fee. If the bill remains unpaid 71 days from the bill generation date, the service will be disconnected. The customer will be charged a disconnection fee and applicable fees to reconnect the service. The cost to the customer of reconnecting the water service is based on the overdue balance of the water bill plus the overdue notice fee of \$10, the disconnection fee of \$30 and a reconnection fee of \$30 during normal business hours. If the customer is overdue repeatedly, a deposit may be required in addition to the bill payment and reconnect fee. New customers are required to complete a request for service and may be required to establish credit worthiness.

Write-off expenses as the result of delinquent accounts were less than 0.06% of total billings in Fiscal Year 2022.

From Fiscal Year 2020 through Fiscal Year 2022, while certain emergency orders that were enacted in response to the COVID-19 pandemic that prevented the Agency from discontinuing service on delinquent accounts, the Agency saw an increase in delinquent payments. The emergency orders expired in June 2022, which allowed disconnections for non-payment to resume. As of May 19, 2023, there are 1,835 (2.4%) customers that

have delinquent bills, subject to disconnection, totaling approximately \$493,724 as compared to 1,862 customers totaling \$464,941 on June 30, 2022

Ratepayer Advocate Requirement of the Agency Law. In accordance with the Agency Law, on November 6, 2018, the Agency developed a rate setting process, including necessary rules and procedures, to include an independent ratepayer advocate (the “Ratepayer Advocate”) to advise the Board and provide information to the public before the adoption of new wholesale rates and retail water service rates and charges. The Agency Law requires that the Ratepayer Advocate be selected by and report directly to the Board and be independent from Agency staff. The Agency Law provides that the Ratepayer Advocate will advocate on behalf of customers within the Agency’s boundaries to the Board. The Board was not authorized to eliminate the Ratepayer Advocate before January 1, 2023. On and after January 1, 2023, the Board may eliminate the Ratepayer Advocate by four-fifths vote; however, the Agency does not have any current plans to do so.

Challenges to Rate Increases. In recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. There is no assurance that the electorate or the State legislature will not at some future time approve additional limitations that could affect the ability of the Agency to implement rate increases, which could reduce Net Revenues and adversely affect the security for the Series 2023 Installment Payments. See the Official Statement under the caption “CONSTITUTIONAL PROVISIONS.” The Agency’s rates have not been challenged since its creation pursuant to the Agency Law.

Wholesale Rates and Charges. Wholesale rates and charges are charged by the Agency to District No. 36 and are set on an annual basis by action of the Agency Board. Payment of wholesale revenues in Fiscal Year 2023 are expected to be less than \$404,000. Such wholesale rates and charges are not subject to the approval of the voters or other governmental entities. See the Official Statement under the caption “CONSTITUTIONAL PROVISIONS.”

Agency Revenue Derived from Property Taxes

The Counties each levy a 1% *ad valorem* property tax on behalf of all taxing agencies in the respective boundaries, including the Agency. The Agency’s receipt of such 1% *ad valorem* property tax revenues is in addition to the Agency’s levy of property taxes upon all property within the Agency’s boundaries do not exempt from taxation to pay amounts due under the State Water Project Contract. See the caption “THE SANTA CLARITA VALLEY WATER AGENCY—Outstanding Obligations—Other Long-Term Obligations.” All property is assessed using the full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, nonprofit hospitals and charitable institutions.

The taxes collected are allocated to taxing agencies within the respective Counties, including the Agency, based on a formula established by State law enacted in 1979 and modified from time to time. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of “situs” growth in assessed value (due to new construction, change of ownership, or a 2% inflation allowance allowed under Article XIII A of the State Constitution) prorated among the jurisdictions which serve the tax rate area within which the growth occurs. Tax rate areas are groups of parcels which are taxed by the same taxing entities. Cities, counties, special districts and school districts share the growth of “base” revenues from each tax rate area. Assessed valuation growth is cumulative, i.e., each year’s growth in property value becomes part of each agency’s allocation in the following year.

California law exempts \$7,000 of the assessed valuation of an owner-occupied dwelling but this exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes which would have been payable on such exempt values is made up by the State.

Under Assembly Bill 454 (Statutes of 1987, Chapter 921) (“AB 454”), the State reports to each county auditor-controller only the county-wide unitary taxable value of State-assessed utility property, without an indication of the distribution of the value among tax rate areas. The provisions of AB 454 apply to all State-

assessed property except railroads and non-unitary properties, and do not constitute an elimination of a revision of the method of assessing utilities by the State Board of Equalization. AB 454 allows generally valuation growth or decline of State-assessed unitary property to be shared by all jurisdictions within a county.

From time-to-time legislation has been considered as part of the State budget to shift property tax revenues from special districts to school districts or other governmental entities. While legislation enacted in connection with the 1992-93 State budget shifted approximately 35% of many special districts' shares of the countywide 1% *ad valorem* property tax, the share of the countywide 1% *ad valorem* property tax pledged to debt service by special districts, such as the Agency, was exempted. The 2004-05 State budget reallocated additional portions of the special districts' shares of the countywide 1% *ad valorem* property tax shifting a portion of the property tax revenues collected by the Counties from special districts to school districts. As a result of the 2004-05 State budget, CLWA lost approximately \$14.2 million of property tax revenues, cumulatively, over Fiscal Years 2005 and 2006. Pursuant to the State fiscal year 2005 budget, such property tax revenues reverted to the CLWA in Fiscal Year 2007.

On November 2, 2004, California voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not, among other things: (i) shift property taxes from local governments to schools or community colleges; or (ii) change how 1% *ad valorem* property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature. Beginning in Fiscal Year 2010, the State is allowed to shift to schools and community colleges a limited amount of local government property tax revenues if certain conditions are met, including: (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State; and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. In the event of severe financial hardship, it is possible that the State may propose legislation to shift additional local property tax revenue, including tax revenue of the Agency.

On July 28, 2009, the Governor of the State signed a revised State fiscal year 2010 budget which included a shift of approximately 8% of the 1% *ad valorem* property tax revenues (other than unitary taxes) from certain local agencies, including the Agency, to school districts and other governmental agencies. CLWA participated in the State of California Proposition 1A Receivables Program to securitize its receivable from the State, and as a result received the funds shifted, without interest, in two installment payments in 2010 from the California Statewide Communities Development Authority.

There can be no assurance that the 1% *ad valorem* property tax revenues the Agency currently expects to receive will not be further reduced pursuant to State legislation enacted in the future. If the property tax formula is permanently changed in the future, such change could have a material adverse effect on the receipt of 1% property tax revenue by the Agency. The Agency currently expects that existing reserves and the statutory authority to raise water rates may offset future property tax revenue losses. 1% *ad valorem* property tax revenues remaining after the payment of the 1999 Installment Payments constitute Revenues pledged to payment of the Series 2023 Installment Payments. Under the Installment Purchase Agreement, any 1% *ad valorem* property tax revenues remaining after the payment of the 1999 Installment Payments, is to be applied first to the 2018A Installment Payments, and then to the Series 2020 Installment Payments and the Series 2023 Installment Payments. See the Official Statement under the caption "SECURITY FOR THE 2023 BONDS—Water System Revenue Pledge" and Appendix C—"DEFINITIONS AND SUMMARY OF THE INDENTURE" under the caption "Definitions—Revenues."

On July 9, 2020, the Agency submitted letters to the County and the County of Ventura directing each Treasurer and Tax Collector to remit all amounts allocated by the respective county from the 1% *ad valorem* property tax to the Agency to the Depository Agent under the Depository Agreement. Pursuant to the Depository Agreement, the Depository Agent shall, upon direction of the applicable trustee, transfer amounts on deposit in the 1% Property Tax Account not later than ten (10) Business Days prior to each date on which principal and/or interest is due on the 1999 Certificates and the 2018A Bonds, the amount necessary to cause the respective

payment fund for the 1999 Certificates and the 2018A Bonds to equal the amount of principal and/or interest due on the 1999 Certificates and the 2018A Bonds on such date. On each August 2, the Depository Agent shall transfer any amounts in the 1% Property Tax Account to the Agency for deposit in the Revenue Fund.

The Agency covenanted in an Amendment No. 1 to Trust Agreement related to the 1999 Certificates and an Amendment No. 1 to Installment Purchase Agreement related to the 2018A Bonds that, so long as the 1999 Certificates and the 2018A Bonds, as applicable, remain Outstanding, the Agency shall (i) not terminate or otherwise discontinue or suspend its (a) instruction and direction to the County of Los Angeles to transfer the amounts allocated by the County of Los Angeles constituting the Agency’s share of the 1% *ad valorem* property tax directly to the Depository Agent for deposit in the 1% Property Tax Account of the Revenue Fund, and (b) instruction and direction to the County of Ventura to transfer the amounts allocated by the County of Ventura constituting the Agency’s share of the 1% *ad valorem* property tax directly to the Depository Agent for deposit in the 1% Property Tax Account of the Revenue Fund; (ii) enter into such agreement or take such further action reasonably necessary from time to time to implement the instruction and direction to the County of Los Angeles and the County of Ventura to transfer the 1% *ad valorem* property tax directly to the Depository Agent; and (iii) shall maintain the Trustee at all times as the trustee for all other indebtedness or obligations which are payable from and secured by a subordinate pledge of and lien on the Revenues or any moneys in the Revenue Fund.

The table below sets forth the total amount received by the Agency from the Agency’s share of the 1% *ad valorem* property taxes levied in the Counties in Fiscal Years 2018 through 2023.

Table 9
SANTA CLARITA VALLEY WATER AGENCY
Share of 1% Property Tax Levy

<i>Fiscal Year</i>	<i>Agency Share of 1% Levy⁽¹⁾</i>	<i>Increase/ (Decrease)</i>	<i>Agency Share Applied to 1999 and 2018A Installment Payments⁽²⁾</i>	<i>Agency Share Remaining for Bonds and Contracts⁽²⁾</i>
2022	\$29,786,510	8.52	\$11,421,975	\$18,364,535
2021	27,448,241	2.84	976,975	26,471,266
2020 ⁽³⁾	26,691,119	0.17	976,975	25,714,061
2019	26,645,977	4.00	993,258	25,652,719
2018	25,621,922	N/A	-	25,621,922

⁽¹⁾ Amounts for Fiscal Years 2019 through 2022 were derived from the audited results of the Agency for Fiscal Years 2019 through 2022. Amounts for Fiscal Year 2018 were derived from the audited results of CLWA and NCWD for Fiscal Year 2018.

⁽²⁾ As described under captions “—Outstanding Obligations—Senior Wholesale Water System Obligations” and “—Wholesale Water System Obligations,” any 1% *ad valorem* property tax revenues in excess of the payment of the 1999 Installment Payments and the 2018A Installment Payments will be deposited in the Revenue Fund and available for the payment of the Series 2023 Installment Payments and any other Bonds or Contracts.

⁽³⁾ Fiscal Year 2020 amount of 1% Property Tax represents actual amounts received. Low increase in amount is attributed to impacts of COVID-19 and the related government measures and was recovered in Fiscal Year 2021.

Source: Agency.

Property taxes levied by the Agency to pay State Water Project contract costs are not pledged to the Series 2023 Installment Payments and are not included in the amounts shown in the above table.

Service Area Growth and Development Entitlements

Based on current development activity, the Agency currently expects moderate growth within its Service Area in the current and next few Fiscal Years. The Agency’s capital improvement program is based on projected water demands at final build-out of the Service Area. Although it is uncertain when specific development(s) will

occur, for purposes of planning the Agency has assumed all of these developments will occur over the next 35 years.

As reported in the Agency’s 2020 Urban Water Management Plan, the Agency and District No. 36 provided projected water demands through the year 2050 based on development projects that were under evaluation, were in the planning process, or the result of their own water planning efforts within their service area. The total projected water demand within the Service Area and District No. 36 (which excludes groundwater pumping by individuals and local agriculture) is estimated to increase from 75,200 acre-feet in 2025 to 101,000 acre-feet in 2050, representing an average annual increase of approximately 1.3%. These projections were compared with population projections prepared by the City and County and were found to be reasonable and consistent with long-term planning assumptions for the Service Area. The timing of future development is dependent on a number of factors, including but not limited to litigation, general economic conditions, and real estate market conditions. See “INVESTMENT CONSIDERATIONS—COVID-19 Pandemic; Infectious Disease Outbreak” in this Official Statement.

Proposed real estate development within the Service Area is contingent upon the construction and acquisition of a number of public improvements. The installation of the necessary infrastructure improvements and the construction of residential development is subject to the receipt of discretionary approvals and entitlements from a number of public agencies and has in some cases been the subject of litigation brought by opponents to such development. The failure to obtain any necessary approvals could adversely affect the planned land development within the Service Area.

In addition, there can be no assurance that land development operations within the Service Area will not be adversely affected by adverse economic conditions, a decline in real estate value or future government policies, including governmental policies to restrict or control development. In recent years, a number of communities in Southern California, including the City, have placed on the ballot initiative measures intended to control the rate of future growth.

Facility Capacity Fees

The Agency Law authorizes the Agency to implement facility capacity fees for each new Agency retail connection and for service through District No. 36’s water system. The former CLWA had been imposing Facility Capacity Fees pursuant to the CLWA Law since October 1, 1987. The actual amount of facility capacity fee charged varies depending on the Agency’s projected cost to provide water to a given water service area (each a “Water Service Area”) in which the subject property is located. Prior to January 1, 2018, CLWA based its facility capacity fees upon the cost to treat and transmit one acre foot of water per year to 10 Water Service Areas. Effective January 1, 2018, the 10 Water Service Areas have been consolidated into four and the facility capacity fees are based upon meter capacity, measured in equivalent meter units.

Facility capacity fees are paid to the Agency directly by developers or property owners within the Service Area shortly before the issuance of a building permit by the County or the City. If a connection is not ultimately made to the property that is the subject of the permit, the facility capacity fees are refunded. Although the City and County direct building permit applicants to the Agency for the payment of the facility capacity fees, there is no formal contractual arrangement between the Agency and the County or the City. The Agency monitors the issuance of building permits by the County and City to determine whether facility capacity fees have been paid. Development activities in the Water Service Areas in Fiscal Year 2023 have declined relative to the preceding Fiscal Years. The Agency attributes the decline in development in the Water Service Areas to increases in inflation, the unavailability of materials due to global supply chain disruption and reduced demand for new homes due to increased mortgage rates. The Agency is projecting the receipt of facility capacity fees in amounts that are significantly lower than those received in Fiscal Years 2018 through 2022.

The Agency Law authorizes the Agency to secure the payment of delinquent and unpaid facility capacity fees by filing with the County recorder a certificate specifying the amount of the unpaid fees and the name and

address of the person responsible for those fees. Facility capacity fees were updated in 2019 with the preparation and adoption of a 2019 Facility Capacity Fee Study.

The following table sets forth the Agency’s income from facility capacity fees for all Water Service Areas for Fiscal Years 2018 through 2022. The current facility capacity fees went into effect on July 1, 2022. Facility capacity fees charged in the Agency’s four Water Service Areas range from \$4,191 to \$6,330 for a connection size of 5/8” to \$1,361,052 for a connection size of 12”, depending on the Water Service Area.

Table 10
SANTA CLARITA VALLEY WATER AGENCY
Total Facility Capacity Fee Income
(Fiscal Years ending June 30)

<i>Fiscal Year</i>	<i>Facility Capacity Fee Income⁽¹⁾</i>
2022	\$ 9,023,268
2021	14,071,417
2020	5,138,778
2019	7,448,472
2018	7,356,898

⁽¹⁾ Amounts for Fiscal Years 2019 through 2022 were derived from the audited results of the Agency for Fiscal Years 2019 through 2022. Amounts for Fiscal Year 2018 were derived from the audited results of CLWA for Fiscal Year 2018.

Source: Agency

The following table summarizes the Agency’s projected Facility Capacity Fee income for Fiscal Years 2023 through 2027.

Table 11
SANTA CLARITA VALLEY WATER AGENCY
Projected Facility Capacity Fee Income
(Fiscal Years ending June 30)

<i>Fiscal Year</i>	<i>Projected Facility Capacity Fee Income</i>
2023 ⁽¹⁾	\$1,738,431
2024	1,320,200
2025	1,530,200
2026	1,576,106
2027	1,623,389

⁽¹⁾ Reflects actual unaudited results for the first six months of Fiscal Year 2023 and projected estimates for the remaining six months of Fiscal Year 2023.

Source: Agency.

The amount of facility capacity fees received by the Agency is dependent on the level of development activity within the Agency’s boundaries. The level of development activity is influenced by a number of factors, including the economic condition of the region, current home prices, the cost and availability of materials and the availability of financing, among other factors.

Capital Improvement Program

The Agency’s engineering staff annually updates the Agency’s projections of future water demand and capital improvement projects. Such evaluation has identified several near-term projects that are necessary to serve the needs of the Agency and District No. 36. These projects will extend the Agency’s water transmission system,

expand its recycled water system, expand its water treatment capacity, provide improved reliability to its State Water Project supply, develop groundwater supplies within or outside the Service Area, and replace the groundwater extraction capacity lost due to perchlorate and PFAS contamination. The Agency’s engineering staff has identified projects which may be undertaken over the next ten Fiscal Years with total estimated costs (in Fiscal Year 2023 dollars) of approximately \$1.3 billion.

The Agency anticipates financing the cost of these capital improvements from Agency revenues and existing reserves, State or federal loans and grants, cost recovery from the parties liable for the perchlorate contamination of groundwater, as well as future financings. The actual timing of these expenditures will depend upon development activity within the Agency, increases in 1% *ad valorem* property tax revenues available to the Agency and other factors. In addition to the 2023 Bonds, the Agency is currently projecting additional financing contributing approximately \$652 million (in Fiscal Year 2023 dollars) over the next ten Fiscal Years toward the costs of these projects, including 2024 WIFIA Loan, the SRF Loan, and the 2026 Bonds. There can be no assurance that such financing will be undertaken in the amounts or at the times currently projected. See the caption “—Outstanding Obligations—*Future Obligations.*”

Projects undertaken by the Agency, including those undertaken in the capital improvement program of the Agency, are generally subject to the CEQA. Projects involving the participation of certain federal agencies are also subject to the National Environmental Policy Act of 1969, as amended (42 U.S.C. Section 4321) (“NEPA”). As part of its regular planning and budgetary process, the Agency gives careful attention to environmental considerations.

Under CEQA, a project which may have a significant effect on the environment, and which is to be carried out or approved by a public agency must comply with a comprehensive environmental review process, including the preparation of an environmental impact report. An EIR includes an independent technical analysis of the project’s potential impacts, as well as the comments of other agencies with jurisdiction over the project and the comments of interested members of the public. If an agency determines that the project itself will not have a significant effect on the environment, the agency may adopt a written statement (called a negative declaration) to that effect, and the agency need not prepare an EIR. Once an agency approves or determines to carry out a project, either following the EIR process or after adopting a negative declaration, the agency must file a written notice of such determination with the county clerk or, if State approval is required, the Office of Planning and Research. Any action or proceeding challenging the agency’s determination must be brought within 30 days following the posting of such notice.

Future State Water Project Obligations

Delta Conveyance (Tunnel) Project. In February 2019, Governor Gavin Newsom announced his support for a Bay-Delta Plan, known as the “Delta Conveyance Project” (“DCP”), which would include intake structures on the Sacramento River and a single tunnel to convey water to the California Aqueduct downstream of the existing pumping plants in the south Bay-Delta. In July 2022, DWR released its draft Environmental Impact Statement for the DCP. The new conveyance facilities being reviewed would include a single 6,000 cubic-feet per second (“cfs”) tunnel to convey water from new intakes on the Sacramento River to an expanded Bethany Reservoir (south of the Harvey O. Banks Pumping Plant). The public comment period ended on December 16, 2022, and DWR is now preparing responses to comments. Planning, environmental review and conceptual design work by DWR are expected to be completed in the 2023-2024 timeframe.

Since July 24, 2019, State Water Project contractors and DWR have been engaged in negotiations to amend the State Water Project contract for inclusion of the DCP. The amendment is intended to determine how costs and benefits of the DCP would be shared among the participating State Water Project contractors. If the Agency executes the amendment and the DCP is constructed, the Agency would be obligated to pay for its share of capital construction costs and future operations and maintenance costs. On July 21, 2017, the Board of Directors declared its support for the development of a single tunnel DCP. Payments on obligations incurred in connection with the DCP are expected to continue to be paid from the *ad valorem* property taxes levied to pay

State Water Project costs and not from Revenues. See the caption “THE WATER SYSTEM—Future State Water Project Obligation.”

The Agency’s Board has previously authorized the Agency’s participation in two joint powers agencies relating to the DCP: the Delta Conveyance Design and Construction Authority (the “DCA”), a joint powers authority formed by the participating water agencies to actively participate with DWR in the design and construction of the DCP and under the control and supervision of DWR; and the Delta Conveyance Finance Authority (the “Financing JPA”), a joint powers authority formed by the participating water agencies to facilitate financing for the DCP. The DCA is currently providing engineering and design activities to support the DWR’s planning and environmental analysis for the potential new Delta Conveyance Project.

In August, 2020, the DCA provided a preliminary cost estimate for the DCP of approximately \$15.9 billion (in 2020 dollars). The DCA noted that such estimate has been developed at an early stage in the project and will be revised over time. The Agency cannot predict at this time what additional financial commitments to the DCP will be made. On August 20, 2020, the U.S. Army Corps of Engineers, as the lead agency for the DCP under National Environmental Policy Act (“NEPA”), issued a notice of intent for the development of the environmental impact statement for the DCP. On December 16, 2022, the U.S. Army Corps of Engineers issued a draft environmental impact statement for the DCP. The public review and comment period for the draft environmental impact statement ended on February 14, 2023.

On November 12, 2020, the Board of Directors approved preliminary environmental review, planning, and design funding for the DCP in an amount up to approximately \$8,852,849.

On August 6, 2020, DWR adopted certain resolutions to authorize the issuance of bonds to finance costs of DCP environmental review, planning, design and, if such DCP is approved, the costs of acquisition and construction thereof. The same day, DWR filed a complaint in Sacramento County Superior Court seeking to validate DWR’s authority to issue the bonds. Several answers were filed in the validation action, as well as one related case alleging that DWR violated CEQA by adopting the bond resolutions before completing environmental review of the DCP. These two cases were coordinated into one action. DWR and several project opponents filed cross-motions for summary judgment on the CEQA affirmative defenses and related CEQA lawsuit, and in December 2021, the trial court granted DWR’s motions and denied opponents’ motions, eliminating the CEQA affirmative defenses. Regarding the validation case, briefing by all the parties is almost complete and a hearing on the merits is scheduled for May 15 through May 18, 2023.

Pursuant to existing contractual arrangements, CLWA’s pay-as-you-go contribution already paid for WaterFix (the predecessor project to the Delta Conveyance Project) and is expected to be refunded to the Agency if and when DWR issues revenue bonds for construction of the Delta Conveyance project. Until such date, the Agency expects to pay its share of the costs to finance Pre-Construction Phase costs through the levy of *ad valorem* property taxes.

There can be no assurance that projected costs of the Delta Conveyance project referred to above will not increase because of revisions to the project, increases in construction or other costs related thereto or otherwise, including the final allocation of costs among the parties. Any changes could be material. In addition, there can be no assurance that the Delta Conveyance project, if undertaken, will be completed within the timeframe currently projected. Any such delay in completion could be material. Any costs incurred by the Agency with respect to the Delta Conveyance project are expected to be paid from *ad valorem* property taxes levied to pay State Water Project costs and not from the Revenues of the Agency. The Agency cannot make any predictions with respect to the timing of the environmental review for the Delta Conveyance project. The Agency also cannot predict at this time what additional financial commitments to the Delta Conveyance project will be made. See the caption “SANTA CLARITA VALLEY WATER AGENCY—Outstanding Obligations—Other Long-Term Obligations.”

Sites Reservoir Project. The Sites Reservoir is a proposed reservoir of approximately 1.41 million acre-feet located in Colusa County. In connection with the Sites Reservoir, a joint powers agency, the Sites Project Authority (the “Sites Authority”) was formed by several local water agencies and counties to pursue the

development and construction of the project. The Agency is a member of the Sites Authority’s Reservoir Committee. The Sites Reservoir project is expected to be funded with a combination of direct Federal Funding through Reclamation Water Infrastructure Improvements for the Nation (“WINN”) Act, State Funding through Water Storage Investment Program (“WSIP”), cash calls from participants in the Sites Reservoir project under the Sites Project Agreement (as defined below), direct borrowings by the Sites Authority (including loans through the WIFIA loan program and revenue bonds), and contributions from certain Sites Reservoir project participants that elect not to participate in the Sites Authority’s WIFIA loans or other borrowings. The Sites Authority submitted an application to the USEPA in March 2023 for WIFIA loan funding in an amount up to 49% of the eligible costs (including certain contingencies for inflation and market volatility) of the Sites Project. The 2023 Sites Plan of Finance update includes WIFIA proceeds up to 49% of the eligible Project costs. The current cost estimate of the Sites Reservoir, which was approved in June 2021 was \$3.9 billion (in 2021 dollars).

In 2019, in connection with the planning phase of the Sites Reservoir, the Agency, along with certain local water agencies and counties located in the State (collectively, the “Sites Project Agreement Members”), entered into a project agreement with the Sites Authority (the “Sites Project Agreement”). Under the Sites Project Agreement, each Sites Project Agreement Member agreed, among other things, to pay a share of the costs for the activities undertaken pursuant the Sites Project Agreement in proportions corresponding to specific participation percentages applied to each Sites Project Agreement Member. Such participation percentages can be modified if a new Sites Project Agreement Member is added, or a current Sites Project Agreement Member withdraws. The Agency’s current participation percentage is 2.2% based upon the Agency’s current storage allocation.

The Agency has provided the Sites Reservoir project with approximately \$2,042,500 in funding since 2017 under the Sites Project Agreement. Under the Sites Project Agreement, the Agency has agreed to contribute up to an additional \$800,000 through December 31, 2024 for the funding phase of the project. The Agency Board may decide whether to participate in the Sites Reservoir in 2024. If the Agency decides to participate in the Sites Reservoir project, the Agency’s share of project costs is expected to be \$107 million, subject to changes in the final cost of the Sites Reservoir project. To date, payments on commitments in connection with the Sites Reservoir have been paid by the Agency from reserves. The Agency currently expects future payments relating to the Sites Reservoir to be paid from reserves. If an agreement is reached with DWR to incorporate Sites Reservoir storage and supplies into the State Water Project and to bill the Agency for such costs of the SWP statement of charges, the Agency could determine to pay obligations incurred in connection with the Sites Reservoir from ad valorem property taxes levied to pay State Water Project costs. See the caption “THE WATER SYSTEM—Future State Water Project Obligations—Sites Reservoir Project.”

Design and construction of the Sites Reservoir is anticipated to take 7 years, if commenced in 2024 as currently projected, and would not be completed until at least 2031. As the project is still in the planning phase, there can be no assurance that projected costs of the Sites Reservoir will not increase because of revisions to the project, increases in construction or other costs related thereto or otherwise, including the final allocation of costs among the parties. Any changes could be material. In addition, there can be no assurance that the Sites Reservoir, if undertaken, will be completed within the timeframe currently projected. Any such delay in completion could be material. Any costs incurred by the Agency with respect to the Sites Reservoir are expected to be initially paid from the Revenues during the planning phase of the Sites Reservoir. The Agency also cannot predict at this time what additional financial commitments to the Sites Reservoir will be made, or whether the Agency will participate in the remaining planning phase or the construction phase of the project. See the caption “SANTA CLARITA VALLEY WATER AGENCY—Outstanding Obligations—Other Long-term Obligations.”

WATER SYSTEM FINANCIAL INFORMATION

Historical Financial Operations

A copy of the most recent audited financial statements of the Agency prepared by Lance, Soll and Lunghard, LLP, Certified Public Accountants, Brea, California (the “Auditor”), including the Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, is included as

Appendix B to the Official Statement. The Agency’s contract with the Auditor does not require the consent of the Auditor for the use of the financial statements in the Official Statement. The Auditor’s letter concludes that the Agency’s financial statements present fairly, in all material respects, the respective financial position of the Agency, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows for the Fiscal Year ended June 30, 2022, in accordance with accounting principles generally accepted in the United States of America. The Auditor has not reviewed the Official Statement.

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

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

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

The Agency accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to governmental agencies such as the Agency (“GAAP”). In certain cases, GAAP requires or permits moneys collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses paid or incurred in one Fiscal Year to be recognized in a subsequent Fiscal Year. See “APPENDIX B—AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022” Except as otherwise expressly noted herein, all financial information derived from the Agency’s audited financial statement reflects the application of GAAP.

See Note 1 of the Agency’s Annual Financial Report attached to the Official Statement as Appendix B for a discussion of accounting practices of the Agency.

Historical Operating Results and Debt Service Coverage

The tables below are a summary of the operating results of the Agency for the six months ended June 30, 2018 (reflecting the operation of the Agency on and after the creation of the Agency) and the Fiscal Years 2019 through 2022. Beginning in Fiscal Year 2022, the Agency revised the presentation of its historic operating results to conform to similar revisions made in its audited financial statements. Such revised presentation is shown below for Fiscal Year 2022 in table 13. These results have been derived from the audited financial statements of the Agency for the six-month period ending June 30, 2018, and the audited financial statements of the Agency for Fiscal Years 2019 through 2022 but exclude certain noncash items and include certain other adjustments. The presentation of the Revenues, the Operation and Maintenance Costs, debt service and debt service coverage are presented in accordance with the provisions of the 2023 Installment Purchase Agreement, not the indentures, installment purchase agreements and other agreements outstanding prior to the issuance of the 2023 Bonds.

Table 12
SANTA CLARITA VALLEY WATER AGENCY
Historic Operating Results and Debt Service Coverage
(Fiscal Years ending June 30)

	2018 ⁽¹⁾⁽²⁾	2019 ⁽²⁾	2020	2021
Revenues				
Water Consumption Sales and services ⁽³⁾	\$ 27,205,144	\$ 82,939,784	\$ 82,393,728	\$ 89,094,520
Other charges and services ⁽⁴⁾	11,019,191	15,437,581	8,515,511	18,199,122
1% Property Taxes ⁽⁵⁾	13,077,291	26,645,977	26,691,119	27,448,241
Interest Income ⁽⁶⁾	3,404,140	4,338,013	8,425,294	346,577
Other Revenue ⁽⁷⁾	112,094	1,902,669	1,006,632	3,342,524
Total Revenues	\$ 54,817,860	\$ 131,264,024	\$ 127,032,284	\$ 138,430,984
Operation and Maintenance Costs⁽⁸⁾				
Source of Supply	\$ 2,567,360	\$ 345,477	\$ 465,943	\$ 503,600
Pumping	8,276,837	6,292,006	7,711,757	9,304,445
Transmission and Distribution	2,609,734	6,196,650	7,630,261	10,906,191
Water Treatment	3,395,992	7,042,538	8,650,165	8,435,826
Customer accounts	936,177	1,714,473	2,009,969	1,765,648
Management and Engineering	930,031	4,522,262	5,756,008	6,040,533
General and Administrative	8,939,431	16,938,294	20,565,348	19,457,334
Maintenance	1,439,882	3,263,353	4,836,636	2,399,046
Water Quality	529,179	1,094,842	1,177,815	1,241,951
Water Resources	2,608,491	5,792,111	10,197,555	10,691,530
Total Operation and Maintenance Costs	\$ 32,233,114	\$ 53,202,006	\$ 69,001,457	\$ 70,746,104
Plus/Minus Transfers from the Rate Stabilization Fund	--	--	--	--
Net Revenues Available for Senior Debt Service ⁽⁹⁾	\$ 6,447,135	\$ 28,391,015	\$ 33,018,387	\$ 48,448,428
Senior Debt Service				
1999 Installment Payments ⁽¹⁰⁾	--	--	--	--
Senior Debt Service Coverage ⁽¹¹⁾	N/A	N/A	N/A	N/A
Net Revenues Available for 2018A Installment Payments ⁽¹²⁾	\$ 6,447,135	\$ 28,391,015	\$ 33,018,378	\$ 48,448,428
2018A Installment Payments	\$ -	\$ 993,258	\$ 976,975	\$ 976,975
2018A Installment Payments Debt Service Coverage ⁽¹³⁾	N/A	28.58	33.80	49.59
Net Revenues Available for Parity Debt Service ⁽¹⁴⁾	\$ 22,584,746	\$ 77,068,760	\$ 57,053,852	\$ 66,707,905
Parity Debt Service				
Debt Service on Refunded Obligations ⁽¹⁵⁾	\$ 5,289,259	\$ 29,433,433	\$ 29,673,212	--
Series 2020 Installment Payments	--	--	--	\$ 4,780,641
Total Parity Debt Service	\$ 5,289,259	\$ 29,433,433	\$ 29,673,202	\$ 4,780,641
Parity Debt Service Coverage ⁽¹⁶⁾	4.27	2.62	1.92	13.95
Total Debt Service Coverage ⁽¹⁷⁾	4.27	2.57	1.89	11.76
Revenues Available for Other Purposes	\$ 17,295,487	\$ 47,635,327	\$ 27,380,640	\$ 61,927,264

(1) Reflects six-month period ended June 30, 2018.

(2) Totals may not add due to rounding.

(3) Includes sale of State Water Project water, recycled water, groundwater and certain other water.

(4) Includes Facility Capacity Fee revenues and other miscellaneous fees. Excludes refunds that are not pledged as Revenues.

(5) Excludes the State Water Project property tax.

- ⁽⁶⁾ Excludes interest earned on debt service reserve funds and financing proceeds funds, unrealized gains on investments and amounts attributable to the VWD interfund loan.
- ⁽⁷⁾ Includes communication lease revenues, laboratory fees, intergovernmental revenues, other miscellaneous revenues, and grants and reimbursements, including capital projects and operations and maintenance costs reimbursed pursuant to the Perchlorate Contamination Settlement.
- ⁽⁸⁾ Excludes certain non-cash items and State Water Project expenses paid by the Agency with proceeds of the State Water Project property tax.
- ⁽⁹⁾ Comprised of a portion of the Total Revenues, consisting generally of the facility capacity fees, the 1% Property Taxes and certain other revenues attributable to the historic wholesale water system, less a portion of Total Operation and Maintenance Costs that is attributable to said historic wholesale water system, plus any transfers from the Rate Stabilization Fund or less any transfers to the Rate Stabilization Fund. These amounts do not include revenues or operation and maintenance costs attributable to the Agency's retail operations which are excluded from such calculation by the terms of the 1999 Installment Purchase Agreement.
- ⁽¹⁰⁾ The Agency executed and delivered the 1999 Certificates, which are secured by the 1999 Installment Payments, in the currently outstanding principal amount of approximately \$67,061,078 (adjusted for the accreted value of capital appreciation certificates as of February 1, 2023). The first payment of principal of and interest on the outstanding 1999 Certificates, which are capital appreciation certificates, was due in Fiscal Year 2022.
- ⁽¹¹⁾ Coverage calculated as Net Revenues Available for Senior Debt Service divided by the 1999 Installment Payments.
- ⁽¹²⁾ Calculated as Net Revenues Available for Senior Debt Service less the 1999 Installment Payments. Amount does not include revenues or operation and maintenance costs attributable to the Agency's retail operations which are excluded from such calculation by the terms of the 2018A Installment Purchase Agreement.
- ⁽¹³⁾ Coverage calculated as Net Revenues Available for 2018A Installment Payments divided by 2018A Installment Payments.
- ⁽¹⁴⁾ Calculated as Total Revenues, less Total Operation and Maintenance Costs, plus any transfers from the Rate Stabilization Fund or less any transfers to the Rate Stabilization Fund, less the 1999 Installment Payments and less 2018A Installment Payments.
- ⁽¹⁵⁾ Includes the payment of certain Agency obligations that were refunded with proceeds of the 2020 Bonds.
- ⁽¹⁶⁾ Coverage calculated as Net Revenues Available for Parity Debt Service divided by Total Parity Debt Service.
- ⁽¹⁷⁾ Coverage calculated as Total Revenues less Total Operation and Maintenance Costs, plus any transfers from the Rate Stabilization Fund or less any transfers to the Rate Stabilization Fund, divided by the sum of the 1999 Installment Payments, 2018A Installment Payments and Total Parity Debt Service.

Source: Agency.

Table 13
SANTA CLARITA VALLEY WATER AGENCY
Fiscal Year 2022
Historic Operating Results and Debt Service Coverage
(Fiscal Year ending June 30)

	<i>2022</i>
Revenues	
Water Consumption Sales and services ⁽¹⁾	\$ 79,321,746
Other charges and services ⁽²⁾	17,244,561
1% Property Taxes ⁽³⁾	29,786,510
Interest Income ⁽⁴⁾	582,361
Other Revenue ⁽⁵⁾	4,169,458
Total Revenues	\$ 131,104,636
Operating Expenses ⁽⁶⁾	
Source of Supply ⁽¹⁵⁾	\$ 8,834,320
Pumping Wells & Storage ⁽¹⁵⁾	12,424,605
Water Quality, Treatment & Maintenance ⁽¹⁵⁾	11,054,927
Transmission & Distribution ⁽¹⁵⁾	11,421,001
Customer Care ⁽¹⁵⁾	2,593,369
Management ⁽¹⁵⁾	3,830,571
Engineering ⁽¹⁵⁾	2,660,782
Finance, Administration & IT ⁽¹⁵⁾	15,843,836
Water Resources ⁽¹⁵⁾	5,505,556
Total Operating Expenses	\$ 74,168,967
Plus/Minus Transfers from the Rate Stabilization Fund	--
Net Revenues Available for Senior Debt Service ⁽⁷⁾	\$ 29,786,510
Senior Debt Service	
1999 Installment Payments ⁽⁸⁾	\$ 10,445,000
Senior Debt Service Coverage ⁽⁹⁾	2.85
Net Revenues Available for 2018A Installment Payments ⁽¹⁰⁾	\$ 19,341,510
2018A Installment Payments	\$ 976,975
2018A Installment Payments Debt Service Coverage ⁽¹¹⁾	19.80
Net Revenues Available for Parity Debt Service ⁽¹²⁾	\$ 45,513,694
Parity Debt Service	
Series 2020 Installment Payments	\$ 21,490,580
Total Parity Debt Service	\$ 21,490,580
Parity Debt Service Coverage ⁽¹³⁾	2.12
Total Debt Service Coverage ⁽¹⁴⁾	1.73
Revenues Available for Other Purposes	\$24,023,114

⁽¹⁾ Includes sale of State Water Project water, recycled water, groundwater and certain other water. The decrease from Fiscal Year 2021 is attributable to reduced water consumption due to drought-related water conservation measures.

⁽²⁾ Includes Facility Capacity Fee revenues and other miscellaneous fees. Excludes refunds that are not pledged as Revenues.

⁽³⁾ Excludes the State Water Project property tax.

⁽⁴⁾ Excludes interest earned on debt service reserve funds and financing proceeds funds, unrealized gains on investments and amounts attributable to the VWD interfund loan.

⁽⁵⁾ Includes communication lease revenues, laboratory fees, intergovernmental revenues, other miscellaneous revenues, and grants and reimbursements, including capital projects and operations and maintenance costs reimbursed pursuant to the Perchlorate Contamination Settlement.

⁽⁶⁾ Excludes certain non-cash items and State Water Project expenses paid by the Agency with proceeds of the State Water Project property tax.

⁽⁷⁾ Comprised of a portion of the Total Revenues, consisting generally of the facility capacity fees, the 1% Property Taxes and certain other revenues attributable to the historic wholesale water system, less a portion of Total Operation and Maintenance Costs that is attributable to said historic wholesale water system, plus any transfers from the Rate Stabilization Fund or less any transfers to the Rate Stabilization Fund. These

amounts do not include revenues or operation and maintenance costs attributable to the Agency's retail operations which are excluded from such calculation by the terms of the 1999 Installment Purchase Agreement.

- (8) The Agency executed and delivered the 1999 Certificates, which are secured by the 1999 Installment Payments, in the currently outstanding principal amount of approximately \$67,061,078 (adjusted for the accreted value of capital appreciation certificates as of February 1, 2023). The first payment of principal and interest on the outstanding 1999 Certificates, which are capital appreciation certificates, was due in Fiscal Year 2022.
- (9) Coverage calculated as Net Revenues Available for Senior Debt Service divided by the 1999 Installment Payments.
- (10) Calculated as Net Revenues Available for Senior Debt Service less the 1999 Installment Payments. Amount does not include revenues or operation and maintenance costs attributable to the Agency's retail operations which are excluded from such calculation by the terms of the 2018A Installment Purchase Agreement.
- (11) Coverage calculated as Net Revenues Available for 2018A Installment Payments divided by 2018A Installment Payments.
- (12) Calculated as Total Revenues, less Total Operation and Maintenance Costs, plus any transfers from the Rate Stabilization Fund or less any transfers to the Rate Stabilization Fund, less the 1999 Installment Payments and less 2018A Installment Payments.
- (13) Coverage calculated as Net Revenues Available for Parity Debt Service divided by Total Parity Debt Service.
- (14) Coverage calculated as Total Revenues less Total Operation and Maintenance Costs, plus any transfers from the Rate Stabilization Fund or less any transfers to the Rate Stabilization Fund, divided by the sum of the 1999 Installment Payments, 2018A Installment Payments and Total Parity Debt Service.
- (15) Amount has been reduced to exclude Agency capital expenditures which are not treated as operation and maintenance costs in accordance with the Installment Purchase Agreement, as set forth in APPENDIX B – "AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING JUNE 30, 2022, INCLUDING THE AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING."

Source: Agency.

Management Discussion of Historic Operating Results and Debt Service Coverage.

Beginning with the Fiscal Year ending June 30, 2019, the Agency began reporting the Authority and the Devil's Den Water District as blended component units of the Agency for purposes of the Agency's audited financial statements. Prior to Fiscal Year ending June 30, 2019, the Agency had not included the financial results of the Authority and the Devil's Den Water District in its audited financial statements. In addition, due to a change in auditors from Fiscal Year ending June 30, 2018 to Fiscal Year ending June 30, 2019, the accounting methodology applied to the Agency's compensated absences differed from the methodology applied in audited financial statements for the Fiscal Year ending June 30, 2018. As a result of inclusion of the Authority and the Devil's Den Water District as blended component units of the Agency and the change in methodology applied to the compensated absences, the beginning balance in the Statement of Revenues, Expenses and Changes in the Fund Net Position Year Ended June 30, 2019 in the Agency's audited financial statements for the Fiscal Year ending June 30, 2019 was restated to account for the respective beginning balances of the Authority and the Devil's Den Water District and changes to the prior Fiscal Year's compensated absences.

In the Agency's audited financial statements for the Fiscal Year ending June 30, 2020, the Agency restated the Newhall Water Divisions net position that was previously reported on June 30, 2019 by \$323,985, which restatement was related to a correction of accumulated depreciation.

In the Agency's audited financial statements for the Fiscal Year ending June 30, 2022, the Agency restated its beginning net position by \$408,324 due to certain capital asset discrepancies identified during the transition to a new accounting software during the Fiscal Year ended June 30, 2022.

In each of the auditor's reports on internal control over financial reporting prepared in connection with the audited basic financial statements of the Agency for the Fiscal Years ending June 30, 2019 through June 30, 2022, the Auditor did not identify any deficiencies in internal control that the Auditor considered to be a material weakness.

The auditor's report on internal control over financial reporting prepared in connection with the audited basic financial statements of the Agency for the six-month period ending June 30, 2018, identified the following deficiencies in internal control which the Auditor considered to be material weaknesses: preparation of fiscal year end trial balance, and communication between Divisions. That auditor noted that during its audit of the Agency's June 30, 2018 financial statements, the auditor noted a lack of control with regard to the Agency providing timely, auditable divisional trial balances at the time of the auditor's fieldwork, and over time, the auditor was provided with several iterations of the trial balance which contained material variances from audit support, and had to

repeatedly review each trial balance and provide management lists of areas that needed adjustment. The auditor noted that the auditor was required to re-perform its audit procedures in several areas to ensure that the Agency's financial statements were materially correct on June 30, 2018. Furthermore, the auditor noted that such lack of control could have, more likely than not, resulted in a material misstatement in the agency's financial statements, and as a result, the Auditor considers this to be a material weakness within the agency's internal control structure.

The operating results for the six-month period ending June 30, 2018 are not comparable to a similar period during the Fiscal Year ending June 30, 2019, due to several factors including the consolidation of the Agency's retail and wholesale divisions, changes to accounting standards previously employed by certain of the Agency's divisions, a change to the Agency's auditor, variations in hydrological conditions, the seasonality of water consumption, among other factors.

Agency Reserve Policy. In addition to the Debt Service coverage shown above, the practice of the Agency had been to keep significant general reserves. These Agency reserves are not pledged to the payment of the Series 2020 Installment Payments, the Series 2023 Installment Payments, the 2023 Bonds or any other Bonds or Contracts that may be issued or incurred by the Agency in the future, but they are anticipated to be available to pay Agency expenses if necessary. The Agency's reserve policies include Operating Reserves of four months of the combined operating expenditures and annual debt service, Capital Reserves of one year of the current pay-as-you-go capital improvement program, Revenue Rate Stabilization reserve of 20% annually budgeted operating revenues, Reserves for Economic Uncertainties and Catastrophic Situations of four months of operating expenditures and Water Supply Reliability reserve, on average, equal to 350 days of operating expenditures historically. All of these reserves are funded at or nearly at the required levels. There can be no assurance that the Agency Board will not revise the reserve policy in the future.

Projected Revenues, Operation and Maintenance Costs and Coverage

The table below provides a projection of the operating results of the Agency for Fiscal Years 2023 through 2027, reflecting the Agency's estimate of projected financial results based on certain significant assumptions concerning future events and circumstances, and based on the assumptions set forth in the footnotes to the table. Such assumptions are material in the development of the financial projections of the Agency, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations could be material. The presentation of the Revenues, the Operation and Maintenance Costs, debt service and debt service coverage are presented in accordance with the provisions of the 2023 Installment Purchase Agreement, not the indentures, installment purchase agreements and other agreements outstanding prior to the issuance of the 2023 Bonds.

Table 14
SANTA CLARITA VALLEY WATER AGENCY
Projected Net Revenues and Coverage
(Fiscal Years ending June 30)

	2023 ⁽¹⁾⁽²⁾	2024 ⁽²⁾	2025 ⁽²⁾	2026 ⁽²⁾	2027 ⁽²⁾
Revenues					
Water Consumption Sales and Services ⁽³⁾	\$ 87,436,270	\$ 97,535,468	\$ 107,045,418	\$ 119,417,933	\$ 132,016,684
Other charges and services ⁽⁴⁾	3,010,906	2,631,303	3,063,141	3,197,411	3,339,965
1% Property Taxes ⁽⁵⁾	31,773,451	30,952,265	31,676,548	32,417,779	33,176,355
Interest Income ⁽⁶⁾	2,013,687	5,893,996	6,055,559	3,940,163	3,275,977
Other Revenue ⁽⁷⁾	13,856,187	18,465,827	13,628,300	13,377,124	8,161,378
Total Revenues	\$ 138,090,501	\$ 155,478,860	\$ 161,468,966	\$ 172,350,409	\$ 179,970,359
Operation and Maintenance Costs					
Source of Supply ⁽⁸⁾	\$ 10,517,669	\$ 11,108,816	\$ 11,632,181	\$ 12,213,791	\$ 12,824,480
Pumping, Wells & Storage ⁽⁹⁾	15,609,579	17,999,123	19,510,225	21,635,556	23,962,219
Water Quality, Treatment & Maintenance ⁽¹⁰⁾	12,500,464	14,093,165	15,283,884	15,927,198	16,597,936
Transmission and Distribution ⁽¹¹⁾	9,893,411	11,151,577	11,377,167	11,893,010	12,432,771
Customer Care ⁽¹²⁾	2,775,795	3,068,214	3,143,402	3,259,053	3,379,098
Management ⁽¹³⁾	3,824,886	3,094,046	4,210,276	3,539,114	4,501,949
Engineering ⁽¹⁴⁾	3,784,674	4,484,004	3,699,025	3,842,268	3,991,066
Finance, Administration & IT ⁽¹⁵⁾	18,351,844	23,917,379	25,773,077	26,391,226	27,625,153
Water Resources ⁽¹⁶⁾	7,813,278	11,380,616	11,678,620	12,120,675	12,579,491
Total Operation and Maintenance Costs	\$ 85,071,599	\$ 100,296,940	\$ 106,307,857	\$ 110,821,890	\$ 117,894,165
Plus/Minus Transfers from the Rate Stabilization Fund ⁽¹⁷⁾	-	-	-	-	-
Net Revenues Available for Senior Debt Service ⁽¹⁸⁾	\$ 31,773,451	\$ 30,952,265	\$ 31,676,548	\$ 32,417,779	\$ 33,176,355
Senior Debt Service					
1999 Installment Payments ⁽¹⁹⁾	\$ 10,445,000	\$ 10,445,000	\$ 10,445,000	\$ 10,445,000	\$ 10,445,000
Senior Debt Service Coverage ⁽²⁰⁾	3.04	2.96	3.03	3.10	3.18
Net Revenues Available for 2018A Installment Payments⁽²¹⁾					
2018A Installment Payments ⁽²²⁾	976,975	\$ 1,618,038	\$ 1,614,541	\$ 1,614,706	\$ 1,613,856
2018A Installment Payments Debt Service Coverage ⁽²³⁾	21.83	12.67	13.15	13.61	14.09
Net Revenues Available for Parity Debt Service ⁽²⁴⁾	\$ 41,596,926	\$ 43,118,882	\$ 43,101,568	\$ 49,468,813	\$ 50,017,338
Parity Debt Service					
2020 Installment Payments	\$ 21,595,945	\$ 21,703,962	\$ 21,852,139	\$ 21,950,888	\$ 22,107,605
2023 Installment Payments ⁽²⁵⁾	-	1,531,170	3,186,250	3,186,250	3,186,250
SWRCB Loan ⁽²⁶⁾	-	-	-	273,995	273,995
2026 Bonds ⁽²⁷⁾	-	-	-	-	1,725,000
Total Parity Debt Service	\$ 21,595,945	\$ 23,235,132	\$ 25,038,389	\$ 25,411,133	\$ 27,292,850
Parity Debt Service Coverage ⁽²⁸⁾	1.93	1.86	1.72	1.95	1.83
Total Debt Service Coverage ⁽²⁹⁾	1.61	1.56	1.49	1.64	1.58
Revenues Available for Other Purposes	\$ 20,000,981	\$ 19,883,750	\$ 18,063,179	\$ 24,057,680	\$ 22,724,488

(1) Reflects actual unaudited results for the first six months of Fiscal Year 2023 and projected estimates for the remaining six months of Fiscal Year 2023.

(2) Totals may not add due to rounding

(3) Includes sale of SWP water, recycled water, groundwater, and certain other water. Assumes an increase in the rates and charges for water service of 6.5% in Fiscal Years 2023 and 2024, 10.5% in Fiscal Year 2025, 10.0% in Fiscal Year 2026 and 10.0% in Fiscal Year 2027, as reflected in the projected Revenues from retail water sales summarized in Table 5. See the caption "THE WATER SYSTEM – Projected Retail Water and Water Sales Revenues." The assumed water rate increases for Fiscal Years 2025 through 2027 have not been approved by the Board. The assumed water rate increases for Fiscal Years 2025 and 2026 are higher than the 6.5% annual increases for such Fiscal Years approved by the Board pursuant to the 2021 Rate Action. If the assumed rates are not adopted for Fiscal Years 2025 and 2026 and rates are increased by 6.5% in each such Fiscal Year, Parity Debt Service Coverage would be projected to be 1.62x and 1.65x, respectively. All rate increases are

subject to Board approval and the notice, hearing and protest provisions of Proposition 218. There can be no assurance that rate increases which are assumed for Fiscal Year 2025 and thereafter will be approved by the Board. See “INVESTMENT CONSIDERATIONS—Projected Rate Increases” in this Official Statement. In addition, amounts include the sales to District No. 36 of approximately \$292,344 in Fiscal Year 2023, approximately \$306,698 in Fiscal Year 2024, approximately \$315,901 in Fiscal Year 2025, approximately \$325,378 in Fiscal Year 2026 and approximately \$335,140 in Fiscal Year 2027. The increase in Fiscal year 2024 is attributable to a projected increase in grant and reimbursement revenues. The Agency projects receipts of grant and reimbursement proceeds based on the estimated date on which such amounts will be received. The amounts of such grants and reimbursement can vary significantly from year to year.

- (4) Includes Facility Capacity Fee revenues and other miscellaneous fees. Reflects projected Agency Facility Capacity Fee revenues summarized in Table 11. Facility Capacity Fee revenues for Fiscal Year 2023 are projected to be significantly lower than Facility Capacity Fee revenues received in Fiscal Year 2022. The Agency attributes the decrease to lower development activity in the Water Service Areas due to increases in inflation and the unavailability of materials due to global supply chain disruption. See the caption “THE WATER SYSTEM—Facility Capacity Fees.” Other charges and services revenue is projected to decrease by approximately 83% in Fiscal Year 2023 as compared to Fiscal Year 2022 due to a decrease in Facility Capacity Fee revenues. Other charges and services revenue is projected to decrease in Fiscal Year 2024 by 13%, increase in Fiscal Year 2025 by 16% and increase by 4% in each of Fiscal Years 2026 and 2027. The projected decrease in Fiscal Year 2024 is attributable to a decline in Facility Capacity Fee revenues. The increase in Fiscal Year 2025 is attributable to a projected increase in Facility Capacity Fee revenues.
- (5) Reflects projected Agency share of revenues from the 1% *ad valorem* property tax levy. See the caption “THE WATER SYSTEM—Agency Revenue Derived From Property Taxes.” 1% Property Taxes revenues are projected to increase by approximately 6.7% in Fiscal Year 2023 as compared to Fiscal Year 2022. 1% Property Taxes revenues are projected to decrease in Fiscal Year 2024 by 2.6% and increase by 2.3% per annum for Fiscal Years 2025 through 2027.
- (6) Assumes earnings on each Fiscal Year’s estimated average cash balance, which is calculated on reserve fund balances in conformance with Agency policy. Assumes returns of 1.50% for Fiscal Year 2023, 3.97% for Fiscal Year 2024, 3.84% for Fiscal Year 2025 and 3.50% for each of Fiscal Years 2026 and 2027. Amounts also include repayments related to the 2018A Installment Payments. Amounts exclude interest earned on debt service reserve funds and financing proceeds funds and unrealized gains on investments.
- (7) Includes communication lease revenues, laboratory fees, intergovernmental revenues, other miscellaneous revenues, and grants and reimbursements, including capital projects and operations and maintenance costs reimbursed pursuant to the Perchlorate Contamination Settlement. Other revenues are projected to increase by approximately 232.0% in Fiscal Year 2023 as compared to Fiscal Year 2022 due to increases in annexation reimbursements, operations and maintenance costs reimbursed pursuant to the Perchlorate Contamination Settlement and certain grant and reimbursement revenues. Other revenues are projected to increase in Fiscal Year 2024 by 33.3%, decrease in Fiscal Year 2025 by 26.2%, decrease in Fiscal Year 2026 by 1.8% and decrease by 39.0% in Fiscal Year 2027. The increase in Fiscal year 2024 is attributable to a projected increase in grant and reimbursement revenues. The decreases in Fiscal Years 2025 through 2027 are attributable to projected decreases in annexation reimbursements, operations and maintenance costs reimbursed pursuant to the Perchlorate Contamination Settlement and other grant and reimbursement revenues. The Agency projects receipts of grant and reimbursement proceeds based on the estimated date on which such amounts will be received. The amounts of such grants and reimbursement can vary significantly from year to year.
- (8) Source of Supply costs are projected to increase by approximately 19.0% in Fiscal Year 2023 as compared to Fiscal Year 2022 due to increases in the costs of core water supplies and Agency water supply firming programs. Source of Supply costs are projected to increase in Fiscal Year 2024 by 5.6%, increase in Fiscal Year 2025 by 4.7%, increase in Fiscal Year 2026 by 5.0% and increase by 5.0% in Fiscal Year 2027. The increases are attributable to the annual increases in core water supplies and water supply firming programs.
- (9) Pumping, Wells and Storage costs are projected to increase by approximately 16.3% in Fiscal Year 2023 as compared to Fiscal Year 2022 due to increases in PFAS treatment facilities costs, purchase power rate increases, inflation rate increases, material and supplies cost increases. Pumping, Wells and Storage increases are projected to increase in Fiscal Year 2024 by 5.6%, increase in Fiscal Year 2025 by 4.7%, increase in Fiscal Year 2026 by 5.0% and increase by 5.0% in Fiscal Year 2027. The increases are attributable to the projected cost increases for costs of equipment, costs of maintenance and repair of PFAS treatment facilities, wells, groundwater perchlorate treatment facilities and electricity costs.
- (10) Water Quality, Treatment and Maintenance costs are projected to increase by approximately 3.7% in Fiscal Year 2023 as compared to Fiscal Year 2022 due to increases to the costs of equipment, supplies and employee costs. Water Quality, Treatment and Maintenance costs are projected to increase in Fiscal Year 2024 by 12.7%, increase in Fiscal Year 2025 by 8.4%, increase in Fiscal Year 2026 by 4.2% and increase by 4.2% in Fiscal Year 2027. The increases are attributable to the projected cost increases for costs of Agency consultants, maintenance and repair of treatment plans and intake pump stations, chemical costs and regulatory fees.
- (11) Transmission and Distribution costs are projected to decrease by approximately 19.9% in Fiscal Year 2023 as compared to Fiscal Year 2022 due to decreases to the costs of maintenance and repair of certain Agency facilities. Transmission and Distribution costs are projected to increase in Fiscal Year 2024 by 12.7%, increase in Fiscal Year 2025 by 2.0%, increase in Fiscal Year 2026 by 4.5% and increase by 4.5% in Fiscal Year 2027. The increases are attributable to the projected cost increases for costs of Agency consultants, maintenance and repair of hydrants, control valves and other equipment, increases in the cost of natural gas and employee overtime.
- (12) Customer Care costs are projected to decrease by approximately 1.8% in Fiscal Year 2023 as compared to Fiscal Year 2022. Customer Care costs are projected to increase in Fiscal Year 2024 by 10.5%, increase in Fiscal Year 2025 by 2.5%, increase in Fiscal Year 2026 by 3.7% and increase by 3.7% in Fiscal Year 2027. The increase projected in Fiscal Year 2024 is attributable to the projected employee cost increases.
- (13) Management costs are projected to decrease by approximately 4.2% in Fiscal Year 2023 as compared to Fiscal Year 2022. Management costs are projected to decrease in Fiscal Year 2024 by 19.1%, increase in Fiscal Year 2025 by 36.1%, decrease in Fiscal Year 2026 by 15.9% and increase by 27.2% in Fiscal Year 2027. The change in Management costs in Fiscal Years 2024 through 2027 is due primarily to election costs relating to Board of Directors elections occurring in Fiscal Years 2023, 2025 and 2027.
- (14) Engineering costs are projected to decrease by approximately 8.0% in Fiscal Year 2023 as compared to Fiscal Year 2022 due to projected decreases in engineering consulting costs. Engineering costs are projected to increase in Fiscal Year 2024 by 18.5%, decrease in Fiscal Year 2025 by 17.5%, increase in Fiscal Year 2026 by 3.9% and increase by 3.9% in Fiscal Year 2027. The projected increase in Fiscal Year 2024 is attributable to an increase in engineering consulting costs due to preparation of Agency’s master capital plan. The projected decrease in Fiscal Year 2026 is attributable to a reduction in engineering consulting costs.
- (15) Finance Administration and Information Technology costs are projected to increase by approximately 15.8% in Fiscal Year 2023 as compared to Fiscal Year 2022. Finance Administration and Information Technology costs are projected to increase in Fiscal Year 2024 by 30.3%, increase in Fiscal Year 2025 by 7.8%, increase in Fiscal Year 2026 by 2.4% and increase by 4.7% in Fiscal Year 2027. The projected increase in Fiscal Year 2024 is attributable to increases in employee costs, security and alarms services and refuse disposal costs. Projected increases in Fiscal Years 2023 and 2024 are attributed to an increase in Technology Services including the expansion of software applications used by customer care, anticipated maintenance of an Agency-wide camera system, and additional security services.

- (16) Water Resources costs are projected to increase by approximately 33.1% in Fiscal Year 2023 as compared to Fiscal Year 2022 due to costs associated with the Agency’s groundwater sustainability agency and the BMP implementation. Water Resources costs are projected to increase in Fiscal Year 2024 by 45.7%, increase in Fiscal Year 2025 by 2.6%, increase in Fiscal Year 2026 by 3.8% and increase by 3.8% in Fiscal Year 2027. The projected increase in Fiscal Year 2024 is attributable to increases in employee costs, costs associated with the groundwater sustainability agency and consultant costs. Projected increases in Fiscal Years 2023 and 2024 are attributed to work deferred from Fiscal Year 2022 and 2023 which includes planning components for conservation long-term framework and sustainability initiatives. Such work also includes staffing additional department positions, increased employee-related expenses and benefits, training, and employee travel.
- (17) The Agency does not anticipate transferring amounts to or from the Rate Stabilization Fund.
- (18) Comprised of a portion of the Total Revenues, consisting generally of the facility capacity fees, the 1% Property Taxes and certain other revenues attributable to the historic wholesale water system, less a portion of Total Operation and Maintenance Costs that is attributable to said historic wholesale water system, plus any transfers from the Rate Stabilization Fund or less any transfers to the Rate Stabilization Fund. Amount does not include revenues or operation and maintenance costs attributable to the Agency’s retail operations which are excluded from such calculation by the terms of the 1999 Installment Purchase Agreement.
- (19) The Agency executed and delivered the 1999 Certificates, which are secured by the 1999 Installment Payments, in the currently outstanding principal amount of approximately \$67,061,078 (adjusted for the accreted value of capital appreciation certificates as of February 1, 2023). The first payment of principal of and interest on the outstanding 1999 Certificates, which are capital appreciation certificates, was due in Fiscal Year 2022. While the 1999 Certificates are payable from the facility capacity fees, the Agency share of revenues from the 1% *ad valorem* property tax levy and certain other revenues attributable to the historic wholesale water system, less certain operation and maintenance costs attributable to said historic wholesale water system, 1% Property Taxes are projected to be applied to the payment of the 1999 Certificates in accordance with the Depository Agreement and the Agency expects such 1% Property Taxes to be sufficient to pay the entire amount of the 1999 Installment Payments.
- (20) Coverage calculated as Net Revenues Available for Senior Debt Service divided by the 1999 Installment Payments.
- (21) Calculated as Net Revenues Available for Senior Debt Service less the 1999 Installment Payments. Amount does not include revenues or operation and maintenance costs attributable to the Agency’s retail operations which are excluded from such calculation by the terms of the 2018A Installment Purchase Agreement.
- (22) While the 2018A Installment Payments are payable from all facility capacity fees, the Agency share of revenues from the 1% *ad valorem* property tax levy and certain other revenues attributable to the historic wholesale water system, less certain operation and maintenance costs of said historic wholesale water system after the payment of the 1999 Installment Payments, 1% Property Taxes are projected to be applied to the payment of the 2018A Installment Payments in accordance with the Depository Agreement and the Agency expects such 1% Property Taxes to be sufficient to pay the entire amount of the 2018A Installment Payments. Pursuant to the terms of the Installment Purchase Agreement, 1% Property Taxes remaining after being applied to the 1999 Installment Payments are to be applied first to the payment of the 2018A Installment Payments and then to the 2020 Installment Payments.
- (23) Coverage calculated as Net Revenues Available for 2018A Installment Payments divided by the 2018A Installment Payments.
- (24) Calculated as Total Revenues, less Total Operation and Maintenance Costs, plus any transfers from the Rate Stabilization Fund or less any transfers to the Rate Stabilization Fund, less the 1999 Installment Payments and less 2018A Installment Payments.
- (25) Projected at an all-in true interest cost of 3.05% and a principal amount of \$63,725,000.
- (26) The SWRCB Loan is projected to have an interest rate of 0% loan and a projected principal amount of \$8,200,000.
- (27) Projected at an all-in true interest cost of 5.00% and a principal amount of \$34,500,000.
- (28) Coverage calculated as Net Revenues Available for Debt Service divided by Total Parity Debt Service.
- (29) Coverage calculated as Total Revenues less Total Operation and Maintenance Costs, plus any transfers from the Rate Stabilization Fund or less any transfers to the Rate Stabilization Fund, divided by the sum of the 1999 Installment Payments, 2018A Installment Payments and Total Parity Debt Service.

Source: Agency.

Retirement Benefits

Pension Plan. CLWA and NCWD maintained cost-sharing multi-employer defined benefit pension plans administered by the California Public Employees Retirement System (“CalPERS”). Pursuant to the Agency Law, the Agency is the successor to CLWA and NCWD for the purpose of providing continuation of membership and will succeed to the assets and liabilities with respect to their pension plans administered by CalPERS.

All qualified permanent and probationary employees of the Agency, including employees of the former VWC and NCWD who became Agency employees, are eligible to participate in Agency’s separate Miscellaneous Employee Pension Plans (the “Plans”), cost-sharing multi-employer defined benefit pension plans administered by CalPERS. Benefit provisions under the Plans are established by State statute and Agency resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan groups are as follows:

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

New Members - in accordance with the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), employees hired on or after January 1, 2013, are enrolled in the CalPERS Local Miscellaneous 2.0% at 62 Plan.

The Plan's provisions and benefits in effect on June 30, 2023, are summarized as follows:

	<i>Miscellaneous Pool</i>	
	<i>Classic</i>	<i>PEPRA</i>
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	
Benefit payments	Monthly for life	
Retirement age	50-55	52-62
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	7.25%
Required employer contribution rates	11.600%	7.730%

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

For the year ended June 30, 2022, the contributions recognized as part of pension expense for the Plan were as follows:

	2022
Contributions - Employer	<u>\$ 2,975,440</u>

Net Pension Liability. As of June 30, 2022, the Agency reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	2022
Proportionate share of net pension liability	<u>\$ 7,367,113</u>

The Agency's net pension liability for the Plan is measured as a proportionate share of the net pension liability. The net pension liability of the plan is measured as of June 30, 2021 (the measurement date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 (the valuation date), rolled forward to June 30, 2021, using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

Actuarial Assumptions. The total pension liabilities were determined by actuarial valuation reports as of June 30, 2020, which were rolled forward to June 30, 2021, using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.15 Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table *	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefits	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies 2.50% thereafter

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

For additional information with respect to the Agency's pension plans as of June 30, 2022, including but not limited to the deferred pension outflows and inflows of resources, changes in assumptions used to determine pension liabilities, the discount rate used to measure the Agency's total pension liability, and the sensitivity of the Agency's proportionate share of the net pension liability to changes in the discount rate related to the pension plans, see Note 6 of the Agency's Annual Financial Report attached to the Official Statement as Appendix B.

Other Post-Employment Benefits. The Agency provides other post-employment benefits ("OPEB") to qualified employees who retire from the Agency and meet the Agency's vesting requirements. The Agency participates in CalPERS California Employer's Retiree Benefit Trust Program ("CERBT"), a Prefunding Plan trust fund intended to perform an essential government function within the meaning of Section 115 of the Internal Revenue Code as an agent multiple-employer plan. CalPERS CERBT audited financial report may be obtained from their executive Office: 400 P Street, Sacramento, California 95814. The Agency has set aside funds to cover retiree health liabilities in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

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

All employees who retire from the Agency who are eligible to continue coverage in retirement will receive a medical benefit not less than the required PEMCHA minimum employer contribution ("MEC"). MEC benefits continue to a covered surviving spouse as well, if eligible for survivor benefits under the retirement program. The MEC was \$149 per month in 2022, and is \$151 per month in 2023.

All Agency retirees are also eligible for 100% paid dental premiums for the retiree and his or her eligible covered dependents for the retiree's lifetime. Additional retiree medical benefits are payable in the following circumstances, which vary based on the retiree's employment date with the Agency or predecessor agency (CLWA or NCWD).

For retirees hired before January 1, 2009, the Agency pays 100% of the medical premium for the retiree and any enrolled dependents, up to but not exceeding 90% of the PERS most expensive basic plan premium in the Los Angeles Region 3 for the coverage level selected by the retiree (e.g., single, two-party or family).

For retirees hired on or January 1, 2009, the Agency pays 100% of the medical premium for the retiree and any enrolled dependents, up to but not exceeding a vested percentage of 90% of the PERS most expensive basic plan premium in the Los Angeles Region 3 for the coverage level selected by the retiree (e.g., single, two-party or family). The vested percent is based on all years of CalPERS membership, but requires at least 5 years of service with the Agency.

Employee Covered By Benefit Terms. On June 30, 2022, the following employees were covered by the benefit terms:

	2023
Participating active employees	209
Retiree employees	<u>66</u>
Total plan membership	<u>275</u>

Actuarial Assumptions. The Agency’s total OPEB liability in the June 30, 2020 actuarial valuation, which was measured on June 30, 2022, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Fiscal year Ending	June 30, 2023
Measurement Date	June 30, 2022
Valuation Date	June 30, 2022
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market Value of Assets
Long Term Return on Assets	6.15% as of June 30, 2022, and June 30, 2023
Discount Rates	6.15% as of June 30, 2022, and June 30, 2023
Participant Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3 0% per year; since benefits do not depend on pay, this is used only to allocate the cost of benefits between service years and to develop the amortization payment portion of the Actuarially Determined Contributions
General Inflation Rate	2.5% per year.

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

For additional information with respect to the Agency’s post-employment benefits, including but not limited to the discount rate used to measure the Agency’s total OPEB liability, changes in the Agency’s OPEB liability during Fiscal Year 2022, the sensitivity of the Agency’s net OPEB liability to changes in the discount rate, the sensitivity of the Agency’s net OPEB liability to changes in the health care cost trend rates, the recognition of deferred outflows and deferred inflows of resources and the OPEB expense and deferred outflows/inflows of resources related to OPEB see Note 7 of the Agency’s Annual Financial Report attached to the Official Statement as Appendix B.

Litigation

Except as otherwise described in this Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Agency, threatened against the Agency affecting the existence of the Agency or the titles of

its officers to their respective offices or seeking to restrain or to enjoin the sale or issuance of the 2023 Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the action of the Agency contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Agency or its authority with respect to the 2023 Bonds or any action of the Agency contemplated by any of said documents. As described below, there is a lawsuit against the Agency, as the successor to CLWA and NCWD, which is incidental to the ordinary course of operations of the Water System. There are also lawsuits that may impact the provision of State Water Project water to State Water Project contractors, which include the Agency.

Delta Litigation. Various legal actions have been filed, and are anticipated to be filed, involving the conveyance of water through the Delta by DWR via the State Water Project and by the United States Bureau of Reclamation (“Reclamation”) via the Central Valley Project (“CVP”). The legal actions include, among others, the following: *Pacific Coast Federation of Fisherman’s Association, et al. v. Ross* (U.S. Magistrate Judge Boone presiding, Case No. 1:20-CV-00431-DAD-SAB) (“*PCFFA v. Ross*”), and *California Natural Resources Agency, et al. v. Ross* (U.S. Magistrate Judge Oberto presiding, Case No. 1:20) (“*CNRA v. Ross*”). Both of these cases, described in more detail below, were transferred to the United States District Court for the Eastern District of California where they have not yet proceeded to the merits. The cases have been coordinated.

Both *PCFFA v. Ross* and *CNRA v. Ross* were brought against the United States Fish and Wildlife Service (“FWS”), the National Marine Fisheries Service (“NMFS”) and Reclamation alleging violation under the Administrative Procedure Act (“APA”), the Endangered Species Act (“ESA”) and the National Environmental Policy Act (“NEPA”). The actions arise from the Biological Opinions (“BO”) and associated permits issued by the FWS and NMFS under the ESA for the long-term, coordinated operations of the CVP and the State Water Project, and Reclamation’s reliance upon those opinions and permits. For the last decade, the State Water Project and CVP operations have been controlled by a pair of BOs issued in 2008 and 2009 by FWS and NMFS, respectively, and their reasonable and prudent alternatives (“RPAs”). In 2016, DWR and Reclamation reinitiated consultation with the FWS and NMFS based, in part, on new information related to multiple years of drought. DWR and Reclamation worked to refine operations of the State Water Project and CVP to reflect water quality regulations, existing ESA restrictions, updated hydrology, developing scientific data, and enhanced real-time monitoring capacity. In January of 2019, Reclamation issued a Biological Assessment that proposed a new long-term operating plan that would control through 2030. On July 1, 2019, NMFS released a draft BO that found the proposed plan would cause jeopardy and included a RPA. DWR and Reclamation continued to work with the FWS and NMFS to refine the proposed operations to prevent jeopardy, and, on October 21, 2019, both FWS and NMFS issued new BOs that concluded that the long-term operations plan would not cause jeopardy. On February 19, 2020, Reclamation completed its NEPA review of the long-term operating plan and issued a Record of Decision adopting the October 2019 BOs. *PCFFA v. Ross* and *CNRA v. Ross*, which are cases challenging these decisions, are described in more detail below.

PCFFA v. Ross and CNRA v. Ross. On December 2, 2019, a group of six environmental organizations filed an action on in the United States District Court for the Northern District of California. The environmental groups claim that NMFS and FWS violated the APA in reaching no jeopardy conclusions in the October 2019 BOs. The environmental groups also allege that Reclamation violated the ESA by relying on the BOs and that Reclamation failed to comply with NEPA in issuing its Record of Decision.

On February 20, 2020, the California Natural Resources Agency, the California Environmental Protection Agency and the California Attorney General filed suit against NMFS, FWS and Reclamation in the Northern District. The complaint alleges that FWS and NMFS’s preparation and adoption of the October 2019 BOs violated the ESA and APA and that Reclamation failed to comply with NEPA and the APA before adopting its Record of Decision. These two cases have been coordinated and transferred to the Eastern District. The State Water Contractors and other parties have intervened as defendants in the case.

On October 1, 2021, the federal agencies announced the re-initiation of consultation. On November 23, 2021, Federal Defendants and State Plaintiffs filed separate motions both seeking implementation of a one-year Interim Operations Plan (“IOP”) and on March 11, 2022, the Court issued a 122-page opinion adopting the IOP as

a consent decree through September 30, 2022. The Court declined to vacate the cases and maintained jurisdiction but stayed proceedings until the expiration of the IOP. 2022. On August 23, 2022, the State and Feds circulated a proposed IOP for 2022-2023, with nearly identical terms to the previous IOP. On February 24, 2023, the court issued an order adopting the new proposed IOP, which will be in effect until December 31, 2023. Reinitiating of consultation is continuing.

DWR must also obtain permits for the State Water Project from the California Department of Fish and Wildlife (“CDFW”) pursuant to the California Endangered Species Act (“CESA”). In 2009, CDFW issued consistency determinations concluding that the 2008 and 2009 BO protections for state-protected species also satisfied CESA requirements. In early 2019, while developing its new long-term operating plan, DWR announced its intent to apply to CDFW for a separate CESA incidental take permit, not a consistency determination. On March 27, 2020, DWR certified an environmental impact report describing its new long-term operation plan, and on March 31, 2020, CDFW issued an incidental take permit (“ITP”) imposing additional restrictions on State Water Project operations.

State Water Contractors v. CDFW/DWR. On April 28, 2020, the State Water Project contractors and the Kern County Water Agency filed suit against DWR and CDFW challenging the ITP on CESA and CEQA grounds in Fresno County (Case No. 20CECG0132).

Metropolitan Water District v. CDFW/DWR. The Metropolitan Water District of Southern California and Mojave Water Agency filed a similar lawsuit against DWR and CDFW challenging the ITP on CESA and CEQA grounds on April 28, 2020, that also included a breach of contract claim against DWR in Fresno County (Case No. 20CECG01347).

In addition, six additional lawsuits have been filed challenging the ITP, including three cases brought by environmental groups, and multiple venues are involved. The cases have been coordinated and the administrative record is still being finalized.

The Agency cannot predict the outcome of these Delta-related cases. However, the Agency believes that any new decision or order by a State or Federal court related to one or more of the above-described BOs and leading to adverse decisions reducing State Water Project supplies would not have a material impact on the Agency’s ability to make the Series 2023 Installment Payments (and to pay debt service on other Contracts and Bonds).

DWR disclosure documents and annual reports filed by DWR pursuant to Rule 15c2-12 with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>, should be reviewed for information pertaining to the above-described Delta-related cases. DWR has not entered into any contractual commitment with the Agency, the Trustee or the Owners of the 2023 Bonds to provide such information to the Agency or the Owners of the 2023 Bonds. None of the Agency, the Municipal Advisor or the Underwriter assumes any responsibility for the accuracy of such disclosures.

Roberts v. Coachella Valley Water District. On March 14, 2023, the Superior Court of the State of California, County of Riverside rendered a decision in case involving the levy, collection and application of local property taxes levied by the Coachella Valley Water District (“CVWD”) pursuant to CVWD’s State Water Project contract. In *Roberts v. Coachella Valley Water District* (Case No. RIC1825310 MF) (the “CVWD Case”), the initial plaintiff and then the Howard Jarvis Taxpayers Association, who was substituted for the initial plaintiff, filed a series of cases against the Coachella Valley Water District (“CVWD”) challenging the levy, collection and application of local property taxes levied by CVWD pursuant to CVWD’s State Water Project contract (the “CVWD Case”). In the CVWD Case, the plaintiff claimed that (i) CVWD levied the State Water Project property tax without first making a determination that such taxes were necessary as required by Water Code Section 11652 and the SWP contract, (ii) CVWD failed to keep a separate accounting of State Water Project funds in violation of the Water Code and the Government Code and (iii) that the State Water Project property taxes collected by

CVWD were used for purposes other than State Water Project expenses in violation of Propositions 12, 218 and 26.

With respect to the plaintiff's challenge of CVWD's levy of the State Water Project property taxes, the court found that (1) CVWD is not authorized to levy taxes to pay its State Water Project contract obligations unless it is necessary to levy such taxes, (2) it is "necessary" only when it is not feasible to raise sufficient funds to satisfy those obligations by user charges alone, and (3) CVWD exercises its discretion when deciding the issue of feasibility. The court determined that CVWD's finding of necessity with respect to the levy the property tax was not supported by evidence that paying its State Water Project contract obligations from charges for water was infeasible. As a result, the court found that CVWD abused its discretion in levying the State Water Project property tax.

The court also found that the State Water Project property tax was not used exclusively for State Water Project expenses by CVWD and that for a period of time, CVWD had failed to keep State Water Project funds separate from other funds, having commingled State Water Project property tax proceeds with other revenues collected by CVWD. The case is now in the remedies phase. It is expected CVWD will appeal the trial court's decision.

The Agency's levy of the State Water Project property tax and the Agency's expenditure of the State Water Project property tax on State Water Project expenses has not been challenged to date. The Agency does not commingle State Water Project property tax proceeds with other Agency Revenues and accounts for such State Water Project property tax proceeds separately from other Agency Revenues. In addition, the Agency has expended State Water Project property tax on State Water Project expenses that the Agency believes are permitted to be paid with the State Water Project property tax. As a result, the Agency does not currently expect that the outcome of the CVWD Case will have a material adverse impact on the Agency's current practice of levying the State Water Project property tax and the application by the Agency of the State Water Project property tax on State Water Project expenses. The decision of the court in the CVWD Case is subject to appeal and the Agency cannot predict the ultimate outcome of the CVWD Case.

Execution and Delivery

The execution and delivery of this Appendix have been duly authorized by the Agency.

SANTA CLARITA VALLEY WATER AGENCY

By: _____
President

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR
FISCAL YEAR ENDING JUNE 30, 2022
INCLUDING THE AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING**

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Installment Purchase Agreement and the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the respective agreement for a full and complete statement of the provisions thereof.

THE INDENTURE

DEFINITIONS; EQUAL SECURITY

Capitalized terms used in the Indenture and not otherwise defined therein will have the respective meanings ascribed to such terms in the Installment Purchase Agreement. Unless the context otherwise requires, the terms defined in this Summary will for all purposes of the Indenture and of any amendment thereof or supplement thereto and of the 2023 Bonds and of any certificate, opinion, request or other document mentioned therein have the meanings defined therein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined therein:

Acquisition Fund. The term “Acquisition Fund” means the fund by that name established pursuant to the Indenture.

Authorized Denominations. The term “Authorized Denominations” mean \$5,000 or any integral multiple thereof.

Bond Payment Fund. The term “Bond Payment Fund” means the fund by that name established pursuant to the Indenture.

Book-Entry System. The term “Book-Entry System” means the system maintained by the Securities Depository and described in the Indenture.

Business Day. The term “Business Day” means any day other than: (i) a Saturday or Sunday; or (ii) a day on which banks located in the city in which the Principal Corporate Trust Office of the Trustee is located are authorized or required to remain closed; or (iii) a day on which The New York Stock Exchange is closed.

Certificate; Request. The terms “Certificate” or “Request” mean: (i) with respect to the Agency, an instrument in writing signed on behalf of the Agency by the President of the Board of Directors of the Agency, the Manager of the Agency, or by any other officer of the Agency duly authorized by the Board of Directors of the Agency to sign documents on its behalf with respect to the matters referred to therein; and (ii) with respect to the Issuer, by the President of the Board of Directors of the Issuer, the Executive Director of the Issuer, or by any other officer of the Issuer duly authorized by the Board of Directors of the Issuer to sign documents on its behalf with respect to the matters referred to therein.

Code. The term “Code” means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations in effect with respect thereto.

Delivery Date. The term “Delivery Date” means the date of the delivery of the 2023 Bonds to the initial purchaser thereof.

DTC. The term “DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

Depository. The term “Depository” means DTC or another recognized securities depository selected by the Issuer which maintains a Book-Entry System for the 2023 Bonds.

Event of Default. The term “Event of Default” means an Event of Default as defined in the Installment Purchase Agreement.

Favorable Opinion of Special Counsel. The term “Favorable Opinion of Special Counsel” means an opinion of Special Counsel addressed to the Agency and the Trustee to the effect that an action proposed to be taken is not prohibited by the laws of the State or the Indenture and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the 2023 Bonds.

Fitch. The term “Fitch” means Fitch Ratings, Inc., a Delaware corporation, and its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “Fitch” will be deemed to refer to any other nationally recognized securities rating agency (other than Moody’s or S&P) designated by the Issuer by written notice to the Trustee.

Hazardous Substances. The term “Hazardous Substances” means any hazardous substances, wastes, pollutants or contaminants now or later included in such (or any similar) term under any federal, state, or local statute, code, ordinance or regulation now in effect or later enacted or amended.

Indenture. The term “Indenture” means the Indenture of Trust, dated as of May 1, 2023, by and between the Trustee and the Issuer, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance with the Indenture.

Information Services. The term “Information Services” means the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the Agency may specify in a Certificate to the Trustee and as the Trustee may select.

Installment Purchase Agreement. The term “Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of May 1, 2023, by and between the Agency and the Issuer, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

Interest Account. The term “Interest Account” means the account by that name established pursuant to the Indenture.

Interest Payment Date. The term “Interest Payment Date” means [February 1, 2024] and each February 1 and August 1 thereafter.

Issuer. The term “Issuer” means the Upper Santa Clara Valley Joint Powers Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California.

Letter of Representations. The term “Letter of Representations” means the letter of the Authority delivered to and accepted by the Depository on or prior to delivery of the 2023 Bonds as book-entry bonds setting forth the basis on which the Depository serves as depository for such book-entry bonds, as originally executed or as it may be supplemented or revised or replaced by a letter from the Authority delivered to and accepted by the Depository.

Maturity Date. The term “Maturity Date” means August 1 of each year commencing August 1, 20__ and ending on August 1, 20__.

Moody's. The term “Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “Moody’s” will be deemed to refer to any other nationally recognized securities rating agency (other than Fitch and S&P) designated by the Issuer by written notice to the Trustee.

Nominee. The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

Outstanding. The term “Outstanding,” when used as of any particular time with reference to 2023 Bonds, means (subject to the provisions of the Indenture) all 2023 Bonds except: (i) 2023 Bonds canceled by the Trustee or delivered to the Trustee for cancellation; (ii) 2023 Bonds paid or deemed to have been paid within the meaning of the Indenture; and (iii) 2023 Bonds in lieu of or in substitution for which other 2023 Bonds have been authenticated and delivered by the Trustee pursuant to the Indenture.

Owner. The term “Owner” or “2023 Bond Owner” or “Owner of 2023 Bonds” or any similar term, when used with respect to the 2023 Bonds, means any person who is the registered owner of any Outstanding 2023 Bond.

Participant. The term “Participant” means, with respect to DTC or another Securities Depository, a member of or participant in DTC or such other Securities Depository, respectively.

Person. The term “Person” means a natural person or any legal entity.

Permitted Investments. The term “Permitted Investments” means any of the following, if and to the extent permitted by law and by any policy guidelines promulgated by the Issuer. The following obligations may be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow agreements:

- (a) Cash (insured at all times by the Federal Deposit Insurance Corporation); and
- (b) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including: U.S. treasury obligations; all direct or fully guaranteed obligations; Farmers Home Administration; General Services Administration; Guaranteed Title XI financing; Government National Mortgage Association (GNMA); and State and Local Government Series.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

The following obligations may be used as Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts.

- (c) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank; Rural Economic Community Development Administration; Federal Farm Credit Bureau; U.S. Maritime Administration; Small Business Administration; U.S. Department of Housing & Urban Development (PHAs); and Federal Housing Administration and Federal Financing Bank;
- (d) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC); Obligations of the Resolution Funding Corporation (REFCORP); Senior

debt obligations of the Federal Home Loan Bank System; and Senior debt obligations of other Government Sponsored Agencies;

- (e) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
- (f) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's or "A-1" by S&P and which matures not more than 270 calendar days after the date of purchase;
- (g) Investments in a money market fund rated "AAm", "AAAm" or "AAAm-G" or better by S&P, including such funds for which the Trustee or an affiliate provides investment advice for other services;
- (h) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice:
 - (1) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or
 - (2) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) above, which escrow may be applied only to the payment of such principal and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;
- (i) The following municipal obligations: (1) revenue obligations of states or any department, board, agency or authority thereof rated "A1" or better by Moody's, "A+" or better by S&P or "A+" or better by Fitch; (2) general obligations of states rated "A3" or better by Moody's, "A-" or better by S&P or "A-" or better by Fitch; (3) adjustable rate revenue obligations of states or any department, board, agency or authority thereof rated "P-1" or better by Moody's, "A-1+" or better by S&P or "F-1"+ or better by Fitch; (4) fixed rate revenue obligations of any political subdivision of the State or entity owned, operated or controlled by such a political subdivision rated "A1" or better by Moody's, "A+" or better by S&P or "A+" or better by Fitch; or (5) adjustable rate revenue obligations of any political subdivision of the State or entity owned, operated or controlled by such a political subdivision rated "P-1" or better by Moody's, "A-1+" or better by S&P or "F-1+" by Fitch;
- (j) Investment agreements (supported by appropriate opinions of counsel) for which the guarantor is rated at least "AA" by S&P;

- (k) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent that the Trustee is authorized to register such investment in its name;
- (l) the California Asset Management Program;
- (m) Local Government Investment Pools (LGIP). Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code § 6509.7. To be eligible for purchase, the pool must meet the requirements of Government Code § 53601(p); and
- (n) Certificates of deposit insured by the Federal Deposit Insurance Corporation;
- (o) Other investments permitted as of the closing date of the 2023 Bonds pursuant to Government Code Section 53601.

The value of the above investments will be determined as follows: (i) for the purpose of determining the amount in any fund, all Permitted Investments credited to such fund will be valued at cost; (ii) as to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and (iii) as to any investment not specified above: the value thereof established by prior agreement among the Issuer and the Trustee.

Principal Account. The term "Principal Account" means the account by that name established pursuant to the Indenture.

Principal Corporate Trust Office. The term "Principal Corporate Trust Office" means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as the Trustee may from time to time designate in writing to the Agency, the Issuer and the Owners.

Rebate Fund. The term "Rebate Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

Record Date. The term "Record Date" means the fifteenth (15th) day of the month immediately preceding an Interest Payment Date.

Redemption Account. The term "Redemption Account" means the account by that name established pursuant to the Indenture.

Redemption Price. The term "Redemption Price" means, with respect to any 2023 Bond (or portion thereof), the principal amount with respect to such 2023 Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such 2023 Bond and the Indenture.

Revenues. The term "Revenues" means amounts received by the Issuer pursuant to or with respect to the Installment Purchase Agreement and all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture.

Securities Depository. The term "Securities Depository" means DTC or, if applicable, any successor securities depository appointed pursuant to the Indenture.

S&P. The term "S&P" means S&P Global Ratings, a Standard & Poor's Financial Services LLC business, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, "S&P" will be deemed to refer to any other nationally recognized securities rating agency (other than Fitch and Moody's) designated by the Issuer by written notice to the Trustee.

Special Counsel. The term “Special Counsel” means any attorney at law or firm of attorneys selected by the Agency, of nationally-recognized standing in matters pertaining to the federal tax exemption of interest with respect to obligations of states and political subdivisions.

State. The term “State” means the State of California.

Tax Certificate. The term “Tax Certificate” means the Tax Certificate, dated the date of initial issuance of the 2023 Bonds, concerning certain matters pertaining to the use and investment of proceeds of the 2023 Bonds, including any and all exhibits attached thereto.

Trustee. The term “Trustee” means U.S. Bank Trust Company, National Association, a national banking association having a corporate trust office in Los Angeles, California, or such other office as the Trustee may from time to time designate in writing to the Agency, the Issuer and the Owners, or its successor as Trustee under the Indenture.

2023 Bonds. The term “2023 Bonds” means, the Upper Santa Clara Valley Joint Powers Authority Revenue Bonds, Series 2023A in the aggregate principal amount as set forth in the Indenture.

Written Consent of the Issuer or the Agency; Written Order of the Issuer or the Agency; Written Request of the Issuer or the Agency; Written Requisition of the Issuer or the Agency. The terms “Written Consent of the Issuer or the Agency,” “Written Order of the Issuer or the Agency,” “Written Request of the Issuer or the Agency,” and “Written Requisition of the Issuer or the Agency” mean, respectively, a written consent, order, request or requisition signed by or on behalf of: (i) the Issuer by its President, or a Vice President, Treasurer or Executive Director; or (ii) the Agency by the President, or a Vice President, or General Manager, or its Chief Financial and Administrative Officer, or by the Secretary or by any two persons (whether or not members of the Board of Directors) who are specifically authorized by resolution of the Agency to sign or execute such a document on its behalf.

EQUAL SECURITY

In consideration of the acceptance of the 2023 Bonds by the Owners, the Indenture will be deemed to be and will constitute a contract between the Trustee and the Owners to secure the full and final payment of the interest and principal and redemption premiums, if any, on the 2023 Bonds, subject to the agreements, conditions, covenants and terms contained in the Indenture, including without limitation the terms included in the Indenture; and all agreements, conditions, covenants and terms contained in the Indenture required to be observed or performed by or on behalf of the Trustee will be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to benefit, protection or security of any 2023 Bonds over any other 2023 Bonds by reason of the number or date thereof or the time of sale, execution or delivery thereof or otherwise for any cause whatsoever, except as expressly provided in the Indenture.

CONDITIONS AND TERMS OF 2023 BONDS

Execution of 2023 Bonds. The 2023 Bonds will be executed in the name and on behalf of the Issuer with the manual or facsimile signature of its President, attested by the manual or facsimile signature of its Secretary. The 2023 Bonds will then be delivered to the Trustee for authentication by it. In case any of the officers who will have signed or attested any of the 2023 Bonds will cease to be such officer or officers of the Issuer before the 2023 Bonds so signed or attested have been authenticated or delivered by the Trustee, or issued by the Issuer, such 2023 Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, will be as binding upon the Issuer as though those who signed and attested the same had continued to be such officers of the Issuer, and also any 2023 Bonds may be signed and attested on behalf of the Issuer by such persons as at the actual date of execution of such 2023 Bonds will be the proper officers of the Issuer although at the nominal date of such 2023 Bonds any such person will not have been such officer of the Issuer.

Only such of the 2023 Bonds as will bear thereon a certificate of authentication substantially in the form set forth in the Indenture, manually executed by the Trustee, will be valid or obligatory for any purpose or entitled to the benefits of the Indenture, and such certificate of or on behalf of the Trustee will be conclusive evidence that the 2023 Bonds so authenticated have been duly executed, authenticated and delivered under the Indenture and are entitled to the benefits of the Indenture.

2023 Bonds Mutilated, Lost, Destroyed or Stolen. If any 2023 Bond will become mutilated, the Trustee will authenticate and deliver a new 2023 Bond of like series, tenor, maturity and principal amount in exchange and substitution for the 2023 Bond so mutilated, but only upon surrender to the Trustee of the 2023 Bond so mutilated.

Every mutilated 2023 Bond so surrendered to the Trustee will be canceled by it and destroyed. If any 2023 Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee will be given indemnifying the Trustee, the Issuer and the Agency, the Trustee, at the expense of the 2023 Bond Owner, will authenticate and deliver a new 2023 Bond of like series, tenor and maturity, and numbered as the Trustee will determine, in lieu of and in substitution for the 2023 Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new 2023 Bond executed under the Indenture and of the expenses which may be incurred by the Trustee under thereunder. Any 2023 Bond executed and authenticated under the provisions of the Indenture in lieu of any 2023 Bond alleged to be lost, destroyed or stolen will be equally and proportionately entitled to the benefits of the Indenture with all other 2023 Bonds secured by the Indenture. The Trustee will not be required to treat both the original 2023 Bond and any replacement 2023 Bond as being Outstanding for the purpose of determining the principal amount of 2023 Bonds which may be executed under the Indenture or for the purpose of determining any percentage of 2023 Bonds Outstanding under the Indenture, but both the original and replacement 2023 Bond will be treated as one and the same. Notwithstanding any other provision of the Indenture, in lieu of delivering a new 2023 Bond for a 2023 Bond which has been mutilated, lost, destroyed or stolen and which has matured or has been selected for redemption, the Trustee may make payment of such 2023 Bond upon receipt of indemnity satisfactory to the Trustee.

Book-Entry System.

2023 Bonds will be issued in fully registered form and will be initially issued registered in the name of “Cede & Co.,” as nominee of The Depository Trust Company in accordance with the Indenture. The 2023 Bonds will be evidenced by one bond maturing on each stated Maturity Date of 2023 Bonds. The 2023 Bonds may be assigned by the Trustee a distinctive number or letter and number, and a record of the same will be maintained by the Trustee. Registered ownership of the 2023 Bonds, or any portion thereof, may not thereafter be transferred except as set forth in the Indenture.

With respect to book-entry 2023 Bonds, the Issuer and the Trustee will have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book-entry 2023 Bonds. Without limiting the immediately preceding sentence, the Issuer and the Trustee will have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book-entry 2023 Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the 2023 Bond registration books, of any notice with respect to book-entry 2023 Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book-entry 2023 Bonds to be redeemed in the event the Issuer redeems the 2023 Bonds in part; or (iv) the payment by the Depository or any Participant or any other person, of any amount with respect to principal, premium, if any, or interest with respect to book-entry 2023 Bonds. The Issuer and the Trustee may treat and consider the person in whose name each book-entry 2023 Bond is registered in the 2023 Bond registration books as the absolute Owner of such book-entry 2023 Bond for the purpose of payment of principal, premium and interest on such 2023 Bond, for the purpose of giving notices of redemption and other matters with respect to such 2023 Bond, for the purpose of registering transfers with respect to such 2023 Bond, and for all other purposes whatsoever. The Trustee will pay all principal, premium, if any, and interest on the 2023 Bonds only to or upon the order of the respective Owner, as shown in the 2023 Bond register, or his

respective attorney duly authorized in writing, and all such payments will be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of, premium, if any, and interest evidenced and borne by the 2023 Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the 2023 Bond registration books, will receive a 2023 Bond evidencing the obligation to make payments of principal, premium, if any, and interest evidenced and borne by the 2023 Bonds. Upon delivery by the Depository to the Owner and the Trustee, of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Indenture with respect to Record Dates, the word Nominee in the Indenture will refer to such nominee of the Depository.

Delivery of Letter of Representations. In order to qualify the book-entry 2023 Bonds for the Depository's Book-Entry System, the Issuer and the Trustee will execute and deliver to the Depository, if required by the Depository, a Letter of Representations. The execution and delivery of a Letter of Representations will not in any way impose upon the Issuer or the Trustee any obligation whatsoever with respect to persons having interests in such book-entry 2023 Bonds other than the Owners, as shown on the 2023 Bond registration books. By executing a Letter of Representations, the Trustee has agreed to take all action necessary at all times so that the Trustee is in compliance with all representations of the Trustee in such Letter of Representations. In addition to the execution and delivery of a Letter of Representations, the Issuer and the Trustee will take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify book-entry 2023 Bonds for the Depository's Book-Entry System.

Selection of Depository. In the event that: (i) the Depository determines not to continue to act as securities depository for book-entry 2023 Bonds; or (ii) the Issuer determines that continuation of the Book-Entry System is not in the best interest of the beneficial owners of the 2023 Bonds or the Issuer, then the Issuer will discontinue the Book-Entry System with the Depository. If the Issuer determines to replace the Depository with another qualified securities depository, the Issuer will prepare or direct the preparation of a new single, separate, fully registered 2023 Bond for each of the Maturity Dates of such book-entry 2023 Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in the Indenture. If the Issuer fails to identify another qualified securities depository to replace the Depository, then the 2023 Bonds will no longer be restricted to being registered in such 2023 Bond register in the name of the Nominee, but will be registered in whatever name or names the Owners transferring or exchanging such 2023 Bonds will designate, in accordance with the provisions of the Indenture.

Payments To Depository. Notwithstanding any other provision of the Indenture to the contrary, so long as all Outstanding 2023 Bonds are held in book-entry form and registered in the name of the Nominee, all payments with respect to principal, redemption premium, if any, and interest on such 2023 Bond and all notices with respect to such 2023 Bond will be made and given, respectively to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions in the Indenture.

Transfer of 2023 Bonds to Substitute Depository. (i) The 2023 Bonds will be initially authenticated and delivered as provided in the Indenture. Registered ownership of such 2023 Bonds, or any portions thereof, may not thereafter be transferred except:

(A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to the Indenture ("Substitute Depository"); provided that any successor of DTC or Substitute Depository is qualified under any applicable laws to provide the service proposed to be provided by it;

(B) to any Substitute Depository, upon: (i) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (ii) a determination by the Issuer that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository is qualified under any applicable laws to provide the services proposed to be provided by it; or

(C) to any person as provided below, upon: (i) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or; (ii) a determination by the Issuer that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to the Indenture, upon receipt of all Outstanding 2023 Bonds by the Trustee, together with a Written Request of the Issuer to the Trustee designating the Substitute Depository, a single new 2023 Bond, which the Issuer will prepare or cause to be prepared, will be authenticated and delivered for each series and maturity of 2023 Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such Written Request of the Issuer. In the case of any transfer pursuant to the Indenture, upon receipt of all Outstanding 2023 Bonds by the Trustee, together with a Written Request of the Issuer to the Trustee, new 2023 Bonds, which the Issuer will prepare or cause to be prepared, will be authenticated and delivered in such denominations and registered in the names of such persons as are requested in such Written Request of the Issuer, subject to the limitations of the Indenture, provided that the Trustee will not be required to deliver such new 2023 Bonds within a period of less than sixty (60) days from the date of receipt of such Written Request from the Issuer.

(iii) In the case of a partial redemption or an advance refunding of any 2023 Bonds evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) will make an appropriate notation on such 2023 Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee will not be liable for such Depository's failure to make such notations or errors in making such notations.

(iv) the Issuer and the Trustee are entitled to treat the person in whose name any 2023 Bond is registered as the Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Issuer; and the Issuer and the Trustee will not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2023 Bonds. Neither the Issuer nor the Trustee will have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any 2023 Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the 2023 Bonds.

2023 INSTALLMENT PAYMENTS

Assignment of Revenues. The Issuer, for good and valuable consideration, unconditionally grants, transfers and assigns to the Trustee without recourse all its rights to receive the Revenues and enforce the Installment Purchase Agreement upon an event of default thereunder for the benefit of the Owners of the 2023 Bonds, for the purpose of securing: (a) the payment of all sums due and owing to the Owners of the 2023 Bonds under the terms of the Indenture; and (b) the observance, performance and discharge of each agreement, condition, covenant and term of the Agency contained in the Installment Purchase Agreement, and the Trustee accepts such assignment.

All 2023 Installment Payments will be paid directly by the Agency to the Trustee, and all 2023 Installment Payments received by the Trustee will be held in trust by the Trustee under the terms of the Indenture for the benefit of the Agency until deposited in the funds provided in the Indenture, whereupon such money will be held in trust in such funds by the Trustee for the benefit of the Owners.

Deposit of Revenues. The Trustee will deposit all Revenues paid to it into the Bond Payment Fund and will transfer such funds to the Interest Account, the Principal Account and the Redemption Account in the manner and at the times provided later in the Indenture. The Bond Payment Fund (and all accounts contained therein) will be maintained so long as any 2023 Bonds are Outstanding. All moneys in the Bond Payment Fund

(and the accounts contained therein) will be disbursed only for the purposes and uses later authorized in the Indenture; provided that any money in such fund or accounts not required to pay the principal and interest and redemption premiums, if any, on the 2023 Bonds will on the Business Day immediately following each Interest Payment Date, be transferred to the Issuer to be used for any lawful purpose of the Issuer.

Interest Account. On or prior to each Interest Payment Date, the Trustee will transfer to the Interest Account that amount of money representing the portion of the Revenues constituting the interest becoming due and payable on such Interest Payment Date. All money in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the 2023 Bonds on their respective Interest Payment Dates.

Principal Account. On or prior to each Maturity Date (commencing on August 1, 20__), the Trustee will transfer to the Principal Account that amount of money representing the portion of the Revenues constituting the principal becoming due and payable on such Maturity Date. All money in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal on the 2023 Bonds on their respective maturities.

Redemption Account. Any prepayments paid to the Trustee pursuant to the Installment Purchase Agreement will immediately be transferred to the Redemption Account. All money in the Redemption Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and redemption premiums, if any, on the 2023 Bonds to be redeemed on their respective optional or mandatory redemption dates.

Rebate Fund.

Establishment. The Trustee will establish a separate fund designated the “Rebate Fund.” Absent an opinion of Special Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2023 Bonds will not be adversely affected, the Issuer will cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Indenture and the Tax Certificate. All money at any time deposited in the Rebate Fund will be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund will be governed by the Indenture and the Tax Certificate for the 2023 Bonds, unless and to the extent that the Issuer delivers to the Trustee an opinion of Special Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2023 Bonds will not be adversely affected if such requirements are not satisfied.

Computation. Within 55 days of the end of each Bond Year (as such term is defined in the Tax Certificate), the Issuer will calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exception of Section 148(f)(4)(B) and the construction expenditure exception of Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “1½% Penalty”) has been made), for such purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “Rebatable Arbitrage”). The Issuer will obtain expert advice as to the amount of the Rebatable Arbitrage to comply with the Indenture.

Transfer. Within 55 days of the end of the fifth Bond Year, upon the Written Request of the Issuer, an amount will be deposited to the Rebate Fund by the Trustee from any Revenues legally available for such purpose (as specified by the Issuer in the aforesaid Written Request), if and to the extent required so that the balance in the Rebate Fund will equal the amount of Rebatable Arbitrage so calculated in accordance with the Indenture. In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon Written Request of the Issuer, the Trustee will withdraw the excess from the Rebate Fund and then credit the excess to the Bond Payment Fund.

Payment to the Treasury. The Trustee will pay, as directed by Request of the Issuer, to the United States Treasury, out of amounts in the Rebate Fund: (A) not later than 60 days after the end of: (X) the fifth Bond Year; and (Y) each applicable fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and (B) not later than 60 days after the payment of all the 2023 Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the date of such payment and any income attributable to the Rebatable Arbitrage determined to be due and payable, computed in accordance with Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Issuer will calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to the Indenture will be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T, or will be made in such other manner as provided under the Code.

Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment in full of the 2023 Bonds and the payments described in the Indenture being made may be withdrawn by the Issuer upon written direction of the Issuer to the Trustee and utilized in any manner by the Issuer.

Survival of Defeasance. Notwithstanding anything in the Indenture to the contrary, the obligation to comply with the requirements of the Indenture will survive the defeasance or payment in full of the 2023 Bonds.

Recordkeeping. The Issuer will retain records of all determinations made under the Indenture until six years after the complete retirement of the 2023 Bonds.

The Trustee will not be responsible for calculating rebate amounts or for the adequacy or correctness or any rebate report or rebate calculations. The Trustee is deemed conclusively to have complied with the provisions of the Indenture regarding calculation and payment of rebate if it follows the directions of the Issuer and it will have no independent duty to review or such calculations or enforce compliance with such rebate requirements.

COVENANTS

Compliance with Indenture and Installment Purchase Agreement. The Issuer will not execute, and the Trustee will not authenticate or deliver any 2023 Bonds in any manner other than in accordance with the provisions of the Indenture; and the Issuer will not suffer or permit any default by it to occur under the Indenture, but will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be observed and performed by it.

The Issuer will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Installment Purchase Agreement required to be observed and performed by the Issuer, and will enforce such agreements against the other party thereto in accordance with their terms.

Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Special Counsel that the exclusion from gross income of interest on 2023 Bonds will not be adversely affected for federal income tax purposes, the Issuer has covenanted to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and has specifically covenanted, without limiting the generality of the foregoing, as follows: (a) Private Activity. The Issuer will take no action or refrain from taking any action or make any use of the proceeds of the 2023 Bonds or of any other moneys or property which would cause the 2023 Bonds to be “private activity bonds” within the meaning of Section 141 of the Code; (b) Arbitrage. The Issuer will make no use of the proceeds of the 2023 Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the 2023 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code; (c) Federal Guaranty. The Issuer will make no use of the proceeds of the 2023 Bonds or take or omit to take any action that would cause the 2023 Bonds to be “federally

guaranteed” within the meaning of Section 149(b) of the Code; (d) Information Reporting. The Issuer will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code; (e) Hedge Bonds. The Issuer will make no use of the proceeds of the 2023 Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause either the 2023 Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Issuer takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2023 Bonds for federal income tax purposes; and (f) Miscellaneous. The Issuer will take no action or refrain from taking any action inconsistent with its expectations stated in that certain Tax Certificate executed by the Issuer in connection with each issuance of 2023 Bonds and will comply with the covenants and requirements stated therein and incorporated by reference in the Indenture.

Prosecution and Defense of Suits. The Issuer will defend against every action, suit or other proceeding at any time brought against the Trustee, the Issuer or any Owner upon any claim arising out of the receipt, deposit or disbursement of any of the 2023 Installment Payments or involving any rights or obligations of the Trustee, the Issuer or any Owner under the Indenture; provided, that the Trustee, the Issuer or any Owner at its, his or her election may appear in and defend any such action, suit or other proceeding. The Issuer will indemnify and hold harmless the Trustee and the Owners against any and all liability claimed or asserted by any person arising out of any such receipt, deposit or disbursement, and will indemnify and hold harmless the Owners against any attorneys’ fees or other expenses which any of them may incur in connection with any litigation or otherwise in connection with the foregoing to which any of them may become a party in order to enforce their rights under the Indenture or under the 2023 Bonds; provided that such litigation is concluded favorably to such Owners’ contentions therein.

Accounting Records and Statements. The Trustee will keep proper books of record and account in accordance with corporate trust industry standards in which complete and correct entries will be made of all transactions made by the Trustee relating to the receipt, investment, disbursement, allocation and application of the Revenues and the proceeds of the 2023 Bonds. Such records will be open to inspection by the Issuer and by any Owner at any reasonable time during regular business hours on reasonable notice. Not later than the fifteenth (15th) day of each month, commencing on the first calendar month after the initial issuance of the 2023 Bonds, and continuing so long as any 2023 Bonds are Outstanding, the Trustee will furnish to the Issuer and to the Agency a complete statement covering the receipts, deposits and disbursements of the funds held by the Trustee under the Indenture for the preceding month; provided that the Trustee will not be obligated to provide an accounting for any fund or account that: (a) has a balance of \$0.00; and (b) has not had any activity since the last reporting date.

Further Assurances. Whenever and so often as requested to do so by the Trustee or any Owner, the Issuer will promptly execute and deliver, or cause to be executed and delivered, all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners the benefit, protection and security conferred, or intended to be conferred, upon them by the Indenture.

DEFAULT AND LIMITATIONS OF LIABILITY

Events of Default. The following events will be Events of Default under the Indenture: (a) Default by the Issuer in the due and punctual payment of the principal of any 2023 Bonds when and as the same will become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise; (b) Default by the Issuer in the due and punctual payment of any installment of interest on any 2023 Bonds when and as the same will become due and payable; (c) Default by the Issuer in the observance of any of the other covenants, agreements or conditions on its part contained in the Indenture or in the 2023 Bonds, if such default will have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, have been given to the Issuer by the Trustee or by the Owners of a majority in aggregate principal amount of 2023 Bonds Outstanding; provided, however, that if in the reasonable opinion of the Issuer the default stated in the notice can be corrected, but not within such sixty (60) day period and

corrective action is instituted by the Issuer within such sixty (60) day period and diligently pursued in good faith until the default is corrected such failure will not become an Event of Default; (d) The Issuer will file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction will approve a petition filed with or without the consent of the Issuer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction will assume custody or control of the Issuer or of the whole or any substantial part of its property.

Remedies Upon Event of Default. If any Event of Default will occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of not less than a majority in aggregate principal amount of the 2023 Bonds at the time Outstanding will, upon notice in writing to the Issuer, declare the principal of all of the 2023 Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and will be immediately due and payable, anything contained in the Indenture or in the 2023 Bonds to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due have been obtained or entered, the Issuer will deposit with the Trustee a sum sufficient to pay all the principal of and interest on the 2023 Bonds the payment of which is overdue, with interest on such overdue principal at the rate borne by the respective 2023 Bonds to the extent permitted by law, and the reasonable charges and expenses of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the 2023 Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate have been made therefor, then, and in every such case the Trustee will, on behalf of the Owners of all of the 2023 Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment will extend to or will affect any subsequent Event of Default, or will impair or exhaust any right or power consequent thereon.

Application of Revenues and Other Funds After Default. If an Event of Default will occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture will be applied by the Trustee as follows and in the following order: (a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the 2023 Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture; and (b) To the payment of the principal of and interest then due on the 2023 Bonds (upon presentation of the 2023 Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of the Indenture, in the following order of priority:

First: To the payment to the persons entitled thereto of all interest then due in the order of the due date of such interest, and, if the amount available will not be sufficient to pay in full any interest due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any 2023 Bonds which will have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of two hundred (200) basis points above the interest rate per annum on such overdue principal, and, if the amount available will not be sufficient to pay in full all the 2023 Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Trustee to Represent 2023 Bond Owners. The Trustee is irrevocably appointed (and the successive respective Owners of the 2023 Bonds, by taking and holding the same, will be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the 2023 Bonds for the

purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the 2023 Bonds or the Indenture and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the 2023 Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the 2023 Bonds then Outstanding and upon being indemnified to its satisfaction therefor, will proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it will deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power granted in the Indenture, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the 2023 Bonds or the Indenture or any other law; and upon instituting such proceeding, the Trustee will be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the 2023 Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the 2023 Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in the name of the Trustee for the benefit and protection of all the Owners of such 2023 Bonds, subject to the provisions of the Indenture.

Notwithstanding anything contained in the Indenture, the Trustee will have no security interest in or mortgage on the Project, any property of the Agency or other assets or property thereof and no default under the Indenture will result in the loss of the Project, any property of the Agency or other assets or property thereof.

2023 Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the 2023 Bonds then Outstanding will have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conduct in all remedial proceedings taken by the Trustee under the Indenture, provided that such direction will not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee will have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to 2023 Bond Owners not parties to such direction.

Limitation on 2023 Bond Owners' Right to Sue. No Owner of any 2023 Bonds will have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Installment Purchase Agreement or any other applicable law with respect to such 2023 Bonds, unless: (a) such Owners will have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the 2023 Bonds then Outstanding will have made written request upon the Trustee to exercise the powers granted in the Indenture before or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners will have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee will have failed to comply with such request for a period of sixty (60) days after such written request has been received by, and said tender of indemnity has been made to, the Trustee; (e) no direction inconsistent with such written request has been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the 2023 Bonds then Outstanding; and (f) such suit, action or proceeding is instituted subject to the Indenture.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of 2023 Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of 2023 Bonds will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of 2023 Bonds, or to enforce any right under the 2023 Bonds, the Indenture, the Installment Purchase Agreement or other applicable law with respect to the 2023 Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right will be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Owners of the Outstanding 2023 Bonds, subject to the provisions of the Indenture.

Absolute Obligation of Issuer. Nothing in the Indenture or in the 2023 Bonds contained will affect or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on the 2023 Bonds to the respective Owners of the 2023 Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Revenues and other assets pledged in the Indenture therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the 2023 Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more 2023 Bond Owners on account of any Event of Default has been discontinued or abandoned for any reason or has been determined adversely to the Trustee or the 2023 Bond Owners, then in every such case the Issuer, the Trustee and the 2023 Bond Owners, subject to any determination in such proceedings, will be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Issuer, the Trustee and the 2023 Bond Owners will continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of the 2023 Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, will be cumulative and in addition to any other remedy given under the Indenture or now or later existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Owner of the 2023 Bonds to exercise any right or power arising upon the occurrence of any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or an acquiescence therein; provided, however, that every power and remedy given by the Indenture to the Trustee or to the Owners of the 2023 Bonds may be exercised from time to time and as often as may be deemed expedient.

THE TRUSTEE

Employment and Duties of the Trustee. The Issuer appoints and employs the Trustee to receive, deposit and disburse the Revenues as provided in the Indenture, to prepare, authenticate, deliver, transfer, exchange and cancel the 2023 Bonds as provided in the Indenture, to pay the interest and principal and redemption premiums, if any, on the 2023 Bonds to the Owners thereof as provided in the Indenture, and to perform the other obligations contained in the Indenture; all in the manner provided in the Indenture and subject to the conditions and terms of the Indenture. By executing and delivering the Indenture, the Trustee undertakes to perform such obligations (and only such obligations) as are specifically set forth in the Indenture, and no implied obligations will be read in the Indenture against the Trustee.

Removal and Resignation of the Trustee. The Issuer may at any time, as long as an Event of Default, or an event which with notice or passage of time or both would become an Event of Default, has not occurred and is continuing, and will, after any breach by the Trustee under the Indenture, remove the Trustee initially a party to the Indenture and any successor thereto by giving written notice of such removal to the Trustee, and by giving notice by mail in accordance with the Indenture of such removal to all Owners of 2023 Bonds, and the Trustee initially a party to the Indenture and any successor thereto may at any time resign by giving written notice of such resignation to the Issuer and the Agency and by giving notice by mail in accordance with the Indenture such resignation to all Owners of 2023 Bonds. Upon giving any such notice of removal or upon receiving any such notice of resignation, the Issuer will promptly appoint a successor Trustee by an instrument in writing; provided that in the event that the Issuer and the Agency do not appoint a successor Trustee within sixty (60) days following the giving of any such notice of removal or the receipt of any such notice of resignation, the removed or resigning Trustee may petition any appropriate court having jurisdiction to appoint a successor Trustee. No removal, resignation or termination of the Trustee will take effect until a successor trustee is appointed. Any successor Trustee must be a bank with trust powers or trust company doing business and having a principal corporate trust office in the United States of America, having (or if such bank or trust company is a member of a bank holding trust office in the United States of America, having (or if such bank or trust company is a member of a bank holding company system, its bank holding company has) a combined capital, (exclusive of borrowed capital) and surplus of at least seventy-five million dollars (\$75,000,000), unless the Agency consents to a lesser amount therefor, and will be subject to supervision or examination by state or national authorities. If such bank

or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Indenture the combined capital and surplus of such bank or trust company must be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal or resignation of a Trustee and appointment of a successor Trustee will become effective only upon the acceptance of the appointment by the successor Trustee.

Compensation and Indemnification of the Trustee. The Issuer will from time to time, subject to any agreement then in effect with the Trustee, pay the Trustee reasonable compensation for its services and reimburse the Trustee for all its reasonable advances and expenditures under the Indenture, including, but not limited to, advances to and the reasonable fees and expenses of accountants, agents, appraisers, consultants, counsel or other experts employed by it in the observance and performance of its rights and obligations under the Indenture; provided, except as otherwise provided in the Indenture, that the Trustee will not have any lien for such compensation or reimbursement against any money held by it in any of the funds established under the Indenture, although the Trustee may take whatever legal actions are available to it directly against the Issuer to recover such compensation or reimbursement. To the extent permitted by law, the Issuer does assume liability for, and has agreed to defend, indemnify, protect, save and keep harmless, the Trustee and its directors, officers and employees and its successors and assigns from and against any and all liabilities, obligations, losses, damages (including consequential damages incurred by others), taxes and impositions, penalties, fines, claims, actions, suits, costs and expenses and disbursements (including legal fees and expenses) of whatsoever kind and nature imposed in, asserted against or incurred or suffered by the Trustee or its directors, officers or employees or its successors and assigns in any way relating to or arising out of: (i) the condition, management, maintenance or use of or from any work done in connection with the Water System by the Agency including, the use, storage, preserve, disposal or release of any Hazardous Substances in or about the Water System; (ii) any act of negligence of the Agency or of any of its agents, contractors, directors, employees, invitees, licensees or officers in connection with the Water System; (iii) the authorization of the payment to any costs or expenses of the acquisition and construction of the Project; or (iv) the exercise of any rights or obligations of the Trustee under the Indenture; provided, that no indemnification will be made for willful misconduct or negligence under the Indenture by the Trustee.

The Trustee's rights to immunities and protection from liability under the Indenture and its rights to payment of its fees and expenses will survive its resignation or removal and the final payment or defeasance of the 2023 Bonds.

Protection of the Trustee. The Trustee will be protected and indemnified as stated in the Indenture by the Issuer and will incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, voucher, waiver or other paper or document which it will in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions of the Indenture, and the Trustee will be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may consult with counsel, who may be counsel to the Agency, before being required to take any action under the Indenture with regard to legal questions arising under the Indenture, and the opinion of such counsel will be full and complete authorization and protection in respect to any action taken or suffered by it under the Indenture in good faith in accordance therewith.

The Trustee will not be responsible for the sufficiency of the Installment Purchase Agreement or of the assignment made to it in the Indenture of all rights to receive the Revenues under the Installment Purchase Agreement, or of the title or value of the Project, and will not be deemed to have knowledge of any Event of Default unless and until it will have actual knowledge thereof or have received written notice thereof at its Principal Corporate Trust Office. All recitals, warranties or representations contained therein are statements of the Agency, and the Trustee assumes no responsibility for their correctness, and the Trustee will not be accountable for the use or application by the Agency, or any other party, of any funds which the Trustee properly releases to the Agency or which the Agency may otherwise receive from time to time. The Trustee makes no representation concerning, and has no responsibility for, the validity, genuineness, sufficiency, or performance by parties other

than the Trustee of the Indenture, any 2023 Bond, or of any other paper or document, or for taking any action on them (except as specifically and expressly stated for the Trustee in the Indenture), or with respect to any obligation of the Issuer or the Agency under the Indenture or for the sufficiency of any insurance on the Water System.

Whenever in the observance or performance of its rights and obligations under the Indenture or under the 2023 Bonds, the Trustee will deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, the Trustee may request a Certificate of the Agency and such matter (unless other evidence in respect thereof be in the Indenture specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Agency, and such Certificate of the Agency will be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the 2023 Bonds and may join in any action which any Owner may be entitled to take with like effect as it were not a party to the Indenture. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer or the Agency, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Issuer or the Agency as freely as if it were not the Trustee under the Indenture. The Trustee will not be answerable for the exercise of any of its rights under the Indenture or for the performance of any of its obligations under the Indenture or for anything whatsoever in connection with the funds established under the Indenture, except only for its own willful misconduct or negligence.

No provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties under the Indenture, or in the exercise of any of its rights or powers, if it will have reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Trustee will, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture. The Trustee will, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Trustee will not be responsible for monitoring the compliance of the Agency and the Issuer with the covenants as set forth in the Indenture and the Installment Purchase Agreement and may conclusively rely on all written instructions and calculations of the Agency and the Issuer with respect thereto; provided, the Trustee will promptly comply with all such written instructions as provided in the Indenture.

The Issuer will not be deemed to be an agent of the Trustee and the Trustee will not be liable for the acts or omissions of the Issuer in connection with the transactions contemplated by the Indenture and by the Installment Purchase Agreement.

The Trustee will have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the 2023 Bonds.

In no event will the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

The Trustee has agreed to accept and act upon instructions or directions pursuant to the Indenture sent by e-mail, facsimile transmission or other similar electronic methods, provided, however, that, for purposes of the Indenture, an e-mail does not constitute a notice, request, or other communication under the Indenture but rather,

the portable document format or similar attachment attached to such e-mail will constitute a notice, request, or other communication under the Indenture and provided further that the Trustee will have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate will be amended and replaced whenever a person is to be added or deleted from the listing. If the Agency or the Authority elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee elects to act upon such instructions, the Trustee's understanding of such instructions will be deemed controlling. The Trustee will not be liable for any losses, costs, claims or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding the fact that such instructions conflict or are inconsistent with a subsequent written instruction. The Agency and the Authority have each agreed to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

AMENDMENT OF OR SUPPLEMENT TO THE INDENTURE

Amendment or Supplement by Consent of Owners.

(a) The Indenture and the rights and obligations of the Issuer, the Agency, Owners and the Trustee under the Indenture may be amended or supplemented at any time by an amendment of the Indenture or supplement thereto which will become binding when the written consents of the Owners of a majority in aggregate principal amount of the 2023 Bonds then Outstanding, exclusive of 2023 Bonds disqualified as provided in the Indenture, are filed with the Trustee. No such amendment or supplement will: (i) reduce the rate of interest on any 2023 Bond or extend the time of payment thereof or reduce the amount of principal or redemption premium, if any, of any 2023 Bond or extend the maturity thereof or otherwise alter or impair the obligation of the Issuer to pay the interest and principal and redemption premium, if any, thereon at the time and place and at the rate and in the currency and from the funds provided therein without the prior written consent of the Owner of the 2023 Bond so affected; or (ii) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

(b) The Indenture and the rights and obligations of the Issuer, the Agency, the Owners and the Trustee under the Indenture may also be amended or supplemented at any time by an amendment thereof or supplement thereto which will become binding upon execution without the written consents of any Owners, but only to the extent permitted by law:

(i) to add to the agreements, conditions, covenants and terms contained in the Indenture required to be observed or performed by the Issuer or the Agency other agreements, conditions, covenants and terms thereafter to be observed or performed by the Issuer or the Agency, or to surrender any right reserved in the Indenture to or conferred in the Indenture on the Issuer or the Agency, and which in either case will not adversely affect the interests of the Owners;

(ii) to modify, amend or supplement the Indenture in such a manner as to preserve the exemption of the 2023 Bonds from the registration requirements of the Securities Act of 1933 or any similar federal statute later in effect or to permit the qualification of the Indenture under the Trust Indenture Act of 1939 or any similar federal statute later in effect;

(iii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Indenture or in regard to questions arising under the Indenture which the Issuer or the Agency may deem desirable or necessary, and which will not adversely affect the interests of the Owners;

(iv) to the extent required to conform the procedures under the Indenture to the procedures of the Depository, as such procedures may be in effect from time to time; and

(v) to make any modifications or changes necessary or appropriate in the opinion of Special Counsel to preserve or protect the exclusion from gross income for federal income tax purposes of interest on the 2023 Bonds.

The Issuer will give written notice of any amendment to the Indenture and the rights and obligations of the Issuer and the Agency and the Owners and the Trustee under the Indenture to Moody's, S&P and Fitch not less than fifteen (15) days prior to the execution thereof.

Disqualified 2023 Bonds. 2023 Bonds known to the Trustee to be held for the account of the Issuer or the Agency (but excluding 2023 Bonds held in any pension or retirement fund of the Issuer or the Agency) will not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding 2023 Bonds provided in the Indenture, and will not be entitled to consent to or take any other action provided in the Indenture, and the Trustee may adopt appropriate regulations to require each Owner, before his or her consent provided for in the Indenture will be deemed effective, to reveal if the 2023 Bonds as to which such consent is given are disqualified as provided in the Indenture.

Endorsement or Replacement of 2023 Bonds After Amendment or Supplement. After the effective date of any action taken as provided in the Indenture, the Trustee may determine that the 2023 Bonds may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case, upon demand of the Owner of any Outstanding 2023 Bond and presentation of the 2023 Bond for such purpose at the Principal Corporate Trust Office of the Trustee, a suitable notation as to such action will be made on such 2023 Bond. If the Trustee will so determine, new 2023 Bonds so modified as in the opinion of the Trustee will be necessary to conform to such action will be prepared, and in that case upon demand of the Owner of any Outstanding 2023 Bonds such new 2023 Bonds will be exchanged without cost to each Owner for 2023 Bonds then Outstanding at the Principal Corporate Trust Office of the Trustee, upon surrender of such Outstanding 2023 Bonds. All 2023 Bonds surrendered to the Trustee pursuant to the provisions of the Indenture will be canceled by the Trustee and will not be redelivered.

Amendment or Supplement by Mutual Consent. The provisions of the Indenture will not prevent any Owner from accepting any amendment or supplement as to the particular 2023 Bonds owned by him or her; provided, that due notation thereof is made on such 2023 Bonds.

DEFEASANCE

Discharge of 2023 Bonds and Indenture.

(a) If the Trustee will pay or cause to be paid or there will otherwise be paid to the Owners of all Outstanding 2023 Bonds the interest and principal and redemption premiums, if any, evidenced and represented thereby at the times and in the manner provided in the Indenture, then all agreements and covenants of the Issuer and the Agency to such Owners under the Indenture will thereupon cease, terminate and become void and will be completely discharged and satisfied.

Any Outstanding 2023 Bonds will on their maturities or their mandatory redemption dates prior thereto be deemed to have been paid within the meaning of and with the effect expressed in the Indenture if there will be on deposit with the Trustee money held in trust for the benefit of the Owners of such 2023 Bonds which is sufficient to pay the interest and principal and redemption premiums, if any, on such 2023 Bonds payable on and prior to their maturities or their mandatory redemption dates thereto.

Any Outstanding 2023 Bonds will prior to their maturities or their mandatory redemption dates prior thereto be deemed to have been paid within the meaning of and with the effect expressed in the Indenture if: (i) in case any of such 2023 Bonds are to be redeemed on any date prior to their maturities, the Issuer will have given to the Trustee in form satisfactory to it irrevocable instructions to give notice by mail in accordance with the Indenture to the Owners of such 2023 Bonds of the redemption of such 2023 Bonds on such mandatory redemption dates; (ii) there has been deposited with the Trustee either moneys in an amount which will be

sufficient, or Permitted Investments defined in the Indenture of the definition thereof, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee at the same time, will be sufficient (as evidenced by a report of an Independent Certified Public Accountant regarding such sufficiency) to pay when due the interest on such 2023 Bonds on and prior to the earlier of their maturities or their mandatory redemption dates, as the case may be, and the principal and redemption premiums, if any, on such 2023 Bonds; and (iii) in the event such 2023 Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer will have given the Trustee in form satisfactory to it irrevocable instructions to give notice by mail in accordance with the Indenture to the Owners of such 2023 Bonds that the deposit required by the Indenture has been made with the Trustee and that such 2023 Bonds are deemed to have been paid in accordance with the Indenture and stating their maturities or their mandatory redemption dates prior thereto upon which money is to be available for the payment of the interest and principal and redemption premiums, if any, on such 2023 Bonds.

The Trustee will, if so directed by the Issuer pursuant to a Request of the Issuer: (i) prior to the Maturity Date of 2023 Bonds deemed to have been paid in accordance with the Indenture which are not to be redeemed prior to their Maturity Date; or (ii) prior to the mailing of the notice of redemption referred to in the Indenture with respect to any 2023 Bonds deemed to have been paid in accordance with the Indenture which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee with respect to such 2023 Bonds and redeem or sell Permitted Investments so deposited with the Trustee and apply the proceeds thereof to the purchase of such 2023 Bonds and the Trustee will immediately thereafter cancel all such 2023 Bonds so purchased; provided, however, that the moneys and Permitted Investments remaining on deposit with the Trustee after the purchase and cancellation of such 2023 Bonds is sufficient to pay when due the interest on those 2023 Bonds on and prior to their maturities or their mandatory redemption dates prior thereto, as the case may be, and the principal and redemption premiums, if any, on such 2023 Bonds, with respect to which such moneys and Permitted Investments are being held by the Trustee on or prior to the Redemption Date or Maturity Date thereof; as the case may be. If, at any time: (I) prior to the Maturity Date of 2023 Bonds deemed to have been paid in accordance with the Indenture which are not to be redeemed prior to their Maturity Date; or (II) prior to the mailing of the notice of redemption referred to in the Indenture with respect to any 2023 Bonds deemed to have been paid in accordance with the Indenture which are to be redeemed on any date prior to their maturity, the Issuer will purchase or otherwise acquire any such 2023 Bonds and deliver such 2023 Bonds to the Trustee prior to their Maturity Date or Redemption Date, as the case may be, the Trustee will immediately cancel all such 2023 Bonds so delivered; such delivery of 2023 Bonds to the Trustee will be accompanied by directions from the Issuer to the Trustee in the form of a Request of the Issuer as to the manner in which such 2023 Bonds are to be applied against the obligation of the Trustee to pay or redeem 2023 Bonds deemed paid in accordance with the Indenture. The directions given by the Issuer to the Trustee referred to in the preceding sentences will also specify the portion, if any, of such 2023 Bonds so purchased or delivered and canceled to be applied against the obligation of the Trustee to pay 2023 Bonds deemed paid in accordance with the Indenture upon their Maturity Date or dates and the portion, if any, of such 2023 Bonds so purchased or delivered and canceled to be applied against the obligation of the Trustee to redeem 2023 Bonds deemed paid in accordance with the Indenture on any date or dates prior to their maturity.

In the event that on any date as a result of any purchases, acquisitions and cancellations of 2023 Bonds as provided in the Indenture the total amount of moneys and Permitted Investments remaining on deposit with the Trustee under the Indenture is in excess of the total amount which would have been required to be deposited with the Trustee on such date with respect to the remaining 2023 Bonds in order to satisfy the Indenture, the Trustee will, if requested by the Agency pursuant to a request of the Agency, pay the amount of such excess to the Agency free and clear of any trust, lien, pledge or assignment securing said 2023 Bonds or otherwise existing under the Indenture; provided, however, that before any such excess is transferred to the Agency, the Agency and the Trustee will have received a report of an Independent Certified Public Accountant to the effect that the amount of moneys and the principal of and interest when due on the Permitted Investments remaining on deposit with the Trustee after such amount is transferred to the Agency will be sufficient to pay when due the interest on such 2023 Bonds on and prior to their maturities or their mandatory redemption dates prior thereto, as the case may be, and the principal and redemption premiums, if any, of such 2023 Bonds.

Except as otherwise provided in the Indenture, neither Permitted Investments nor moneys deposited with the Trustee pursuant to the Indenture nor principal or interest payments on any such Permitted Investments will be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the principal or redemption price, if applicable, and interest on said 2023 Bonds; provided that any cash received from such principal or interest payments on such Permitted Investments deposited with the Trustee: (A) to the extent that such cash will not be required at any time for such purpose, will be paid over to the Agency as received by the Trustee, free and clear of any trust, lien or pledge securing said 2023 Bonds or otherwise existing under the Indenture; and (B) to the extent that such cash will be required for such purpose at a later date, will, to the extent practicable, be reinvested in Permitted Investments maturing at times and in amounts sufficient to pay when due the interest on the 2023 Bonds on and prior to their maturities or their mandatory redemption dates prior thereto, as the case may be, and the principal and redemption premiums, if any, on the 2023 Bonds and interest earned from such reinvestment will be paid over to the Agency, as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said 2023 Bonds or otherwise existing under the Indenture.

(b) After the payment of all interest and principal and redemption premiums, if any, of all Outstanding 2023 Bonds as provided in the Indenture, and the payment of all fees and expenses of the Trustee, upon receipt of a Request of the Agency, the Trustee will cause an accounting for such period or periods as may be requested by the Agency to be prepared and filed with the Issuer and the Agency and will authenticate and deliver to the Issuer and the Agency all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the Indenture, and the Trustee will pay over or deliver to the Agency all money or investments held by it pursuant to the Indenture which are not required for the payment of the interest and principal and redemption premiums, if any, evidenced and represented by such 2023 Bonds, which money and investments will be used by the Agency for any lawful purpose.

Unclaimed Money. Anything contained in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or principal or redemption premium, if any, on any 2023 Bonds which remains unclaimed for two (2) years after the date when the payments on such 2023 Bonds have become payable, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and principal and redemption premiums, if any, on such 2023 Bonds have become payable, will be repaid by the Trustee to the Issuer as its absolute property free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the Issuer for the payment of the interest and principal and redemption premiums, if any, on such 2023 Bonds; provided, that before being required to make any such payment to the Issuer, the Trustee will, at the expense of the Issuer, give notice by mail in accordance with the Indenture to Owners of 2023 Bonds with respect to which moneys remain unclaimed that such money remains unclaimed and that after a date named in such notice, which date will not be less than sixty (60) days after the date of giving such notice, the balance of such money then unclaimed will be returned to the Issuer.

MISCELLANEOUS

Benefits of the Indenture Limited to Parties. Nothing contained in the Indenture, expressed or implied, is intended to confer upon, or to give or grant to, any person or entity other than the Issuer, the Agency, the Trustee and the Owners any claim, remedy or right under or pursuant to the Indenture, and any agreement, condition, covenant or term contained in the Indenture required to be observed or performed by or on behalf of the Issuer or the Agency will be for the sole, exclusive benefit of the Trustee and the Owners.

Successor Deemed Included in All References to Predecessor. Whenever either the Issuer, the Agency or the Trustee or any officer, director or employee thereof is named or referred to in the Indenture, such reference will be deemed to include the successor to the powers, duties and functions that are presently vested in the Issuer, the Agency or the Trustee or such officer, director or employee, and all agreements, conditions, covenants and terms contained in the Indenture required to be observed or performed by or on behalf of the Issuer, the Agency or the Trustee or any officer, director or employee thereof will bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Indenture to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or such Owner's attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he or she purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him or her the execution thereof; or by an affidavit of a witness to such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

Any declaration, acceptance, request or other instrument in writing of the Owner of any 2023 Bond will bind all future Owners of such 2023 Bond with respect to anything done or suffered to be done by the Issuer or the Agency or the Trustee in good faith and in accordance therewith.

Waiver of Personal Liability. No officer, director or employee of the Agency, the Issuer or the Trustee will be individually or personally liable for the payment of the interest or principal or redemption premiums, if any, on the 2023 Bonds, but nothing contained in the Indenture will relieve any officer, director or employee of the Issuer, the Agency or the Trustee from the performance of any official duty provided by any applicable provisions of law or by the Installment Purchase Agreement or by the Indenture.

Content of Certificates. Every certificate with respect to compliance with any agreement, condition, covenant or term contained in the Indenture will include: (a) a statement that the person or persons executing such certificate have read such agreement, condition, covenant or term and the definitions in the Indenture relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any certificate may be based, insofar as it relates to legal matters, upon a Favorable Opinion of Special Counsel unless the person or persons executing such certificate know that the Favorable Opinion of Special Counsel with respect to the matters upon which his, her or their certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Favorable Opinion of Special Counsel may be based, insofar as it relates to factual matters or information with respect to which is in the possession of the Agency, upon a representation by an officer or officers of the Agency unless the counsel executing such Favorable Opinion of Special Counsel knows that the representation with respect to the matters upon which his or her opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Notice by Mail. Any notice required to be given under the Indenture by mail to any Owners of 2023 Bonds will be given by mailing a copy of such notice, first class postage redeemed, to the Owners of such 2023 Bonds at their addresses appearing in the books required to be kept by the Trustee pursuant to the provisions of the Indenture not less than fifteen (15) days nor more than thirty (30) days following the action or prior to the event concerning which notice thereof is required to be given; provided that receipt of any such notice will not be a condition precedent to the effect of such notice and neither failure to receive any such notice nor any immaterial defect contained therein will affect the validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

Funds. Any fund required to be established and maintained in the Indenture by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds will at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of

the 2023 Bonds and the rights of the Owners. In addition to the funds and accounts required to be established under the Indenture, the Trustee may establish such other funds and accounts as it deems necessary or appropriate to perform its obligations.

Deposits and Investments.

(a) Any money held by the Trustee in any of the funds provided in the Indenture will be deposited pursuant to the Indenture of the definition of Permitted Investments; provided, that any such money will be invested by the Trustee as directed by the Issuer pursuant to a Request of the Issuer in Permitted Investments which will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Indenture.

(b) The Trustee may act as principal or agent in the acquisition or disposition of any such deposit or investment and may, for the purpose of any such deposit or investment, commingle any of the money held by them under the Indenture, and the Trustee will not be liable or responsible for any loss suffered in connection with any such deposit or investment made by them under the terms of and in accordance with the Indenture. The Trustee may present for redemption or sell any such deposit or investment whenever it is necessary in order to provide money to meet any payment of the money so deposited or invested, and the Trustee will not be liable or responsible for any losses resulting from any such deposit or investment presented for redemption or sold. Any Permitted Investments that are registrable securities will be registered in the name of the Trustee. The Trustee is authorized, in making or disposing of any investment permitted by the Indenture, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

The Issuer acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Issuer the right to receive brokerage confirmations of security transactions as they occur, the Issuer specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish periodic cash transaction statements to the Issuer which will include detail for all investment transactions made by the Trustee under the Indenture.

(c) Subject to the Indenture, any interest or profits on such deposits and investments received by the Trustee will be retained in the fund or account to which they relate and on or before February 1 and August 1 of each year will be transferred first, if the Issuer so directs, to the Rebate Fund, and second, to the Interest Account of the Bond Payment Fund.

(d) Trustee will deposit earnings on investments in the Bond Payment Fund to the Interest Account, Principal Account or Redemption Account of the Bond Payment Fund, to the extent that money is needed therein to make the interest or principal payment or redemption premiums, if any, as the case may be, on such Interest Payment Date, Maturity Date, or Redemption Date.

Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms contained in the Indenture required to be observed or performed by or on the part of the Issuer or the Trustee will be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms will be null and void and will be deemed separable from the remaining agreements, conditions, covenants and terms of the Indenture and will in no way affect the validity of the Indenture or of the 2023 Bonds, and the Owners will retain all the benefit, protection and security afforded to them under the Indenture and under all provisions of applicable law. The Trustee and the Issuer declare that they would have executed and entered into the Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase of the Indenture and would have authorized the execution and delivery of the 2023 Bonds pursuant to the Indenture irrespective of the fact that any one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses or phrases of the Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

California Law. THE INDENTURE WILL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

NTSTALLMENT PURCHASE AGREEMENT

DEFINITIONS

Unless the context otherwise requires, the terms defined in the Installment Purchase Agreement will for all purposes of the Installment Purchase Agreement and of any amendment thereof or supplement thereto and of any report or other document mentioned therein have the meanings defined therein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined therein. All capitalized terms used in the Installment Purchase Agreement and not defined therein will have the meanings ascribed thereto in the Indenture.

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

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

Bonds. The term “Bonds” means all revenue bonds or notes of the Agency authorized, executed, issued and delivered by the Agency, the payments of which are on a parity with the 2023 Installment Payments, and which are secured by a pledge of and lien on the Revenues, and payable from Net Revenues, subordinate to the Senior Obligations.

Continuing Disclosure Certificate. The term “Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate, dated the date of issuance of the 2023 Bonds, of the Agency, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

Contracts. The term “Contracts” means the Installment Purchase Agreement and any amendments and supplements to the Installment Purchase Agreement, and all contracts of the Agency previously or later authorized and executed by the Agency which are payable on a parity with the 2023 Installment Payments and which are secured by a pledge and lien on the Revenues as described in the Installment Purchase Agreement, including but not limited to the 2018A Installment Purchase Agreement and the 2020AB Installment Purchase Agreement, and any credit facility agreement that may be entered into by the Agency in connection with the issuance of tax revenue anticipation notes issued by the Agency outstanding from time to time, and which are payable from Net Revenues subordinate to the Senior Obligations.

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

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

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

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

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

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

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

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

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

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

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

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

Event of Default. The term “Event of Default” means an event described in the Installment Purchase Agreement.

Excluded Principal. The term “Excluded Principal” means each payment of principal of any Bond or Contract for which there is on file with the Trustee (i) a certificate of an Independent Municipal Advisor to the effect that such Bond or Contract is commercial paper or otherwise of a revolving or short-term nature and has a maturity of less than 60 months and (ii) a certificate of an Authorized Representative to the effect that the Agency intends to pay such principal from the proceeds of Bonds or Contracts or other bonds, notes or other obligations of the Agency. No such determination will affect the security for such Bonds or Contracts or the obligation of the Agency to pay such Bonds or Contracts from Net Revenues.

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

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

Indenture. The term “Indenture” means the Indenture of Trust, dated as of May 1, 2023, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

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

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

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

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

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

Installment Purchase Agreement. The term “Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of May 1, 2023, by and between the Agency and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance with the Installment Purchase Agreement.

Law. The term “Law” means Santa Clarita Valley Water Agency Act, Chapter 833 of Statutes of 2017, and all laws amendatory thereof or supplemental thereto.

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

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

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

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

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

1% Property Tax Account. The term “1% Property Tax Account” means the account maintained in the Revenue Fund pursuant to the Installment Purchase Agreement.

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

Operation and Maintenance Costs. The term “Operation and Maintenance Costs” means: (i) costs spent or incurred for maintenance and operation of the Water System calculated in accordance with Generally Accepted Accounting Principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the Agency that are charged directly or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, consultants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the Agency or charges (other than debt service payments) required to be paid by it to comply with the terms of the 2023 Bonds or of the Installment Purchase Agreement or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds, or payments, if any, required in connection with the Water Contract; and (ii) all payments with respect to Operation and Maintenance Obligations; but excluding in all cases (i) depreciation, replacement and obsolescence charges or reserves therefor, amortization of intangibles, including amortization of water rights, unrealized losses in investments, write offs of the value of any impaired assets or other bookkeeping entries of a similar nature and (ii) and any amounts transferred to the Rate Stabilization Fund.

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

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

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

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

Purchase Price. The term “Purchase Price” means the principal amount plus interest thereon owed by the Agency to the Authority under the terms of the Installment Purchase Agreement.

Rate Stabilization Fund. The term “Rate Stabilization Fund” means the fund by that name continued pursuant to the Installment Purchase Agreement.

Revenue Fund. The term “Revenue Fund” means the fund previously established by the Agency and continued by the terms of the Installment Purchase Agreement.

Revenues. The term “Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water System on or after the date of the Installment Purchase Agreement, including, without limiting the generality of the foregoing: (i) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the Agency from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System; (ii) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including Agency reserves and the Rate Stabilization Fund; (iii) the proceeds of any facility capacity fees or any other connection fees collected by the Agency in connection with the Water System; (iv) the proceeds of any stand-by or water availability charges collected by the Agency in connection with the Water System; (v) amounts received by the Agency from the counties of Los Angeles and Ventura from the levy by such counties of the 1% *ad valorem* property tax; but excluding in all cases (w) all taxes and assessments, *ad valorem* or otherwise (including investment earnings thereon), levied and received by the Agency and restricted by law to be applied to the payment of the Water Contract and related costs, (x) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the Agency, (y) excluding any proceeds of taxes or assessments restricted by law to be used by the Agency to pay bonds later issued and (z) any and all revenues derived from the ownership or operation of or a connection with Separate Facilities. “Revenues” will also include all amounts transferred from the Rate Stabilization Fund to the Revenue Fund with respect to any Fiscal Year in accordance with the Installment Purchase Agreement and will not include any amounts transferred from the Revenue Fund to the Rate Stabilization Fund with respect to any Fiscal Year in accordance with the Installment Purchase Agreement.

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

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

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

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

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

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

2020AB Installment Purchase Agreement. The term “2020AB Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of February 1, 2020, by and between the Agency and the Authority.

2023 Bonds. The term “2023 Bonds” will have the meaning ascribed thereto in the Indenture.

2023 Installment Payment Date. The term “2023 Installment Payment Date” means the second Business Day preceding each Interest Payment Date pursuant to the Indenture.

2023 Installment Payments. The term “2023 Installment Payments” means the Installment Payments scheduled to be paid by the Agency under and pursuant to the Installment Purchase Agreement.

2023 Project. The term “2023 Project” means the additions, betterments, extensions and improvements to the Water System described as the 2023 Project in the Installment Purchase Agreement.

Water Contract. The term “Water Contract” means the Contract between the State of California Department of Water Resources and the Agency, as successor to the Castaic Lake Water Agency, dated April 30, 1963, and any renewal, amendment or supplement thereof from time to time, including as amended by Amendment No. 21 (Contract Extension to Water Supply Contract between the State of California Department of Water Resources and the Santa Clarita Valley Water Agency for Continued Service and the Terms of Condition thereof, which became effective on January 1, 2023).

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

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

ACQUISITION OF THE PROJECT

Purchase and Sale of the 2023 Project. In consideration for the 2023 Installment Payments as set forth in the Installment Purchase Agreement, the Authority has agreed to sell, and has sold, to the Agency, and the Agency has agreed to purchase, and has purchased, from the Authority and the 2023 Project at the purchase price specified in the Installment Purchase Agreement and otherwise in the manner and in accordance with the provisions of the Installment Purchase Agreement.

Title. All right, title and interest in each component of the 2023 Project will vest in the Agency immediately upon acquisition or construction thereof. Such vesting will occur without further action by the Authority or the Agency and the Authority will, if requested by the Agency or, if necessary to assure such automatic vesting, deliver any and all documents required to assume such vesting.

Acquisition and Construction of the 2023 Project. The Authority has agreed to cause the 2023 Project, and any additions or modifications thereto to be constructed, acquired or installed by the Agency as its agent, and

the Agency will enter into contracts and provide for, as agent of the Authority, the complete construction, acquisition and installation of the 2023 Project. The Agency has agreed that the Agency will cause the construction, acquisition and installation of the 2023 Project to be diligently performed after the deposit of funds with the Trustee pursuant to the Indenture, upon satisfactory completion of design work and compliance with the California Environmental Quality Act and approval by the Board of Directors of the Agency, unforeseeable delays beyond the reasonable control of the Agency only excepted. It is expressly understood and agreed that the Authority will be under no liability of any kind or character whatsoever for the payment of any cost of the 2023 Project and that all such costs and expenses will be paid by the Agency, regardless of whether the funds deposited in the Acquisition Fund are sufficient to cover all such costs and expenses.

Changes to the 2023 Project. The Agency may substitute other improvements for those listed as components of the 2023 Project in the Installment Purchase Agreement, but only if the Agency first files with the Authority and the Trustee a statement of the Agency: (a) identifying the improvements to be deleted from such Exhibit and the improvements to replace such deleted improvements; and (b) stating that the estimated costs of construction, acquisition and installation of the substituted improvements are not less than such costs for the improvements previously planned to be paid from the proceeds of the 2023 Bonds.

2023 INSTALLMENT PAYMENTS

Purchase Price. (a) The Purchase Price to be paid by the Agency under the Installment Purchase Agreement to the Authority is the sum of the principal amount of the Agency's obligations under the Installment Purchase Agreement plus the interest to accrue on the unpaid balance of such principal amount from the date of the Installment Purchase Agreement over the term thereof, subject to prepayment as provided in the Installment Purchase Agreement. The principal amount of the payments to be made by the Agency under the Installment Purchase Agreement is set forth in a certificate of the Manager to be attached to the Installment Purchase Agreement. (b) The interest to accrue on the unpaid balance of such principal amount to be made by the Agency under the Installment Purchase Agreement is set forth in a certificate of the Manager to be attached to the Installment Purchase Agreement, and will be paid by the Agency as and constitute interest paid on the principal amount of the Agency's obligations under the Installment Purchase Agreement.

2023 Installment Payments. The Agency will, subject to its rights of prepayment provided in the Installment Purchase Agreement, pay the Authority the Purchase Price in installment payments of interest and principal in the amounts and on the 2023 Installment Payment Dates as set forth in a certificate of the Manager, a copy of which will be delivered to the Trustee by the Agency and is attached to the Installment Purchase Agreement. Each 2023 Installment Payment will be paid to the Authority in lawful money of the United States of America. In the event that the Agency fails to make any of the payments required to be made by it under the Installment Purchase Agreement, such payment will continue as an obligation of the Agency until such amount has been fully paid and the Agency has agreed to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the 2023 Installment Payments if paid in accordance with their terms. The obligation of the Agency to make the 2023 Installment Payments is absolute and unconditional, and until such time as the Purchase Price has been paid in full (or provision for the payment thereof has been made pursuant to the Installment Purchase Agreement), the Agency will not discontinue or suspend any 2023 Installment Payments required to be made by it under the Installment Purchase Agreement when due, whether or not the 2023 Project or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments will not be subject to reduction whether by offset or otherwise and will not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

SECURITY

Allocation of Revenues. In order to carry out and effectuate the pledge and lien contained in the Installment Purchase Agreement, the Agency has agreed and covenanted that all Revenues will be received by the Agency in trust under the Installment Purchase Agreement and will be deposited when and as received in a special fund designated as the "Revenue Fund," which fund was previously established by the Agency and is continued

by the terms of the Installment Purchase Agreement, and which fund the Agency has agreed and covenanted to maintain and to hold separate and apart from other funds so long as any Contracts or Bonds remain unpaid. The Revenue Fund includes the 1% Property Tax Account. Moneys in the Revenue Fund will be used and applied by the Agency as provided in the Installment Purchase Agreement.

To the extent the Agency receives any 1% Property Tax Receipts from the County of Los Angeles or the County of Ventura, the Agency will immediately transfer such amounts to the U.S. Bank Trust Company, National Association, as depository agent, for deposit by the depository agent in the 1% Property Tax Account. All 1% Property Tax Receipts on deposit in the 1% Property Tax Account will be applied in accordance with the Depository Agreement.

The Agency will, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. All remaining moneys in the Revenue Fund included within the definition of Revenues in the 1999 Installment Purchase Agreement will be used to make payments with respect to Senior Debt Service on Senior Obligations if 1% Property Tax Receipts are insufficient therefor, and thereafter will be set aside by the Agency at the following times in the following respective special funds in the following order of priority and all moneys in each of such funds will be held in trust and will be applied, used and withdrawn only for the purposes later authorized in the Installment Purchase Agreement:

(a) Bond Payment Fund. On or before each 2023 Installment Payment Date, the Agency will, from the moneys in the Revenue Fund, transfer to the Trustee for deposit in the Bond Payment Fund a sum equal to the 2023 Installment Payment coming due on such 2023 Installment Payment Date. The Agency will also, from the moneys in the Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of the Contract, resolution or indenture relating thereto, including but not limited to the 2018A Installment Purchase Agreement to the extent not paid from 1% Property Tax Receipts.

No deposit need be made in the Bond Payment Fund as 2023 Installment Payments if the amount in the Bond Payment Fund is at least equal to the amount of the 2023 Installment Payment due and payable on the next succeeding 2023 Installment Payment Date. All money in the Bond Payment Fund will be used and withdrawn by the Trustee in accordance with the Indenture.

(b) Reserve Fund. On or before each 2023 Installment Payment Date, the Agency will, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority, transfer to the applicable trustee for reserve funds and/or accounts, if any, as may have been established in connection with Senior Obligations, Bonds or Contracts, that sum, if any, necessary to restore such funds or accounts to an amount equal to the reserve requirement with respect thereto.

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

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

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

COVENANTS OF THE AGENCY

Compliance with Installment Purchase Agreement and Ancillary Agreements. The Agency will punctually pay the 2023 Installment Payments in strict conformity with the terms of the Installment Purchase Agreement, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Installment Purchase Agreement required to be observed and performed by it, and will not terminate the Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the 2023 Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained in the Installment Purchase Agreement required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with the Installment Purchase Agreement or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The Agency will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to the Installment Purchase Agreement and the Indenture that, subject to the Installment Purchase Agreement, each of the agreements, conditions, covenants and terms contained in each such agreement is an essential and material term of the purchase of and payment for the 2023 Project by the Agency pursuant to, and in accordance with, and as authorized under the Law.

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

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

Against Sale or Other Disposition of Property. The Agency will not enter into any agreement or lease which impairs the operation of the Water System or any part thereof necessary to secure adequate Revenues for the payment of the 2023 Installment Payments, or which would otherwise impair the rights of the Authority under the Installment Purchase Agreement or the operation of the Water System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the Agency to pay the 2023 Installment Payments and if the proceeds of such sale are deposited in the Revenue Fund.

Nothing in the Installment Purchase Agreement will restrict the ability of the Agency to sell any portion of the Water System if such portion is immediately repurchased by the Agency and if such arrangement cannot by

its terms result in the purchaser of such portion of the Water System exercising any remedy which would deprive the Agency of or otherwise interfere with its right to own and operate such portion of the Water System.

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

Tax Covenants. Notwithstanding any other provision of the Installment Purchase Agreement, absent a Favorable Opinion of Special Counsel that the exclusion from gross income of interest on the 2023 Bonds will not be adversely affected for federal income tax purposes, the Agency and the Authority covenant to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenant, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Agency and the Authority will not take or omit to take any action or make any use of the proceeds of the 2023 Bonds or of any other moneys or property which would cause the 2023 Bonds to be “private activity bonds” within the meaning of Section 141 of the Code.

(b) Arbitrage. The Agency and the Authority will make no use of the proceeds of the 2023 Bonds or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the 2023 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The Agency and the Authority will make no use of the proceeds of the 2023 Bonds or take or omit to take any action that would cause the 2023 Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

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

(e) Hedge Bonds. The Agency and the Authority will make no use of the proceeds of the 2023 Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the 2023 Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Agency and the Authority take all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2023 Bonds for federal income tax purposes.

(f) Miscellaneous. The Agency and the Authority will take no action, or omit to take any action, inconsistent with the expectations stated in any Tax Certificate executed with respect to the 2023 Bonds and will comply with the covenants and requirements stated therein and incorporated by reference in the Installment Purchase Agreement.

(g) Compliance with Tax Certificate. In furtherance of the foregoing tax covenants of the Installment Purchase Agreement, the Agency covenants that it will comply with the provisions of the Tax Certificate, which is incorporated in the Installment Purchase Agreement as if fully set forth therein. These covenants will survive payment in full or defeasance of the 2023 Bonds.

This paragraph will not be applicable to, and nothing contained in the Installment Purchase Agreement will be deemed to prevent the Agency and the Authority from issuing bonds, the interest with respect to which has been determined by Special Counsel to be subject to federal income taxation.

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

Payment of Claims. The Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or the funds or accounts created thereunder or under the Indenture or on any funds in the hands of the Agency pledged to pay the 2023 Installment Payments or to the Owners prior or superior to the lien of the 2023 Installment Payments or which might impair the security of the 2023 Installment Payments.

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

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

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

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement, then the excess Net Proceeds will be applied in part to the prepayment of 2023 Installment Payments as provided in the Installment Purchase Agreement and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of 2023 Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts. If such Net Proceeds are sufficient to enable the Agency to retire the entire obligation evidenced by the Installment Purchase Agreement prior to the final due date of the 2023 Installment Payments as well as the entire obligations evidenced by Bonds and Contracts then remaining unpaid prior to their final respective due dates, the Agency may elect not to reconstruct, repair or replace the damaged or destroyed portion of the Water System, and thereupon such Net Proceeds will be applied to the prepayment of 2023 Installment Payments as provided in the Installment Purchase Agreement and to the retirement of such Bonds and Contracts.

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

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

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

Protection of Security and Rights of the Authority. The Agency will preserve and protect the security of the Installment Purchase Agreement and the rights of the Authority to the 2023 Installment Payments thereunder and will warrant and defend such rights against all claims and demands of all persons.

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

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

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

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

If the foregoing conditions are not met, then such Net Proceeds will be applied in part to the prepayment of 2023 Installment Payments as provided in the Installment Purchase Agreement and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of 2023 Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

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

Enforcement of Contracts. So long as any of the 2023 Bonds are outstanding, the Agency will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with the Water Contract or any other contracts previously or later entered into which contracts provide for water to be supplied to the Agency which will reduce the supply of water thereunder (except as provided therein) if such rescission or amendment would in any manner impair or adversely affect the rights of the owners from time to time of the 2023 Bonds.

Compliance with Water Contract. To the fullest extent permitted by law, the Agency will comply with the Water Contract.

Continuing Disclosure. The Agency will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Installment Purchase Agreement, failure of the Agency to comply with the Continuing Disclosure Certificate will not be considered an Event of Default; however, any Owners of 2023 Bonds or Beneficial Owners of at least 50% aggregate principal amount of the 2023 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under the Installment Purchase Agreement. For purposes of the Installment Purchase Agreement, “Beneficial Owner” means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2023 Bonds (including persons holding 2023 Bonds through nominees, depositories, or other intermediaries); or (b) is treated as the owner of any 2023 Bonds for federal income tax purposes.

No Additional Senior Obligations. The Agency has covenanted to not issue or enter into any additional Senior Obligations.

PREPAYMENT OF SERIES 2023A INSTALLMENT PAYMENTS

Prepayment. The Agency may or will, as the case may be, prepay from the Net Proceeds as provided in the Installment Purchase Agreement the 2023 Installment Payments in whole or in part in the order of payment date as directed by the Agency, at a prepayment price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment.

The Agency may prepay the 2023 Installment Payments, as a whole or in part, in the order of payment date as directed by the Agency, on the date and at the prepayment price (expressed as a percentage of the principal amount of the 2023 Bonds to be prepaid) plus accrued interest thereon to the date of prepayment, as set forth in the Indenture.

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

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

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Events of Default and Acceleration of Maturities. If one or more of the following Events of Default will happen:

(a) if default is made by the Agency in the due and punctual payment of any 2023 Installment Payment or any Contract or Bond when and as the same will become due and payable;

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

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

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

then and in each and every such case during the continuance of such Event of Default specified in the Installment Purchase Agreement, the Authority will, and for any other such Event of Default the Authority may, by notice in writing to the Agency, declare the entire principal amount of the unpaid 2023 Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything contained in the Installment Purchase Agreement to the contrary notwithstanding. This paragraph, however, is subject to the condition that if at any time after the entire principal amount of the unpaid 2023 Installment Payments and the accrued interest thereon has been so declared due and payable and before any judgment or decree for the payment of the moneys due has been obtained or entered the Agency will deposit with the Authority a sum sufficient to pay the unpaid principal amount of the 2023 Installment Payments or the unpaid payment of any other Contract or Bond referred to in the Installment Purchase Agreement due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the 2023 Installment Payments or such Contract or Bond if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid 2023 Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Authority, or provision deemed by the Authority to be adequate has been made therefor, then and in every such case the Authority, by written notice to the Agency, may rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default or will impair or exhaust any right or power consequent thereon.

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

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

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

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

Fourth, to the payment of the entire principal amount of the unpaid 2023 Installment Payments and the unpaid principal amount of all Bonds and Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the 2023 Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms; and

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

Other Remedies of the Authority. The Authority will have the right: (a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Agency or any director, officer or employee thereof, and to compel the Agency or any such director, officer or employee to perform and carry out its or his

duties under the Law and the agreements and covenants required to be performed by it or him contained in the Installment Purchase Agreement; by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or (b) by suit in equity upon the happening of an Event of Default to require the Agency and its directors, officers and employees to account as the trustee of an express trust.

Notwithstanding anything contained in the Installment Purchase Agreement, Authority will have no security interest in or mortgage on the 2023 Project, the Water System or other assets of the Agency and no default under the Installment Purchase Agreement will result in the loss of the 2023 Project, the Water System, or other assets of the Agency.

Non-Waiver. Nothing in the Installment Purchase Agreement or in any other provision of the Installment Purchase Agreement will affect or impair the obligation of the Agency, which is absolute and unconditional, to pay the 2023 Installment Payments to the Authority at the respective due dates or upon prepayment from the Net Revenues, the Revenue Fund and the other funds pledged in the Installment Purchase Agreement for such payment, or will affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Installment Purchase Agreement.

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

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

Remedies Not Exclusive. No remedy in the Installment Purchase Agreement conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be in addition to every other remedy given under the Installment Purchase Agreement or now or later existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any other law.

DISCHARGE OF OBLIGATIONS

Discharge of Obligations. When: (a) all or any portion of the 2023 Installment Payments have become due and payable in accordance with the Installment Purchase Agreement or a written notice of the Agency to prepay all or any portion of the 2023 Installment Payments have been filed with the Trustee; and

there has been deposited with the Trustee at or prior to the 2023 Installment Payment Dates or date (or dates) specified for prepayment, in trust for the benefit of the Authority or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the 2023 Installment Payments, sufficient moneys and non-callable Permitted Investments, issued by the United States of America and described in the Installment Purchase Agreement of the definition thereof, the principal of and interest on which when due will provide money sufficient to pay all principal, prepayment premium, if any, and interest of such 2023 Installment Payments to their respective 2023 Installment Payment Dates or prepayment date or dates as the case may be; and

(b) provision has been made for paying all fees and expenses of the Trustee; then and in that event, the right, title and interest of the Authority in the Installment Purchase Agreement and the obligations of the Agency under the Installment Purchase Agreement will, with respect to all or such portion of the 2023 Installment Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged

and satisfied (except for the right of the Trustee and the obligation of the Agency to have such moneys and such Permitted Investments applied to the payment of such 2023 Installment Payments).

In such event, upon request of the Agency, the Trustee will cause an accounting for such period or periods as may be requested by the Agency to be prepared and filed with the Agency and will execute and deliver to the Agency all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee will pay over to the Agency, after payment of all amounts due the Trustee pursuant to the Indenture, as an overpayment of 2023 Installment Payments, all such moneys or such Permitted Investments held by it pursuant to the Installment Purchase Agreement other than such moneys and such Permitted Investments, as are required for the payment or prepayment of the 2023 Installment Payments, which moneys and Permitted Investments will continue to be held by the Trustee in trust for the payment of the 2023 Installment Payments and will be applied by the Trustee to the payment of the 2023 Installment Payments of the Agency.

MISCELLANEOUS

Liability of Agency Limited. Notwithstanding anything contained in the Installment Purchase Agreement, the Agency will not be required to advance any moneys derived from any source of income other than the Net Revenues and the other funds provided in the Installment Purchase Agreement and in the Indenture for the payment of the 2023 Installment Payments or for the performance of any agreements or covenants required to be performed by it contained in the Installment Purchase Agreement. The Agency may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the Agency for such purpose.

The obligation of the Agency to make the 2023 Installment Payments is a special obligation of the Agency payable solely from such Net Revenues and other funds described in the Installment Purchase Agreement, and does not constitute a debt of the Agency or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

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

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

Waiver of Personal Liability. No director, officer or employee of the Agency will be individually or personally liable for the payment of the 2023 Installment Payments, but nothing contained in the Installment Purchase Agreement will relieve any director, officer or employee of the Agency from the performance of any official duty provided by any applicable provisions of law or by the Installment Purchase Agreement.

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

Installment Purchase Agreement or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

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

Net Contract. The Installment Purchase Agreement will be deemed and construed to be a net contract, and the Agency will pay absolutely net during the term of the Installment Purchase Agreement the 2023 Installment Payments and all other payments required under the Installment Purchase Agreement, free of any deductions and without abatement, diminution or set-off whatsoever.

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

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

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

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

Amendments Permitted.

(a) The Installment Purchase Agreement and the rights and obligations of the Authority, the Agency, the 2023 Bond Owners and the Trustee under the Installment Purchase Agreement may be amended or supplemented at any time by an amendment of the Installment Purchase Agreement or supplement thereto which will become binding when the written consents of the Owners of a majority in aggregate principal amount of the 2023 Bonds then Outstanding, exclusive of 2023 Bonds disqualified as provided in the Indenture, are filed with the Trustee. No such amendment or supplement will: (i) reduce the rate of interest on any 2023 Bond or extend the time of payment thereof or reduce the amount of principal or redemption premium, if any, of any 2023 Bond or extend the maturity thereof or otherwise alter or impair the obligation of the Authority to pay the interest and principal and redemption premium, if any, thereon at the time and place and at the rate and in the currency and from the funds provided therein without the prior written consent of the Owner of the 2023 Bond so affected; or (ii) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

(b) The Installment Purchase Agreement and the rights and obligations of the Authority, the Agency, the 2023 Bond Owners and the Trustee under the Installment Purchase Agreement may also be amended or supplemented at any time by an amendment of the Installment Purchase Agreement or supplement thereto which will become binding upon execution without the written consents of any Owners, but only to the extent permitted by law:

(1) to add to the agreements, conditions, covenants and terms contained in the Installment Purchase Agreement required to be observed or performed by the Authority or the Agency other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the Agency, or to surrender any right reserved in the Installment Purchase Agreement to or conferred in

the Installment Purchase Agreement on the Authority or the Agency, and which in either case will not adversely affect the interests of the Owners;

(2) to modify, amend or supplement the Installment Purchase Agreement in such a manner as to preserve the exemption of the 2023 Bonds from the registration requirements of the Securities Act of 1933 or any similar federal statute later in effect or to permit the qualification of the Indenture under the Trust Indenture Act of 1939 or any similar federal statute later in effect;

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

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

(5) to make any modifications or changes necessary or appropriate in the opinion of Special Counsel to preserve or protect the exclusion from gross income for federal income tax purposes of interest on the 2023 Bonds.

The Agency will give written notice of any amendment to the Installment Purchase Agreement and the rights and obligations of the Authority and the Agency and the Owners and the Trustee under the Installment Purchase Agreement to Moody's, S&P and Fitch (only if such rating agency is then maintaining a rating on the 2023 Bonds) not less than fifteen (15) days prior to the execution thereof.

Paired Obligation Provider Guidelines. For purposes of the Installment Purchase Agreement, Paired Obligations will comply with the following conditions:

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

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

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

APPENDIX D

FORM OF LEGAL OPINION

Upon the initial issuance of the 2023 Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

August __, 2020

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

Re: \$_____ Upper Santa Clara Valley Joint Powers Authority Revenue Bonds, Series
2023A

Members of the Board of Directors:

We have acted as Bond Counsel to the Upper Santa Clara Valley Joint Powers Authority (the “Authority”) in connection with the issuance of \$_____ aggregate principal amount of Revenue Bonds, Series 2023A (the “2023 Bonds”). The 2023 Bonds have been issued by the Authority pursuant to the terms of the Indenture of Trust, dated as of May 1, 2023 (the “Indenture”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”).

The 2023 Bonds are limited obligations of the Authority payable solely from Revenues (as such term is defined in the Indenture), consisting of payments (the “Series 2023 Installment Payments”) to be made by the Santa Clarita Valley Water Agency (the “Agency”) to the Authority pursuant to an Installment Purchase Agreement, dated as of May 1, 2023, by and between the Agency and the Authority.

In connection with our representation we have examined a certified copy of the proceedings relating to the 2023 Bonds. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigations.

Based upon the foregoing and after examination of such questions of law as we have deemed relevant in the circumstances, but subject to the limitations set forth herein, we are of the opinion that:

1. The proceedings of the Authority show lawful authority for the issuance and sale by the Authority of the 2023 Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery by the Trustee, as appropriate, the 2023 Bonds and the Indenture are valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms.

2. The obligation of the Authority to make the payments of principal and interest on the 2023 Bonds from Revenues (as such term is defined in the Indenture) is an enforceable obligation of the Authority and does not constitute an indebtedness of the Authority in contravention of any constitutional or statutory debt limit or restriction.

3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the 2023 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, for tax years beginning after December 31, 2022, with respect to applicable corporations as defined

in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for the purposes of computing the alternative minimum tax imposed on such corporations.

4. Interest on the 2023 Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a 2023 Bond (the first price at which a substantial amount of the 2023 Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity (to the extent that such issue price is lower than the stated redemption price at maturity) with respect to such 2023 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2023 Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the 2023 Bond Owner will increase the 2023 Bond Owner’s basis in the 2023 Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of a 2023 Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

6. The amount by which a 2023 Bond Owner’s original basis for determining loss on sale or exchange in the applicable 2023 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable 2023 Bond premium, which must be amortized under Section 171 of the Code by 2023 Bond Owners. Such amortizable bond premium reduces the 2023 Bond Owner’s basis in the applicable 2023 Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2023 Bond premium may result in a 2023 Bond Owner realizing a taxable gain when a 2023 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2023 Bond to the Owner.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the 2023 Bonds are based upon certain representations of fact and certifications made by the Authority and others and are subject to the condition that the Authority complies with all requirements of the Code that must be satisfied subsequent to issuance of the 2023 Bonds to assure that interest (and original issue discount) on the 2023 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the 2023 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2023 Bonds. The Authority has covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2023 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to the 2023 Bonds if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the 2023 Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the 2023 Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

By delivering this opinion, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the Bonds, the Indenture or the Installment Purchase Agreement, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Indenture or the Installment Purchase Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on any assets thereunder.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the 2023 Bonds or other offering material relating to the 2023 Bonds and expressly disclaim any duty to advise the owners of the 2023 Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX E

DTC AND BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority, the Agency and the Underwriter believe to be reliable, but neither the Authority, the Agency nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2023 Bonds, payment of principal, premium, if any, accreted value, if any, and interest with respect to the 2023 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2023 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2023 Bonds. The Bonds will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be executed and delivered for each annual maturity of the 2023 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2023 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2023 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the 2023 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2023 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2023 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 2023 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2023 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2023 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bond by causing the Direct Participant to transfer the Participant's interest in the 2023 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2023 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2023 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the 2023 Bonds, the Agency proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Santa Clarita Valley Water Agency (the “Agency”) in connection with the issuance by the Upper Santa Clara Valley Joint Powers Authority (the “Authority”) of its \$_____ Upper Santa Clara Valley Joint Powers Authority Revenue Bonds, Series 2023A (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of May 1, 2023 (the “Indenture of Trust”), by and between U.S. Bank Trust Company, National Association, as trustee (the “Trustee”) and the Authority. The Agency covenants and agrees as follows:

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

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

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

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

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

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

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

Installment Purchase Agreement. “Installment Purchase Agreement” means that certain Installment Purchase Agreement executed and entered into as of May 1, 2023, by and between the Agency and the Authority.

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

Official Statement. The term “Official Statement” means the Official Statement dated June __, 2023 relating to the Bonds.

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

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

3. Provision of Annual Reports.

(a) The Agency shall provide not later than 270 days following the end of its Fiscal Year (commencing with Fiscal Year 2023) to EMMA an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

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

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

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

(b) Principal amount of the Bonds outstanding.

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

(1) “Table 2 – SANTA CLARITA VALLEY WATER AGENCY – Historic Water Production” on page A-__.

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

(1) “Table 4 – SANTA CLARITA VALLEY WATER AGENCY – Historic Retail Water Sales and Water Sales Revenues” on page A-__.

(2) “Table 6 – SANTA CLARITA VALLEY WATER AGENCY – Largest Retail Customers by Annual Payments” on page A-__;

(3) “Table 7 – SANTA CLARITA VALLEY WATER AGENCY – Historical Retail Service Connections” on page A-__;

(4) “Table 9 – SANTA CLARITA VALLEY WATER AGENCY – Share of 1% Property Tax Levy” on page A-__; and

- (5) “Table 10 – SANTA CLARITA VALLEY WATER AGENCY – Total Facility Capacity Fee Income” on page A-__.

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

- (1) “Table 12 – SANTA CLARITA VALLEY WATER AGENCY – Historic Operating Results and Debt Service Coverage” on page A-__.

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

5. Reporting of Significant Events.

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

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

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

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

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

1. unless described in Section 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

2. modifications to the rights of Bond holders;

3. optional, unscheduled or contingent Bond redemptions;

4. release, substitution or sale of property securing repayment of the Bonds;

5. non-payment related defaults;

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

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

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

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

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

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

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

8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any notice of occurrence of a Listed Event in addition to that

which is specifically required by this Disclosure Certificate, the Agency shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

9. Default. In the event of a failure of the Agency to file an annual report under Section 4 hereof or to file a report of significant event under Section 5 hereof, any Holders or Beneficial Owners of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate to make such filing. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

Dated: _____, 2023

SANTA CLARITA VALLEY WATER AGENCY

By: _____
Its: President of the Board of Directors

[This page intentionally left blank.]