

RESOLUTION NO. 2017-02

**RESOLUTION OF THE UPPER SANTA CLARA VALLEY
JOINT POWERS AUTHORITY AUTHORIZING
THE ISSUANCE OF REFUNDING REVENUE BONDS, SERIES 2017A,
APPROVING THE EXECUTION OF CERTAIN DOCUMENTS
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 Castaic Lake Water Agency (the "Agency") to undertake the refinancing of the Upper Santa Clara Valley Joint Powers Authority Refunding Revenue Bonds, Series 2011A (Santa Clarita Water Division) (the "2011A Bonds") and;

WHEREAS, the Board of Directors has determined to assist the Agency with the refinancing of the 2011A Bonds and to approve certain documents in connection therewith;

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

SECTION 1: The issuance of the Upper Santa Clara Valley Joint Powers Authority Refunding Revenue Bonds, Series 2017A (Santa Clarita Water Division) (the "2017A Bonds") in the principal amount not to exceed \$50,000,000 (except as provided by Section 8 below) in order to refinance the 2011A Bonds and to pay the cost of issuance for the 2017A Bonds, is hereby approved.

SECTION 2: The Installment Purchase Agreement in substantially the form on file with the Authority is hereby approved. The President, Vice President or Executive Director (the "Authorized Officers") or the designee thereof are hereby authorized and directed to execute and deliver the Installment Purchase Agreement with such changes, insertions and omissions as may be approved by the person executing the same, said execution being conclusive evidence of such approval.

SECTION 3: The Indenture of Trust in substantially the form on file with the Authority is hereby approved. Each of the Authorized Officers, acting singly, or the designee thereof are hereby authorized and directed to execute and deliver the Indenture of Trust with such changes, insertions and omissions as may be approved by the officers executing the same, said execution being conclusive evidence of such approval.

SECTION 4: The Purchase Contract with Wells Fargo Bank, National Association in substantially the form on file with the Authority is hereby approved. Each of the Authorized Officers, acting singly, or the designee thereof are hereby authorized and directed to execute and deliver the Purchase Contract with such changes, insertions and omissions as may be approved by the person executing the same, said execution being conclusive evidence of such approval; provided, however, that in no event shall the principal amount of the 2017A Bonds exceed \$50,000,000, the underwriter's discount shall not exceed 0.225% of the principal amount of the 2017A Bonds.

SECTION 5: The Escrow Agreement (Series 2011A), in substantially the form on file with the Authority, is hereby approved. Each of the Authorized Officers, acting singly, or the designee thereof are hereby authorized and directed to execute and deliver such Escrow Agreement (Series 2011A) with such changes, insertions and omissions as may be approved by Bond Counsel, said Authority officers' execution being conclusive evidence of such approval.

SECTION 6: The preparation and distribution of the Preliminary Official Statement (excepting therefrom Appendices A and B, the "Authority Portion") in substantially the form attached hereto as Exhibit A, is hereby approved, subject to final approval as to form by General Counsel and Bond Counsel (as defined below). The Executive Director or the Treasurer 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, and the President, Vice-President, Executive Director and Secretary are hereby authorized and directed to execute, approve and deliver the final Authority Portion of the Official Statement in the form of the Authority Portion of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by Bond Counsel, said Authority officers' execution being conclusive evidenced of such approval. The Underwriter is hereby authorized to distribute copies of said Authority Portion of the Preliminary Official Statement to persons who may be interested in the initial purchase of the 2017A Bonds and is directed to deliver copies of any final Authority Portion of the Official Statement to all actual initial purchasers of the 2017A Bonds.

SECTION 7: The Board of Directors hereby authorizes the Executive Director of the Authority to select a municipal bond insurer to insure payments of interest and principal on all or a portion of the 2017A Bonds so long as Fieldman, Rolapp & Associates, Inc., the Authority's municipal advisor determines that obtaining the municipal bond insurance policy provided thereby will result in a lower interest rate or yield to maturity on such 2017A Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel") is hereby directed to make all changes to the Installment Purchase Agreement, the Indenture of Trust and the Purchase Contract as are necessary to reflect the selection of a municipal bond insurer and the reasonable comments thereof.

SECTION 8: The Board of Directors hereby authorizes the Authority to assist the Agency in refinancing all or a portion of the Agency's Retail System Revenue Certificates of Participation, Series 2010B (Santa Clarita Water Division) (the "2010B Certificates") so long as the General Manager of the Agency determines that the following conditions are met: the maximum principal amount of the 2017A Bonds issued to refund all or a portion of the 2010B Certificates shall not exceed \$15,000,000 and the true interest cost of the 2017A Bonds allocated to refund all or a portion of the 2010B Certificates shall not exceed 3.80%. If the General Manager of the Agency determines that such conditions have been met, the Executive Director, the Treasurer, General Counsel, Bond Counsel and any other proper officer of the Authority are hereby directed to make all changes to the Installment Purchase Agreement, the Indenture of Trust, the Preliminary Official Statement and the Purchase Contract as are necessary to reflect the refinancing of all or a portion of the 2010B Certificates.

SECTION 9: The Authority hereby approves the appointment of Stradling Yocca Carlson & Rauth, a Professional Corporation, as Bond Counsel in accordance with the terms of the engagement letter in substantially the form on file with the Authority. Each of the Authorized Officers, acting singly, is hereby authorized and directed to execute and deliver the engagement letter.

SECTION 10: Each of the Authorized Officers, acting singly, and any other proper officer of the Authority are hereby authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Indenture of Trust, the Installment Purchase Agreement, the Purchase Contract and this Resolution.

SECTION 11: U.S. Bank National Association is hereby appointed to act as trustee under the Indenture.

SECTION 12: Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture unless the context otherwise clearly requires.

SECTION 13: This resolution shall take effect immediately.



President

I, the undersigned, hereby certify I am the duly appointed and acting Secretary of the Upper Santa Clara Valley Joint Powers Authority and at a regular meeting of the Board of Directors of said Agency held on Wednesday, August 23, 2017, the foregoing Resolution No. 2017-02 was duly and regularly adopted by said Authority, and that said resolution has not been rescinded or amended since the date of its adoption, and it is now in full force and effect.

DATED: August 23, 2017



April Jacobs, Secretary

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER __, 2017

NEW ISSUE—BOOK-ENTRY ONLY

RATING: See the caption "RATING"

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UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
REFUNDING REVENUE BONDS, SERIES 2017A
(SANTA CLARITA WATER DIVISION)

Dated: Date of Delivery

Due: August 1, as shown on the inside cover

The Upper Santa Clara Valley Joint Powers Authority Refunding Revenue Bonds, Series 2017A (Santa Clarita Water Division) are being issued by the Authority pursuant to an Indenture of Trust, dated as of August 1, 2017, by and between the Authority and U.S. Bank National Association, as trustee, and will be payable from the sources described herein. The Bonds are being issued: (i) to provide funds to refund the Authority's outstanding Refunding Revenue Bonds, Series 2011A (Santa Clarita Water Division); and (ii) to pay the costs of issuing the Bonds.

Interest due on the Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2018. The 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 Bonds. Individual purchases will be in principal amounts of \$5,000 and integral multiples thereof. Payments of principal of and interest on the 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 Bonds.

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

The Bonds are limited obligations of the Authority. The 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 2017A Installment Payments received by the Authority from the Castaic Lake Water Agency pursuant to an Installment Purchase Agreement, dated as of August 1, 2017, by and between the Authority and the Agency. The obligation of the Agency to make the Series 2017A Installment Payments is a special obligation of the Agency payable solely from Net SCWD Retail System Revenues on a parity with the obligation of the Agency to make installment payments outstanding in the aggregate principal amount of \$12,610,000 pursuant to the 2010B Installment Purchase Agreement. No revenues of the Agency's Wholesale System are pledged to the payment of the Series 2017A Installment Payments.

The Agency has covenanted not to incur additional obligations payable from Net SCWD Retail System Revenues senior to the Series 2017A Installment Payments. The Agency may incur additional obligations payable from Net SCWD Retail System Revenues on a parity with the Series 2017A Installment Payments, subject to the terms and conditions set forth in the Installment Purchase Agreement.

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 BONDS. THE AUTHORITY HAS NO TAXING POWERS. THE 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 2017A INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE AGENCY PAYABLE SOLELY FROM NET SCWD RETAIL SYSTEM REVENUES 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 2017A 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, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original discount) on the 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 and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

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

The 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 Gilmore & Bell, P.C., for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, for the Agency by Best Best & Krieger LLP, and for the Trustee by its counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about October __, 2017.

Wells Fargo Securities

* Preliminary. subject to change.

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UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
REFUNDING REVENUE BONDS, SERIES 2017A
(SANTA CLARITA WATER DIVISION)

MATURITY SCHEDULE

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
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* Preliminary, subject to change.

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

Thomas P. Campbell, President
E.G. "Jerry" Gladbach, Vice-President
William C. Cooper
R. J. Kelly

Matthew Stone, Executive Director
April Jacobs, Secretary
Valerie Pryor, Treasurer

**CASTAIC LAKE WATER AGENCY
BOARD OF DIRECTORS AND OFFICIALS**

Robert DiPrimio, President
Gary R. Martin, Vice President
Thomas P. Campbell
William C. Cooper
B.J. Atkins
Edward A. Colley
Dean D. Efstathiou
E.G. "Jerry" Gladbach
R. J. Kelly
Jacquelyn H. McMillan
William Peci

Matthew Stone, General Manager
April Jacobs, Secretary to the Board
Valerie Pryor, Assistant General Manager
Carlos Corrales, Controller

SANTA CLARITA WATER DIVISION STAFF

Keith Abercrombie, Retail Manager
Elizabeth Ooms-Graziano, Retail Administrative Officer

SERVICES

General Counsel

Best Best & Krieger LLP
Riverside, California

Bond Counsel

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

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Trustee

U.S. Bank National Association
Los Angeles, California

Verification Agent

Grant Thornton LLP
Minneapolis, Minnesota

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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 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 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 BY ANY SALE OF THE 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 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 SCWD Retail System Revenues, 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 RETAIL WATER SYSTEM" and Appendix B—"INFORMATION RELATING TO THE CASTAIC LAKE WATER AGENCY AND THE WHOLESALE WATER SYSTEM" 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 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 Bonds and may not be reproduced or be used, as a whole or in part, for any other purpose.

In connection with the offering of the Bonds, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 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 cover page of this Official Statement, and the Underwriter may change those public offering prices from time to time.

THE 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 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 a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
REFUNDING REVENUE BONDS, SERIES 2011A
(SANTA CLARITA WATER DIVISION)

INTRODUCTION

General. This Official Statement provides information concerning the issuance of the Upper Santa Clara Valley Joint Powers Authority Refunding Revenue Bonds, Series 2017A (Santa Clarita Water Division) (the “Bonds”) pursuant to an Indenture of Trust, dated as of August 1, 2017 (the “Indenture”), by and between the Upper Santa Clara Valley Joint Powers Authority (the “Authority”) and U.S. Bank National Association, as trustee (the “Trustee”). See the caption “THE BONDS.”

Purposes of the Bonds. The Bonds are being issued: (i) to provide funds to refund the Authority’s outstanding Refunding Revenue Bonds, Series 2011A (Santa Clarita Water Division) (the “2011 Bonds”); and (ii) to pay the costs of issuing the Bonds.

Authority for Issuance. The Bonds are being issued under the Indenture, Section 10 of the Joint Powers Agreement (as defined below under the caption “—The Authority”) 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”).

Sources of Payment for the Bonds. The Bonds are limited obligations of the Authority. The Bonds are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues consist primarily of payments (the “Series 2017A Installment Payments”) received from the Castaic Lake Water Agency (the “Agency”) pursuant to an Installment Purchase Agreement, dated as of August 1, 2017 (the “Installment Purchase Agreement”), by and between the Agency and the Authority. See the caption “SECURITY FOR THE BONDS.”

Pursuant to the Installment Purchase Agreement, the Agency is obligated to pay the Series 2017A Installment Payments as the purchase price for certain capital improvements described in the Installment Purchase Agreement. The obligation of the Agency to make the Series 2017A Installment Payments is a special obligation of the Agency payable solely from Net SCWD Retail System Revenues of the SCWD Retail Water System (as such terms are defined in the Installment Purchase Agreement) of the Agency 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 any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Net SCWD Retail System Revenues include SCWD Retail System Revenues remaining after payment of SCWD Operation and Maintenance Costs (as such terms are defined in the Installment Purchase Agreement). Net SCWD Retail System Revenues of the Agency DO NOT include the revenues of the wholesale water system of the Agency (the “Wholesale System”) or revenues of any future retail water systems which may be acquired by the Agency. See the caption “SECURITY FOR THE BONDS” and Appendix B—“INFORMATION RELATING TO THE CASTAIC LAKE WATER AGENCY AND THE WHOLESALE WATER SYSTEM.”

The obligation of the Agency to make the Series 2017A Installment Payments from Net SCWD Retail System Revenues is payable on a parity with the obligation of the Agency to make payments (the “Series 2010B Installment Payments”) from Net SCWD Retail System Revenues under that certain Installment Purchase Agreement, dated as of March 1, 2010 (the “2010B Installment Purchase Agreement”), by and between the Agency and the Castaic Lake Water Agency Financing Corporation (the “Corporation”). See

* Preliminary, subject to change.

Appendix A—"INFORMATION RELATING TO SCWD RETAIL WATER SYSTEM" under the caption "SCWD Obligations—Parity Obligations."

The Bonds do not constitute a charge against the general credit of the Authority. The 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 Bonds. The Authority has no taxing power. The 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.

Additional Parity Obligations. The Agency has covenanted not to incur additional obligations payable from Net SCWD Retail System Revenues senior to the Series 2017A Installment Payments. The Agency may incur additional obligations on a parity with the Series 2017A Installment Payments, subject to the terms and conditions described under the caption "SECURITY FOR THE BONDS—Limitations on Parity and Superior Obligations; Subordinate Obligations."

The Agency and the SCWD Retail Water System. The Agency is located in the northwestern portion of Los Angeles County (the "County"), approximately 35 miles from downtown Los Angeles. The wholesale service area of the Agency (the "Wholesale Service Area") has a population of approximately 273,000, and covers an area of approximately 195 square miles. The majority of the Wholesale Service Area is located in the County, and includes the City of Santa Clarita (the "City") and other nearby communities. The Agency does not sell water from the Wholesale System directly to retail users but sells water to four separate retail water purveyors, which include SCWD and three other water retailers (collectively, the "Retail Purveyors").

The Agency acquired all of the capital stock of the Santa Clarita Water Company ("SCWC") in September 1999. The assets of SCWC were subsequently transferred to the Agency and are operated by the Agency as the SCWD Retail Water System. The SCWD service area (the "SCWD Retail Service Area") encompasses approximately 55 square miles, or approximately 35,200 acres, located in the northern portion of the County, serving portions of the City and certain unincorporated areas of the County including the communities of Saugus, Canyon Country and a portion of West Newhall. The SCWD Retail Service Area lies entirely within the Agency's Wholesale Service Area boundaries and has a population of approximately 124,489. Except for small areas of overlap with the Newhall County Water District and the Valencia Water Company, SCWD is the sole retail water service provider within its service area.

The SCWD Retail Service Area is served by groundwater pumped by SCWD and imported water purchased by SCWD from the Agency's Wholesale System. See Appendix A—"INFORMATION RELATING TO SCWD RETAIL WATER SYSTEM." Pursuant to the Installment Purchase Agreement, in the event that the Agency acquires additional retail water distribution systems, such systems will not be included within the SCWD Retail Water System unless the Board of Directors of the Agency (the "Agency Board") determines by resolution to include such systems within the SCWD Retail Water System.

There is currently legislation approved by the California State Senate and pending in the State Assembly which, if approved and signed into law, would authorize the merger of the Agency and the Newhall County Water District (the "Pending Legislation"). Pursuant to the terms of the Pending Legislation, all obligations of the Agency would become obligations of the newly formed Santa Clarita Valley Water District ("SCVWD"). Such obligations would include the Installment Purchase Agreement. Pursuant to the terms of the Pending Legislation, revenues of the retail systems currently operated by the Newhall County Water District ("NCWD") and Valencia Water Company ("VWC"), if consolidated with the Agency, would not be included in the SCWD Retail Water System and operation and maintenance costs of NCWD and VWC would not be SCWD Operation and Maintenance Costs. See Appendix B—"INFORMATION RELATING TO THE CASTAIC LAKE WATER AGENCY AND THE WHOLESALE WATER SYSTEM."

In the event that the Pending Legislation is enacted, the Installment Purchase Agreement will become an obligation of the newly created SCVWD. No retail system revenues of SCVWD, other than the SCWD Retail Revenues will be pledged to payments under the Installment Purchase Agreement. See “Appendix B—“INFORMATION RELATING TO THE CASTAIC LAKE WATER AGENCY AND THE WHOLESALE WATER SYSTEM.”

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 a Joint Exercise of Powers Agreement, dated as of June 1, 2011 (the “Joint Powers Agreement”), by and between the Agency and the Devil’s Den Water District, a California Water District (“DDWD”), 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. 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.

Valencia Water Company. In December 2012, the Agency acquired the stock of VWC through the settlement of an eminent domain action. The assets of VWC have not been transferred to the Agency. VWC continues to operate as a separate legal entity under the direction of a board of directors appointed by the Agency as the owner of 100% of the stock of VWC. Revenues of VWC are not SCWD Retail Water System Revenues and are not pledged to repayment of the Series 2017A Installment Payments or any other obligations of the SCWD Retail System. Pursuant to the terms of the Pending Legislation, if enacted, VWC revenues would not be included as SCWD Retail System and operation and maintenance costs of VWC would not be SCWD Operation and Maintenance Costs. See Appendix B—“INFORMATION RELATING TO THE CASTAIC LAKE WATER AGENCY AND THE WHOLESALE WATER SYSTEM.”

Professionals Involved in the Offering. U.S. Bank National Association will act as Trustee with respect to the Bonds. The 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, Gilmore & Bell, P.C., for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, and for the Agency by Best Best & Krieger LLP, Riverside, California, General Counsel to the Agency, and for the Trustee by its counsel. Fieldman, Rolapp & Associates, Inc. is municipal advisor to the Agency.

Other Information About this Official Statement. There follows in this Official Statement (and attached appendices) a brief description of the Bonds, the security for the Bonds, the Agency, the Authority and certain other information relevant to the issuance of the Bonds. 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 D, 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 REFUNDING PLAN

The Bonds are being issued to provide the funds to refund, together with certain other moneys of the Agency, all of the outstanding \$40,840,000 aggregate principal amount of the 2011 Bonds. The 2011 Bonds were issued in 2011 under an Indenture of Trust dated as of July 1, 2011 (the “2011 Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “2011 Trustee”). The proceeds of the 2011 Bonds were applied by the Agency to repay an interfund loan from the Wholesale System to the SCWD Retail System. Such 2011 Bond proceeds were then applied by the Agency to pay the cost of certain capital acquisitions for the Wholesale System.

Pursuant to the Indenture, the Authority will deliver a portion of the proceeds of the Bonds to the Trustee to transfer to the 2011 Trustee for deposit in an escrow fund (the “Escrow Fund”) established under an Escrow Agreement, dated as of August 1, 2017, by and between the Authority and the 2011 Trustee (the “Escrow Agreement”). Such amounts, together with certain amounts transferred to the 2011 Trustee from the Agency and deposited in the Escrow Fund, will be held in cash or invested in direct general obligations of the United States of America (the “Defeasance Obligations”). The cash and Defeasance Obligations held in the Escrow Fund will be scheduled to mature in such amounts and at such times and bear interest at such rates to provide amounts sufficient to pay regularly scheduled principal and interest on the 2011 Bonds through and including August 1, 2021 and to pay on August 1, 2021 the redemption price (equal to 100% of the principal amount thereof) of the 2011 Bonds maturing on and after August 1, 2022.

The amounts held by the 2011 Trustee in the Escrow Fund are pledged solely to the payment of the 2011 Bonds. The funds deposited in the Escrow Fund will not be available for the payment of principal or interest with respect to the Bonds. Sufficiency of the deposits in the Escrow Fund for those purposes will be verified by Grant Thornton LLP, Minneapolis, Minnesota (the “Verification Agent”). Assuming the accuracy of such computations, as a result of the deposit and application of funds as provided in the Escrow Agreement, the 2011 Bonds will be defeased pursuant to the provisions of the 2011 Indenture, as of the date of issuance of the Bonds. See the caption “—Verification of Mathematical Computations” below.

Verification of Mathematical Computations

Upon delivery of the Bonds, the Verification Agent, a firm of independent public accountants, will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter relating to: (a) the adequacy of the maturing principal of and interest earned on the Defeasance Obligations, together with the cash to be concurrently deposited in the Escrow Fund, to pay regularly scheduled principal and interest on the 2011 Bonds through and including August 1, 2021 and to pay on August 1, 2021 the redemption price (equal to 100% of the principal amount thereof) of the 2011 Bonds maturing on and after August 1, 2022 and (b) the computations of yield of the Bonds and the Defeasance Obligations which support Bond Counsel’s opinion that interest on the Bonds is not includable in gross income for federal income tax purposes.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds and certain funds transferred from the Agency are set forth below.

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

<u>Sources</u>	
Principal Amount of Bonds	\$
Plus Original Issue Premium	
2011 Bond Funds	
Agency Contribution ⁽²⁾	
TOTAL	\$
<u>Uses</u>	
Deposit to Escrow Fund	\$
Underwriter's Discount	
Costs of Delivery ⁽³⁾	
TOTAL	\$

⁽¹⁾ Amounts rounded to the nearest dollar.

⁽²⁾ Represents _____.

⁽³⁾ Includes fees for Trustee, Municipal Advisor's fees, legal fees, printing costs, rating agency fees and other costs of delivery.

THE BONDS

Terms of the Bonds

The Bonds will be issued in the aggregate principal amount of \$ _____* and will be dated as of the date of issuance. Interest on the Bonds is payable by check or draft of the Trustee mailed by first class mail on February 1 and August 1 of each year, commencing February 1, 2018 (each an "Interest Payment Date"). The principal of and premium, if any, and interest on the 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 business on the applicable Record Date in the registration books kept by the Trustee, except that in the case of such an Owner of \$1,000,000 or more in aggregate principal amount of 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 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 Bonds will be computed based on a year consisting of 360 days and twelve 30-day months. Individual purchases will be made in principal amounts of \$5,000 and integral multiples thereof.

Principal of the 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.

* Preliminary. subject to change.

Redemption of Bonds

Optional Redemption. In accordance with the Indenture, the Bonds maturing on or 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 Bonds to be redeemed, together with accrued interest to the date of redemption, without premium.

Extraordinary Redemption from Insurance or Eminent Domain Proceeds. The 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 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 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 Bonds of such maturity to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 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 Bonds the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 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 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 Bond.

Selection of Bonds for Redemption

If any Bond is in a denomination larger than a minimum Authorized Denomination, a portion of such 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 Bond or Bonds for the unredeemed portion thereof. In the case of a partial redemption of Bonds, the Trustee will select the 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 Bonds so called for redemption by stamping them at the time any 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 Bond or Bonds issued in exchange for, or to replace, any Bond so called for prior redemption will likewise be stamped or otherwise identified.

Partial Redemption of Bonds

Upon surrender of any 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 Bond of Authorized Denominations, and of the same Maturity Date and interest rate, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Effect of Redemption of Bonds

If notice of redemption having been duly given pursuant to the Indenture, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption is held by the Trustee, on the redemption date designated in such notice, the 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 Bonds so called for redemption will cease to accrue, the Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of the 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 Bonds redeemed pursuant to the provisions of the Indenture will be cancelled upon surrender thereof and destroyed.

Book-Entry Only System

One fully-registered Bond for each maturity will be issued in the principal amount of such Bond. Such 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 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 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 F hereto for additional information concerning DTC.

Transfers and Exchanges Upon Termination of Book-Entry Only System

Any 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 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 Bond or Bonds are surrendered for transfer, the Trustee will authenticate and deliver a new Bond or 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 Bond authenticated and delivered upon any transfer. The Trustee may require the payment by any 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 Bonds the Trustee will cancel and destroy the Bonds it has received.

Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same series and maturity. The Trustee may charge a sum for each new Bond authenticated and delivered upon any exchange except in the case of any

exchange of temporary Bonds for definitive 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 Bonds, the Trustee will cancel and destroy the Bonds it has received.

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

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Debt Service Schedule

Set forth below is a table of the annual Series 2017A Installment Payments and parity obligations.

**Table 2
CASTAIC LAKE WATER AGENCY
SANTA CLARITA WATER DIVISION
Installment Payment Schedule**

<i>Period Ending (August 1)</i>	<i>Series 2017A Installment Payments</i>			<i>Parity Obligations⁽¹⁾</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Obligations⁽¹⁾</i>	<i>Total</i>
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
TOTAL					

⁽¹⁾ Reflects scheduled Series 2010B Installment Payments. See Appendix A—"INFORMATION RELATING TO SCWD RETAIL WATER SYSTEM" under the caption "SCWD Obligations—Parity Obligations."
Source: Agency.

SECURITY FOR THE 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 Bonds, for the purpose of securing: (a) the payment of all sums due and owing to the Owners of the 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 Bonds are limited obligations of the Authority. The 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 2017A Installment Payments received from the Agency pursuant to the Installment Purchase Agreement. See the caption “—“SCWD Retail System Revenue Pledge.”

The Bonds do not constitute a charge against the general credit of the Authority. The 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 Bonds. The Authority has no taxing power. The 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 within the meaning of any State constitutional or statutory provision.

SCWD Retail System Revenue Pledge

All SCWD Retail System Revenues and all amounts on deposit in the Revenue Fund have been irrevocably pledged to the payment of the Series 2017A Installment Payments as provided in the Installment Purchase Agreement, and the SCWD Retail System Revenues will not be used for any other purpose while any of the Series 2017A Installment Payments remain unpaid; provided that out of the SCWD Retail System Revenues and amounts on deposit in the Revenue 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, constitutes a first lien on SCWD Retail System Revenues and the Revenue Fund and all amounts on deposit therein as permitted in the Installment Purchase Agreement and subject to the application of SCWD Retail System Revenues in accordance with the terms hereof.

The obligation of the Agency to make the Series 2017A Installment Payments is a special obligation of the Agency payable solely from Net SCWD Retail System Revenues of the SCWD Retail Water System of the Agency, 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 2017A 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 2017A Installment Payments required to be made by it under the Installment Purchase Agreement when due, whether or not the SCWD Retail Water System 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.

Net SCWD Retail System Revenues means, for any fiscal year of the Agency (currently, the Agency’s Fiscal Year begins July 1) (“Fiscal Year”), SCWD Retail System Revenues remaining after payment of SCWD Operation and Maintenance Costs (as such terms are defined in the Installment Purchase Agreement). Net SCWD Retail System Revenues of the Agency DO NOT include the revenues of the Wholesale System. See Appendix D—“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 2017A Installment Payments from Net SCWD Retail System Revenues is payable on a parity with the obligation of the Agency to make the Series 2010B Installment Payments from Net SCWD Retail System Revenues under the 2010B Installment Purchase Agreement. See Appendix A—“INFORMATION RELATING TO SCWD RETAIL WATER SYSTEM” under the caption “SCWD Obligations—Parity Obligations.”

THE OBLIGATION OF THE AGENCY TO MAKE THE SERIES 2017A INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE AGENCY PAYABLE SOLELY FROM NET SCWD RETAIL SYSTEM REVENUES OF THE AGENCY 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 2017A 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.

SCWD Retail Water System Rate Covenant

To the fullest extent permitted by law, the Agency will fix and prescribe, at the commencement of each Fiscal Year, rates and charges for SCWD Retail Water Service which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net SCWD Retail System Revenues equal to 120% of Debt Service for 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 SCWD Retail System Revenues from such reduced rates and charges will at all times be sufficient to meet the foregoing requirements.

Failure to produce Net SCWD Retail System Revenues 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 SCWD Retail System Revenues on a parity with the Series 2017A Installment Payments.

Limitations on Parity and Superior Obligations; Subordinate Obligations

Additional Obligations Superior to Series 2017A 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 SCWD Retail System Revenues, any money in the Revenue Fund superior to the pledge securing the Series 2017A Installment Payments.

Additional Obligations on a Parity with Series 2017A Installment Payments. The Agency has covenanted in the Installment Purchase Agreement that the Agency may issue evidences of indebtedness or incur other obligations that are payable from or secured by a pledge of and lien on SCWD Retail System Revenues, and any money in the Revenue Fund on a parity with the pledge securing the Series 2017A Installment Payments pursuant to the following terms and conditions:

(1) The Net SCWD Retail System Revenues for the most recent audited Fiscal Year preceding the date of adoption by the Agency Board 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 Financial Consultant on such calculation on file with the Agency, produce a sum equal to at least 120% of the Debt Service for such Fiscal Year; and

(2) The Net SCWD Retail System Revenues for the most recent audited Fiscal Year preceding the date of execution of such Contract or the date of adoption by the Agency Board 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 SCWD Retail 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 Financial Consultant on such calculation on file with the Agency, demonstrate a sum equal to at least 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 such Bonds been issued at the beginning of such Fiscal Year; and

(3) The estimated Net SCWD Retail System 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 Project, as evidenced by a certificate on file with the Agency, including (after giving effect to the completion of all such uncompleted Projects) an allowance for estimated Net SCWD Retail System 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 SCWD Retail 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, produce a sum equal to at least 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 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 Projects.

Notwithstanding the foregoing, 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 Debt Service would have been 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 SCWD Retail System Revenues or moneys in the Revenue Fund as may from time to time be deposited therein subordinate to the Series 2017A Installment Payments.

THE CASTAIC LAKE WATER AGENCY

Appendix A hereto presents information relating to SCWD, the SCWD Retail Water System, SCWD Retail System Revenues and Net SCWD Retail System Revenues.

Appendix B hereto presents information relating to the Agency and the Agency's Wholesale System. Such information is presented for general purposes only. The Series 2017A Installment Payments are payable solely from Net SCWD Retail System Revenues. No revenues of the Agency's Wholesale System or any future retail water system of the Agency are pledged to the payment of the Series 2017A Installment Payments.

CONSTITUTIONAL PROVISIONS

Article XIII B

An initiative constitutional amendment entitled Limitations on Government Appropriations was approved by California voters on November 6, 1979. Under the amendment which adds Article XIII B to the California Constitution ("Article XIII B"), State and local government agencies are subject to an annual limitation on certain appropriations. Appropriations subject to limitation consist of "tax revenues," State subventions and certain other funds (together herein referred to as "proceeds of taxes"). Article XIII B does not affect the appropriation of money excluded from the definition of "appropriations subject to limitation," such as debt service on indebtedness existing or authorized before January 1, 1979 or subsequently authorized by the voters and appropriations mandated by any court having proper jurisdiction. Article XIII B also excludes

from limitation the appropriation of proceeds from regulatory licenses, user charges or other fees to the extent such proceeds equal “the costs reasonably borne by such entity in providing the regulations, product or service.”

In general terms, Article XIII B provides that the appropriations limit will be based on certain 1978-79 expenditures and will be adjusted annually to reflect changes in cost of living, population and transfer of financial responsibility of providing services from one governmental unit to another. Article XIII B also provides that if an agency’s revenues in any year exceed the amount which is appropriated by such agency in compliance with the provisions of Article XIII B, the excess must be returned during the next two fiscal years by revising tax rates or fee schedules.

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 XIII D, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIII D 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 XIII D 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. The Agency was of the opinion that, under similar reasoning, the water rates imposed by the Agency for retail water service by SCWD were not subject to Article XIII D. 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 XIII D 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 XIII D. 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 XIII D. The Agency does not believe the procedural or substantive provisions of Article XIII D apply to its wholesale rates and charges. The Agency believes it is in compliance with the procedural and substantive provisions of Article XIII D with respect to rates and charges for the SCWD Retail Water System.

Article XIII C. Article XIII C 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 wholesale rates and charges or retail fees and charges levied by SCWD 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 Bonds. Remedies available to beneficial owners of the 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 Installment Purchase Agreement 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 E), will be similarly qualified.

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 does not believe that the enactment of Proposition 26 affects its ability to charge for services provided by its SCWD Retail Water System.

Other Initiatives. Articles 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 SCWD Retail System 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 four Directors comprised of two 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 pay the costs of public capital improvements. 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 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 herein, interest on the 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 and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the 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 corporations, and is exempt from State personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the 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 Bonds to assure that interest (and original issue discount) on the 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 (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Agency has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable 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 Bond Owner's basis in the applicable 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 a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

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 Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar municipal obligations). 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 Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

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, the Installment Purchase Agreement and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the 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 Bonds and the accrual or receipt of interest (and original issue discount) on the 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 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix E.

CERTAIN LEGAL MATTERS

The validity of the 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 E and such legal opinion will be attached to each Bond. Bond Counsel

expresses no opinion as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Bonds and expressly disclaims any duty to advise the Owners of the Bonds as to matters related to this Official Statement.

Certain legal matters will be passed on for the Underwriter by its counsel Gilmore & Bell, P.C. ("Underwriter's Counsel"), for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, for the Agency by Best Best & Krieger LLP, Riverside, California, and for the Trustee by its counsel. Payment of the fees of Bond Counsel, Underwriter's Counsel and the Underwriter is contingent upon issuance of the Bonds.

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 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 Bonds or any action of the Authority contemplated by any of said documents.

The Agency

See Appendix B—"INFORMATION RELATING TO THE CASTAIC LAKE WATER AGENCY AND THE SCWD RETAIL WATER SYSTEM" under the caption "Litigation" for information with respect to litigation affecting the Agency.

MUNICIPAL ADVISOR

The Agency has retained Fieldman, Rolapp & Associates, Inc., Irvine, California, as municipal advisor (the "Municipal Advisor") in connection with the issuance of the 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 are not contingent upon the issuance of the 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.

RATING

The Agency expects that S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") will assign the Bonds the rating of "___." There is no assurance that such credit rating given to the 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 a rating may have an adverse effect on the market price of the Bonds. Such rating reflects only the view of S&P and an explanation of the significance of such rating may be obtained from S&P.

In providing a rating on the Bonds, S&P may have performed independent calculations of coverage ratios using its own internal formulas and methodology which may not reflect the provisions of the Installment Purchase Agreement. Neither the Authority nor the Agency make any representations as to any such calculations, and such calculations should not be construed as a representation by the Authority or the Agency

as to past or future compliance with any bond covenants, the availability of particular revenues for the payment of Debt Service or for any other purpose.

The Agency has covenanted in a Continuing Disclosure Certificate (as defined below) to file on EMMA, notices of any ratings changes on the Bonds. See the caption “CONTINUING DISCLOSURE UNDERTAKING” below and Appendix G—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.” Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from the rating agencies 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 Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

UNDERWRITING

The Bonds are being purchased by Wells Fargo Bank, National Association (the “Underwriter”) pursuant to a Purchase Contract, dated September __, 2017, by and among the Underwriter, the Authority and the Agency (the “Purchase Contract”). The purchase price of the Bonds is equal to \$_____, being the aggregate principal amount of the Bonds of \$_____, less an underwriter’s discount of \$_____ and plus original issue premium of \$_____. The Purchase Contract provides that the Underwriter will purchase all of the Bonds, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel, and certain other conditions.

The Underwriter may offer and sell Bonds to certain dealers and others at a price lower than the offering price stated on the cover page of this Official Statement. The offering price may be changed from time to time by the Underwriter.

[Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. The Underwriter has entered into an agreement (the “Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the Tax Exempt Obligations. Pursuant to the Distribution Agreement, the Underwriter will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Tax Exempt Obligations with WFA. The Underwriter also utilizes the distribution capabilities of its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Tax Exempt Obligations. In connection with utilizing the distribution capabilities of WFSLLC, the Underwriter pays a portion of WFSLLC’s expenses based on its municipal securities transactions. The Underwriter, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.]

CONTINUING DISCLOSURE UNDERTAKING

The Agency has covenanted in a Continuing Disclosure Certificate dated the date of issuance of the Bonds (the “Continuing Disclosure Certificate”) to provide annually certain financial information and operating data relating to the SCWD Retail Water System of the Agency by not later than 270 days following the end of its Fiscal Year (commencing with Fiscal Year 2017) 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 G.

In the past five years, the Agency has been subject to continuing disclosure certificates previously entered into with respect to obligations of the Agency's Wholesale System (the "Wholesale System Obligations") and the SCWD Retail System (each a "Prior Continuing Disclosure Undertaking"). Pursuant to the Prior Continuing Disclosure Undertakings, the Agency 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.

On May 13, 2014 and May 28, 2014, the Agency filed supplements to its continuing disclosure reports for the last five fiscal years with respect to the Castaic Lake Water Agency Revenue Certificates of Participation, Series 1999A (Water System Improvement Project) (the "1999 Certificates") and other Wholesale System Obligations to include information relating to facility capacity fee rates, revenue information for water sold to the Retail Purveyors (with respect to the 1999 Certificates only), and with respect to the 1999 Certificates and the Castaic Lake Water Agency Revenue Certificates of Participation, Series 2004A (1994 Refunding Project) (which are no longer outstanding), information regarding the debt surety reserve surety policies on deposit in the reserve funds created with respect thereto.

On May 13, 2014, the Agency filed a supplement to its continuing disclosure reports with respect to the outstanding Retail System obligations (for the last four Fiscal Years with respect to the Retail Revenue System Certificates of Participation, Series 2010B (Santa Clarita Water Division) and for the last three Fiscal Years with respect to the 2011 Bonds) to include information showing the largest customers of SCWD, required by the Prior Continuing Disclosure Undertakings for the SCWD Retail System Obligations.

The Agency cannot assure potential investors in the Bonds that, in the last five years, notices of changes in the ratings of Agency obligations 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 Agency 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.

In order to ensure compliance by the Agency with its continuing disclosure undertakings in the future, the Agency Board approved disclosure procedures on March 26, 2014 and updated such procedures on February 22, 2017 (as updated, the "Disclosure Procedures"). Pursuant to the Disclosure Procedures, the Treasurer 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 Bonds.

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

UPPER SANTA CLARA VALLEY JOINT POWERS
AUTHORITY

President

Secretary

APPENDIX A

INFORMATION RELATING TO SCWD RETAIL WATER SYSTEM

CERTAIN STATEMENTS CONTAINED IN THIS APPENDIX REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND "FORWARD-LOOKING STATEMENTS." NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS APPENDIX.

Acquisition by the Agency

The Agency acquired the stock of SCWC in September 1999, and subsequently changed the corporate status of SCWC to a not-for-profit corporation. The assets of SCWC were subsequently transferred to the Agency and are operated by the Agency as the SCWD Retail Water System. The Agency provides retail water service within the SCWD Retail Service Area.

In December 2012, the Agency acquired the stock of the Valencia Water Company ("VWC") through the settlement of an eminent domain action. The assets of VWC have not been transferred to the Agency. VWC continues to operate as a separate legal entity under the direction of a board of directors appointed by the Agency as the owner of 100% of the stock of VWC. Revenues of VWC are not SCWD Retail Water System Revenues and are not pledged to repayment of the Series 2017A Installment Payments or any other obligations of the Retail System. See the caption "—Authority and Purpose" in Appendix B to the Official Statement for a discussion of litigation involving the acquisition of the stock of VWC by the Agency.

There is currently legislation approved by the California State Senate and pending in the State Assembly which, if approved and signed into law, would authorize the merger of the Agency and the Newhall County Water District (the "Pending Legislation"). Pursuant to the terms of the Pending Legislation, all obligations of the Agency would become obligations of the newly formed Santa Clarita Valley Water District ("SCVWD"). Such obligations would include the Installment Purchase Agreement. Pursuant to the terms of the Pending Legislation, revenues of the retail systems currently operated by the Newhall County Water District ("NCWD") and VWC, if consolidated with the Agency, would not be included in the SCWD Retail Water System and operation and maintenance costs of NCWD and VWC would not be SCWD Operation and Maintenance Costs. See Appendix B—"INFORMATION RELATING TO THE CASTAIC LAKE WATER AGENCY AND THE WHOLESALE WATER SYSTEM."

Santa Clarita Water Division Management and Operation

Management. Oversight of SCWD is by the Agency Board. The daily operations of SCWD are administered by the Retail Manager, Keith Abercrombie, and financial operations are overseen by Retail Administrative Officer, Elizabeth Ooms-Graziano.

Keith Abercrombie is the Retail Manager of SCWD. Mr. Abercrombie received his Bachelor of Science degree in Agricultural Business from Colorado State University and received his Masters in Business Administration, Agribusiness from Santa Clara University. Prior to employment with the Agency, 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.

Elizabeth Ooms-Graziano is the Retail Administrative Officer of SCWD. Ms. Ooms-Graziano holds a Bachelor's degree in Accounting from California State University, Northridge. Prior to employment with the Agency, Ms. Ooms-Graziano worked as Controller for Sunshine Canyon Landfill, Browning Ferris Industries of California, a division of Allied Waste Incorporated, and also for Bradley Landfill and Simi Valley Landfill, both divisions of Waste Management Incorporated as Staff Accountant, Accounting Supervisor, Assistant Controller and Controller. Ms. Ooms-Graziano is a member of the California Society of Municipal Finance Officers and the Government Finance Officers Association.

Insurance. Insurance for the Agency, including SCWD, is currently maintained through the Association of California Water Agencies Joint Powers Insurance Authority, a self-insured insurance pool. See Appendix B under the caption "Insurance."

Employee Relations

Employees. As of December 31, 2016, the Agency had 140 employees, of which 58 were assigned to SCWD, and 10 were part-time employees. No Agency employees are represented by a labor union. The Agency has not experienced any strike or other labor actions.

Pension Plan. All qualified permanent and probationary employees of the Agency, including those assigned to SCWD are eligible to participate in the Agency's separate Miscellaneous Employee Pension Plans (the "Plans"), cost-sharing multi-employer defined benefit pension plans administered by the California Public Employees Retirement System (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 or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

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

On September 12, 2012, the State Governor signed AB 340, which implements pension reform in the State. Effective January 1, 2013, AB 340, among other things: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying any portion of the required member contributions to such retirement systems for employees hired after January 1, 2013 who are new PERS members (those who were not already enrolled in a public retirement system through their previous employers or who moved between employers or public retirement systems with a 6 month break in service) ("New Members"); (iii) establishes a compulsory maximum non safety benefit formula of 2.5% at age 67; and (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36 month period. AB 340 closed the Agency's CalPERS 2% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired on or after January 1, 2013 are eligible for the Agency's CalPERS 2.0% at 62 Retirement Plan.

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 PEPRRA, employees hired on or after January 1, 2013, are enrolled in the CalPERS Local Miscellaneous 2% at 62 Plan.

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follow:

	<i>Classic Members</i>	<i>New Members</i>
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years' service	5 years' service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-55	52-62
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1% to 2.5%
Required employee contribution rates	7%	6.50%
Required employer contribution rates	11.90%	6.73%

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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For Fiscal Year 2016, the Agency recognized \$1,145,764 in contributions as part of pension expense, of which \$433,887 was allocated to SCWD.

Net Pension Liabilities. As of June 30, 2016, the Agency reported \$6,187,106 in net pension liabilities for its proportionate share of the net pension liability of the Plans, of which \$2,350,823 was allocated to SCWD.

The Agency's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2015 and 2014 (the measurement dates), and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 and 2013 (the valuation dates), rolled forward to June 30, 2015 and 2014, using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The Agency's proportionate share of the net pension liability for the Plans as of the measurement dates of June 30, 2015 and 2014, were 0.09014% and 0.09601%, respectively.

Pension Expenses and Deferred Outflow/Inflow of Resources. For the year ended June 30, 2016 and June 30, 2015, the Agency recognized pension expenses of \$1,145,764 and \$883,949, respectively. At June 30, 2016, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflow of Resources</i>	<i>Deferred Inflow of Resources</i>
Pension contribution subsequent to measurement date	\$ 1,140,043	--
Difference between actual and expected experience	72,542	--
Change of assumptions	--	\$ 686,314
Net differences between projected and actual earnings on plan investments	--	344,058
Difference between actual contribution and proportionate share of contribution	20,294	--
Net adjustments due to differences in proportions of net pension liability	<u>62,426</u>	<u>--</u>
Total	\$ 1,295,305	\$1,030,372

At June 30, 2015, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflow of Resources</i>	<i>Deferred Inflow of Resources</i>
Pension contribution subsequent to measurement date	\$ 1,138,635	--
Net differences between projected and actual earnings on plan investments	--	\$2,007,631
Net adjustments due to differences in proportions of net pension liability	<u>--</u>	<u>224,675</u>
Total	\$ 1,138,635	\$2,232,306

As of June 30, 2016 and June 30, 2015, \$1,140,043 and \$1,138,635, respectively, were reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal years ended June 30, 2017 and June 30, 2016, respectively.

At June 30, 2016, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions were recognized as pension expense as follows:

<i>Fiscal Year</i>	<i>Deferred Outflows/(Inflows) of Resources</i>
2017	\$ (429,811)
2018	(413,763)
2019	(321,954)
2020	(290,417)
2021	<u>--</u>

At June 30, 2015, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions were recognized as pension expense as follows:

<i>Fiscal Year</i>	<i>Deferred Outflows/(Inflows) of Resources</i>
2016	\$ (582,148)
2017	(582,148)
2018	(566,100)
2019	(501,910)

Actuarial Assumptions. The total pension liabilities in the June 30, 2015 and 2014 actuarial valuation reports were determined using the following actuarial assumptions:

Valuation date	June 30, 2014 and 2013
Measurement date	June 30, 2015 and 2014
Actuarial cost method	Entry Age Normal in accordance with GASB No. 68
Actuarial assumptions:	
Discount rate	7.65% net of administrative expenses for 2015 and 2014
Inflation rate	2.75%
Salary Increases	Varies by entry age and service
Investment rate of return	7.50% net of pension plan investment and administrative expenses; includes inflation
Mortality*	Derived using CalPERS membership data for all funds
Post-Retirement Benefit	Protection allowance floor on purchasing power applies, 2.75% thereafter

* The mortality rate used was developed based on CalPERS' specific data. The mortality rate includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on mortality rate, refer to the 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the Agency's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Agency's proportionate share of net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage higher than the then-current rate.

At June 30, 2016, the discount rate comparison was as follows:

	<i>Discount Rate – 1%</i> <i>6.65%</i>	<i>Then-Current</i> <i>Discount Rate 7.65%</i>	<i>Discount Rate + 1%</i> <i>8.65%</i>
Plan Net Pension Liability/(Assets)	\$12,022,504	\$6,187,106	\$3,161,423

At June 30, 2015, the discount rate comparison was as follows:

	<i>Discount Rate – 1%</i> <i>6.50%</i>	<i>Then-Current</i> <i>Discount Rate 7.50%</i>	<i>Discount Rate + 1%</i> <i>8.50%</i>
Plan Net Pension Liability/(Assets)	\$10,644,295	\$5,974,266	\$2,098,586

CalPERS reviews all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle. In December 2016, CalPERS' board approved reductions in the assumed investment rate of return (also referred to as the discount rate) in accordance with the following schedule: 7.375% in fiscal year 2017-18, 7.25% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20. Such reductions in the discount rate are expected to increase the Agency's required employer contributions as well as the Agency's unfunded accrued pension liability. The Agency does not expect such reductions in CalPERS' assumed discount rate and increases in its required payments to CalPERS' which may result therefrom to have a material adverse impact on its ability to pay the Series 2017A Installment Payments. CalPERS may adjust the discount rate in the future, which adjustments will require action by CalPERS' board and proper stakeholder outreach.

On November 18, 2015, the CalPERS Board adopted a Funding Risk Mitigation Policy (the "Mitigation Policy") that seeks to reduce funding risk over time. The Mitigation Policy establishes a mechanism whereby CalPERS investment performance that significantly outperforms the discount rate triggers adjustments to the discount rate, expected investment return, and strategic asset allocation targets. Reducing the volatility of

investment returns is expected to increase the long-term sustainability of CalPERS pension benefits for members. In February 2017, the CalPERS Board revised the Mitigation Policy. The revisions include suspension of the policy until fiscal year 2020-21, and a decrease of the required first excess investment return threshold from 4 to 2 percent.

For additional information with respect to the Agency's pension plans, see Note 14 of the Agency's Comprehensive Annual Financial Report attached to the Official Statement as Appendix C.

Other Post-Employment Benefits. The Governmental Accounting Standards Board published Statement No. 45 ("GASB 45"), requiring governmental agencies that fund post-employment benefits on a pay-as-you-go basis, such as the Agency, to account for and report the outstanding obligations and commitments related to such post-employment benefits in essentially the same manner as for pensions.

The Agency offers post-employment healthcare benefits (medical and dental) ("OPEB") to qualified employees who retire from the Agency and meet the Agency's vesting requirements, including employees assigned SCWD. The Agency participates in the CalPERS California Employer's Retiree Benefit Trust Program ("CERBT"), a prefunding plan trust fund. Beginning with the Fiscal Year ended June 30, 2009, the Agency partially pre-funded the CERBT plan and maintains reserves (and records a liability) for the difference between the funded amount and the actuarially determined Annual Required Contribution ("ARC") cost. In Fiscal Year 2016, the Agency contributed \$685,796 to the CERBT trust fund (of which \$262,729 was allocated to SCWD) and \$411,585 in age adjusted contributions (of which \$110,137 was allocated to SCWD) for current retiree OPEB premiums. As of June 30, 2016, there were 37 retirees and beneficiaries receiving benefits under the OPEB program.

The Agency engaged an actuarial consultant to calculate the Agency's post-employment benefits liability. Results of this study indicate that as of July 1, 2015, the total unfunded actuarial accrued liability ("UAAL") for the Agency's OPEB Program was \$15,712,218. The covered payroll for Fiscal Year 2016 was \$9,797,086. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 68.89%.

The annual amount required to be paid to amortize this liability over 30 years and to accumulate an appropriate amount for current employers so that the UAAL does not increase the ARC is \$1,016,000. The Agency's net OPEB assets were \$4,120,734, \$4,498,947 and \$5,069,859 for Fiscal Years 2014, 2015 and 2016, respectively. For Fiscal Year 2016, the amount of net OPEB assets allocated to SCWD was \$1,618,045. The Agency's ARC was \$638,000, \$631,795 and \$631,790 for Fiscal Years 2014, 2015 and 2016, respectively. The Agency has budgeted to fully pre-fund the ARC in Fiscal Year 2018. Pre-funding moneys are deposited in the California Employers' Retiree Benefit Trust Fund through CalPERS. The Agency does not expect that any increased funding of post-employment benefits will have a material adverse effect on the ability of the Agency to make the Series 2017A Installment Payments.

For additional information with respect to the Agency's post-employment benefits, see Note 15 of the Agency's Comprehensive Annual Financial Report attached to the Official Statement as Appendix C.

Santa Clarita Water Division Service Area

The SCWD service area encompasses approximately 55 square miles, or approximately 35,200 acres, located in the northern portion of the County, serving portions of the City and certain unincorporated areas of the County including the communities of Saugus, Canyon Country and a portion of West Newhall. The Retail Service Area lies entirely within the Agency's Wholesale Service Area boundaries and has a population of approximately 124,489. Except for small areas of overlap with the Newhall County Water District and the Valencia Water Company, SCWD is the sole retail water service provider within its service area. See Appendix B—"INFORMATION RELATING TO THE CASTAIC LAKE WATER AGENCY AND THE WHOLESALE WATER SYSTEM" for a discussion on the potential merger of NCWD with the Agency.

SCWD Retail Water System

Water Supply. SCWD supplies potable water from both imported water purchased from the Agency’s Wholesale System, historically averaging approximately 75-85% of supply, and groundwater sources, historically averaging approximately 15-25% of supply, depending upon annual operating conditions. See Table 5 under the caption “Water Deliveries and Service Connections.” Allocation rights to the groundwater basin have not been adjudicated. Based on the 2015 Santa Clarita Valley Water Report, the groundwater basin has not been and is not projected to be over-drafted on a long term historic basis.

The Retail System consists of the following facilities:

- 13 imported water turnouts
- 14 groundwater wells
- 29 booster stations
- 18 pressure zones and 19 subzones
- 48 water storage tanks
- 76 million gallons of water storage
- 340 miles of pipeline

Water Deliveries and Service Connections

SCWD currently provides water service to approximately 31,000 connections. Existing land use within the retail service area is principally residential. As of December 31, 2016, approximately 95% of the retail customers of the SCWD were residential users (based on active accounts), 3% were commercial users and 2% were other users (including public authorities, irrigators, government, industrial, institutional and fire service).

The following table sets forth the ten largest customers of SCWD as of June 30, 2017, the latest date for which such information is available, as determined by the amount of their respective annual payments.

Table 4
SANTA CLARITA WATER DIVISION
Largest Customers by Annual Payments
(as of June 30, 2017)

<i>Customer</i>	<i>Annual Payments</i>	<i>% of Total Water Sales</i>
G. H. Palmer Properties (HOA)	\$1,696,639	5.3%
City of Santa Clarita	1,421,312	4.5
Friendly Village	566,918	1.8
American Beauty	349,608	1.1
William S. Hart Union High School District	268,449	0.8
American Beauty (HOA)	252,300	0.8
Mariposa & Plum Canyon (HOA)	247,463	0.8
Pacific Crest HOA	222,797	0.7
Saugus Union School District	183,703	0.6
The Ranch at Fair Oaks	173,151	0.5
Total	<u>\$5,382,340</u>	<u>16.9%</u>

Source: SCWD.

The following table details a five-year history of water deliveries and service connections for the SCWD Retail Water System.

Table 5
SANTA CLARITA WATER DIVISION
Historic Water Deliveries and Service Connections⁽¹⁾

<i>Fiscal Year</i>	<i>Groundwater (Acre-feet)</i>	<i>Saugus 1 & 2 Wells (Acre-feet)</i>	<i>Imported Water⁽²⁾ (Acre-feet)</i>	<i>Total Water Deliveries (Acre-feet)</i>	<i>Service Connections</i>
2017 ⁽³⁾	1,660	2,471	20,581	24,712	31,478
2016	4,463	2,355	14,828	21,646	30,918
2015	4,341	1,772	18,004	24,117	30,322
2014	5,036	2,263	22,696	29,995	29,999
2013	9,922	2,382	16,276	28,580	29,157

⁽¹⁾ Certain water deliveries and service connection numbers set forth above reflect adjustments made subsequent to the relevant calendar year.

⁽²⁾ Supplied to SCWD by the Agency.

⁽³⁾ Reflects unaudited actual results.

Source: SCWD.

The following tables project water deliveries and service for connections of SCWD for the current and next four Fiscal Years.

Table 6
SANTA CLARITA WATER DIVISION
Projected Water Deliveries and Service Connections

<i>Fiscal Year</i>	<i>Groundwater (Acre Feet)</i>	<i>Saugus Replacement Wells (Acre Feet)</i>	<i>Imported Water (Acre Feet)</i>	<i>Total Water Deliveries (Acre Feet)</i>	<i>Service Connections</i>
2018	4,447	3,000	20,505	27,982	31,982
2019 ⁽¹⁾	8,043	3,000	15,768	26,811	32,493
2020 ⁽²⁾	11,104	3,000	13,656	27,760	33,013
2021	11,362	3,000	14,044	28,406	33,541
2022	11,489	3,000	14,233	28,722	34,078

⁽¹⁾ Projected increase in groundwater deliveries in Fiscal Year 2019 reflect a return to historical levels of groundwater production, which were lower in recent years as a result of greater availability of State Water Project water. Projected decrease in total water deliveries as a result of conclusion of grading project which resulted increased total water deliveries in Fiscal Year 2018.

⁽²⁾ Projected increase in total water deliveries in Fiscal Year 2020 as a result of projected 2% growth in service connections and increased water use as result of the termination of certain State-mandated conservation measures. See the caption "—Recent California Drought and Response" below.

Source: SCWD.

The table below summarizes the additional development that could be expected to add accounts to the SCWD Retail Water System, based on requests made by developers to SCWD as of June 30, 2017. The number of units set forth below are those that SCWD currently anticipates will be developed in the future, not necessarily units for which final maps or building permits have been issued.

<i>Status of Tract Map</i>	<i>Number of Accounts</i>
Under Construction ⁽¹⁾	1,450
Under Design ⁽²⁾	4,000
Total Proposed ⁽³⁾	5,450

⁽¹⁾ Based on engineering deposits received by SCWD from developers.

⁽²⁾ Based on inquiries to SCWD from developers.

⁽³⁾ Represents all proposed tract map units expected to be developed in the future. Only a portion of such units are expected to be developed in the next five years. The Agency can make no assurance that any such development will occur and if such development occurs, the pace of such development.

Source: SCWD.

Retail Water Rate Structure and Billing

Rate Structure. SCWD’s current water rate structure consists of a flat rate service charge based on meter size, which varies from \$19.98 per month to \$853.19 per month (effective January 1, 2017), plus a three-tiered commodity charge for water for single family dwelling residential customers based on hundreds of cubic feet (“HCF”). SCWD estimates the average monthly bill at \$58.52 (18 HCF) for single family dwelling residential customers under the current water rate structure. There can be no assurance that actual monthly bills will reflect such estimate.

As described in Appendix B under the caption “INFORMATION RELATING TO THE CASTAIC LAKE WATER AGENCY AND THE WHOLESALE WATER SYSTEM—Wholesale Water Rates and Charges,” the Agency adopted a new, revised wholesale water rate structure for calendar years 2016 through 2018, effective April 1, 2016, designed to recover operating costs. SCWD is considering a pass-through cost adjustment for the Agency’s received wholesale rate structure starting January 1, 2018 and incremental pass-through costs for power from Southern California Edison. There can be no assurance that such pass-through cost adjustment will be approved.

In Fiscal Year 2016, SCWD engaged a financial consultant to complete a cost of service rate study. Such rate study is expected to be completed in September, 2017. SCWD is currently considering transitioning from the Single Family Residential tiered rates to a uniform flat rate. Also being considered is a 2 percent annual rate increase from January 1, 2019 through January 1, 2021 (plus the pass-through cost for wholesale water purchased and incremental pass-through for cost of power as described above, which, if approved, would be effective January 1, 2018). Such rate increases have not been approved by the Agency Board and there is no assurance that the Agency Board will approve any rate increases. Any rate increases will be subject to certain procedural and substantive requirements described in the Official Statement under the caption “CONSTITUTIONAL PROVISIONS.” SCWD anticipates scheduling the public hearing required under Proposition 218 by the end of calendar year 2017.

Billing Procedures. Water charges are billed to customers monthly with a due date of 19 days from presentation date (date mailed). Bills not paid after 25 days are considered past due, at which time a reminder notice is sent. The due date of the reminder notice is 15 days from presentation date. If payment is not received by the payment due date specified on the reminder notice, termination notices are mailed and automated telephone calls are made notifying the customers that their water will be turned off in 2 days if payment is not received. The cost to the customer of reconnecting water service is based on the outstanding balance of the water bill plus a reconnect fee. If the customer is shut off 3 times in a 12-month period, a deposit in the amount of 2 months’ billing may be required in addition to the bill payment and reconnect fee. SCWD charges penalties for late payments of \$10 and termination due to non-payments of \$25. New customers are required to provide proof of identity in order to open a new account.

SCWD has averaged write-off expenses as the result of delinquent accounts of less than 0.23% of total billings over the past five years.

Property Developer Fees

In Fiscal Year 2017, SCWD collected approximately \$3 million in deposits from developers for water facilities that are currently under construction. As of June 30, 2017, SCWD held approximately \$2.8 million in unexpended deposits with respect to approximately 23 residential subdivisions at various stages of development and various smaller residential, commercial and industrial development projects. Such deposits are refundable to the extent that the design or construction of such development projects is halted. Property developer fees do not constitute SCWD Retail Water System Revenues and are not pledged to repayment of the Series 2017A Installment Payments.

Capacity Fees

New developments within the Retail Service Area pay an Offsite Improvement Costs charge for storage and production based on meter size. On July 13, 2016, the Agency Board approved an increase in the existing Capacity Fees effective January 1, 2017 and annual increases for each January 1 thereafter until otherwise modified by the Agency Board. The Capacity Fees will be adjusted for inflation using the Los Angeles specific Engineering News Records (ENR) Construction Cost Index (CCI). Developers must also submit a deposit to cover the initial planning phase of a project. Before SCWD commences construction of improvements, developers will sign an agreement to contribute the amount required to cover the cost of the facilities to be developed by SCWD, which will provide for the developer's application for a water main extension, including the installation of a distribution plant or other special facilities, for furnishing public utility water service (including but not limited to fire flow) to properties under development. Capacity Fees are refundable or partially refundable to the extent that the construction of development projects is not commenced or such projects are reduced in scope. Capacity Fees constitute SCWD Retail System Revenues and are pledged to repayment of the Series 2017A Installment Payments. However, SCWD's historic and projected operating results do not reflect receipt of Capacity Fee revenues. See Tables 7 and 8 under the caption "Historic and Projected Financial Results of the Santa Clarita Water Division."

Recent California Drought and Response

Governor's Executive Orders. Hydrological conditions in California can vary widely from year to year. In 2013, much of California experienced one of the driest years on record and such dry conditions continued through January 2014. Due to these record-dry conditions, Governor Edmund G. Brown (the "Governor") proclaimed a drought emergency on January 17, 2014.

On April 1, 2015, Governor Brown issued an executive order (the "2015 Executive Order") mandating, among other provisions, a 25% reduction in potable urban water usage in California (as compared to potable water usage in 2013) through February 28, 2016. On February 2, 2016, the reductions mandated by the 2015 Executive Order were extended through October 31, 2016. In connection with such extension, the general framework of the regulations implementing the 2015 Executive Order were left intact, however, urban water suppliers are now provided credits and adjustments based on climate and recognition of significant investments made to create local, drought-resilient sources of potable water.

On May 9, 2016, the Governor issued an executive order directing the SWRCB to adjust and extend the SWRCB's emergency water conservation regulations through the end of January 2017 (the "2016 Executive Order"). On May 18, 2016 and in accordance with the 2016 Executive Order, the SWRCB adopted an emergency water conservation regulation (the "2016 SWRCB Regulation") that replaced its February 2, 2016 emergency regulation and extends through January 31, 2017. The 2016 SWRCB Regulation requires urban water suppliers, including retail water agencies such as SCWD, to develop conservation standards based upon each urban water supplier's specific circumstances and replaces the prior percentage reduction-based standard described above. On

February 8, 2017, the SWRCB modified and extended the emergency water conservation regulation for another 270 days.

The 2016 SWRCB Regulation requires urban water suppliers to develop conservation standards based upon each urban water supplier's specific circumstances and replacing the prior percentage reduction-based water conservation standard described above. Pursuant to the 2016 SWRCB Regulation, SCWD filed a conservation standard with the SWRCB on June 22, 2016, which included data and underlying analyses used by SCWD to determine the conservation standard and to demonstrate compliance with certain substantive requirements of the 2016 SWRCB Regulation. The conservation standard is zero, based on a finding of adequate supplies per the terms of the 2016 SWRCB Regulation

On April 7, 2017, the Governor issued an executive order (the "2017 Executive Order") which terminates the January 17, 2014 executive order discussed above (except with respect to certain counties within the State) and rescinds the 2015 Executive Order. The 2017 Executive Order continues to require California Department of Water Resources ("DWR") and the SWRCB to develop standards for urban water suppliers to set water use efficiency targets and restrict wasteful water use, as provided in the 2016 Executive Order.

SCWD Responses. In response to the various drought executive orders and SWRCB regulations described above, SCWD adopted ordinances to outline a water conservation plan, outdoor watering restrictions and penalties for noncompliance. In July 2016, the Agency Board adopted Ordinance No. 44, which provided for penalties for violations of State-mandated watering restrictions. SCWD has lifted restricted watering schedules; however, the penalties for violations of State-mandated watering restrictions remain in effect. SCWD also implemented conservation efforts such as distribution of free low-flow shower heads and hose nozzles and lawn replacement programs funded by the Agency. To complement these programs, SCWD has 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 SCWD. The Agency 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 SCWD conservation efforts in meeting the water use reduction goals under Senate Bill X7-7 (the Water Conservation Act of 2009) as well as future water demands.

Additionally, SCWD recognizes that recycled water is an important source of supply. SCWD does not currently have access to recycled water but efforts are currently in the planning and design phase for a recycled water system in a new community in SCWD's service area. The recycled water system may provide excess recycled water beyond the needs of the new community, which could enable SCWD to distribute recycled water to neighboring irrigation customers.

SCWD Obligations

SCWD Operation and Maintenance Costs. The Agency acquired SCWC's stock through condemnation in September 1999 at a purchase price of approximately \$63,000,000. At the time of the purchase, the Agency's previous financial advisor prepared a financial analysis of SCWC's cash flow which demonstrated that it was financially feasible to fund the acquisition of the company with SCWC's own revenue stream. Accordingly, the acquisition was treated as an interfund advance from the Agency's Wholesale System (the "Interfund Loan"). In 2011, SCWD repaid the Interfund Loan to the Wholesale System in full from proceeds of the 2011 Bonds.

Parity Obligations. In May 2010, the Agency has executed and delivered the Retail Revenue System Certificates of Participation, Series 2010B (Santa Clarita Water Division) (the "2010B Certificates") pursuant to a Trust Agreement dated as of March 1, 2010 and an Installment Purchase Agreement dated as of March 1, 2010 (the "2010B Installment Purchase Agreement"). The 2010B Installment Purchase Agreement is currently outstanding in the aggregate principal amount of \$12,610,000. Under the 2010B Installment Purchase Agreement, the Agency is obligated to make the Series 2010B Installment Payments from Net SCWD Retail System Revenues. The obligation of the Agency to make the Series 2010B Installment Payments from Net SCWD Retail System Revenues is on a parity with the obligation of the Agency to make the Series 2017A Installment

Payments. The Agency does not expect to incur any additional Contracts or Bonds for the benefit of SCWD during the current and next four Fiscal Years, other than the Installment Purchase Agreement.

Future Obligations. While the Agency currently projects entering into obligations payable from net revenues of the Wholesale System in the next five Fiscal Years, the Agency does not currently expect to enter into any obligations payable from Net SCWD Retail System Revenues on a parity with the Series 2017A Installment Payments in the next five Fiscal Years. See also the Official Statement under the caption “INTRODUCTION—The Agency and the SCWD Retail Water System” for a discussion of a limitation on the Agency’s acquisition of other retail water distribution systems as a part of the SCWD Retail Water System.

In the event that the Pending Legislation is enacted, the customers of the former NCWD would remain obligated to pay the principal and interest on NCWD’s three loans outstanding in the aggregate principal amount of \$[3,089,752]. In the event that the Pending Legislation is enacted and VWC is consolidated with SCVWD, the VWC division would remain obligated to pay the principal and interest on its loan from Modern Woodman of America (the “Modern Woodman Loan”), which is currently outstanding in the principal amount of \$24,000,000 and any obligations issued by the Agency to refinance the Modern Woodman Loan.

Historic and Projected Financial Results of the Santa Clarita Water Division

A copy of the most recent audited financial statements of the Agency prepared by Fedak & Brown LLP, Certified Public Accountants, Cypress, California (the “Auditor”) are included as Appendix C to the Official Statement. The Agency’s contract with the Auditor does not require 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Agency as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. The Auditor has not reviewed the Official Statement.

The criteria used in determining the scope of a financial reporting entity is based on the provisions of Governmental Accounting Statements No. 14 and 34 (an amendment of No. 14) and GASB No. 61 – *The Financial Reporting Entity*, Omnibus (an amendment of GASB Statements No. 14 and No. 34). The Agency is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Agency is financially accountable if it appoints a voting majority of the organization’s governing body and: 1) It is able to impose its will on that organization, or 2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The Agency has accounted for SCWD as a blended component unit. Accordingly, the basic financial statements attached to the Official Statement as Appendix C present the Agency and its component units, including SCWD.

The Agency currently accounts for the SCWD Retail System Revenues and SCWD Operation and Maintenance Costs separately from the other operating funds and accounts of the Agency as the water enterprise fund of the Agency in the Agency audit. Accordingly, there are no separate basic financial statements for SCWD.

The water enterprise fund which relates to the activities of SCWD is accounted for as a proprietary fund. The accrual basis of accounting is followed by a proprietary fund. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Unbilled water and utility services receivables are recorded at year end. Proprietary funds distinguish operating revenues and expenses from non-operating items. 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, such as water sales, result from exchange transactions associated with the principal activity of SCWD. Exchange transactions are those in which each party receives and gives up essentially equal

values. Non-operating revenues, such as grant funding and investment income, result from non-exchange transactions, in which, the Agency gives (receives) value without directly receiving (giving) value in exchange.

Beginning with its audited financial statements for Fiscal Year 2015, the Agency implemented GASB Statement No. 68. As a result of implementing GASB Statement No. 68, the Agency restated the beginning net position in its Statement of Net Position for Fiscal Year 2014, effectively decreasing the net position as of June 30, 2014 of governmental activities and business-type activities (which includes the net position of SCWD) by \$4,571,024 and \$2,801,599, respectively.

Historic Santa Clarita Water Division Operating Results. The table below is a summary of the operating results of SCWD for Fiscal Years 2012 through 2016. These results exclude certain non-cash items and include certain other adjustments.

**Table 7
SANTA CLARITA WATER DIVISION
Historic Operating Results
(Fiscal Years ending June 30)**

	2012	2013	2014	2015	2016
Revenues					
Water Sales ⁽¹⁾	\$ 28,261,094	\$ 30,395,235	\$ 31,532,160	\$ 27,943,429	\$ 27,753,519
Other ⁽²⁾	<u>1,096,249</u>	<u>1,443,888</u>	<u>2,240,350</u>	<u>2,408,058</u>	<u>2,800,744</u>
Total Operating Revenues	\$ 29,357,343	\$ 31,839,123	\$ 33,772,510	\$ 30,351,487	\$ 30,554,263
Operation and Maintenance Costs					
Interfund Loan Payments to the Agency ⁽³⁾	\$ 803,369	--	--	--	--
Sources of Supply	7,795,816	\$ 8,430,215	\$ 8,078,601	\$ 7,951,667	\$ 8,508,698
Pumping	1,968,640	2,260,561	2,349,549	2,575,959	2,629,656
Water Treatment	799,432	867,901	879,807	862,681	831,626
Transmission and Distribution	3,710,305	3,516,193	3,665,396	4,141,445	4,042,902
Customer Service	792,450	863,047	775,894	783,772	744,474
Administrative and General Other	2,876,674	3,111,561	3,152,735	3,404,534	3,218,973
Other ⁽⁴⁾	<u>598,145</u>	<u>748,476</u>	--	--	--
Total Operation and Maintenance Costs	\$ 19,344,831	\$ 19,797,954	\$ 18,901,982	\$ 19,720,058	\$ 19,976,329
Net Revenues	\$ 10,012,512	\$ 12,041,169	\$ 14,870,528	\$ 10,631,429	\$ 10,577,934
Debt Service					
Series 2010B Installment Payments ⁽⁵⁾	\$ 961,038	\$ 961,088	\$ 959,763	\$ 961,963	\$ 681,988
Series 2011A Installment Payments ⁽⁶⁾	<u>925,919</u>	<u>3,632,963</u>	<u>4,074,688</u>	<u>4,186,663</u>	<u>2,227,713</u>
Total Debt Service	\$ 1,886,957	\$ 4,594,051	\$ 5,034,451	\$ 5,148,626	\$ 2,909,701
Debt Service Coverage ⁽⁷⁾	5.31	2.62	2.95	2.06	3.64
Revenues Available for Other Purposes	\$ 8,125,555	\$ 7,447,119	\$ 9,836,077	\$ 5,482,803	\$ 7,668,233

⁽¹⁾ Represents sale of water to SCWD's individual accounts; also includes revenues related to Fire Protection service accounts, sales to mutual water companies in the Retail Service Area. Excludes Capacity Fee revenues described under the caption "Capacity Fees."

⁽²⁾ Includes investment income, rental income and miscellaneous water service income.

⁽³⁾ Repayment of Interfund Loan. In 2011, SCWD repaid the Interfund Loan with proceeds from the 2011 Bonds. See the caption "— SCWD Obligations— SCWD Operation and Maintenance Costs" above.

⁽⁴⁾ Fiscal Year 2012 reflects a onetime payment for a CalPERS side-fund payoff and costs of issuance for new debt entirely expensed in Fiscal Year 2013 in accordance with GASB Statement No. 65.

⁽⁵⁾ In Fiscal Year 2015, the Agency defeased \$275,000 principal amount of the Series 2010B Installment Payments due in Fiscal Year 2016 from Agency reserves. In Fiscal Year 2016, the Agency defeased \$285,000 principal amount of the Series 2010B Installment Payments due in Fiscal Year 2017 from Agency reserves. Debt service coverage in each of Fiscal Year 2016 and Fiscal Year 2017 reflect the foregoing defeased amounts.

⁽⁶⁾ In Fiscal Year 2015, the Agency defeased \$2,030,000 principal amount of the Series 2011A Installment Payments due in Fiscal Year 2016 from Agency reserves. In Fiscal Year 2016, the Agency defeased \$2,230,000 principal amount of the Series 2011A Installment Payments due in Fiscal Year 2017 from Agency reserves. Debt service coverage in each of Fiscal Year 2016 and Fiscal Year 2017 reflect the foregoing defeased amounts.

⁽⁷⁾ Debt Service Coverage calculated as Net Revenues divided by Total Debt Service.

Sources: SCWD and Agency's Comprehensive Annual Financial Report.

As shown in Table 7 and Table 8, the Agency defeased \$2,305,000 and \$2,515,000 of outstanding obligations in Fiscal Years 2015 and 2016, respectively. Without such defeasances, the Agency's debt service coverage ratios for the Outstanding Contracts and Bonds in Fiscal Years 2016 would have been 2.01 and is projected to be 1.31 for Fiscal Year 2017.

Projected SCWD Retail System Revenues and SCWD Operation and Maintenance Costs and Debt Service Coverage. The following table provides a projection of the operating results and debt service coverage of

SCWD for Fiscal Years 2017 through 2021, reflecting the Agency's estimate of projected financial results and debt service coverage based on 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 fiscal results. Actual operating results and debt service coverage achieved during the projection period may vary from those presented in the forecast and such variations could be material.

Table 8
SANTA CLARITA WATER DIVISION
Projected SCWD Retail System Revenues and Retail System Operation
and Maintenance Costs and Debt Service Coverage
(Fiscal Years ending June 30)

	2017	2018	2019	2020	2021
Revenues					
Water Sales ⁽¹⁾	\$ 30,678,046	\$ 36,114,317	\$ 35,694,512	\$ 37,968,695	\$ 40,454,530
Other ⁽²⁾	<u>1,519,453</u>	<u>1,490,600</u>	<u>1,473,384</u>	<u>1,482,132</u>	<u>1,491,054</u>
Total Revenues	\$ 32,197,499	\$ 37,604,917	\$ 37,167,896	\$ 39,450,827	\$ 41,945,584
Operations and Maintenance Costs					
Sources of Supply ⁽³⁾	\$ 11,366,434	\$ 12,430,000	\$ 12,391,533	\$ 12,388,788	\$ 13,128,578
Pumping ⁽⁴⁾	2,821,420	3,079,100	3,537,435	3,881,218	4,064,550
Water Treatment ⁽⁵⁾	1,126,416	1,229,000	1,263,476	1,307,130	1,351,204
Transmission and Distribution ⁽⁶⁾	4,492,854	4,725,900	4,642,978	4,747,008	4,889,418
Customer Service ⁽⁷⁾	985,688	1,026,100	1,056,884	1,088,590	1,121,248
Administrative and General Other ⁽⁸⁾	<u>4,390,448</u>	<u>4,980,200</u>	<u>5,044,369</u>	<u>5,192,205</u>	<u>5,360,169</u>
Total Operations and Maintenance Costs	\$ 25,183,260	\$ 27,470,300	\$ 27,936,675	\$ 28,604,939	\$ 29,915,167
Net Revenues	\$ 7,014,239	\$ 10,134,617	\$ 9,231,221	\$ 10,845,888	\$ 12,030,417
Debt Service					
Series 2010B Installment Payments	\$ 670,588	\$ 956,238	\$ 961,931	\$ 959,100	\$ 957,975
Series 2011A Installment Payments ⁽⁹⁾	2,138,513	3,524,256	--	--	--
Series 2017A Installment Payments ⁽¹⁰⁾	<u>--</u>	<u>746,583</u>	<u>4,405,400</u>	<u>4,521,625</u>	<u>4,643,250</u>
Total Debt Service	\$ 2,809,101	\$ 5,227,078	\$ 5,367,331	\$ 5,480,725	\$ 5,601,225
Debt Service Coverage ⁽¹¹⁾	2.50	1.94	1.72	1.98	2.15
Revenues Available for Other Purposes	\$ 4,205,138	\$ 4,907,539	\$ 3,863,890	\$ 5,365,163	\$ 6,429,192

⁽¹⁾ Represents projected sale of water to SCWD's individual accounts; also includes projected revenues related to Fire Protection service accounts and sales to mutual water companies in the Retail Service Area. Reflects [projected] rate increases described under the caption "Retail Water Rate Structure and Billing—Rate Structure" and projected future rate increases. Such rate increases are subject to the notice and hearing provisions described in the Official Statement under the caption "CONSTITUTIONAL PROVISIONS." There can be no assurance that approved rate increases will not be repealed by the Agency Board or that projected rate increases will be approved by the Agency Board in the future. Also reflects projected increases in connections beginning in Fiscal Year 2018 described under the caption "Water Deliveries and Service Connections." Excludes Capacity Fee revenues described under the caption "Capacity Fees."

⁽²⁾ Includes investment income, rental income and other miscellaneous water service income.

⁽³⁾ Increases attributable to projected increases in wholesale water rates. See Appendix B under the caption "Wholesale Water Rates and Charges." Projected to increase by an average of approximately 5% per annum from Fiscal Year 2018 amount.

⁽⁴⁾ Projected to increase by an average of approximately 5% per annum from Fiscal Year 2018 amount due to increases in pumping rates and an additional 4% to 10% due to increased volumes.

⁽⁵⁾ Projected to increase approximately 9% in Fiscal Year 2018 and approximately 3% per annum thereafter.

⁽⁶⁾ Projected to increase approximately 5% in Fiscal Year 2018, a decrease of 2% in Fiscal Year 2019 for anticipated Agency savings. Projected to increase 2% to 3% in Fiscal Years 2020 and 2021 respectively.

⁽⁷⁾ Projected to increase approximately 4% in Fiscal Year 2018 and approximately 3% per annum thereafter.

⁽⁸⁾ Projected to increase approximately 13% in Fiscal Year 2018 due to one previously vacant position that is expected to be filled, temporary personnel services to assist with GIS and surveying in the Engineering Department. Projected to increase 1% in Fiscal Year 2019 and 3% per annum thereafter.

(Footnotes continued on following page)

(Continues from previous page)

⁽⁹⁾ After the refunding contemplated herein, there will not be any 2011 Bonds outstanding and the Agency's obligations with respect to the 2011A Installment Purchase Agreement will be discharged. See the Official Statement under the captions "THE REFUNDING PLAN" and "SECURITY FOR THE BONDS—Limitations on Parity and Superior Obligations; Subordinate Obligations."

⁽¹⁰⁾ Projected at an all in true interest cost of _____% and an aggregate principal amount of \$_____.

⁽¹¹⁾ Debt Service Coverage calculated as Net Revenues divided by Total Debt Service.

Source: SCWD.

Litigation

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 delivery of the 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 any action of the Agency contemplated by any of said documents. As described in Appendix B hereto, there is a series of lawsuits and proceedings to which the Agency is a party which may affect the Agency's Wholesale System operation and its water supply. Additionally, there exist other lawsuits and claims against the Agency which are incidental to the ordinary course of operations of the SCWD Retail Water System

APPENDIX B

INFORMATION RELATING TO THE CASTAIC LAKE WATER AGENCY AND THE WHOLESALE WATER SYSTEM

The following information relates to the Agency and the Agency's wholesale water system. Such information is presented for general purposes only. The Series 2017A Installment Payments are payable solely from Net SCWD Retail System Revenues. No revenues of the Agency's wholesale water system or any future retail water system of the Agency are pledged to the payment of the Series 2017A Installment Payments. Net SCWD Retail System Revenues are not pledged to the payment of the Agency's wholesale water system obligations or obligations of any future retail water system of the Agency, other than the SCWD Retail Water System.

Authority and Purpose

The Agency was organized on April 20, 1962 under Assembly Bill No. 26, Chapter 28, California Statutes of 1962, the Castaic Lake Water Agency Law (the "Agency Law"), enacted by the State Legislature. The Agency was initially called the Upper Santa Clara Valley Water Agency until the State Legislature changed the Agency's name to the Castaic Lake Water Agency. The Agency is located in the northwestern portion of the County, approximately 35 miles from downtown Los Angeles. The Wholesale Service Area of the Agency has a population of approximately 273,000, and covers an area of approximately 195 square miles.

Under the Agency Law, the Agency is authorized to acquire water and water rights within the State; to develop, store and transport such water; and to provide, sell and deliver water for beneficial uses and purposes. The Agency Law also authorizes the Agency to exercise the power of eminent domain; 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 provides supplemental wholesale water through its Wholesale System to SCWD, Los Angeles County Waterworks District No. 36, Newhall County Water District ("NCWD") and Valencia Water Company ("VWC") (collectively, the "Retail Purveyors"). Although the Agency entered into water service contracts with the Retail Purveyors in the 1970s and 1980s, there are not currently any water service contracts with any of the Retail Purveyors which the Agency enforces or which the Agency believes are enforceable. As a result, the Retail Purveyors are not contractually obligated to purchase water from the Agency.

In September 1999, the Agency acquired the stock of SCWC. The assets of SCWC were subsequently transferred to the Agency and are operated by the Agency as the SCWD Retail Water System. The Agency provides retail water service through SCWD. See Appendix A—"INFORMATION RELATING TO SCWD RETAIL WATER SYSTEM." SCWD Retail System Revenues are accounted for as a separate enterprise fund of the Agency. Pursuant to the Installment Purchase Agreement, in the event that the Agency acquires additional retail water distribution systems, such systems will not be included within the Wholesale System.

In December 2012, the Agency acquired the stock of VWC through the settlement of an eminent domain action. The assets of VWC have not been transferred to the Agency. VWC continues to operate as a separate legal entity under the direction of a board of directors appointed by the Agency as the owner of 100% of the stock of VWC. Revenues of VWC are not SCWD Retail Water System Revenues and are not pledged to repayment of the Series 2017A Installment Payments or any other obligations of the Retail System.

On April 21, 2014, NCWD filed an action in the Los Angeles County Superior Court challenging the Agency's acquisition of VWC. At the request of the parties, the matter was stayed to allow for settlement discussions. During the course of the settlement discussions, the negotiation of a potential merger of the Agency and NCWD arose. In December 2013, the Agency approved a settlement agreement which dismissed the action and the Agency and NCWD agreed to jointly pursue legislation to combine the two entities into a new water

agency as the successor to both. The new water agency would have a combined board of directors and the legislation would require the new agency to take steps to transfer VWC's assets to the new agency. Senate Bill 634 ("SB 634") was introduced in the State Senate to merge the Agency and NCWD into one water agency. On May 31, 2017, the State Senate approved SB 634. SB 634 has been approved by the Committee on Local Government and the Committee on Water, Parks and Wildlife in the State Assembly and is scheduled for a hearing in the Appropriations Committee on August 31, 2017. The Agency cannot predict whether the Assembly will approve SB 634, or if approved, whether SB 634 will be signed into law. If SB 634 is enacted, the Agency and NCWD would be merged into a new entity named the Santa Clarita Valley Water District (the "SCVWD"). The SCVWD would become the successor to the Agency with respect to the Installment Purchase Agreement. As a result, the Agency does not expect the enactment of the Pending Legislation to have a material adverse effect on the ability of SCVWD, as successor to the Agency, to pay the Series 2017A Installment Payments from Net SCWD Retail System Revenues.

Agency Organization and Management

The Agency Board consists of a total of 11 members, of which two directors are nominated by the Retail Purveyors, subject to Agency Board approval, and the remaining nine are elected by the voting public for staggered four-year terms. The Wholesale Service Area is divided into three divisions for electoral purposes, with two directors elected by the voters of each division and three additional directors elected at-large by the voters of the Agency. The names of the current members of the Agency Board are set forth below, together with brief biographical information regarding each member:

**Table 9
CASTAIC LAKE WATER AGENCY
Board of Directors**

<i>Name/Office</i>	<i>Elected/ Appointed</i>	<i>Expiration of Term (January)</i>	<i>Occupation</i>
Robert J. DiPrimio, President, Division 2	Jan. 2014	Jan. 2019	Vice President, San Gabriel Valley Water Company
Gary Martin, Vice President, Director at Large	Feb. 2013	Jan. 2019	Retired Engineer
William C. Cooper, Director at Large	Jan. 1993	Jan. 2021	Retired Special Projects Manager – Water System Operations, Metropolitan Water District
B. J. Atkins, Director, Newhall County Water District	Jan. 2009	Jan. 2021	Business Owner
Edward A. Colley, Director, Division 1	Jan. 2003	Jan. 2019	Teacher
Thomas P. Campbell, Director at Large	Jan. 2001	Jan. 2019	Interim Capital Program Unit Manager, Metropolitan Water District
E.G. "Jerry" Gladbach, Director, Division 2	Jan. 1985	Jan. 2021	Retired Engineer
Dean D. Efstathiou, Director, Los Angeles County Waterworks District No. 36	Nov. 1992	Jan. 2019	Retired Chief Deputy Director of Public Works, Los Angeles County
R. J. Kelly, Director, Division 1	April 2003	Jan. 2021	Business Owner
Jacquelyn H. McMillan, Director, Division 3	Jan. 2003	Jan. 2019	Principle Governmental Affairs and Regional Representative Metropolitan Water District
William Peci, Director, Division 3	Dec. 1998	Jan. 2021	Retired Engineer

The daily operations of the Agency are administered by the General Manager, Matthew Stone, and other Agency staff.

Matthew Stone was appointed as General Manager in December 2015. Prior to joining the Agency, Mr. Stone served as General Manager to 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 holds a Bachelor of Science in Civil Engineering from Santa Clara University, a Master of Public Administration from the University of La Verne and a Master of Science in Environmental Engineering from Loyola Marymount University. Mr. Stone is a registered Civil Engineer within the State of California.

April Jacobs is the Secretary of the Agency and has served as Secretary to the Agency Board since August 2005. Ms. Jacobs has been employed by the Agency since January 2004. Prior to employment by the Agency, Ms. Jacobs was employed at VWC.

Valerie Pryor is the Assistant General Manager Manager for the Agency and serves as Chief Financial Officer and Treasurer. Prior to becoming the Assistant General Manager in 2017, Ms. Pryor served as Administrative Services Manager since 2003. Ms. Pryor holds a Master of Arts in Urban Planning and a Bachelor of Arts in Geography from the University of California at Los Angeles as well as a post-graduate Diploma in Economics from Bristol University. Prior to working for the Agency, Ms. Pryor worked for the City of Los Angeles, as the head of Administrative Services for the Department of Transportation. She also worked for the City of Los Angeles City Administrative Officer, performing budget and policy analysis for a number of City of Los Angeles departments. She is a member of the California Municipal Treasurer's Association, the California Society of Municipal Finance Officers and the Government Finance Officers Association. She serves as an Alternate Director for the State Water Project Contractors Authority.

Carlos Corrales is the Controller of the Agency. Mr. Corrales holds a Master of Public Administration from California State University Northridge and a Bachelor in Accounting from Polytechnic University of the Philippines. He is a Certified Public Funds Investment Manager. Prior to working for the Agency, Mr. Corrales worked for the City of San Fernando, Los Angeles County Metropolitan Transportation Authority and The Salvation Army. He is a member of the California Society of Municipal Finance Officers, the Government Finance Officers Association, the Association of Public Treasurers and the Institute of Management Accountants.

Pension Plan and Other Post-Employment Benefits

The Agency provides retirement benefits for its employees through a contractual agreement with the California Public Employees Retirement System. In addition, the Agency offers post-employment health care benefits. See the caption "—Employee Relations" in Appendix A to the Official Statement.

Budget Process

The Agency staff provides the Agency Board with a budget including estimates of revenues and expenditures for operations for the upcoming Fiscal Year, including SCWD Operation and Maintenance Costs. The Agency Board conducts public meetings and makes such revisions as it deems desirable, and typically adopts a final budget by July 1 each year. In July of each year the Agency receives billing for the upcoming calendar year from DWR (for State Water Project water). On or about August 15 of each year, the Agency receives confirmation from the County and the County of Ventura regarding the Wholesale Service Area's current assessed values and the resulting expected tax levy.

The Agency Board approved the Fiscal Year 2018 budget for SCWD and the Agency on May 24, 2017.

Insurance

The Agency is a member of the Association of California Water Agencies Joint Powers Insurance Authority (the "JPIA"), an intergovernmental risk sharing joint powers 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, 2016, the Agency limits and deductibles for liability, property, and workers compensation programs of the JPIA (which are applicable to SCWD) are as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$1,000,000, combined single limit per occurrence. The JPIA purchased additional excess coverage layers of \$59,000,000 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 \$5,000 deductible per loss, and actual cash value for mobile equipment, subject to a \$1,000 deductible per loss, and licensed vehicles, subject to a \$500 deductible per loss. The JPIA purchased excess coverage for a combined total of \$100,000,000 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 JPIA is self-insured up to \$2,000,000 and excess coverage has been purchased
- 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.

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.

For additional information with respect to the Agency's insurance coverage, see Note 16 of the Agency's Comprehensive Annual Financial Report attached to the Official Statement as Appendix C.

Agency Obligations

The Agency is obligated to make installment payments from Wholesale System revenues under four installment purchase agreements by and between the Agency and the Corporation or the Authority, as applicable, outstanding as of June 30, 2017 in the total aggregate principal amount of \$196,890,635, bonds outstanding as of June 30, 2017 in the total aggregate principal amount of \$72,915,000, as well as certain payments under a credit facility agreement relating thereto (collectively, the "Wholesale System Obligations"). SCWD Retail System Revenues are not pledged to the payment of such Wholesale System Obligations, which are payable solely from revenues of the Wholesale System.

See Appendix A—"INFORMATION RELATING TO SCWD RETAIL WATER SYSTEM" under the caption "SCWD Obligations—Parity Obligations" for information relating to an obligation of the Agency payable from Net SCWD Retail System Revenues on a parity with the Installment Purchase Agreement.

The Agency currently projects entering into an additional installment purchase agreement in Fiscal Year 2020 for the Wholesale System, although the timing of the execution of such installment purchase agreement may be affected by market conditions prior to or in Fiscal Year 2020. SCWD Retail System Revenues are not expected to be pledged to such installment purchase agreement.

Sources of Supply

Table A Amounts from the State Water Project. The Wholesale System of the Agency is supplied with water from the State Water Project through DWR under the State Water Project Contract. On April 30, 1963, the Agency 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 State Water Project Contract expires by its terms on June 30, 2038, but contains a provision granting the Agency the right to renew. DWR and the State Water Project contractors held a series of 23 public negotiating sessions between May 2013 and June 2014. Such negotiating sessions resulted in 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. The Agency, other State Water Project contractors and DWR have signed the Agreement in Principle as a means to start the environmental review process required under the California Environmental Quality Act (“CEQA”). The Agreement in Principle does not represent a commitment by the Agency, other State Water Project contractors or DWR to extend the State Water Project contracts but to analyze the proposed extensions through the preparation of an environmental impact report under CEQA. The notice of preparation of the environmental impact report relating to the proposed extension was issued on September 12, 2014. The Agency currently expects to renew the State Water Project Contract on or prior to the end of the current term upon substantially similar financial terms, however, the Agency cannot predict if or when such extension may occur or what the exact terms and conditions such extension may include.

The Agency owns and operates water conveyance pipelines and water treatment facilities to supply water delivered through the State Water Project to the Retail Purveyors, including SCWD. 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.

Groundwater Banking Programs. The Agency currently has initiated four groundwater banking accounts in three separate programs. In January 2016 the Agency’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 36,112 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 of a 10 year renewal. The Agency may withdraw up to 5,000 acre-feet annually from its accounts in the Semitropic Banking Program. The term of the Semitropic Banking Program extends through 2035 with the option of a 10-year renewal. In September 2005, the Agency 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, and has a contract term through 2035, renewable according to the terms of the Agency’s water supply contract with DWR. As of January 1, 2017, the Agency had available 100,157 acre-feet stored in the Rosedale-Rio Bravo Banking Program. In 2015 the Agency exercised an option under the Rosedale-Rio Bravo Banking Program agreement to construct additional extraction wells and conveyance facilities that are anticipated to increase the reliable quantities that can be withdrawn by approximately 7,500 acre-feet annually. These facilities are currently being constructed with completion anticipated in early 2018. In calendar year 2014 and 2015 the Agency withdrew approximately 2,800 and 3,000 acre-feet respectively from its Rosedale-Rio Bravo Banking Program account. In 2014 the Agency withdrew 4,950 acre-feet from one of its Semitropic short-term accounts under an agreement with another Semitropic Banking Program participant, Newhall Land and Farming.

In 2011, the Agency 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 Agency delivered water to the account such that after losses, 9,440 acre-feet of recoverable water is currently available. The Agency also implemented a two-for-one banking program with the West Kern Water District in Kern County and delivered 5,000 acre-feet in 2011, resulting in a recoverable total of 2,500 acre-feet. Both the total stored and total recoverable are the maximums under the exchange programs. In calendar year 2014, the Agency withdrew approximately 2,000 acre-feet from the West Kern Water District exchange program for use in the Agency's service area leaving a balance of 500 acre-feet.

Recycled Water. Starting in September 2003, the Agency began adding recycled water to its supply. The Agency is currently serving about 450 acre-feet per year of recycled water. In future years, the Agency may be capable of delivering as much as 17,000 acre-feet per year of recycled water, based on 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 for the Agency by Kennedy/Jenks Consultants. The environmental impact report for the 2002 draft Recycled Water Master Plan was approved by the Agency Board in March 2007.

The Agency has completed a draft 2016 Recycled Water Master Plan which targets a production capacity of 17,100 acre-feet per year of recycled water. The Agency plans to undertake the expansion of the recycled water program through multiple phases of capital improvements over a number of years. The Agency is currently in the planning and design phase of four recycled water projects. The four projects under design are considered 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 to recycled water. However, completion of the necessary environmental review for such projects will be deferred pending resolution of certain environmental issues related to the Santa Clarita Valley Sanitation District's (SCVSD) Chloride Compliance Project. The SCVSD is performing additional studies and analyses in response to legal challenge to its Chloride Compliance Project's environmental impact report. SCVSD's schedule for preparation and adoption of a revised environmental impact report is unknown at this time. Certain aspects of SCVSD's Chloride Compliance Project will impact the Agency's recycled water program activities, including the finalization and adoption the Agency's Recycled Water Master Plan.

Buena Vista and Rosedale-Rio Bravo Water Acquisition. On May 22, 2007, the Agency entered into a Purchase Agreement with Buena Vista Water Storage District and Rosedale-Rio Bravo Water Storage District 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 such Purchase 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.

Other Water Supply Agreements. In 2009, the Agency entered into an agreement with DWR to participate in the Yuba Water Accord program (the "Yuba Water Accord"). 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. While the Agency may receive up to 850 acre-feet per year pursuant to the Yuba Water Accord, Fiscal Year 2018 operating plans assume that the Agency will not receive any water pursuant to the Yuba Water Accord.

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 that such water will be allocated to the Newhall Ranch project and will effectively offset demand for Agency water for that area in the future.

Recent California Drought and Response

General. As described in Appendix A to the Official Statement under the caption “Recent California Drought and Response—*Governor’s Executive Orders*,” various executive orders by the Governor and SWRCB regulations went into effect between 2014 and 2017 in response to Statewide drought conditions. The 2016 SWRCB Regulation does not require the Agency, as a wholesaler, to develop a conservation standard, the Agency was required to calculate the volume of water it expects it would deliver to each urban water supplier in the next three years under the assumptions set forth in the 2016 SWRCB Regulation and to post this calculation and the underlying analysis on a publicly-available webpage no later than June 15, 2016. On June 15, 2016, the Agency posted the report required by the 2016 SWRCB Regulation to the Agency’s website.

The 2016 SWRCB Regulation as implemented applies to retail water agencies within the Agency, including SCWD. The major water retailers reduced water use by approximately 20% in calendar year 2016 (compared to calendar year 2013).

Agency Drought Response Actions and Impact. The Agency projects that it will be able to meet existing demands for imported water in Fiscal Years 2018 and 2019 even if dry conditions return. In addition to water purchased pursuant to the BVWSD-RRBWSA Acquisition Agreement, the Agency will meet imported water demands from previously unused SWP water and other supplies stored in SWP surface reservoirs, and the Agency’s groundwater banking and exchange programs described above.

Water Supply Limitations

Factors beyond the control of the Agency could impair the ability of the Agency to supply water to the Retail Agencies, including SCWD, in an amount sufficient to allow SCWD to yield Net SCWD Retail System Revenues sufficient to pay the Series 2017A 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 nor the more recent drought that began in 2012 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 2013), DWR assessed the possible impacts of climate changes on the State’s future water supplies and the State Water Project. 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 its respective member agencies. The ability of the Agency to service the Retail Purveyors 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 October 13, 2016, relating to its Central Valley Project Water System Revenue Bonds Series AW (“DWR’s Water Supply Disclosure”). The Agency incorporates DWR’s Water Supply Disclosure by specific reference in this Official Statement. 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.

DWR has entered into certain continuing disclosure agreements pursuant to which it 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 Bonds to provide Department of Water Resources Information to the Agency or the Owners of the Bonds. The Agency has not incorporated by reference the information filed by DWR described above and neither the Agency nor the Underwriter assume any responsibility for the accuracy of the Department of Water Resources Information.*

Water Treatment and Monitoring. The Agency, as the operator of facilities which treats water on behalf of public water systems for the purpose of rendering it safe for human consumption, is subject to the California Safe Drinking Water Act and the Drinking Water Regulatory Program of the SWRCB’s Division of Drinking Water 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. This laboratory is fully accredited by the SWRCB. Continuous water quality monitoring and daily testing are performed at both 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. 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). The Saugus Formation provides the Santa Clarita Valley with firming supplies of water during dry years, and all of the affected wells are owned by Retail Purveyors. Two additional production wells in the alluvial aquifer tested positive for perchlorate in 2002 and 2005. Three of the wells are owned by SCWD, two wells are owned by VWC, and the other well is owned by Newhall County Water District. All six wells were temporarily closed after the detection of perchlorate. VWC has since abandoned one impacted well and replaced it with a new well drilled in an uncontaminated portion of the Saugus Formation. In addition, VWC’s Q-2 well was temporarily closed and outfitted with wellhead treatment in 2005, but was restored to service without wellhead treatment in 2007. The total production capacity of the three remaining closed wells is 7,200 gallons per minute, which represents about 10% of the total production capacity of the Retail Purveyors.

In late 2010, perchlorate was detected in VWC’s V-201 well at levels above the maximum allowable amount and the well was taken out of service by VWC. Engineering and permitting efforts are underway by VWC to allow for installation of wellhead treatment at the V-201 well in order to return it to service in 2017. Low levels of perchlorate have also been detected in VWC’s V-205 well and it has been taken out of service by VWC as a precautionary measure.

The Agency and the affected Retail Purveyors filed suit in November 2000 against the current and prior owners of the Whittaker-Bermite industrial site, a 996 acre site upon which a munitions manufacturing facility that is the suspected source of the perchlorate contamination was located, seeking restoration of the lost 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”). The defendants to the litigation served the Agency with counterclaims alleging that the Agency and the affected Retail Purveyors contributed to the migration of the perchlorate contamination from the manufacturing facility through the pumping of groundwater from the affected wells.

In May 2007, a comprehensive settlement was executed by the Agency, the Retail Purveyors, and the defendants (the “Perchlorate Contamination Settlement”), which involves estimated potential payment of up to

\$100,000,000 by the defendants. Funds have been deposited in escrow which will be disbursed to the Agency and the Retail Purveyors to pay for the costs of restoration of wells and contamination removal. The cleanup program is now underway. The Agency has completed construction of the perchlorate treatment facility and related distribution system and the Agency Saugus 1 and 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. The Perchlorate Contamination Settlement also provides funds to assist in the payment of operation and maintenance costs for such system for up to 30 years, which the agencies estimate to cost as much as \$50,000,000.

Approximately \$34,900,000 has been reimbursed to the agencies for past expenditures pursuant to the Perchlorate Contamination Settlement. Another \$5,000,000 to \$10,000,000 will be available to construct wells and pipelines to supply water that will replace capacity lost from contaminated wells. Approximately \$1,000,000 is reimbursed to the agencies annually for operations and maintenance costs related to activities related to restoration of wells and contamination removal. Amounts reimbursed to the Agency for such operations and maintenance costs are treated as revenues of the Wholesale System.

The Perchlorate Contamination Settlement also calls for the agencies to seek grant funding, such as money made available by the Department of Defense or the State, to pay for monitoring, treatment, and other costs not covered by the agreement.

Wholesale Water Rates and Charges

Wholesale rates and charges are charged to the Retail Purveyors to pay for the capital expenditures and operation and maintenance costs of the Agency are set on an annual basis by action of the Agency Board. 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."

The Agency has adopted a new, revised wholesale water rate structure for calendar years 2016 through 2018, effective April 1, 2016, designed to recover operating costs. The new rate structure includes both fixed and variable components as follows: (i) a fixed charge designed to recover 80 percent of the fixed costs of the Agency directly related to supply and delivery of water that is determined on the basis of a ten-year rolling average of the imported water demand of each Retail Purveyor; and (ii) a variable charge that is based on a per acre-foot charge for the treatment and distribution of imported water within the Agency's service area and also 20 percent of the fixed costs incurred by the Agency. There can be no assurance, however, that the Agency Board will not alter such rates and rate structures prior to their effective date.

The Retail Purveyors are billed on a monthly basis and must remit payment to the Agency within 30 days of billing to remain eligible to receive future water deliveries.

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 SCWD Retail System Revenues and adversely affect the security for the Series 2017A Installment Payments. See the Official Statement under the caption "CONSTITUTIONAL PROVISIONS."

Future State Water Project Obligation

On July 25, 2012, Governor Jerry Brown and Secretary of the Interior Ken Salazar announced key proposed elements to advance the Bay Delta Conservation Plan ("BDCP") planning process, including north Bay-Delta water diversion facilities with a total capacity of 9,000 cubic-feet per second ("cfs"), two tunnels sized to minimize energy use during operations and a "decision tree" process for unresolved operation criteria such as fall and spring outflows. The Draft BDCP and associated Draft Environmental Impact Report/Environmental Impact Statement ("EIR/EIS") were completed on December 13, 2013.

The Delta Habitat Conservation and Conveyance Program (DHCCP) and the BDCP are programs consisting of joint efforts by agencies of the federal government and the State and local agencies to fund and plan habitat conservation and water supply activities in the Delta, including certain water conveyance options with respect to certain water conservation and conveyance facilities. In 2016, the State separated the focus of the BDCP into two efforts: the California EcoRestore (“EcoRestore”) Project and the California Water Fix. California EcoRestore aims to accelerate and implement a comprehensive suite of habitat restoration actions to support the long-term health of the Bay-Delta’s native fish and wildlife. California Water Fix focuses on protecting the State’s water supplies from climate change through water system upgrades that protect against the impacts of sea level rise and earthquakes while improving river flows and reducing entrainment for threatened fish species. The Bay-Delta diversion facilities previously proposed in the BDCP are now captured within the California Water Fix effort and are referred to as “Cal Water Fix”. The State released the Recirculated Draft Environmental Impact Report (“RDEIR”)/Supplemental Draft Environmental Impact Statement (“SDEIS”) on July 10, 2015, with comments due by August 31, 2015. On July 22, 2015, the comment period was extended to October 30, 2015. The RDEIR/SDEIS addresses the environmental impacts of the diversion facilities. The final Environmental Impact Report/Environmental Impact Statement for California Water Fix was released in late December 2016. On June 26, 2017, the U.S. Fish and Wildlife Service and National Marine Fisheries Service that indicated that the proposed project is consistent with environmental and wildlife protections standards. On July 21, 2017, DWR signed a Notice of Determination and certified the EIR. DWR and the Bureau of Reclamation are actively involved in proceedings before the State Water Resources Control Board to change the point of diversion for the state and federal water projects to allow for the WaterFix. A decision on this is expected in early 2018.

The current estimated cost of the California Water Fix, including capital, operation and maintenance and monitoring costs over a 50 year period is approximately \$17.0 billion. There can be no assurance that such projected costs will not increase as a result of revisions to the project, increases in construction or other costs related thereto. Any changes could be material and impact the costs of the Agency’s State water supplies.

Pursuant to a Memorandum of Agreement Regarding Collaboration on the Planning, Preliminary Design and Environmental Compliance for the Delta Habitat Conservation and Conveyance Program in Connection with the Development of the Bay Delta Conservation Plan, dated December 10, 2008 (the “MOA”), the San Luis and Delta-Mendota Water Authority (“SLDMWA”), the DWR, the United States Bureau of Reclamation, the Santa Clara Valley Water District (a member of the SLDMWA), the State Water Project Contractors Authority (the “SWPCA”), MWD and the Kern County Water Agency (each a member of the SWPCA), and Westlands Water District (a member of SLDMWA), have agreed to undertake certain planning, preliminary design and environmental compliance activities referred to as the DHCCP and the BDCP.

Pursuant to the MOA, 50% of the DHCCP and BDCP planning, preliminary design, and environmental compliance (the “Planning Phase”) costs were allocated to SLDMWA, with the remaining 50% of such costs being allocated to DWR (the “State Share”). To assist DWR in funding the State Share of the Planning Phase costs, the Agency and certain other State Water Project contractors entered into certain agreements (the “Supplemental Funding Agreements”) with DWR to fund on a pay-as-you-go basis, the State Share. The Agency contributed approximately \$1,300,000 as its share of the State Share toward the Planning Phase costs.

DWR, State Water Project contractors and the SLDMWA are currently considering how to finance the next phase of the California Water Fix which involves the cost of design, engineering and certain other pre-construction costs (“Pre-Construction Phase”). The cost of the Pre-Construction Phase is estimated to be \$1,200,000,000, with 55% of such costs expected to be allocated to DWR. The Agency’s share of the Pre-Construction Phase costs would be approximately \$15,000,000. The Agency does not anticipate any pay-as-you-go contributions or contributions toward debt service for the Pre-Construction Phase payable from Wholesale System revenues. There can be no assurance that the Pre-Construction Phase will be undertaken.

Pursuant to existing contractual arrangements, the Agency’s pay-as-you-go contribution already paid is expected to be refunded if and when DWR issues revenue bonds for construction of the Isolated Facility. 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 taxes pursuant to the Agency Law.

Design and construction of the Isolated Facility is anticipated to take 17 years, if commenced in 2018 as currently projected, would not be completed until at least 2035. There can be no assurance that projected costs of the Isolated Facility referred to above will not increase as a result 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 Isolated Facility, if undertaken, would 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 Isolated Facility are expected to be paid from *ad valorem* property taxes levied pursuant to the Agency Law and not from revenues of the Agency's wholesale water system or the retail water system.

Litigation

General. As described below, there are litigation and proceedings to which the Agency is a party which may affect the Agency's Wholesale System operation and its water supply. Additionally, there exist other lawsuits and claims against the Agency which are incidental to the ordinary course of operations of the Wholesale System.

Delta Litigation. Various legal challenges have been filed impacting the conveyance of water through the Delta by DWR via the SWP and by the United States Bureau of Reclamation via the Central Valley Project (CVP). These have included such cases as *Watershed Enforcers v. Broderick (California Department of Fish and Game), et al.* (Alameda County Superior Court, J. Smith, presiding) (the "Watershed Smelt Litigation"), which relates to the SWP; *Natural Resources Defense Council v. Kempthorne (United States Department of the Interior)* (United States District Court for the Eastern District of California, J. Wanger, presiding) (the "Delta Smelt OCAP Litigation") and *Pacific Coast Federation of Fisherman's Association/Institute for Fisheries Resources v. Gutierrez* (United States Department of Commerce) (United States District Court for the Eastern District of California, J. Wanger, presiding) (the "Salmon OCAP Litigation"), which relate to the coordinated operations of the CVP and SWP; and *State Water Contractors ("SWC"), San Luis and Delta Mendota Water Authority, Westlands Water District ("WWD"), et al. v. California Department of Fish and Game* (Sacramento Superior Court) ("Longfin Smelt Litigation"), which also relates to the operations of the SWP.

The above-listed lawsuits constitute challenges to a Biological Opinion ("BO") relating to the coordinated operations of the CVP and SWP; required permitting for "incidental take" related to the SWP; a decision to list a new species as threatened under the California Endangered Species Act ("CESA"), or other, similar grounds. The factual bases for these cases relate to claims of recent population declines of pelagic organisms, which include the delta smelt, longfin smelt, and certain salmon species, in and around the Delta. While there are other potential causes for the decline of these Delta fish, the BOs, permitting requirements, and listing decisions that underlie these cases have significantly curtailed SWP and CVP deliveries and threaten to further curtail them.

Watershed Smelt Litigation. On October 4, 2006, Watershed Enforcers, a nonprofit organization related to the California Sportfishing Protection Alliance, filed an action against DWR in the Alameda County Superior Court, alleging that DWR was illegally operating certain pumping facilities without obtaining a "take" permit under CESA). Kern County Water Agency ("KCWA") and SWC, a non-profit association of twenty-seven public agencies, including the Agency, and others intervened as real-parties-in-interest in the action in support of DWR. The fish species at issue were endangered winter-run Chinook salmon, threatened Delta smelt and spring-run Chinook. The court determined that DWR did not have the required State permit to "take" protected fish species in the Delta, and, on April 17, 2007, issued a final order directing DWR to shut down its Delta export pumps in 60 days unless it obtained a determination from the State Department of Fish and Game ("DFG") that SWP operations are in compliance with CESA. Immediate appeals were filed, which stayed enforcement of such order. In July 2009, DWR obtained a Consistency Determination (the "CD") from DFG providing CESA incidental take coverage and DWR, SWC and KCWA dismissed their appeals. Other parties continued to litigate the appeal on other issues, which have all been determined. The case is now closed.

The CD for Delta smelt, however, is based upon the December 2008 Operating Criteria and Plan ("OCAP") BO (the "2008 BO") issued by the United States Fish and Wildlife Service ("FWS") to the Bureau. If

the litigation challenging the 2008 BO is successful and the 2008 BO is ruled invalid, this may, in turn, render the CD issued by DFG to DWR invalid absent a court order allowing the CD to remain in effect until FWS issues a new BO. SWC has filed a challenge in Kern County Superior Court, subsequently transferred to Sacramento Superior Court, to DFG's CD to provide a judicial remedy to continue SWP operations in the event that the 2008 BO is ruled invalid. This case is currently stayed.

Delta Smelt OCAP Litigation. In 2005, a coalition of environmental and sportfishing organizations challenged the no jeopardy and no adverse modification findings in a 2005 OCAP BO in the United States District Court for the Eastern District of California. In May 2007, Judge Wanger ruled that the 2005 OCAP BO was unlawful and inadequate. Following a subsequent remedies hearing, the court determined that the water supply to the SWP and CVP would have to be reduced by up to one-third (approximately 2,000,000 acre-feet per year) to mitigate for impacts to the declining population of Delta smelt, and based on that determination issued an interim injunction, which was to remain in effect until a new BO for Delta smelt was prepared.

The 2008 BO prepared by FWS and delivered to the Bureau on December 15, 2008 appeared to create water supply impacts greater than those that had already resulted from the Delta Smelt OCAP Litigation court's interim injunction. This led to the filing of five separate challenges to the 2008 BO in 2009 by SLDMWA, SWC, MWD, Central Delta Water Agency, and the Coalition for a Sustainable Delta. The challenges were consolidated before Judge Wanger. On May 28, 2009, Judge Wanger granted the motion for preliminary injunction filed by plaintiffs SLDMWA and WWD, which was joined by SWC and the other plaintiffs, finding that plaintiffs were likely to prevail on their National Environmental Policy Act ("NEPA") challenge to the 2008 BO. Thereafter, the plaintiffs filed motions for summary judgment, which Judge Wanger granted in part, determining that the Bureau must perform environmental review under NEPA prior to accepting and implementing the BO and its restrictive measures that would result in a further reduction in water deliveries from the SWP and CVP and other impacts.

On December 14, 2010, Judge Wanger issued a decision on summary judgment finding that there were major scientific and legal flaws in the 2008 BO. The court found that some but not all of the restrictions on project operations contained in the 2008 BO were arbitrary, capricious and unlawful. On May 18, 2011, Judge Wanger issued a final amended judgment directing the FWS to complete a new draft biological opinion by October 1, 2011, and a final biological opinion with environmental documentation by December 1, 2013. Later stipulations and orders changed the October 1, 2011 due date for a draft biological opinion to December 14, 2011. A draft biological opinion was issued on December 14, 2011. The draft biological opinion deferred specification of a reasonable and prudent alternative and an incidental take statement pending completion of environmental impact review under NEPA. The federal defendants and environmental intervenors appealed the final judgment invalidating the 2008 BO to the U.S. Court of Appeals for the Ninth Circuit. State Water Project and Central Valley Project contractor plaintiffs cross-appealed from the final judgment. On March 13, 2014, the Ninth Circuit reversed the district court's findings that portions of the BO failed to meet the requirements of the ESA and its regulations, but upheld the requirement that the Bureau was required to perform NEPA review. Currently, plaintiffs still have time to request reconsideration of the decision or appeal to the United States Supreme Court, but, barring such actions, the decision will be considered final, and the BO fully enforceable, likely leading to additional cutbacks on CVP and SWP deliveries of water conveyed through the Delta.

Salmon OCAP Litigation. In the Salmon OCAP Litigation, the United States District Court for the Eastern District of California issued a summary judgment order invalidating a 2004 BO related to certain salmon species, steelhead, and other aquatic species, finding it unlawful and inadequate on a variety of legal grounds under the ESA, and holding that NEPA review was required. A new BO was released on June 4, 2009 (the "2009 BO") by the National Marine Fisheries Services which contained new measures concerning complex habitat management schemes and studies which are likely to cause additional water supply impacts. As a result, seven separate actions challenging the 2009 BO were filed in the United States District Court for the Eastern District of California and assigned to Judge Wanger, including challenges by the SWC, MWD, and KCWA. The court consolidated the cases under the caption Consolidated Salmon Cases.

On May 25, 2010, the court granted the plaintiffs' request for preliminary injunction in the Consolidated Salmon Cases, restraining enforcement of two requirements under the salmon biological opinion that limit

exported water during the spring months based on San Joaquin River flows into the Bay-Delta and reverse flows on the Old and Middle Rivers. Hearings on motions for summary judgment in the Consolidated Salmon Cases were held on December 16, 2010. On September 20, 2011, Judge Wanger issued a decision on summary judgment, finding that the salmon biological opinion was flawed, and that some but not all of the project restrictions in the biological opinion were arbitrary and capricious. On December 12, 2011, Judge O'Neill (who was assigned to this case following Judge Wanger's retirement) issued a final judgment in the Consolidated Salmon Cases. The final judgment remands the 2009 salmon biological opinion to the National Marine Fisheries Service, and directs that a new draft salmon biological opinion be issued by October 1, 2014, and that a final biological opinion be issued by February 1, 2016, after completion of environmental impact review under NEPA. On January 19, 2012, Judge O'Neill approved a joint stipulation of the parties that specifies how to comply with one of the salmon biological opinion restrictions that applies to water project operations in April and May of 2012. In January and February 2012, the federal defendants and environmental intervenors filed appeals of the final judgment in the Consolidated Salmon Cases, and the SWP and CVP contractors filed cross-appeals, but the NEPA holding was not appealed and thus stands. A hearing before the Ninth Circuit on the appeals was held in September 2014, however, no decision has been issued.

Longfin Smelt Litigation. The California Fish and Game Commission listed the longfin smelt as a threatened species under CESA in March 2009. On February 23, 2009, in anticipation of the listing action, the DFG issued a CESA section 2081 incidental take permit to DWR authorizing the incidental take of longfin smelt by the State Water Project. This permit authorizes continued operation of the State Water Project under the conditions specified in the section 2081 permit through December 31, 2018. SWC filed suit against the DFG on March 25, 2009, alleging that the export restrictions imposed by the section 2081 permit have no reasonable relationship to any harm to longfin smelt caused by State Water Project operations, are arbitrary and capricious and are not supported by the best available science. Such litigation was recently settled and dismissed.

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 SWP supplies would not have a material impact on the Agency's ability to make the Series 2017A Installment Payments (and to pay debt service on other Contracts and Bonds).

Monterey Litigation. In December 1994, the State Water Project contractors (including the Agency) 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.

In 1995, a lawsuit was filed by the Planning and Conservation League (and other plaintiffs) against DWR challenging the Monterey Agreement under CEQA. The trial court ruled in favor of DWR, and on September 15, 2000 the California Court of Appeal ruled in favor of the plaintiffs (*Planning and Conservation League v. Central Coast Water Authority and DWR*, No. C024576, 3d District, September 15, 2000). The Court of Appeal held that the Environmental Impact Report (the "EIR") prepared in connection with the adoption of the Monterey Agreement was improperly prepared by the Central Coast Water Authority, as "lead agency" under CEQA, rather than by DWR, and that the EIR was insufficient in that it failed to discuss implementation of a "no project" alternative. The court concluded that a new EIR must be prepared and adopted. Finally, the Court of Appeal held that the trial court erroneously dismissed the plaintiffs' challenge to DWR's transfer of title to a water storage facility and execution of amended contracts under the Monterey Agreement.

The Court of Appeal remanded the case to the trial court to oversee DWR's preparation of a new EIR and to consider whether the Monterey Amendments may continue to be implemented while the new EIR is being

prepared. The Court of Appeal also reinstated a cause of action challenging the validity of the transfer of the Kern Water Bank to Kern County Water Agency. On October 25, 2000, DWR and Central Coast Water Authority filed a petition asking the California Supreme Court to review the appellate court decision. The California Supreme Court denied this petition on December 13, 2000.

After the Court of Appeal's decision, DWR, the State Water Project contractors and the plaintiffs in the case entered into confidential mediation proceedings in the spring of 2001. Settlement was reached in the fall of 2002 and finalized, via execution of contract amendments, in May 2003. The Agency is a party to the settlement agreement. The settlement agreement has allowed implementation of the Monterey Amendments to continue as they have since 1995 while a new EIR was prepared.

DWR completed a final EIR and concluded the remedial CEQA review for the project on May 4, 2010. Following DWR's completion of the EIR, three new lawsuits were filed challenging the project. Central Delta Water Agency, South Delta Water Agency, California Water Impact Network, California Sportfishing Protection Alliance, and the Center For Biological Diversity filed a lawsuit against DWR in Sacramento County Superior Court challenging the validity of the EIR under CEQA and the validity of underlying agreements under a reverse validation action (the "Central Delta I" case). These same plaintiffs filed a reverse validation lawsuit against the Kern County Water Agency in Kern County Superior Court ("Central Delta II"). This lawsuit targets a transfer of land from Kern County Water Agency to the Kern Water Bank, which was completed as part of the original Monterey Amendments. The third lawsuit is an EIR challenge brought by Rosedale-Rio Bravo Water Storage District and Buena Vista Water Storage District ("Rosedale-Rio Bravo") against DWR in Kern County Superior Court. The two Kern County cases have been transferred to Sacramento Superior Court and the three cases were consolidated for trial. On March 6, 2014, the Sacramento Superior Court held that the EIR did not comply with CEQA because it failed to sufficiently describe or consider the environmental impact of the Kern Water Bank's future operations and limited its analysis to an unrepresentative historically wet period (1995-2004). The hearing on the remedies phase related to the analysis of the Kern Water Bank was held on September 5, 2014. The trial court issued a final ruling and writ of mandate on October 2, 2014, requiring decertification of the entire Monterey Plus Amendment EIR (as opposed to partial certification), but cautioned that this does not require DWR to prepare an entirely new EIR and only the new EIR sections will be subject to challenge. Importantly, prior project approvals are to remain in place and the Kern Water Bank may continue to operate while DWR corrects the EIR. The writ directed DWR to correct the deficiencies in the EIR.

The court entered the final judgment and signed the writ of mandate on November 24, 2014 and DWR filed an initial return to the writ on December 30, 2014. However, the Central Delta I petitioners also filed a notice of appeal on December 30, 2014; the Rosedale-Rio Bravo petitioners did not file an appeal. Roll International Corporation, Paramount Farming Company, LLC, and Westside Mutual Water Company, filed a cross-appeal appealing all those portions of the trial court's judgment adverse to them concerning the first cause of action (CEQA cause of action), as well as all "judgments, orders, rulings, and findings" that were adverse to them in the remainder of the action (including discovery motions). The petitioners also filed a separate appeal challenging the trial court's denial of attorneys' fees to the Central Delta I petitioners under Code of Civil Procedure section 1021.5. Both appeals are now fully briefed and have been consolidated, though the Court of Appeal has not yet scheduled oral argument. The appeal process is not likely to be completed until 2018.

In the meantime, DWR completed further CEQA review pursuant to the trial court's judgment and writ petition. DWR filed a return to the 2014 writ on September 28, 2016. The return includes a Revised EIR addressing the deficiencies identified in trial court's 2014 ruling. DWR's Revised EIR did not identify any new changes or impacts caused by the prior transfer of the Kern Fan Element. Consequently, the focus of the Revised EIR is the Kern Water Bank's development and its continued use and operation as a locally owned and operated groundwater banking and recovery project. Following certification of the Revised EIR, DWR determined to continue the use and operation of the Kern Water Bank by the Kern Water Bank Authority. The petitioners again objected to the Revised EIR and filed another action in October 2016 (*Center for Food Safety, et al. v. California Department of Water Resources, et al.*, Sacramento Superior Court, Case No. 34-2016-80002469). This action is proceeding in the trial court with a hearing on the merits scheduled for [August 18, 2017]. The trial court is

expected to rule following that hearing by November 2017 as to whether to discharge the 2014 writ.. Any impact of the outcome of this litigation on the Agency's State Water Project supplies cannot be determined at this time.

The Agency believes that a decision in one or more of the above-described actions that result in a reduction of SWP water supplies would not have a material impact on the Agency's ability to pay the Series 2017A Installment Payments, which are payable from Net SCWD Retail System Revenues

APPENDIX C

**AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR
FISCAL YEAR ENDING JUNE 30, 2016**

APPENDIX D

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.

APPENDIX E

FORM OF LEGAL OPINION

Upon issuance of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

September __, 2011

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

Re: \$_____ Upper Santa Clara Valley Joint Powers Authority
Refunding Revenue Bonds, Series 2017A (Santa Clarita Water Division)

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 Refunding Revenue Bonds, Series 2017A (Santa Clarita Water Division) (the "Bonds"). The Bonds have been issued by the Authority pursuant to the terms of the Indenture of Trust, dated as of August 1, 2017 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

The Bonds are limited obligations of the Authority payable solely from Revenues (as such term is defined in the Indenture), consisting of payments (the "Series 2017A Installment Payments") to be made by the Castaic Lake Water Agency (the "Agency") to the Authority pursuant to an Installment Purchase Agreement, dated as of August 1, 2017, 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 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 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 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 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 on the 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 and corporations. With respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of a 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 corporations, and is exempt from State of California personal income tax.

6. The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable 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 Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the Bond Owner's basis in the applicable 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 a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions expressed herein as to the exclusion from gross income of interest on the 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 Bonds to assure that interest on the 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 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 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 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 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 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 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.

Respectfully submitted,

APPENDIX F

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 Bonds, payment of principal, premium, if any, accreted value, if any, and interest with respect to the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 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 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 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 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 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 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 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 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 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 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 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 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 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 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 G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the Bonds, the Agency proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

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