



# Santa Clarita Water Division FY 2016/17 Budget



*Drought*



*El Nino*

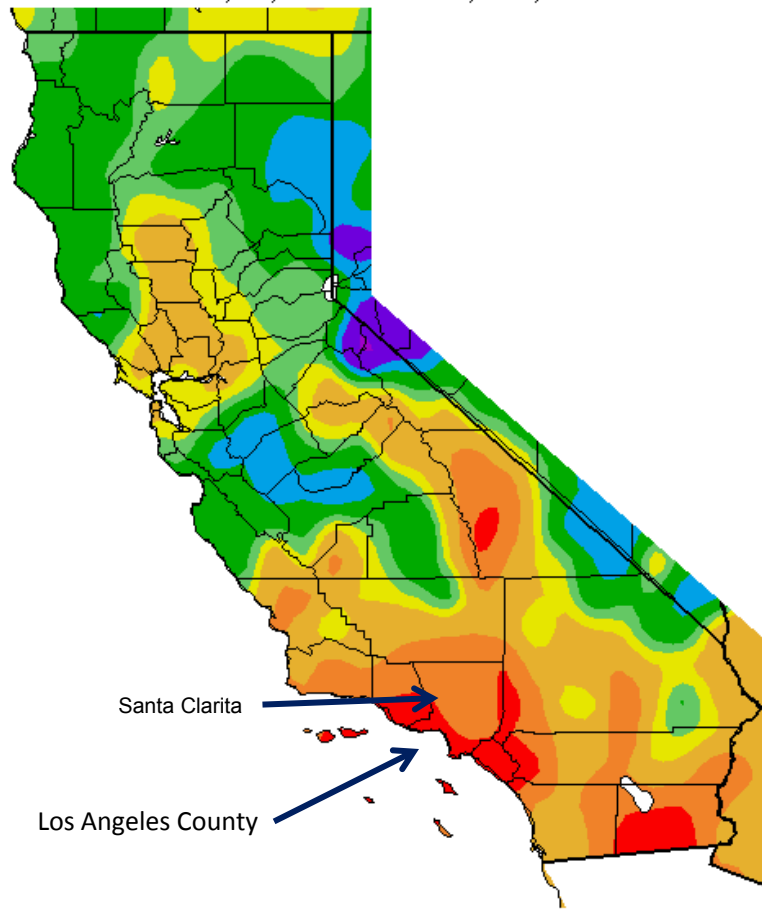


*Drought continues....*



# El Nino and the Ongoing Drought

Percent of Average Precipitation (%)  
10/1/2015 - 5/31/2016



Generated 6/01/2016 at WRCC using provisional data.  
NOAA Regional Climate Centers

- Chart illustrates the percent of average Precipitation California has received since October 1<sup>st</sup> 2015.
- Santa Clarita's precipitation rate is 30-50% below Average



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*Distinguished  
Budget Presentation  
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For the Fiscal Year Beginning

**July 1, 2015**

Executive Director

# *California Society of Municipal Finance Officers*

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## *Operating Budget Excellence Award Fiscal Year 2015-2016*

*Presented to the*

*Santa Clarita Water Division of the Castaic Lake Water  
Agency*

For meeting the criteria established to achieve the Operating Budget Excellence Award.

*February 23, 2016*



A handwritten signature in black ink, appearing to read "Jesse Takahashi".

*Jesse Takahashi*  
CSMFO President

A handwritten signature in black ink, appearing to read "Michael Gomez".

*Michael Gomez, Chair*  
Professional Standards and  
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*Dedicated Excellence in Municipal Financial Reporting*



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July 1, 2016

Castaic Lake Water Agency  
Board of Directors

We are pleased to present the Santa Clarita Water Division (SCWD) Final Fiscal Year (FY) 2016/17 Budget. This budget represents the spending plan for SCWD for the fiscal year beginning July 1, 2016 and identifies the revenues and resources available to fund the plan. The Final FY 2016/17 Budget reflects our commitment of providing an affordable, reliable supply of high quality water to our customers. The budget is intended to support the policies and priorities of the Castaic Lake Water Agency (CLWA) Board of Directors as reflected in the Agency's mission statement and the Santa Clarita Water Division's strategic plan. It also serves as a financial plan and an operations guide for FY 2016/17.

### Operating Revenues

Operating Revenues for FY 2016/17 are based on continued conservation estimates of 28 percent from 2013 levels. The State Water Resources Control Board (SWRCB) recently revised SCWD's conservation target from 32 percent to 28 percent effective March 1, 2016 through October 31, 2016. SCWD anticipates voluntary conservation will continue beyond the October 31, 2016 required mandate from the SWRCB.

Operating Revenues are anticipated to increase overall by 6 percent from last year's \$27.3 million Estimated Revenues. The net increase is due to a projected 1.6 percent growth from new development and anticipated higher water consumption in FY 2016/17 from FY 2015/16 due to the SWRCB revised conservation target specific to SCWD from 32 percent to 28 percent. Revenues are also increasing from prior fiscal year due to a rate increase of 3.5 percent effective January 1, 2017 that was approved by the Board of Directors on September 25, 2013.

The ongoing drought and increased conservation efforts from SCWD's customers continues to result in operating revenue lower than previously projected during the 2013 rate setting process. Due to the lower revenue, SCWD would not be able to achieve the 1.2 minimum required debt service coverage ratio that is required by the bond covenant. Although SCWD would have been able to pay its annual debt service of \$5.4 million in FY 2016/17, SCWD defeased (prepaid) the total amount of \$2.6 million which consists of the principal payments of \$285,000 of the 2010B COP and \$2,230,000 of the 2011A Revenue Bond and the associated interest of \$5,700 and \$44,600 respectively in June 2016. This action maintained a debt service coverage ratio of 1.6 which is above the 1.2 minimum required by the bond covenant. Currently SCWD is in the process of performing a rate study analyzing a revised rate structure and providing for rate adjustments to reflect lower than expected revenues along with increased costs for CLWA's purchased water which was effective on April 1, 2016. SCWD has been absorbing the increased purchased water costs since April 1, 2016 and will eventually need to include the pass-through increase in its rates for purchased water. The new proposed rates will ensure that SCWD's debt service



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coverage ratio will be above the 1.2 minimum required by the bond covenant and will ensure that all approved reserve targets set by the Board of Directors are met for a four year period.

### **Operating Expenses**

Total Operating Expenses included in the FY 2016/17 Budget are \$25 million, an increase of \$3.7 million, or 17 percent, from FY 2015/16 Estimated. The major changes to the Budget are as follows:

- ◆ \$2.7 million for Purchased Water due to CLWA's new rate structure that includes the blended fixed and variable components for imported and Saugus groundwater (perchlorate remediation) rates.
- ◆ \$564,982 for Labor which includes a new Engineering Technician I position and full year funding of previously vacant positions which is offset by estimated FY 2015/16 Temporary Personnel of (\$385,000) which is not budgeted in FY 2016/17. Note that FY 2015/16 Budget at \$4,479,200 was higher than FY 2016/17 Budget at \$4,447,300.
- ◆ \$394,189 for Burden and Benefits for a new Engineering Technician I position, full year funding of previously vacant positions and 7.5% projected increase in medical insurance premiums.

### **Operating Income**

Operating Income is expected to decrease to \$3.8 million from \$5.9 million for FY 2016/17 estimated actual due to higher expenses as discussed in the Operating Expenses section. Operating Income provides funds for non-operating activities, debt service payments for Certificates of Participation (COP) and Revenue Bonds and FY 2016/17 reserve targets.

### **Position Changes**

Included in the Final FY 2016/17 Budget is one new position in the Engineering Department for an Engineering Technician I to support implementation of the new Geographic Information System (GIS).

### **The Drought**

On January 17, 2014, Governor Brown declared a drought State of Emergency to encourage all Californians to take personal actions to reduce water usage. On July 15, 2014, the SWRCB implemented an emergency regulation to ensure water suppliers and residents increase water conservation statewide. On August 13, 2014, the CLWA Board of Directors adopted Ordinance No. 41 for SCWD's Water Shortage Contingency Plan to comply with the SWRCB Resolution No. 2014-0038. The Ordinance outlines the water conservation action plan, outdoor watering restrictions and penalties for customers not in compliance.

As California entered a fourth year of severe drought, on April 1, 2015 Governor Brown issued the aforementioned executive order mandating statewide water conservation measures intended to reduce water use by 25 percent statewide. In May 2015, the SWRCB issued a 32 percent conservation reduction requirement (compared to 2013 levels) specific to SCWD. To comply with these regulations, on June 10, 2015, SCWD adopted Ordinance No. 43 to incorporate additional water conservation restrictions and declare a Level 2 Water Shortage. On November 13, 2015, Governor Brown issued Executive Order B-36-15 (EO B-36-15) that



called for an extension of restrictions to urban potable water usage until October 31, 2016. The SWRCB revised SCWD's conservation goal to 28% effective March 1, 2016.

In the FY 2016/17 Budget, SCWD is anticipating continued conservation efforts with the Weather Based Irrigation Controller (WBIC) programs and with distribution of free low-flow shower heads and hose nozzles. The lawn replacement program funded by CLWA, which started in FY 2014/15, will continue in FY 2016/17 in addition to partnering with the large landscape customers to monitor and reduce their usage. Anticipated new programs being considered for FY 2016/17 to encourage further conservation include drip irrigation, master valve and flow sensor rebates, replacement toilet flappers, irrigation distribution uniformity reports for large users, and an inefficient water user targeted messaging system.

### **Utility Billing/Customer Information System (UB/CIS)**

On July 1, 2013, the new UB/CIS was placed in service along with the mobile service order module that allows field staff to manage work orders online. On April 1, 2015, the first phase of Customer Connect, which allows customers to manage their accounts online, was placed in service. Customer Connect allows customers to pay online via real-time processing and to view their consumption, billing and payment histories. Customers can also download reports and reprint bills. The second phase of Customer Connect was completed on December 31, 2015, which now allows customers to open and close service orders online through the Customer Connect portal.

In FY 2016/17, SCWD will be offering the e-billing option to our customers. E-billing is a paperless bill presentation option rather than receiving a hard copy of the bill in the mail. This will enable our customers to receive an email notification each month alerting the customer their current bill is available to view and print.

### **Asset Management Program**

SCWD has built on its strategic planning efforts in developing a roadmap to proactively manage its utility assets. As documented in the 2012 Organizational Assessment and Asset Management Program Gap Analysis Report, the Asset Management Strategy focuses on life cycle costs, condition assessments, optimized operations and maintenance, capital replacement program and long-term funding strategies. During 2013 through 2015, SCWD concentrated on working with the UB/CIS with the various modules to ensure that staff is confident and comfortable with the new system and technology. In FY 2016/17, staff is ready to embark upon the next technology level with the Geographic Information System (GIS).

The development of an asset database within the GIS is an important first step in providing the framework for development of an Assessment Management Program. In the future, the program may include developing other Asset Management tools such as a Computerized Maintenance Management System (CMMS) and a new Financial Information System (FIS) to support decision making to enhance the SCWD management structure.

### **Capital Improvement Program**

The FY 2016/17 CIP Budget totals \$6.8 million and includes capital improvement projects to add or upgrade water system facilities for improved service and system reliability. All the FY 2016/17 CIP Budget will be funded by Operating Income, Expansion Funds and Unrestricted Funds since bond funds were fully expended in FY 2015/16. The majority of the CIP is for

repair and replacements projects including well upgrades, booster and pressure regulating station upgrades, chlorinator upgrades, tank coating and pipeline replacements.

At the conclusion of the AMR pilot program conducted in FY 2013/14 that compared Master Meters and Sensus Meters, SCWD selected Sensus Meters for implementation. In FY 2014/15, SCWD started the implementation of the AMR system and will continue in phases until it is implemented system wide in FY 2017/18. The progress and schedule of the AMR system for existing meters are as follows:

- FY 2014/15 – completed approximately 12,775 meters, 42% of total
- FY 2015/16 – completed approximately 6,809 meters, 23% of total
- FY 2016/17 – scheduled to complete 4,270 meters, 14% of total
- FY 2017/18 – scheduled to complete 6,282 meters, 21% of total

The first phase of the Geographic Information System (GIS) will be implemented in FY 2016/17 with the purchase and installation of ArcGIS software and creating maps of the SCWD major water system infrastructure in GIS from existing AutoCAD base maps and field work to collect GPS location data as required. A water distribution system hydraulic model will be purchased and setup to support design and operations.

A new booster station will be designed and construction started in FY 2016/17 to increase the flow capacity from the SC-12 imported water connection. The Clark Well electrical equipment will be upgraded for improved safety based on the 2013 ARC Flash study. Two pressure regulating stations will be rebuilt at Placerita Canyon and at Whites Canyon/Americana. The Placerita No. 2 Tank interior and the Deane No. 2 Tank interior will be recoated and retrofitted to enhance survivability in a seismic event. SCWD also plans to install five earthquake seismic sensors on five tanks that will automatically detect a seismic event and shut off the appropriate valves to avoid tank drainage. The Circle J Pressure Station will be upgraded to meet electrical codes.

Two new pipelines will be designed; one at Rainbow Glen Drive based on the 2013 Water Master Plan and the other on Soledad Canyon Road from Oaks Springs Canyon Road to Rue Entrée, including a new pressure regulating station.

A new pipeline will be designed and construction started in FY 2016/17 to provide water service to the Los Angeles Residential Community (LARC) and other customers along North Bouquet Canyon Road, with grant funds for the LARC portion anticipated from the State Water Resources Control Board (SWRCB).

Phase 2B of the recycled water system located in the Fair Oaks area will be designed in FY 2016/17 with funds from CLWA for the backbone pump station, storage tank, and piping, and SCWD funds for the recycled distribution piping.

### **Cost Allocation from Castaic Lake Water Agency**

CLWA allocates certain shared positions to SCWD. The allocation of staff is updated each year through the budget process and is largely based on full-time equivalent (FTE) positions. In July 2008, the Agency's audit firm presented the results of a target audit of the shared positions to the Finance and Administration Committee, and presented recommended allocations of the shared positions.

At the time the Committee reviewed the target audit, the Committee directed staff to use the project accounting system to better track the shared employees' time. As a result of these efforts, the allocation based on FTE positions was confirmed for most of the positions. Time charges continue to be monitored and, based on experience to date and discussions with CLWA, slight changes were made. The allocation will be reviewed each year as part of the budget process.

The shared positions for FY 2016/17 are as follows:

- ◆ Human Resources/Safety: Human Resources/Risk Management Supervisor, Administrative Analyst (Human Resources), Administrative Technician (Human Resources) and Safety Officer. These positions are allocated 54% to CLWA and 46% to SCWD. Charges include labor, benefits and other indirect costs.
- ◆ Information Technology: Senior Information Technology Technician and Information Technology Technician. These positions are allocated 54% to CLWA and 46% to SCWD. Charges include labor, benefits and other indirect costs.
- ◆ Senior Accounting Technician II (Payroll). This position is allocated 54% to CLWA and 46% to SCWD. Charges include labor, benefits and other indirect costs.
- ◆ Facilities. All four positions in the Facilities section charge actual time worked on SCWD projects to SCWD. Charges include labor and benefits.
- ◆ Controller. This position is allocated 67% to CLWA and 33% to SCWD. Charges include labor, benefits and other indirect costs.
- ◆ Administrative Services Manager. This position is assumed to spend 50% of time supervising the above functions, and is allocated 23% to SCWD (half of 46%). Charges include labor, benefits and indirect costs.

## **Major Accomplishments**

During FY 2015/16 we:

- ◆ Received the Distinguished Budget Presentation Award from the Government Finance Officer Association for FY 2015/16 (fifth consecutive year).
- ◆ Received the Excellence Award in Operating Budget FY 2015/16 from the California Society of Finance Officers (fifth consecutive year).
- ◆ Implemented a 3.5% rate increase effective January 1, 2016.
- ◆ Implemented second phase of Customer Connect Portal.
- ◆ Hired a new Civil Engineer.
- ◆ Completed installation of Luther Drive Pipeline relocation project.
- ◆ Completed design of upgrades for Clark Well based on ARC Flash study.
- ◆ Completed installation of new suction line at Fair Oaks Booster Station.
- ◆ Identified key and strategic alternative water supply sites/locations and potential users in coordination with the Reconnaissance Study with Castaic Lake Water Agency Service Area Water Resources Management Measures.
- ◆ Completed coordination with CLWA in preparing the 2015 Urban Water Management Plan.
- ◆ Completed upgrade to North Oaks West Well based on the ARC Flash Study.
- ◆ Completed upgrade to North Oaks East Well based on the ARC Flash Study.
- ◆ Completed the third phase installation of the Automated Meter Reading (AMR) System. Installed approximately 6,809 AMR meters (23% of system), total completed to date approximately 65% of system.

- ◆ Installed SCADA sensor equipment upgrade.
- ◆ Replaced Clark Well and Fair Oaks booster meters.

## Major Actions

During FY 2016/17 we will:

- ◆ Complete Capacity Fee Study.
- ◆ Complete Cost of Service Rate Study.
- ◆ Implement approved rate increase.
- ◆ Implement revised capacity fees.
- ◆ Monitor revenue impact of vigorous water conservation performance as a result of the new SWRCB conservation requirements and SCWD's self-certification.
- ◆ Implement UB/CIS automation processes.
- ◆ Complete design of new pipeline in Rainbow Glen Drive.
- ◆ Complete the design and installation of Circle J Pressure Station upgrade.
- ◆ Construct upgrades for Clark Well based on the ARC Flash study.
- ◆ Implement first phase of GIS by setting up GIS software and converting existing base maps from AutoCAD to a GIS platform.
- ◆ Complete design and installation of Placerita Booster Pump Station at SC-12 imported water connection.
- ◆ Purchase and setup water system hydraulic model.
- ◆ Remove and replace two pressure reducing valve stations located at Placerita Canyon Road and Whites Canyon/Americana.
- ◆ Complete the fourth phase installation of the Automated Meter Reading (AMR) System.
- ◆ Remove and replace site access road at Sky Blue Tank.

## Conclusion

The Final FY 2016/17 Budget is not only a financial document but also a planning tool for the upcoming year. The Budget provides a strategy to address current needs and to focus on future needs while being fiscally responsible. We continue to support the priorities and policies articulated by the Board while also providing a high level of service to our customers. We believe that the programs and projects planned for the upcoming year support SCWD's strategic plan and long-range goals.

Sincerely,



Matthew G. Stone  
General Manager



Keith Abercrombie  
Retail Manager



## OVERVIEW OF THE SANTA CLARITA WATER DIVISION

### History and Growth of Santa Clarita Water Company

The origins of the Santa Clarita Water Division (SCWD) began when the Bonelli family started a small water company in 1949 called the Bouquet Canyon Water Company, a public utility water company regulated by the California Public Utilities Commission. Bouquet Canyon Water Company initially had three service connections, 2,888 feet of pipe, one well capable of producing 900 gallons per minute (GPM), and 200,000 gallons of tank storage. The original service area of Bouquet Canyon Water Company totaled 223 acres and was situated along San Francisquito Canyon Road (now Seco Canyon Road) at Bouquet Canyon Road. The Bonelli family started a second water company in 1956 called the Solemint Water Company. The Solemint Water Company started with 78 service connections, 24,479 feet of pipe, two wells capable of producing 1,325 GPM and 100,000 gallons of storage. At that time, the Solemint Water Company service area was several hundred acres mostly in the Canyon Country, Placerita Canyon and Sand Canyon areas.



*SCWD pre 1978*

In 1973, a merger of Bouquet Canyon Water Company and Solemint Water Company was approved by the California Public Utilities Commission. In the merger agreement, the consolidated companies were renamed the Santa Clarita Water Company (SCWC). At the time of the merger, SCWC had a combined total of 8,736 service connections, 650,000 feet of pipe, 19 wells capable of producing 16,000 GPM and 8 million gallons of storage.



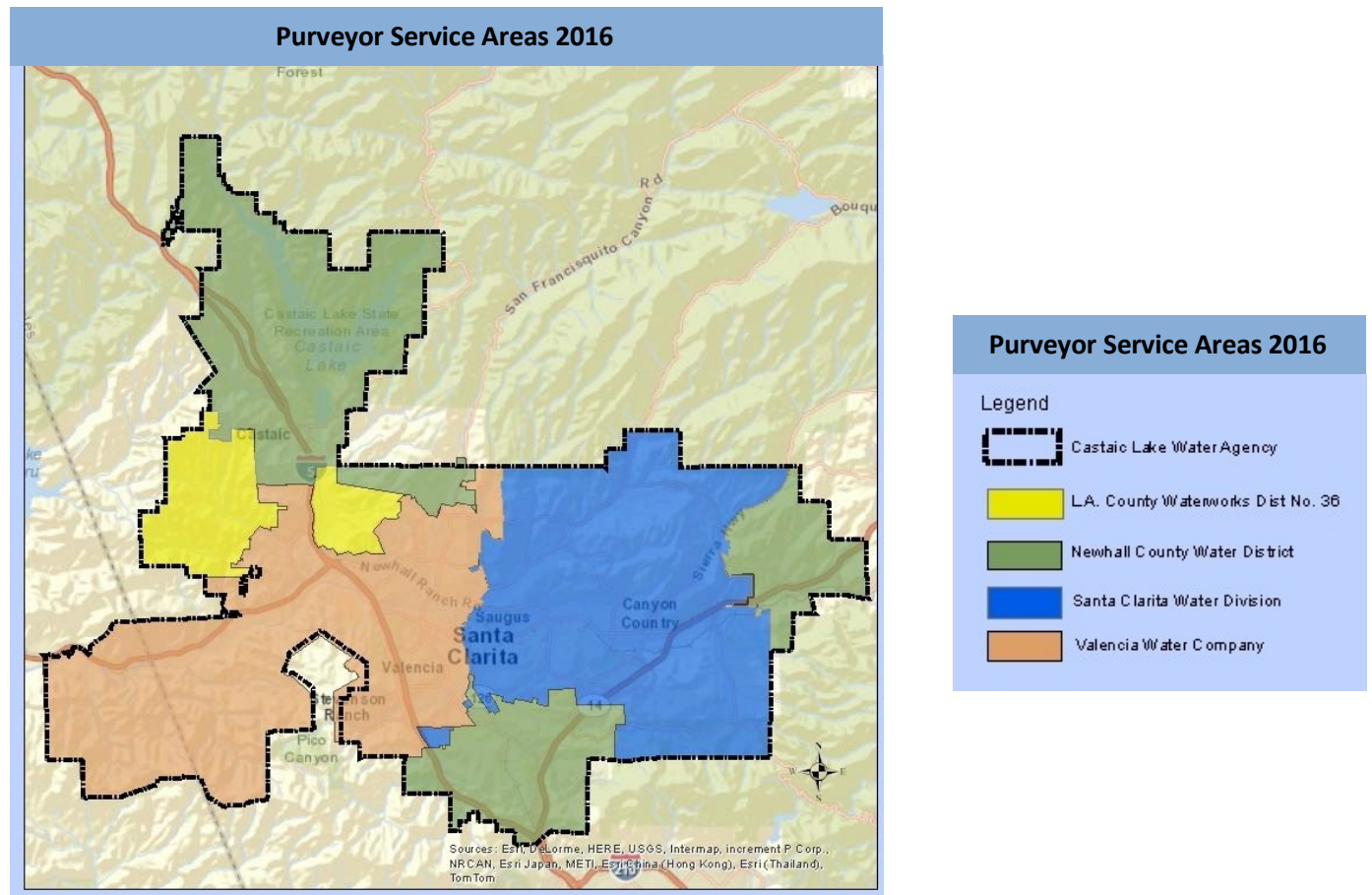
*SCWD 1978 - 2011*

## **History of Santa Clarita Valley and the Formation of Castaic Lake Water Agency**

Rich in Old West history, the Santa Clarita Valley boasts tales of Native American tribes, Spanish soldiers and Mexican bandits, gold discovery and oil strikes, railroads and ranches, a horrible dam failure and cowboy movie stars. Today, the Santa Clarita Valley is a fast-growing and vibrant community.

Now, as in the beginning, the fundamental key to sustainable growth is a stable water supply. While the Santa Clara River historically provided alluvial groundwater for agriculture and livestock, this source could not provide a year-round supply. At the turn of the twentieth century, the area's needs were met with the advent of the deep-well turbine pump.

While the area remained primarily agricultural through the 1950's, the local communities secured additional water for municipal growth. In 1960, voters approved the California State Water Project (SWP) to import water to Central and Southern California. In 1980, the Castaic Lake Water Agency (CLWA) commenced delivering SWP water to the Valley. CLWA purchases SWP water from the Department of Water Resources (DWR) and treats SWP and other imported water at the Earl Schmidt Filtration Plant and the Rio Vista Water Treatment Plant. As a wholesaler, CLWA sells treated water to four retail water purveyors within the Santa Clarita Valley. The four retail water purveyors are Los Angeles County Waterworks District No. 36 (LACWD No. 36), Newhall County Water District (NCWD), SCWD and Valencia Water Company (VWC).



## **Santa Clarita Water Division**

In 1999, the Castaic Lake Water Agency purchased SCWC, and the name was changed to Santa Clarita Water, a Division of Castaic Lake Water Agency. The service area at the time of acquisition included about 20,000 service connections, 12 groundwater production wells and 39 storage tanks.



*SCWD today since February 2011*

Today, SCWD is a retail water purveyor operating a service area that includes a portion of the City of Santa Clarita and unincorporated portions of Los Angeles County in the communities of Saugus, Canyon Country and Newhall. SCWD water supplies include local groundwater and water imported by CLWA. Groundwater constitutes approximately 15-40 percent (note: 21percent groundwater for FY 2015/16) of SCWD's water supply and comes from local wells that extend into the Alluvial Aquifer and Saugus Formation. Existing land use within the SCWD service area is made up primarily of residential customers which consist of approximately 95 percent of our customer base and 5 percent for commercial, industrial and other users including public authorities, irrigation, government, institutional and fire services.

SCWD's system consists of the following facilities:

- ◆ 13 Imported Water Turnouts
- ◆ 14 groundwater wells
- ◆ 23 booster stations
- ◆ 18 pressure zones with 14 subzones and 5 hydro-pneumatic systems
- ◆ 48 water storage tanks
- ◆ 76 million gallons of water storage
- ◆ 340 miles of pipeline



## **Mission Statement**

Santa Clarita Water Division's mission is:

*"To Provide Reliable, Quality Water at a Reasonable Cost to our Customers."*



*Aerial photo of the California Aqueduct at the Interstate 205 crossing. Photo courtesy of Wikipedia.com*



## Location of Santa Clarita Water Division

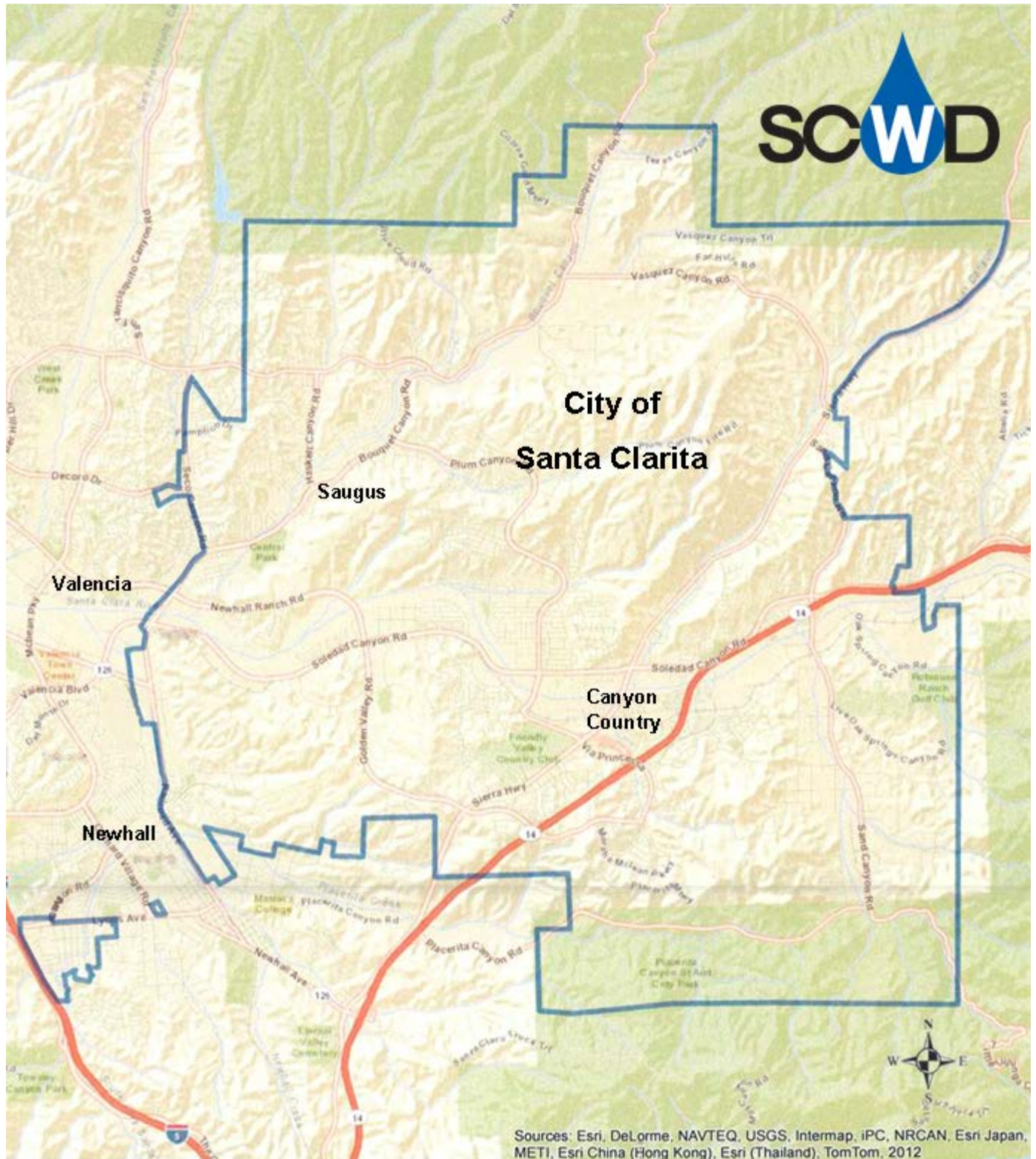
Santa Clarita Water Division is located in the Santa Clarita Valley, which is in the northwestern portion of Los Angeles County about 35 miles from Downtown Los Angeles. The Santa Clarita Valley is approximately 485 square miles and contains the headwaters of the Santa Clara River. It is surrounded by the San Gabriel Mountains, the Santa Susana Mountains and the Sierra Pelona Mountains.





## Santa Clarita Water Division Service Area

The SCWD service area covers an area of approximately 55 square miles, including the unincorporated communities of Canyon Country, Saugus, Newhall and portions of the City of Santa Clarita. SCWD serves approximately 30,900 service connections in a service area of approximately 55 square miles with a population of approximately 122,998.



**Governance**

SCWD has the same governing board as CLWA. The Board of Directors is comprised of two Directors from each of three elective divisions, three Directors at large and one Director appointed by Los Angeles County Waterworks District No. 36 and one Director appointed by Newhall County Water District, for a total of 11 Board members. SCWD also has a Retail Operations Committee, which is comprised of five Agency Directors and meets on the first Tuesday of the month before the first regular CLWA Board Meeting of the month. SCWD presents all retail matters to the Retail Operations Committee for recommendations to the Board. As of June 30, 2016, the Retail Operations Committee consists of the following individuals:

<b>Retail Operations Committee</b>	
<b>Edward A. Colley</b>	Chair
<b>Dean D. Efstathiou</b>	Vice Chair
<b>William Pecs</b>	
<b>R.J. Kelly</b>	
<b>Robert J. DiPrimio</b>	

As of June 30, 2016, the Agency’s governing board consisted of the following individuals

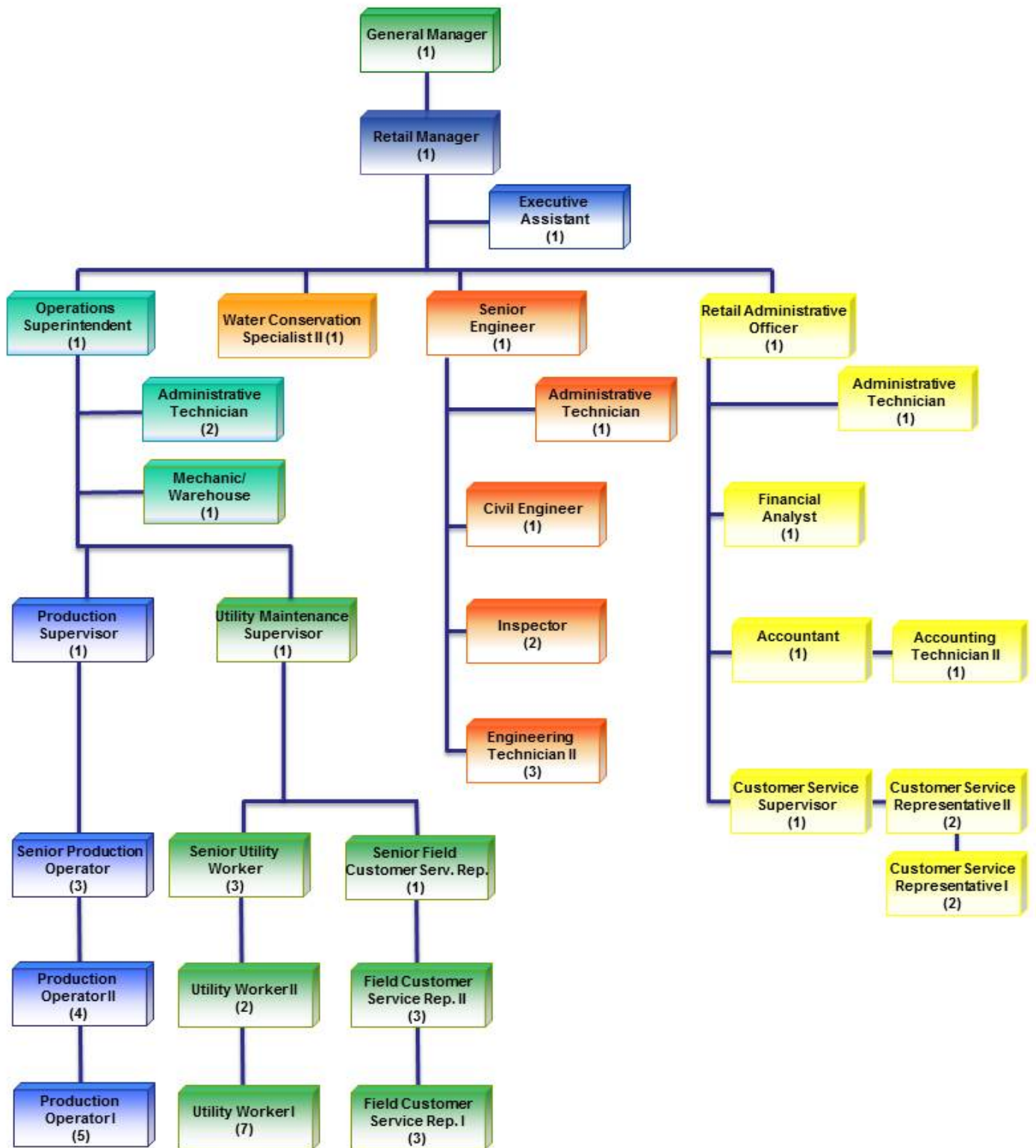
<b>Castaic Lake Water Agency – Board of Directors</b>		
<b>Director</b>	<b>Division</b>	<b>Term Expires</b>
<b>Thomas P. Campbell, President</b>	At Large	January 2019
<b>William C. Cooper, Vice President</b>	At Large	January 2017
<b>Gary R. Martin</b>	At Large	January 2019
<b>Edward A. Colley</b>	1	January 2019
<b>R.J. Kelly</b>	1	January 2017
<b>Robert J. DiPrimio</b>	2	January 2019
<b>E.G. “Jerry” Gladbach</b>	2	January 2017
<b>Jacquelyn H. McMillan</b>	3	January 2019
<b>William Pecs</b>	3	January 2017
<b>Dean D. Efstathiou</b>	LACWD No. 36	January 2019
<b>B.J. Atkins</b>	NCWD	January 2017

**Organization**

SCWD budgeted 58 full time employees in FY 2016/17 along with CLWA’s allocation of certain shared positions to SCWD. The allocation of staff is based on FTE positions. Below are the CLWA shared positions allocation that includes labor, benefits and indirect costs:

- Administrative Services Manager – 23%
- Senior Accounting Technician – 46%
- Controller – 33%
- Facilities Maintenance Technician – 25%
- Human Resources Analyst – 46%
- Human Resources/Risk Management Supervisor – 46%
- Human Resources/Risk Management Administrative Technician – 46%
- Information Technology Technician – Senior – 46%
- Information Technology Technician – 46%
- Safety Officer – 46%

# Organization Chart





## **Retail Water Rates**

SCWD updated its Financial Plan in June 2013 which provided for a 3.5 percent rate increase effective January 1 in 2014, 2015, 2016 and 2017. Effective April 1, 2016, CLWA changed its rate structure and also increased its rates in order to recover its costs. SCWD has been absorbing the CLWA Purchased Water rate increase since April 1, 2016, but is currently analyzing a possible pass-through cost adjustment in 2017 for these CLWA Purchased Water rate increases.

In FY 2015/16 SCWD engaged a financial consultant to update the financial plan and to complete another cost of service rate study. A cost of service analysis determines the equitable allocation of the revenue requirement to the various customer classes of service (e.g., Single Family Residential and Other Customers (non-single family residential and irrigation)). The updated financial plan will provide the revenue requirement analysis to ensure SCWD meets its operation and maintenance requirements, capital expenditures and its reserve targets. The revenue requirement analysis determines SCWD's overall financial needs, while the cost of service analysis determines the fair and equitable manner to collect that revenue requirement from each class of customer.

### **SCWD Retail Water Rates 2016 to 2017**

SCWD's retail water rates consist of a monthly fixed service charge based on the size of the water meter serving the customer and a three-tiered variable commodity rate based on the volume of water purchased each month. The following table details the rate effective January 1, 2016 and January 1, 2017 as adopted by the Board on September 25, 2013.

#### **Fixed Meter Service Charge by Meter Size (\$ per month)**

<b>Meter Size (Inches)</b>	<b>January 1, 2016</b>	<b>January 1, 2017</b>
5/8 by 3/4	\$19.30	\$19.98
3/4	\$24.41	\$25.26
1	\$34.59	\$35.80
1 1/2	\$60.06	\$62.16
2	\$90.63	\$93.80
3	\$172.15	\$178.18
4	\$263.87	\$273.11
6	\$518.64	\$536.79
8	\$824.34	\$853.19

**Private Fire Service Protection**

<b>Per Diameter Inch of Service</b>	<b>January 1, 2016</b>	<b>January 1, 2017</b>
1"	\$ 2.74	\$ 2.84
2"	\$ 5.48	\$ 5.68
4"	\$ 10.96	\$ 11.36
6"	\$ 16.44	\$ 17.04
8"	\$ 21.92	\$ 22.72
10"	\$ 27.40	\$ 28.40
12"	\$ 32.88	\$ 34.08
14"	\$ 38.36	\$ 39.76
16"	\$ 43.84	\$ 45.44
18"	\$ 49.32	\$ 51.12
20"	\$ 54.80	\$ 56.80

**Variable Water Commodity Charges for Single Family Residential Customers (\$ per Ccf)**

<b>Rate Block</b>	<b>Block Range (Ccf per Month) Bottom - Top</b>	<b>January 1, 2016</b>	<b>January 1, 2017</b>
Tier 1	0-14	1.7406	1.8015
Tier 2	15-49	1.9415	2.0094
Tier 3	50 and above	2.5524	2.6417

**Variable Water Commodity Charges for Irrigation Customers (\$ per Ccf)**

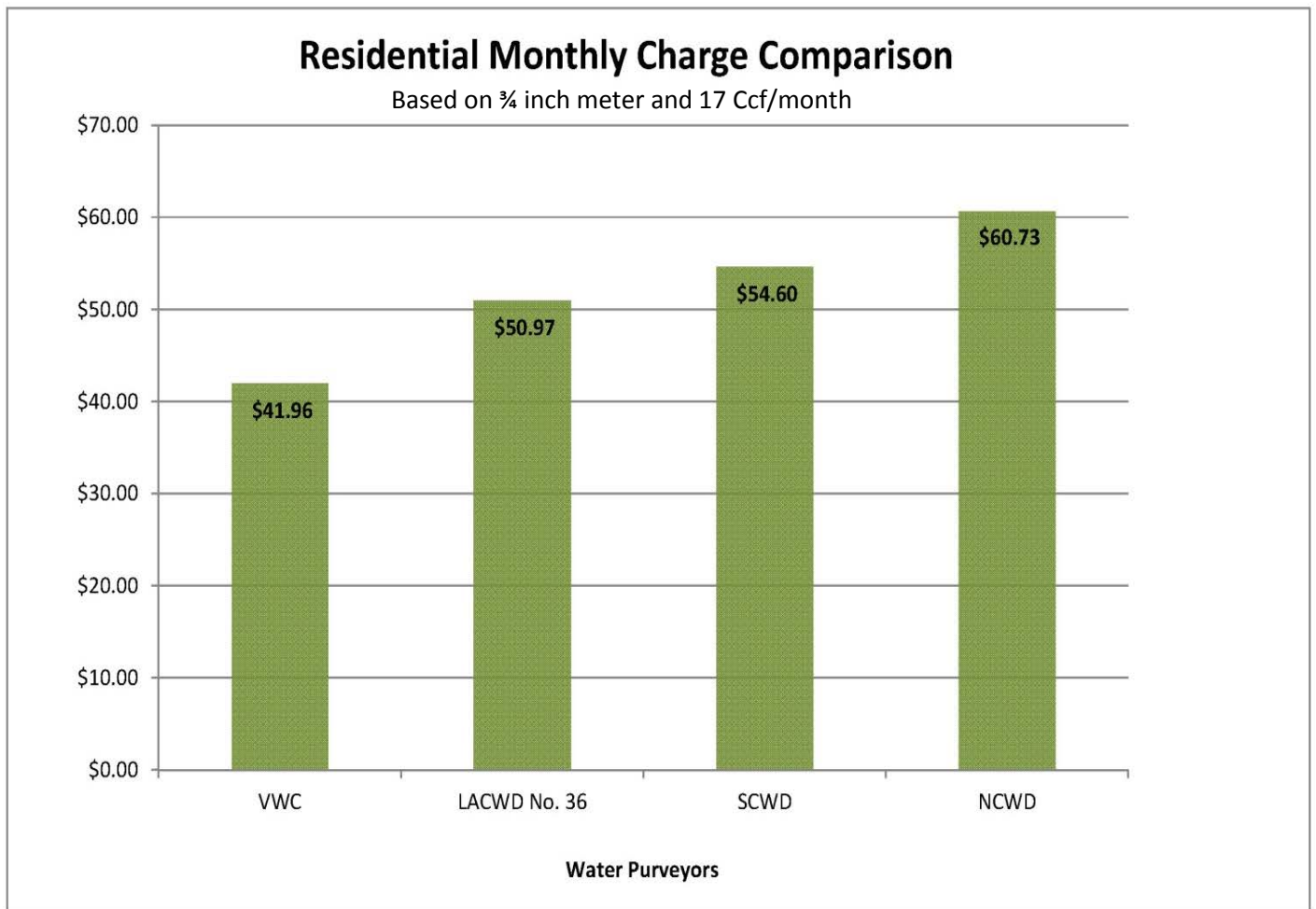
<b>Commodity Charges</b>	<b>January 1, 2016</b>	<b>January 1, 2017</b>
All Use	\$2.5524	\$2.6417

**Variable Water Commodity Charges for All Other Customers (\$ per Ccf)**

<b>Commodity Charges</b>	<b>January 1, 2016</b>	<b>January 1, 2017</b>
All Use	\$1.9415	\$2.0094

## Residential Monthly Charge Comparison

Comparison of the adopted rates to the other three Santa Clarita Valley retail water purveyors is shown below. Each retail purveyor has a slightly different rate structure. In order to compare, a total monthly cost for a typical residential customer using 17 Ccf (2015 average use) has been calculated. It should be noted that a variety of factors influence water rates including the proportion of groundwater and imported water purchased, the amount of facilities (pipes, storage tanks, wells and booster stations) required to serve the community, and the maintenance and capital requirements. The chart below indicates that SCWD's rates are within the range experienced by residents within the Santa Clarita Valley.



**Miscellaneous Fees**

On December 12, 2012, the Board of Directors approved the following Miscellaneous Fees:

<b>SCWD Miscellaneous Fees</b>	
	<b>Current Fees</b>
Termination Penalty	\$ 25.00
Late Penalty	\$ 10.00
Meter Re-check after 2 free checks (special reading at customer's request) - no charge if meter is inaccurate	\$ 53.00
Meter Calibration by Bench Test (> 2" meters with testing valve in place) - no charge if meter is inaccurate *	\$ 205.00
Meter Calibration by Bench Test (Up to 2" meters) – no charge if meter is inaccurate *	\$ 112.00
Hydrant Meter Deposit (includes Eddy valve)	\$ 1,100.00
Hydrant Meter Deposit (without Eddy valve)	\$ 900.00
Hydrant Meter Processing Fee	\$ 25.00
Meter Tampering/Illegal Connection Penalty	\$ 1,000.00 plus estimated water use
Return Check Fee	\$ 43.00
Service Reconnection Fee - regular business hours	\$ 44.00
Service Reconnection Additional Fee - after business hours	\$ 38.00
Cut Lock Fee	\$ 6.90
Pulled Meter Fee	\$ 23.00

\*SCWD calibrates the meter after it has been rechecked three times and if the customer still disagrees with the results.

**Drought Ordinance No. 44 Penalties**

On July 13, 2016, the Board of Directors approved Drought Ordinance No. 44 as a result of new requirements from the SWRCB including the provision allowing SCWD to self-certify at least a three year water supply being available under drought conditions. The Board of Directors also approved rescinding Resolution No. 3041, thereby lifting the restricted watering day schedules, although some state mandated watering restrictions remain permanently in effect as outlined in Ordinance No. 44, Section 3.

Below are the penalties for violating the state mandated watering restrictions:

<b>Drought Ordinance No. 44 Penalties</b>	
First Violation	Written notice
Second Violation	\$50 fine per violation Written notice of non-compliance
Third and Subsequent Violations	\$100 fine per violation Increase of \$100 each subsequent violation Maximum of \$500 per day



**Capacity Fees**

Capacity fees are one-time fees imposed on customers requesting a new, an additional, or a larger connection to the Division’s water system. Capacity fees prevent a “free-rider” problem by allowing the Division to charge new customers for certain costs of the existing system. The Division avoids unfairly burdening existing customers with the cost of the system by distributing an equitable portion of the system cost to new customers. This purpose reflects the basic economic principal behind capacity fees which is “growth should pay for growth.”

The legal grounds for establishing capacity fees are Government Code Sections 66013, 66016, 66022 and 66023. Per section 66013, capacity fees imposed by a Division “shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed...”

The two most commonly used methodologies are 1) Equity Buy-In approach and 2) Incremental-Cost approach. The Equity Buy-In approach is most appropriate for agencies that are mostly built-out but still have some capacity in the system to accommodate growth. This methodology ensures that new customers pay the cost of the existing facilities that will serve them. By contrast, the Incremental-Cost approach is most appropriate for agencies anticipating construction of new facilities to meet new demand. The costs of the new facilities are distributed to new customers based on the number of expected additional meters, and the value of the additional CIP.

SCWD is in a position where it satisfies both of these requirements. The water system is already substantially built-out, but SCWD also anticipates additional expansion related CIP spending to deal with growth related increases in future demand. As such, SCWD uses a hybrid approach to calculate the capacity fees in order to allocate costs to the existing system and to allocate costs to a proportion of new capacity required to serve added demand on the water system.

On July 13, 2016, The CLWA Board of Directors adopted Resolution No. 3118 for the Capacity Fees set forth in the table below. The rates are effective beginning January 1, 2017.

RATES FOR SCWD CAPACITY FEES (\$/METER SIZE)	
Meter Size	Capacity Fee <sup>2</sup>
1" <sup>1</sup>	\$ 3,712
1 1/2"	\$ 7,425
2"	\$ 11,880
3"	\$ 23,758
4"	\$ 37,122
6"	\$ 74,244
8"	\$ 118,791

<sup>1</sup>Previously the Division installed 5/8 x 3/4 and 3/4 inch meters. The Division no longer anticipates installation of meters smaller than 1 inch due to new requirements for the fire sprinkler systems in the new homes and the corresponding plan requirements.

<sup>2</sup>The Capacity Fees, which include costs for production, storage and transmission, are calculated based on methods endorsed by the American Water Works Association (AWWA) and presented in the Water Rate AWWA Manual M1. In addition, the Fees are consistent with California Government Code Section 66013.

Beginning January 1, 2018, and each January 1 thereafter until otherwise modified by the Board of Directors, the rates for the Capacity Fees set forth in the table above shall be adjusted for inflation using the Los Angeles specific Engineering News Records (ENR) Construction Cost Index (CCI).

## **Revenue Sources**

SCWD's revenue sources are as follows:

**Retail Water Sales** – SCWD processes bills for approximately 30,278 active customers monthly for water consumption, which consists of a combination of groundwater pumped from production wells and imported water purchased from CLWA. The water rates consist of two main components: a fixed monthly Service Charge and a variable water usage Commodity Charge. The rates for the Service Charge vary based on meter size, whereas the Commodity Charge is a tiered rate structure for single family residential (SFR) customers that varies based on the amount of water used in Ccf and separate uniform rates per Ccf of water usage for irrigation and all other customers. The Commodity Charge includes SCWD's water usage charge and pass-through charges for CLWA's purchased water.

The retail water sales revenues are used to pay for operating expenses, capital improvement projects and to fund reserve target levels.

- ◆ **Miscellaneous Fees** – The miscellaneous fees revenues include penalties for late payment, termination of water service, meter tampering and illegal connection. Fees for miscellaneous services are utilized to recover material costs and staff time.
- ◆ **Capacity Fees** – The Capacity Fees are paid by developers and the revenues are used for expansion-related capital improvement projects. This source of revenue is difficult to project due to its heavy reliance on developers' plans, which, in turn, are based on fluctuating real estate markets. The Capacity Fees revenues are not included as part of the Operating Revenues budget.
- ◆ **Drought Penalties** – Any drought penalties revenue generated from violations of Ordinance No. 44 restrictions are utilized to cover staff time for drought enforcement.

## **Financial Policies**

SCWD's Financial Policies include some of the same policies as CLWA and certain separate policies specific to SCWD. SCWD utilizes the same Investment Policy, Disclosure Procedures Policy and Derivatives Policy as CLWA. SCWD has a separate Reserve Fund Policy, Debt Management Policy and Purchasing and Bidding Policy. The financial policies are included in the Appendices.

## **Reserve Fund Policy**

SCWD has a policy for funding four reserve funds. The Operating Reserve Fund and the Rate Stabilization Reserve Fund were originally established in January 2004 to be fully funded by June 2014. A Capital Reserve Fund was originally established in November 2013 to be fully funded by June 2014. In May 2015, the Rate Stabilization Reserve Fund was revised from 5 percent to 10 percent of Retail Annual Operating Revenue Budget to be fully funded by June 2016. A new Emergency Reserve Fund was established in May 2015 to distinguish it from the Capital Reserve Fund to be fully funded by June 2016. As of June 2016, all reserve funds are fully funded per designated Board approved targets. The principal elements of each reserve fund are described below.

- ◆ The Operating Expense Reserve Fund is set at 25 percent of the current annual operating expense budget to adequately cover "working cash" and unforeseen costs related to water system operations.
- ◆ The Rate Stabilization Reserve Fund was established in January 2014 to cover variations in water sales resulting from variable weather conditions, conservation and loss of imported water

supplies. The Rate Stabilization Reserve Fund was increased from 2 percent to 5 percent of current annual operating revenue budget in November 2013, to be fully funded by June 2014. Due to severe drought, the Rate Stabilization Fund was increased from 5 percent to 10 percent of the current annual operating revenue budget in May 2015, to be fully funded by June 2016. In FY 2016/17, SCWD plans to evaluate the sufficiency of the Rate Stabilization Reserve Fund given the continuing drought and lower consumption levels.

- ◆ A Capital Reserve Fund was established in November 2013 to cover any unexpected and unplanned infrastructure and replacement repairs not included in the budget. Currently the Capital Reserve Fund is set at a flat amount of \$1 million, which is approximately 20 percent of the average annual CIP. In FY 2016/17, SCWD is evaluating increasing the Capital Reserve Fund to enhance coverage for repair and replacement of aging infrastructure based on SCWD's average annual CIP, which is \$6 million. The proposal would be to increase the amount from \$1 million to \$6 million.
- ◆ An Emergency Reserve Fund was established in May 2015 to cover any emergency repairs due to unforeseen natural disasters such as earthquake, fire, etc. Currently the Emergency Reserve Fund is set at a flat amount of \$1 million for immediate repairs to restore SCWD's operations for continued water delivery to its customers while waiting for possible assistance through the Federal Emergency Management Agency (FEMA).

### **Investment Policy**

The Board of Directors annually adopts an Investment Policy that conforms to California State Law, Agency ordinances and resolutions, prudent money management and the "prudent person" standards. The objectives of the Investment Policy are safety, liquidity and yield. SCWD funds are normally invested in the State Treasurer's Local Agency Investment Fund, Certificates of Deposit, Government Agency Obligations or other specifically authorized investments.

### **Debt Management Policy**

In June 2014, the Board of Directors approved SCWD's revised Debt Management Policy, which includes SCWD's written guidelines and restrictions that affect the amount and type of debt issued, the issuance process and the management of the debt portfolio. The policy is designed to provide justification for the structure of debt issuance, identify policy goals and demonstrate a commitment to long-term financial planning for the retail water system. The Disclosure Procedures Policy and the Derivatives Policy supplement the Debt Management Policy.

### **Purchasing and Bidding Policy**

In August 2012, the Board of Directors approved SCWD's revised Purchasing and Bidding Policy to more cost-effectively and efficiently construct works of improvement and acquires goods and services needed for the operation, maintenance and improvement of the retail system. SCWD's Purchasing and Bidding Policy distinguishes retail procurement and contracting procedures from those followed for CLWA's wholesale operations and is designed in accordance with the County Water District Law (Water Code Section 30000 et seq.).

### **Long-Term Commitments**

The following is a description of SCWD's long-term debt obligations:

#### **Interfund Loan**

CLWA acquired Santa Clarita Water Company's stock through condemnation in September 1999 for a

purchase price of \$63 million. The acquisition was treated as an Interfund Loan. At the time of the purchase, the CLWA Financial Advisor prepared a financial analysis of SCWC's cash flow. This analysis showed that it was financially feasible to fund the acquisition of the company with its own revenue stream. The interest rate on CLWA's Interfund Loan was 5.04 percent. SCWD began making payments on the loan in FY 2000/01.

In June 2010, CLWA refunded the 2001 Certificates of Participation (COPs) with the 2010 refunding COPs, achieving an all-in true interest cost of 4.23 percent. As a result, the Board of Directors adopted Resolution Number 2765 on January 26, 2011, adopting the revised payment schedule for the SCWD Interfund Loan at the interest rate of 4.23 percent.

On September 15, 2011, SCWD refinanced the CLWA Interfund Loan by selling \$52,290,000 of Upper Santa Clara Valley Joint Powers Authority revenue bonds with an average interest rate of 3.52 percent for a net present value savings of \$3,671,786, or 6.32 percent, over the life of the bond issue.

### **Debt Service**

Certificates of Participation (COPs) were issued to finance 80 percent of SCWD's capital improvement program for FY 2009/10 to FY 2011/12 with the remaining 20 percent funded by retail water rates.

The following is a summary of the two debt service issues to date. Additional information and a full payment schedule are provided in the Long Term Commitments section of the budget.

#### 2010B

On May 11, 2010, \$14,475,000 of COPs were issued to acquire the new Administration Office Building and to construct several water storage tanks and distribution pipelines.

The certificates are payable by installment payments according to the Installment Purchase Agreement. Interest is payable semi-annually August 1 and February 1, and the principal is due annually on August 1. The balance at the end of FY 2015/16 is \$13,185,000. Payments totaling \$961,288 are due during FY 2016/17.

In June 2016, SCWD defeased \$290,700 (\$285,000 principal and \$5,700 interest) by creating a separate irrevocable trust to prepay the principal and portion of the interest due in FY 2016/17. The defeasance transaction was completed in order to increase the debt service coverage ratio for FY 2016/17. The amount was placed in an escrow account from which principal and interest were used to make the scheduled principal and a portion of interest payments due on August 1, 2016.

#### 2011A

On September 15, 2011, \$52,290,000 of revenue bonds, issued through the Upper Santa Clara Valley Joint Powers Authority, were executed and delivered to provide funds to pay off the CLWA Interfund Loan balance of \$58,286,314.

The balance at the end of FY 2015/16 was \$45,525,000. Payments totaling \$4,413,113 are due during FY 2016/17.

In June 2016, SCWD defeased \$2,274,600 (\$2,230,000 principal and \$44,600 interest) by creating a separate irrevocable trust to prepay the principal and portion of the interest due in FY 2016/17. The defeasance transaction was completed in order to increase the debt service coverage ratio for FY 2016/17. The amount was placed in an escrow account from which principal and interest were used to make the scheduled principal and a portion of interest payments due on August 1, 2016.



## **Bond Ratings**

The Bond ratings for SCWD's outstanding Debt reflect high grade investment quality debt. They are based on SCWD's strong financial management and financial policies. Standard & Poor's assigned "AA" rating for both SCWD's 2010B COP and 2011A. Debt issued at these ratings results in lower interest rates and correspondingly lower debt service payments.

## **Water Master Plan**

The 2013 Water Master Plan supports SCWD's financial planning through the development of CIP by recommending expenditures to improve system operating efficiency, reliability and flexibility. The 2013 Water Master Plan used design and planning criteria as a benchmark for evaluating the performance of the supply and distribution system, and recommending projects to be included in the CIP.

## **Strategic Planning**

Management participates in an annual Strategic Planning Workshop with the Board. This year's workshop was held on February 26 and 27, 2016 and the results of the strategic planning workshop are included in the FY 2016/17 Budget. The Strategic Plan is a long term plan defining SCWD's mission, goals and objectives, and implementing actions that serves as a blueprint for decision-making during the upcoming fiscal year. The Strategic Plan is included as a stand-alone section in the Budget document.

## **Performance Measurement**

The Strategic Plan and fiscal year objectives are the basis for performance measurement. Major accomplishments for the previous fiscal year are reported in the Budget. During the fiscal year, staff reports to the ROC on the status of all actions at mid-year and yearend, allowing the ROC to monitor progress and adjust priorities as necessary. Staff also provides quarterly actual to budget reports to the ROC to monitor the revenues and expenses. Accomplishments and Actions are shown in the Operating Budget section for each department. Performance and financial measures are included in the Performance Measurement section.

## **Basis of Budgeting**

SCWD operates on the accrual basis of accounting and budgeting, following "generally accepted accounting principles" (GAAP), which means that revenues and expenses are recorded in the periods in which the transactions occur, regardless of the timing of cash flows. Exceptions to this are:

- ◆ Principal payments on long-term debt are applied to the outstanding balance of debt.
- ◆ Capital projects/outlays are recorded as assets when acquired or as projects are completed.

## **Water Enterprise Fund**

SCWD uses the Enterprise Fund to account for SCWD's retail water operations. SCWD also uses the Enterprise Fund to pay the Series 2010B COP and Series 2011A Revenue Bond debt service.

## **Budgetary Control**

The Board of Directors annually adopts a balanced operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the SCWD retail operations and capital projects. The ROC monitors the budget and SCWD financial condition through monthly Finance and Expenditures reports, quarterly Investment

reports, quarterly Budget report and Comprehensive Annual Financial Report (CAFR). The Retail Manager is authorized to direct the Retail Administrative Officer to make transfers within the Enterprise Fund as long as the amounts do not exceed the total approved budget amount.

The Board of Directors must approve all supplemental appropriations to the Budget.

**Budget Process**

The budget planning and preparing process is an important SCWD activity and provides an opportunity for the Retail Operations Committee, Board of Directors, management and staff to reassess goals and objectives for the upcoming and future years. A key part of each year’s budget process is the use of the Strategic Plan specific to SCWD to relate the mission statement to annual work program objectives to be achieved during FY 2016/17 and in the future.

During February, the Board of Directors holds a Strategic Planning Workshop to refine the Strategic Plan and finalize objectives for the upcoming fiscal year. During March and April of each year, management and staff update current Actions and develop new objectives. Proposed fiscal year Actions are discussed and refined with the Retail Operations Committee and the Board of Directors in March and April.

The Strategic Plan is used to develop the Budget that is first presented to the Retail Operations Committee for recommendation to the Board of Directors in May. If the Budget is not adopted in May, the Board may direct staff to revised and update the budget and resubmit it in June for Board review and adoption. The Budget is approved by motion and majority vote of the Board.

All of these meetings are posted for public participation. In addition, the draft Budget is posted on both SCWD and CLWA’s website to allow for public review along with the FY 2016/17 Budget after it is adopted.

<b>FY 2016/17 BUDGET CALENDAR</b>	
<b>February 26-27, 2016</b>	<b>Board of Directors Develop Strategic Plan.</b>
<b>February 29 – March 3, 2016</b>	<b>Staff Refine and develop proposed Actions in support of Strategic Plan.</b>
<b>April 5, 2016</b>	<b>Retail Operations Committee Review proposed fiscal year Actions.</b>
<b>May 9, 2016</b>	<b>Retail Operations Committee Review and Recommend SCWD FY 2016/17 Budget.</b>
<b>May 25, 2016</b>	<b>Board of Directors Approve SCWD FY 2016/17 Budget.</b>

## **Balancing the Budget**

A balanced budget is a basic budgetary constraint intended to ensure that a government does not spend beyond its means. In developing the FY 2016/17 Budget, Management reviews the short-term and long-term forecast information to develop a budget that balances anticipated revenues and expenditures.

## **Capital Budget Process**

The fiscal year capital budget is generally based on the 2013 Water Master Plan. The CIP elements are identified as either maintenance-related for repairs to maintain the system or to improve the existing system for current users, or expansion-related for projects that serve future growth due to new development. Maintenance-related projects that benefit existing users are funded through the retail water rates. The expansion-related projects are funded through the Capacity Fees Fund that is funded by various development projects.

The CIP for FY 2016/17 is funded through the retail water rates and Capacity Fees paid by developers for future expansion. The portion of the CIP being funded by retail water rates is partially funded by a transfer from the Unrestricted Fund balance in FY 2016/17, due to the continued drought and corresponding conservation.

## **Capital Projects**

Capital projects are defined as non-operating expense items of the budget, which includes expenditures for fixed asset/equipment purchases as well as the accumulation of expenditures associated with construction projects. Capital projects must have a minimum life of one year or more but typically have a life of five years or more. The categories of capital projects are:

- ◆ **Major Capital Improvement Projects** The acquisition of land, facilities, works, improvements and supplies of water; and enhancements or enlargements to existing capacity and facilities for obtaining, importing, transporting and delivering additional quantities of water. Projects associated with the expansion of service due to growth or increase in demand that cost more than \$250,000. Major capital improvement projects are typically included in the 2013 Water Master Plan.
- ◆ **Minor Capital Improvement Projects** The acquisition of land, facilities, works, improvements and supplies of water, and enhancements or enlargements to existing capacity and facilities for obtaining, importing, transporting and delivering additional quantities of water. Projects associated with the expansion of service due to growth or increase in demand that cost \$250,000 or less. Minor capital improvement projects are typically included in the 2013 Water Master Plan.
- ◆ **Repair and Replacement Projects** Any repair or refurbishment and replacement to SCWD's existing water infrastructure that extends the life a minimum of at least one year but typically five years or more and costs \$5,000 or more.
- ◆ **Capital Planning, Studies and Administration** The initial planning costs of future capital improvement projects such as site feasibility studies, permit requirements, evaluations or tests and other non-recurring reports.

- ◆ **Capital Equipment** The purchase, replacement, maintenance and upgrading of fixed asset equipment essential to supporting administrative and service needs with a cost of \$5,000 or more and has a minimum of at least one year life but typically five years or more.

### **Capital Improvement Project Cost Allocation**

The repair and replacement capital improvement projects for FY 2016/17, that benefit existing customers, are funded through the retail water rates and transfers from the Unrestricted Funds due to lower revenue projections from conservation and higher CLWA Purchased Water costs. Capital Improvement projects that benefit future customers are funded through Capacity Fees received from developers. SCWD staff charges direct costs to capital projects. Burden and benefit rates are applied and the total amount is charged to each project.

### **Risk Management**

SCWD recognizes that losses have a negative financial impact on SCWD. Minimizing the exposure to loss is a goal of SCWD. SCWD strives to minimize losses through its safety and training programs and through its risk transfer program. The Agency has adopted a Risk Transfer Manual which recognizes that a critical step in minimizing the exposure to loss is to execute effective risk transfer. SCWD uses a set of standard contracts to minimize potential liability exposures by transferring the legal and financial responsibility for losses to the party best able to control them.

### **Insurance**

SCWD shares the same insurance as CLWA and the Agency is a member of the Association of California Water Agencies Joint Power Insurance Authority (JPIA), an intergovernmental risk-sharing joint powers authority created to provide self-insurance programs for California water agencies. JPIA arranges and administers programs of insurance for the pooling of self-insured losses, and purchases excess insurance coverage for its members. JPIA began operations on October 1, 1979 and has continued without interruption since that time. As of June 30, 2016, Agency limits and deductibles for liability, property, and workers compensation programs of the JPIA are as follows:

- ◆ General and auto liability, public officials and employees' errors and omissions: total risk financing self-insurance limits of \$1,000,000, combined single limit per occurrence. JPIA has 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. JPIA has 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. JPIA is self-insured up to \$2,000,000 and excess coverage has been purchased.



In addition to the above, the Agency 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.

## **Employee Compensation**

### **Salaries**

General wage increases are established by a program of alternating cost-of-living adjustments (COLAs) and market surveys. The program is for market surveys to be performed every other year and for resulting general wage increases to be implemented in July. In the intervening years, the Board of Directors review Consumer Price Index (CPI) and other relevant information and, when appropriate, may grant a COLA in July. The FY 2016/17 Budget includes funds for up to a two percent increase, as approved by the Board of Directors in April 2016.

### **Retirement**

The Agency is a member of the California Public Employees Retirement System (PERS), and each full-time probationary and regular full-time employee, who works a minimum of one thousand (1,000) hours/fiscal year, automatically becomes a member upon his/her entry into employment. Eligible employees who are considered “classic” members of CalPERS are enrolled in the PERS Local Miscellaneous 2 percent at 55 Plan. The SCWD and employee contribution for this retirement plan is paid by SCWD. Employees who become “new” members of PERS on or after January 1, 2013 are enrolled in the PERS Local Miscellaneous 2 percent at 62 Plan in accordance with the Public Employees’ Pension Reform Act of 2013 (PEPRA). New members for this retirement plan will be required to contribute at least 50 percent of the expected normal cost.

### **Classic Members**

Beginning in FY 2015/16, due to PEPRA, PERS is instituting new actuarial rules to adjust for PEPRA. For Classic Members, PERS has changed the employer contribution into two components – a normal component and an unfunded accrued liability (UAL). For FY 2016/17, SCWD’s lump sum payment for the UAL is \$135,928 which equates to 2.993 percent of salaries. PERS will require SCWD to pay the employer contribution at a rate of 9.558 percent. SCWD also pays the employee’s contribution of 7 percent, which brings the SCWD’s total contribution to 19.551 percent in FY 2016/17.

<b>Fiscal Year</b>	<b>Employer Contribution</b>	<b>UAL</b>	<b>Employee Contribution</b>	<b>Total SCWD Contribution</b>
<b>2017/18</b>	9.6% (projected)	2.993% (projected)	7%	19.593%
<b>2016/17</b>	9.558%	2.993%	7%	19.551%
<b>2015/16</b>	9.353%	2.547%	7%	18.900%
<b>2014/15</b>	12.330%	n/a	7%	19.330%
<b>2013/14</b>	11.603%	n/a	7%	18.603%
<b>2012/13</b>	13.104%	n/a	7%	20.104%
<b>2011/12</b>	12.954%	n/a	7%	19.954%
<b>2010/11</b>	11.983%	n/a	7%	18.983%
<b>2009/10</b>	11.935%	n/a	7%	18.935%
<b>2008/09</b>	11.935%	n/a	7%	18.935%
<b>2007/08</b>	11.975%	n/a	7%	18.975%
<b>2006/07</b>	12.293%	n/a	7%	19.293%

## New (PEPRA) Members

For FY 2016/17, PERS will require SCWD to pay the employer contribution at a rate of 6.93 percent. Employees will pay the entire employee contribution rate of 6.5 percent. Because PEPRA is a relatively new program, there is only a minimal unfunded actuarial liability of \$21. It is likely this component will be more significant in future years.

Fiscal Year	Employer Contribution
2017/18	6.9% (projected)
2016/17	6.93%
2015/16	6.73%

## **Health Insurance**

SCWD provides a range of medical insurance plans through PERS under the Agency's membership. Recent increases in medical insurance costs have been relatively modest because PERS converted from statewide rates to zone rates and rates in southern California tend to be less than in northern California. The FY 2016/17 Budget conservatively assumes an increase of 8 percent effective January 1, 2017.

Year	Change from Previous Year – Blue Shield Family Premium
2017	8%(projected)
2016	2.3%
2015	9.4%
2014	-11.5%
2013	3.9%
2012	2.8%
2011	17.0%
2010	3.0%
2009	3.6%
2008	10.1%
2007	13.8%

Dental and vision insurance are provided through JPIA. The FY 2016/17 Budget assumes no change for both the Delta Dental PPO dental plan and for the VSP vision plan effective January 1, 2017.

## **Retiree Benefits/Other Post-Employment Benefits (OPEB)**

The Agency offers full medical and dental insurance to retirees and their dependents. In FY 2015/16, SCWD had 11 retirees.

The Governmental Accounting Standards Board (GASB) Statement No. 45, requires governmental agencies that fund post-employment benefits on a pay-as-you-go basis, such as SCWD (beginning with the fiscal year ending June 30, 2009), to account for and report the outstanding obligations and commitments related to such post-employment benefits in essentially the same manner as for pensions. SCWD offers post-employment health care benefits (medical and dental), which have historically been funded on a pay-as-you-go basis. Beginning in FY 2009/10, SCWD implemented pre-funding for retiree health insurance and now fully pre-funds the ARC (annually required contribution) on an annual basis. In FY 2016/17, the Agency's pre-funding rate is 10.9 percent of salaries.

## **Workers' Compensation Insurance**

The Agency receives Workers' Compensation insurance from JPIA. Premiums are based on CLWA's and SCWD's size and experience ratings. JPIA uses the same formula developed by the Workers' Compensation Insurance Rating Bureau to generate an experience modification factor, which will reflect CLWA's and SCWD's loss experience in comparison with other employers in the same classifications. Premiums are paid quarterly based on actual payroll for the previous quarter. The rates vary by employee classification.

## **Community Profile**

The Santa Clarita Valley is located in the northwestern portion of Los Angeles County approximately 35 miles from downtown Los Angeles. Santa Clarita is the third largest city in Los Angeles County and the eighteenth largest city in the state with an approximate population of 219,611 in January 2016.

The Santa Clarita Valley is part of a comprehensive transportation network, which includes three major freeways and three Metrolink commuter rail stations serving an average of 2,198 passengers a day to and from the San Fernando Valley and downtown Los Angeles. Villa Metro is a new development in Santa Clarita with a community of 315 homes that features easy access to Southern California's regional rail network. With all 315 homes sold there has been an increase in ridership at the nearby Metrolink - Santa Clarita Station of 38.9% for the first quarter of 2016 compared to the first quarter of last year. The City of Santa Clarita Transit Commuter Express also offers a convenient and comfortable way to travel to Los Angeles, Warner Center, Van Nuys, Westwood/UCLA, Century City and North Hollywood where commuters are able to transfer to the Metro.

The City of Santa Clarita also has over 120 miles of bike and mixed use trails and more than 20 miles of Paseos meant for walking, jogging and skating to allow people to travel throughout the community without ever getting into a car. The City received a Bicycle Friendly Community Award in 2015.

There are a number of recreational and historical facilities located in the Santa Clarita Valley, including the Six Flags Magic Mountain and Hurricane Harbor amusement park and Gene Autry's Melody Ranch. SCWD's service area includes Placerita Canyon Nature Center and is adjacent to the Angeles National Forest. It is also near Castaic Lake and Vasquez Rocks County Park.

Also located in the Santa Clarita Valley are the College of the Canyons Performing Arts Center; Canyon Theatre Guild, Disney Studios, Santa Clarita Repertory Theater, as well as the Friendly Valley, Valencia Country Club, Robinson's Ranch, Tournament Players Club and Vista Valencia golf courses.

Located in the City of Santa Clarita are three colleges whose total enrollment exceeds 20,600 students. College of the Canyons which graduated its largest class in 2015, California Institute of the Arts, known for its popular Acting, Fine Arts, Photography and Theater schools and The Master's University renowned for their Seminary and Business schools. Located near Santa Clarita is California State University, Northridge, with a student population of approximately 41,550 that has many highly regarded accredited programs including Business, Computer Science, Education, Engineering and Nursing.

The City of Santa Clarita's strong and diverse economy continues to expand, making Santa Clarita the ideal destination for Southern California business. Maintenance of a supportive environment for business development is achieved through the cooperation of the Santa Clarita Valley Chamber of Commerce, the City government and the Santa Clarita Valley Economic Development Corporation. In addition, companies benefit greatly from the area's land and leasing opportunities, as well as from the highly skilled labor pool, variety of transportation choices, housing, quality of life, climate and scenery.

Santa Clarita’s top employers include Six Flags Magic Mountain, William S. Hart Union School District, College of the Canyons, Princess Cruises, Saugus Union School District, Henry Mayo Newhall Memorial Hospital, U.S. Postal Service, Quest Diagnostics, Newhall School District and The Master’s University.

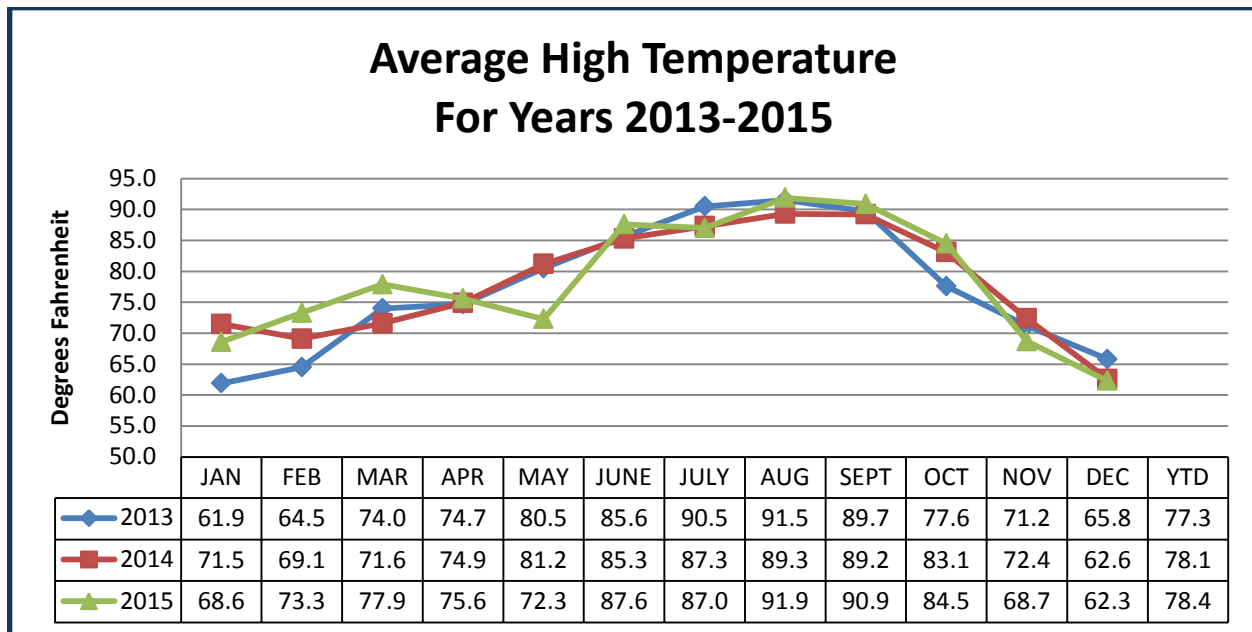
**Economy**

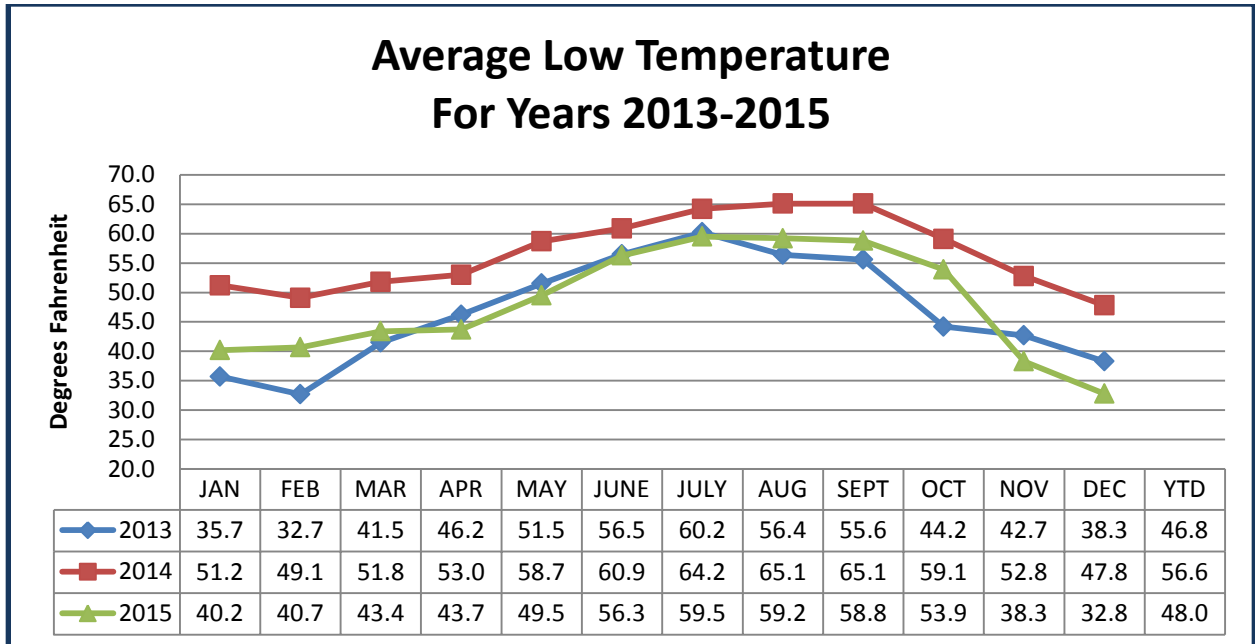
The California economy has created 460,000 jobs in 2015 bringing the state’s unemployment rate down to 5.8 percent by the end of 2015. Los Angeles County’s unemployment rate was also 5.8 percent at the end of 2015 down from 7.3 percent a year before. Santa Clarita continues to have one of the lowest unemployment rates in Los Angeles County. In December 2015, the unemployment rate for the City of Santa Clarita was 5.3 percent which is lower than Los Angeles County but slightly higher than the previous year which was 4.5 percent.

**Santa Clarita Valley Climate**

The climate in the Santa Clarita Valley is typical of the inland valley areas of Southern California. Temperatures range from the maximums near 110 degrees Fahrenheit during the summer months to minimums near 20 degrees during the winter. Average rainfall on the lower flat lands is in the range of 18 inches per year. Higher mountainous areas tributary to this reach of the Santa Clara River receive average annual precipitation rates up to slightly over 27 inches per year.

**Average High/Low Temperatures from 2013 to 2015**





The Santa Clarita Valley is characterized as having a semi-arid or Mediterranean climate. Historically, intermittent periods of less-than-average precipitation have typically been followed by periods of greater than average precipitation in a cyclical pattern, with each wetter or drier period typically lasting from one to five years.

The long-term average precipitation is 20.78 inches (1986-2015). In general, periods of less-than-average precipitation have been longer and more moderate than periods of greater-than average precipitation or severe and exceptional drought conditions. The precipitation records were taken from Newhall-Soledad 32c gage and the KCANEWHA2 gage.

The short-term average precipitation is 9.12 inches for 2013, 2014 and 2015.

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
<b>2013</b>	1.94	0.42	1.21	0.00	0.74	0.00	0.08	0.00	0.00	0.11	1.41	0.37	6.28
<b>2014</b>	0.06	5.26	1.64	0.31	0.00	0.01	0.02	0.05	0.00	0.32	0.64	6.16	14.47
<b>2015</b>	1.44	0.74	1.09	0.16	0.66	0.01	0.87	0.00	0.78	0.17	0.21	0.49	6.62
<b>AVERAGE</b>													<b>9.12</b>

### Conservation

Although water conservation should be a way of life in California, it is even more critical than ever that we all use this valuable resource efficiently during times of drought. SCWD has always taken a proactive approach to water conservation and establishing a permanent water use efficiency ethic within our community. On April 1, 2015, Governor Brown issued a new Executive Order that directed the State Water Resources Control Board (SWRCB) to impose restrictions on urban water suppliers to achieve an overall statewide 25 percent reduction in potable urban usage.



On May 5, 2015, the SWRCB adopted regulations requiring specific percent reductions for water suppliers through February 2016. SCWD's required reduction was 32 percent compared to 2013 levels. CLWA and the retail purveyors have increased conservation outreach and programs in order to meet the 32 percent conservation requirements. Furthermore, in order to comply with the SWRCB's regulation, SCWD adopted Ordinance No. 43 to incorporate additional water conservation requirements and declared a Level 2 Water Shortage Emergency. On February 2, 2016, the SWRCB approved an extension of the statewide emergency conservation regulations through October 2016 while providing urban water suppliers more flexibility in meeting their conservation requirements. The revised regulations also provided credits for certain factors that affect water use such as hotter-than-average climates, population growth, and significant investments in new local drought resilient water sources such as recycled water. On April 12, 2016, SCWD's required conservation target was reduced from 32 percent to 28 percent, effective March 1, 2016 to include adjustments for a hotter-than-average climate and population growth. The credit for population growth means that any new development is not counted against the required conservation from existing customers which is important since SCWD still has substantial growth opportunities within its service area.

On May 18, 2016, the SWRCB adopted a new approach which is in effect through January 2017. It replaces the prior percentage conservation standard with a local "stress test" approach that mandates urban water suppliers self-certify to ensure at least a three year supply of water to their customers under drought conditions. On June 22, 2016, SCWD submitted its self-certification to the SWRCB. On July 13, 2016, the CLWA Board of Directors approved the SCWD Ordinance No. 44 (replacing Ordinance No. 43) as a result of the SWRCB new requirements and SCWD's self-certification. The Board of Directors also approved rescinding Resolution No. 3041 which lifted the restricted watering day schedules, although certain mandated watering restrictions are permanently in effect as outlined in Ordinance No. 44, Section 3.

Despite the unique challenges in conservation, SCWD's goals are to maximize the use of existing water supplies, while continuing to make progress toward meeting the Senate Bill X7-7 mandate to reduce daily per capita demand by 20 percent by 2020. SCWD, together with CLWA and the other local retail water purveyors have implemented key conservation programs that target residential and commercial landscapes, as well as industrial and institutional customers. To complement these programs, SCWD initiated additional commercial and residential programs for smaller homeowners associations and individual customers to reduce outdoor water usage.

In 2015, The Santa Clarita Valley Family of Water Supplier's Water Use Efficiency Strategic Plan was completed and adopted by SCWD. This includes a model which guides SCWD conservation efforts to meet Senate Bill X7-7 conservation targets as well as future water demands. SCWD recognizes that recycled water is an important part of a water supply portfolio. Recycled water can provide a reliable source of water year round that can help offset reliance on imported water and local groundwater. CLWA is currently preparing a Recycled Water Master Plan to evaluate opportunities to expand the recycled system within the Santa Clarita Valley, including the SCWD service area. CLWA completed a preliminary design report in 2015 called Phase 2B to serve recycled water to the eastern portion of SCWD's service area by using recycled water from the proposed Vista Canyon Water Factory. SCWD is currently working to prepare environmental, planning and design documents for the Phase 2B.

As a participant in the Integrated Regional Water Management (IRWM) planning process for the Upper Santa Clara River, SCWD, together with other stakeholder agencies and entities in the Santa Clarita Valley, have applied for and received Proposition 84 funding. This funding was granted to implement various projects within the Upper Santa Clara River watershed that will improve the management of local water resources. SCWD was specifically awarded \$295,500, to assist with

the implementation of three conservation initiatives included in its Water Use Efficiency Strategic Plan. Proposition 84 funding for these initiatives has been completed and SCWD is submitting the program completion reports.

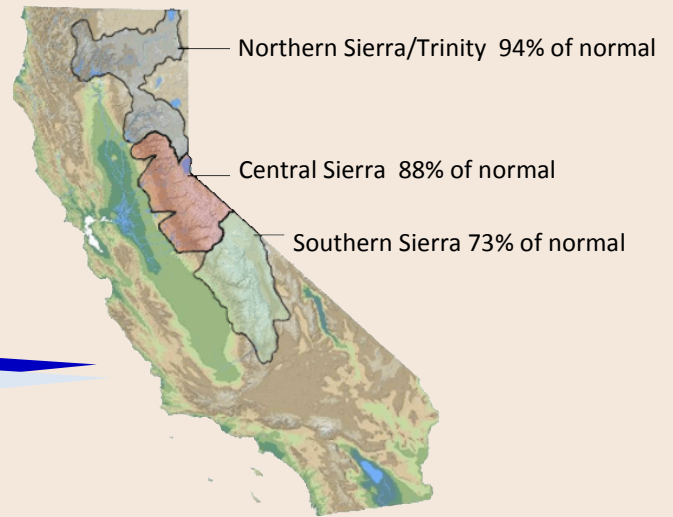
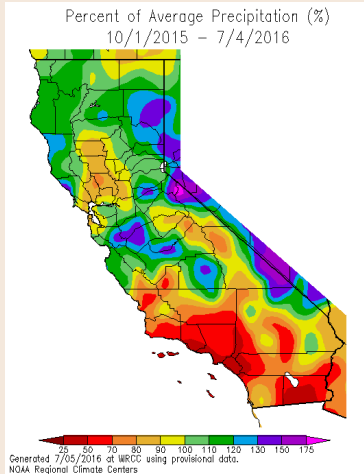
SCWD is a member of the Family of Water Suppliers, [www.scvh2o.org](http://www.scvh2o.org), and the Santa Clarita Valley Water Committee. Together these two entities are committed to monitoring and improving water use efficiency in the Santa Clarita Valley to create a more sustainable environment for the future. Public outreach is a critical component to our conservation efforts. SCWD participates in a variety of community events (Earth/Arbor Day, Open House and Green STEM Summit). SCWD provides water conservation tips on its website ([www.santaclaritawater.com](http://www.santaclaritawater.com)) monthly bill statements and monthly e-newsletter. Also, robocalls, Facebook, and Twitter are utilized for additional public outreach.

# Why are we still conserving water?

**20% by 2020**

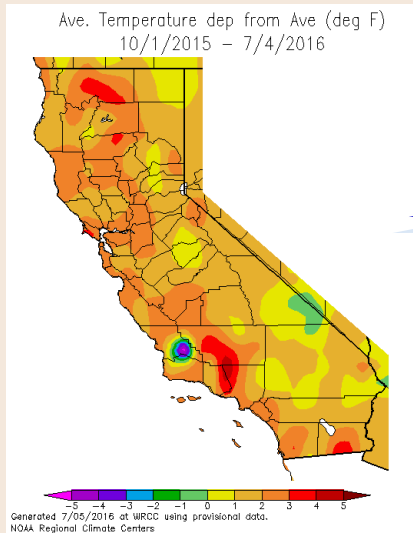
SCWD is still obligated under the state conservation plan to reduce per capita water use by 20% by the year 2020

**El Nino was not evenly distributed**

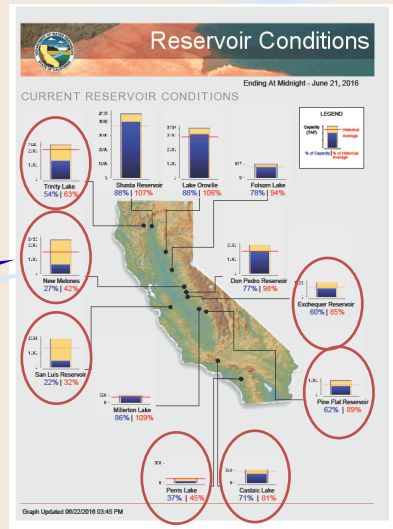


**April 1st Snow Survey**

**A Warm Spring**  
Hotter than average temperatures melted the snowpack earlier



**And still— most reservoir levels are below average**

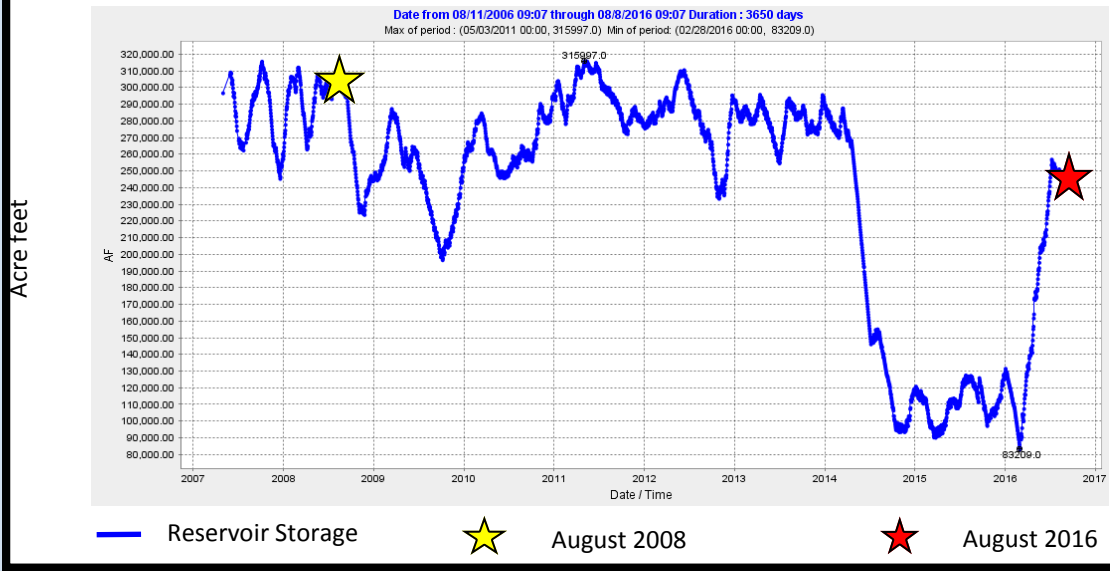




# Castaic Lake - August 2008



## Castaic Lake Reservoir Storage June 2007—August 2016



# Castaic Lake - June 2016



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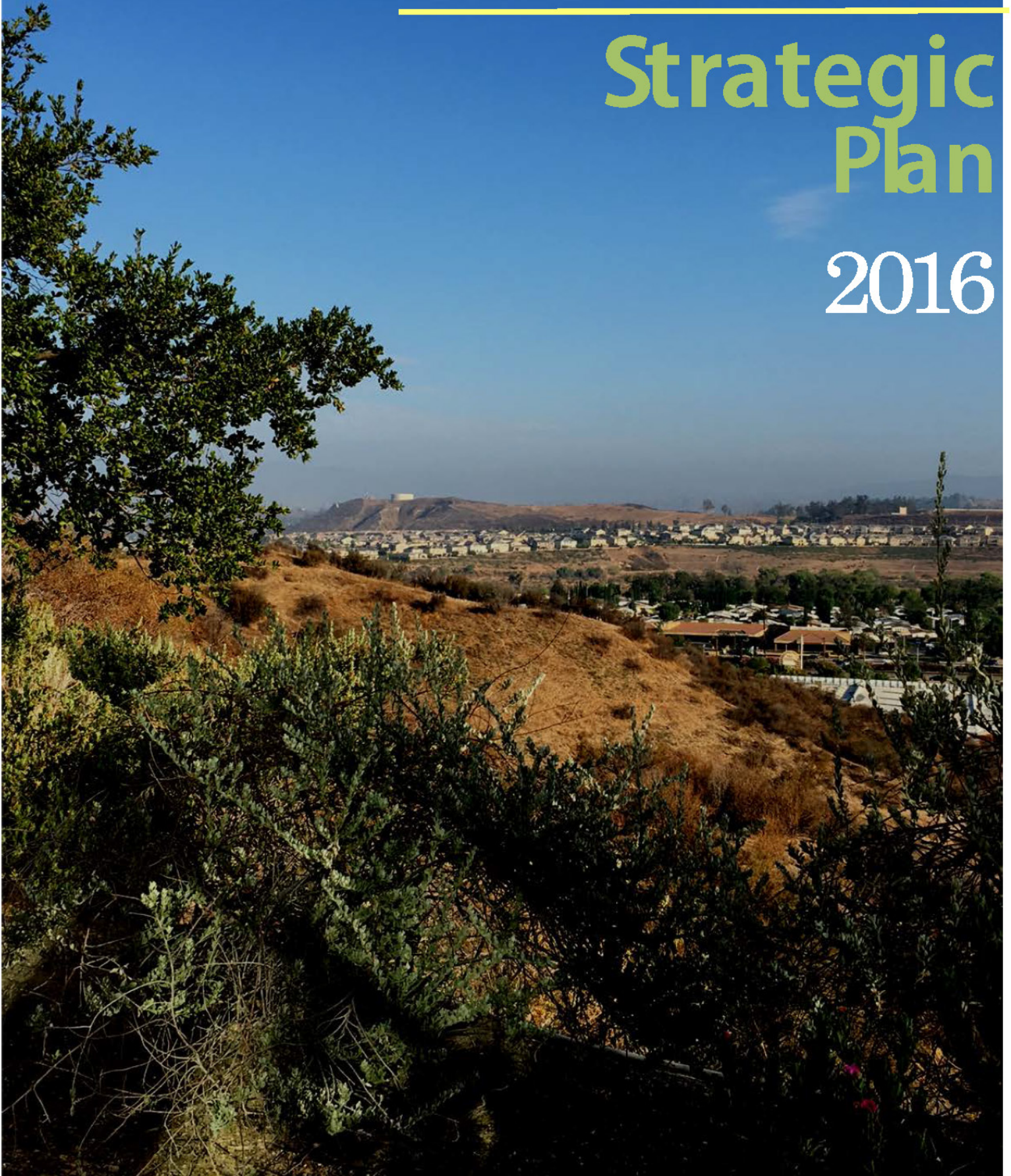


SANTA CLARITA WATER DIVISION

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# Strategic Plan

2016







*Above: Sunrise near Haskell Canyon*

*Previous page: Bouquet Tank*



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# I. SCWD Overview

The mission of the Santa Clarita Water Division (SCWD) is to provide reliable, quality water at a reasonable cost to its customers. SCWD is located in the northwestern portion of Los Angeles County, approximately 35 miles from Downtown Los Angeles.

SCWD is one of four retail water purveyors in the Castaic Lake Water Agency wholesale service area (see Figure 1 on the following page). The SCWD service area covers an area of approximately 55 square miles, including the unincorporated communities of Canyon Country, Saugus, Newhall and portions of the City of Santa Clarita.

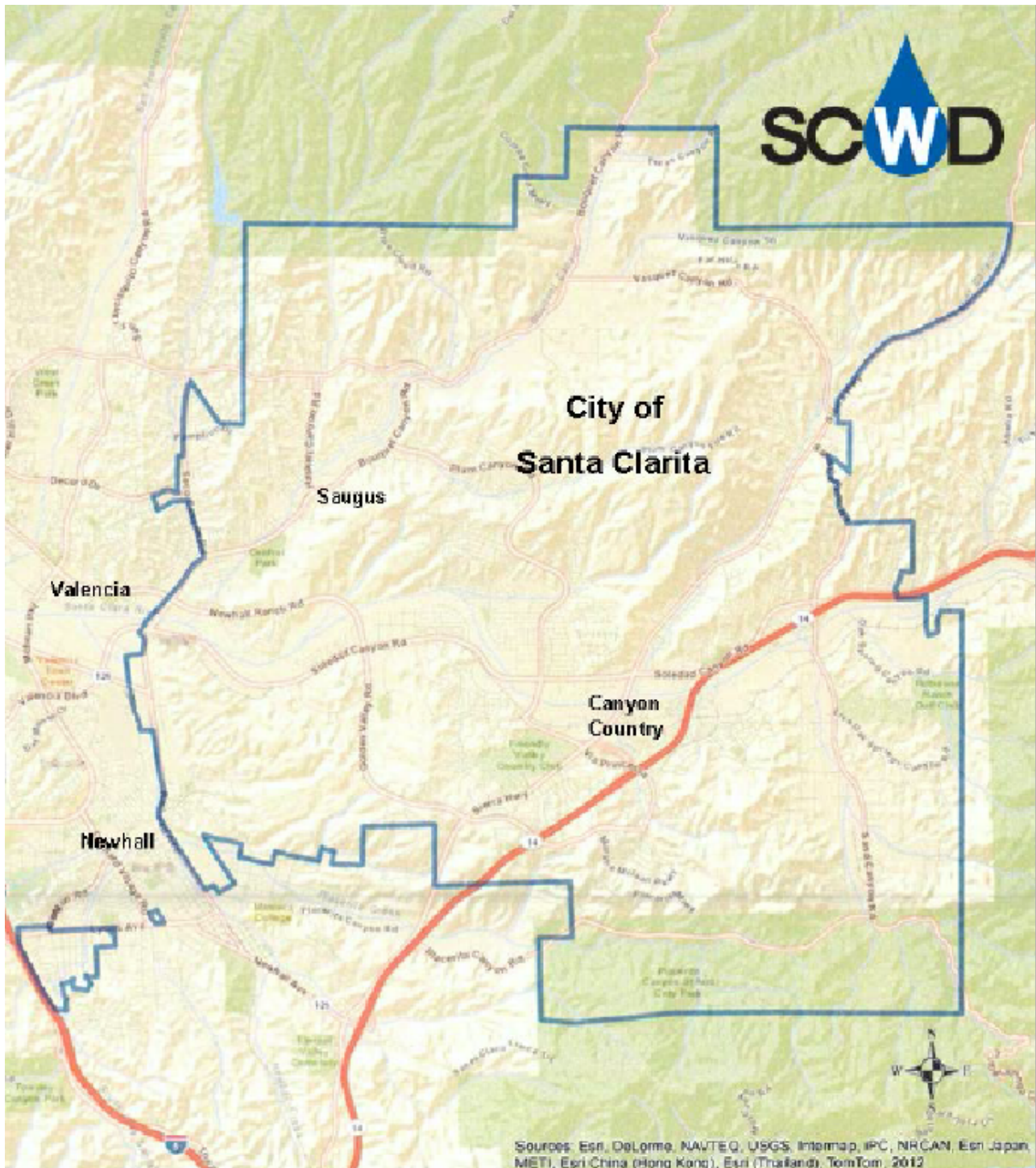
## A Brief History

SCWD was originally organized as the Santa Clarita Water Company in 1973 through a merger between the Bouquet Water Company and Solemint Water Company. In 1999, Castaic Lake Water Agency acquired the Company, with the goal of improving management of the Valley's groundwater resources, integrating water resources planning and promoting conjunctive use of the Valley's water supply. Overall benefits of this acquisition to the Agency customers have included:

- Improved water supply reliability.
- Strengthened drought protection.
- Enhanced water quality.
- More efficient use of water resources and infrastructure.



FIGURE 1: SCWD SERVICE AREA



### SCWD Today

Today SCWD is one of the largest water retailers in the Santa Clarita Valley and serves a population of approximately 122,998.

SCWD's top ten customers are:

1. G.H. Palmer Properties.
2. City of Santa Clarita.
3. Friendly Village.
4. American Beauty.
5. William S Hart School District.
6. Mariposa at Plum Canyon HOA.
7. American Beauty HOA.
8. Pacific Crest HOA.
9. Saugus Union School District.
10. Vista Canyon Ranch, LLC.

Collectively these customers represent less than 16 percent of SCWD's annual revenues, with the vast majority of total revenues coming from the many residents, small businesses and other property owners throughout the service area.

SCWD is governed by the eleven-member CLWA Board of Directors that has sole authority to set water rates for the service area. In FY 2016/17, SCWD

budgeted 58 full-time employees and 10 part-time shared positions with CLWA. See Appendix A for the SCWD organizational structure.

### Water Supply Sources and Facilities

SCWD water supplies include local groundwater and water imported by CLWA. Groundwater constitutes approximately 15-40 percent (note: 21 percent groundwater for FY 2015/16) of SCWD's water supply and comes from local wells that extend into the Alluvial Aquifer and Saugus Formation.

During FY 2016/17, it is estimated that SCWD will provide 21,000-25,000 acre-feet (AF) (note: 21,646 AF for FY 2015/16) of water to its approximate 30,900 service connections.

SCWD's system consists of the following facilities:

- 13 imported water turnouts.
- 14 groundwater wells.
- 18 pressure zones with 14 sub-zones and 5 hydro-pneumatic systems.
- 23 booster stations.
- 48 water storage tanks with 76 million gallons of capacity.
- 340 miles of pipeline.

In May 2010 CLWA began operation of a new perchlorate removal and



## Santa Clarita Water Division

treatment facility to contain and remediate perchlorate contamination of certain portions of the Saugus Formation. This facility is removing perchlorate from the groundwater and preventing it from migrating further into local aquifers.

Over the years CLWA and SCWD have taken important steps to strengthen water conservation programs with the goal of maximizing the availability of its existing water supplies. In 2009 CLWA began implementation of a valley-wide Water Use Efficiency Strategic Plan and selected consultants to execute key conservation programs for residential landscape, commercial, industrial and institutional customers.

To complement these programs, SCWD initiated additional commercial and residential programs for smaller homeowners associations and individual customers to reduce outdoor water usage. In addition, SCWD is expanding public outreach and educational campaigns and enhancing outreach through conventional and social media channels.

Together these conservation programs constitute important steps forward in reducing outdoor water usage throughout the year and instituting a permanent water use efficiency ethic amongst SCWD customers.

On April 1, 2015, Governor Brown issued a new Executive Order that directed the State Water Resources Control Board (SWRCB) to impose restrictions on urban water suppliers to achieve an overall statewide 25 percent reduction in potable urban usage. On May 5, 2015, the SWRCB issued a 32 percent conservation reduction requirement (compared to 2013 levels) specific to SCWD from June 2015 through February 2016.

On June 10, 2015, the Board of Directors adopted Ordinance No.43 to establish water conservation and water supply shortage restrictions and regulations for the SCWD in response to the drought and the SWRCB conservation mandate. On February 2, 2016, the SWRCB issued an extension to the regulation through October 2016.

On May 18, 2016, the SWRCB adopted a new approach which will go into effect through January 2017 that replaces the prior percentage conservation standard with a local “stress test” approach that mandates urban water suppliers self-certify to ensure at least a three year supply of water to their customers under drought conditions. On July 13, 2016, the CLWA Board of Directors approved the SCWD Ordinance No. 44 as a result of the SWRCB new requirements and SCWD’s self-certification. The Board of Directors also approved rescinding Resolution No. 3041 which lifted the restricted watering day schedules, although certain mandated watering restrictions are permanently in effect as outlined in Ordinance No. 44, Section 3.

*The drought continues...*



*Castaic Lake, June 18, 2015*



*Castaic Lake, June 16, 2016*

*Looking north just off of Lake Hughes Road, heading towards the boat ramp.*



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## II. Strategic Plan Framework

This Plan reflects SCWD's commitment to its sustainable future and ongoing strategic planning. Overarching strategic planning objectives include:

- Enhancing SCWD's working relationships with the other local water purveyors.
- Bringing greater operational focus to SCWD customer service and customer relations.
- Broadening lines of communication between SCWD and key partners, stakeholders and customers.
- Continuing to use CLWA and SCWD staff resources cost-effectively and efficiently.



*Santa Clarita Water Division Mission Statement*

### Strategic Plan Framework Overview

The SCWD Strategic Plan serves as a blueprint for decision-making during the upcoming fiscal year. This plan identifies SCWD’s mission statement, values, strategic plan goals and strategic objectives needed to continue to improve operations and management of SCWD’s resources and assets.

The Strategic Plan Framework chart (Figure 2) depicts the relationship between the Strategic Plan elements. The mission describes the broad purpose of SCWD and its role within the Santa Clarita Valley. Values describe the norms and qualities of SCWD and are the basis from which each SCWD staff member operates, reflecting both its mission and values.

The goals and strategic objectives describe the direction of SCWD and are organized according to six goal areas: Water Resources Management, Conservation, Financial Administration, Organizational Effectiveness, Infrastructure, and Customer Service and Communications.



FIGURE 2: STRATEGIC PLAN FRAMEWORK





*Management Team*

### MISSION STATEMENT

*The mission of the Santa Clarita Water Division is to provide reliable, quality water at a reasonable cost to our customers.*

### VALUES

SCWD's values were established through a grass-roots employee involvement and engagement process and developed in consultation with the Board of Directors. Values describe the basic behaviors, attributes, principles and beliefs that guide SCWD staff.

SCWD's values help enhance the culture and strengthen the work environment through ownership and accountability as defined by these values.

#### *Team*

We are an effective, confident and organized group. We respect one another and successfully meet all challenges.

#### *Appearance*

We are proud and steadfast representatives of our company. Our employees and water facilities create an impressive perception for our customers.

*Personal Accountability*

We are extremely productive and dedicate ourselves to working toward solutions. We use good, sound judgment and take responsibility for our decisions.

*Work Ethic*

We exercise great interpersonal skills and utilize our initiative and dependability to enforce our commitment to internal and external customer service.

*Quality*

We exhibit excellence in our work and work environment.

*Comaraderie*

We have a self-realized desire to work together as a team. We care for and willingly help each other in any given situation. We respect and enjoy working with our colleagues.

*Professionalism*

We optimize our efficiencies. We are an experienced and competent team that leads by positive example.

*Communication*

We acknowledge and listen to one another. We respect others' beliefs and judgments by focusing on the common interests rather than the differences.

*Honesty*

We provide dependable internal and external customer service with sincerity and integrity.

*Trustworthiness*

We rely on assisting one another in our daily tasks to provide the highest quality water and most dependable service to our customers.

## Santa Clarita Water Division



*Open House 2016*

### GOALS

SCWD's strategic planning focuses on six goal areas that provide the direction required to achieve the Division mission.

#### A. Water Resource Management

Coordinate, facilitate, plan and support efficient utilization of SCWD water supplies to meet long-term service area needs.

#### B. Conservation

Sustain SCWD's finite water supply and cultivate a water efficiency ethic within our customers.

#### C. Financial Administration

Maintain a long-range, open, stable and well-planned financial condition, so that current and future water users are given fair and equitable rates and charges.

#### D. Organizational Effectiveness

Maintain a well-defined organizational structure and clear and comprehensive policies and procedures that foster SCWD's culture and values.

#### E. Infrastructure

Enhance operational system efficiency through effective capital planning.

#### F. Customer Service and Communications

Continuously enhance the value of SCWD services to its customers while providing excellent customer service.

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## III. Goals and Strategic Objectives

SCWD's strategic planning focuses on six goal areas that provide the direction required to achieve the Division's mission. This section presents strategic objectives for each goal area and the performance measures used to help determine SCWD's progress and success in achieving each objective. SCWD employees play an integral role in analyzing performance and determining the course of action required to meet each strategic objective. Brief summaries of objective status and progress are presented in this section.

The SCWD Action Plan, found in Appendix B, outlines the activities SCWD has identified during the current fiscal year to advance its Strategic Plan goals and objectives.



## A. WATER RESOURCES MANAGEMENT

Coordinate, facilitate, plan and support effective development and utilization of SCWD water supplies to meet long-term service area needs.

Ensuring an ongoing, reliable water supply for all customers (current and future), is SCWD's mission and highest priority. In order to accomplish this, SCWD will continue to develop alternative water supplies and strengthen conservation efforts to instill a permanent water use efficiency ethic within our customers, and will work to maintain an appropriate blend of imported water and groundwater.

**A1. ALTERNATIVE SUPPLIES** *Create alternative water supplies to help meet future water demands.*

The following measures will be used to gauge progress towards achieving Objective A1:

1. Identification of key and strategic alternative water supply sites/locations.
2. Percent change in recycled water supply.

### **Status and Progress**

SCWD 2015 Urban Water Management Plan (UWMP) projects SCWD recycled water demand to be 300 AF by 2020 and 524 AF by 2030. Recycled water is not currently used within the SCWD service area.

Factors constraining progress related to creating alternative water supplies include the lack of suitable locations for drilling new Alluvial and Saugus Formation groundwater wells, and the high capital costs of recycled water infrastructure.

Factors contributing to progress related to creating alternative water supplies include implementation of selected alternatives in the Reconnaissance Study conducted by CLWA that identified concepts to enhance local water supplies to augment the Santa Clarita Valley water supply portfolio.

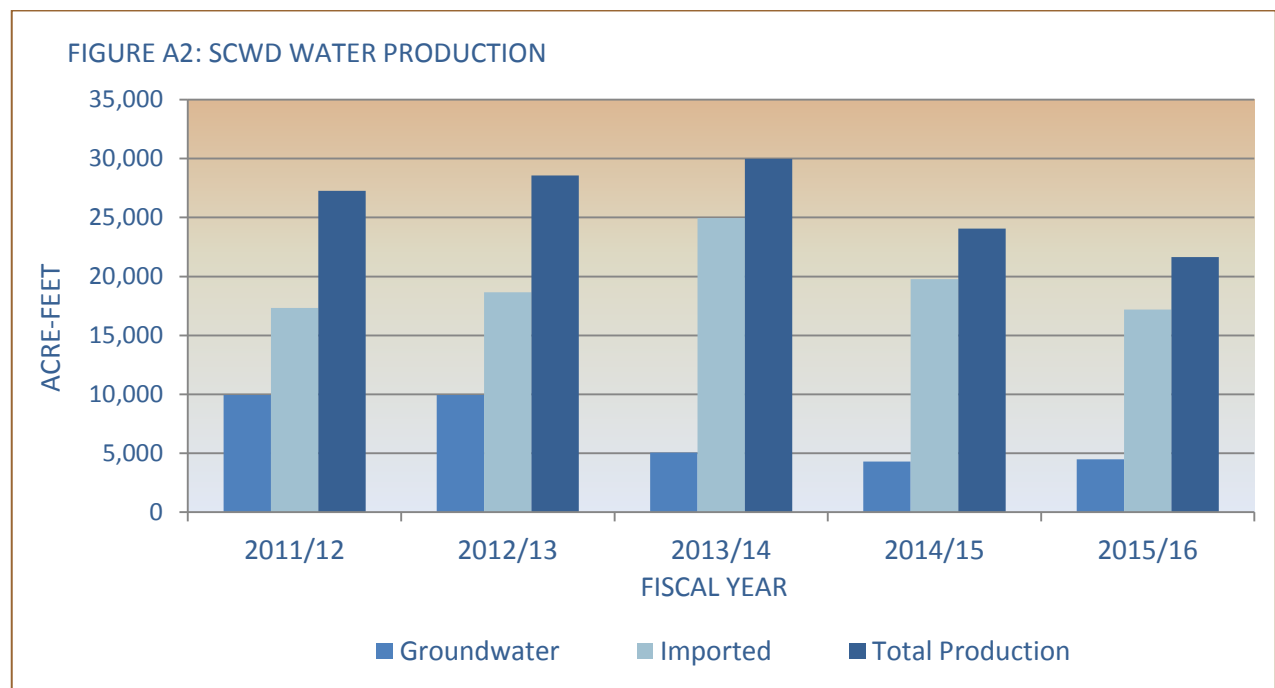
**A2. SUPPLY MANAGEMENT** *Continuously improve management of existing water supply.*

The following measures will be used to gauge progress towards achieving Objective A2:

1. Continuous adjustment of the imported water to groundwater production ratio to enhance conjunctive use.
2. Continuous evaluation and adjustment of the SCWD Operational Plan as necessary to optimize it under all conditions including drought.

**Status and Progress**

Historically, the Division has maintained, on an annual basis, an imported-groundwater ratio of 60 percent imported and 40 percent groundwater; maintaining this ratio can be challenging, especially during drought periods. Consequently, SCWD has modified operational procedures to maximize pumping capacity of its wells and adjusted the operations plan for effective water delivery throughout its service area. In FY 2011/12 through FY 2012/13, the imported-groundwater ratio was 65/35. In FY 2013/14 and FY 2014/15, SCWD averaged an 82/18 imported-groundwater ratio and FY 2015/16 averaged a 79/21 imported-groundwater ratio.



## **B. CONSERVATION**

*Sustain our finite water supply and cultivate a water efficiency ethic within our customers.*

Reducing per capita consumption is critical to meeting the Valley's future water needs, and is an important part of the successful management of the SCWD water supply. SCWD will continue to model and encourage water conservation through implementation of water conservation programs, community outreach and education, and exploration of new conservation tools and opportunities.

### **B1. STATE WATER RESOURCES CONTROL BOARD SELF CERTIFICATION**

On May 18, 2016, the SWRCB adopted a new approach which will go into effect through January 2017 that replaces the prior percentage conservation standard with a local "stress test" approach that mandates urban water suppliers self-certify to ensure at least a three year supply of water to their customers under drought conditions. On June 22, 2016, SCWD submitted its self-certification to the SWRCB. SCWD will submit monthly reports to the state demonstrating production and consumption is in line with projections made in the self-certification submission.

The following measures will be used to gauge progress towards achieving Objective B1:

1. Monthly monitoring of consumption compared to the same months in 2013.
2. Monthly monitoring of water loss.
3. Enforcement of restrictions identified in Ordinance No. 44.
4. Monthly monitoring of total production compared to the same months in 2013.

#### **Status and Progress**

On July 13, 2016, the CLWA Board of Directors approved the SCWD Ordinance No. 44 as a result of the SWRCB new requirements and allowing SCWD to self-certify ensuring at least three year water supply is available under drought conditions. The Board of Directors also approved rescinding Resolution No. 3041 which lifted the restricted watering day schedules, although some state mandated watering restrictions are permanently in effect as outlined in Ordinance No. 44, Section 3.

### **B2. 20% BY 2020 *Achieve 20 percent per capita conservation by 2020.***

The following measures will be used to gauge progress towards achieving Objective B2:

1. Additional conservation programs:
  - Lawn Replacement Program.
  - Commercial Drip Irrigation Program.
  - Single Family Residential Drip Irrigation Program.
  - Free nozzles and Weather Based Irrigation Controllers (WBIC).
2. Per capita water use compared with target goal.

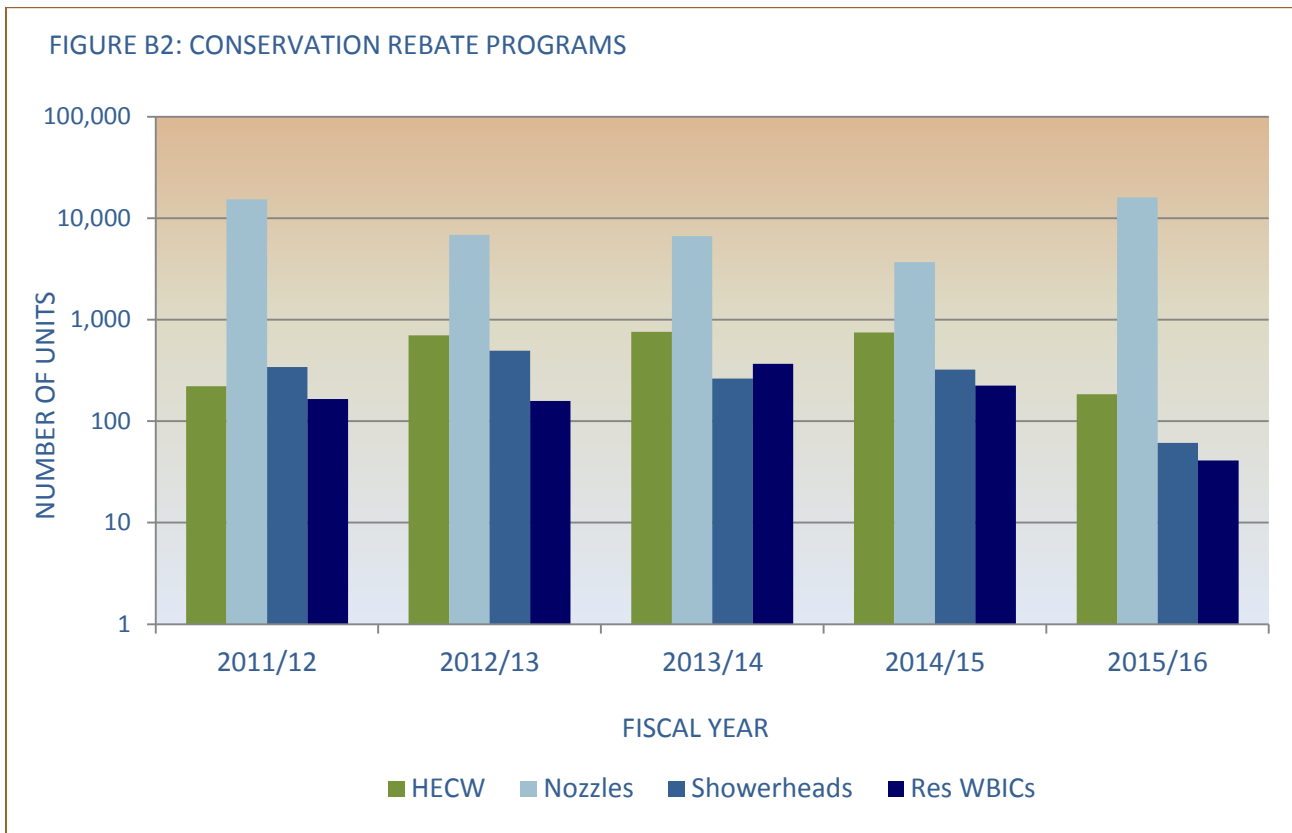


## Status and Progress

The Water Conservation Act of 2009 (SBX7-7) mandates a reduction of per capita demand by 20 percent by 2020. Based on the results of the 2016 CLWA Population Assessment and gallons per capita per day (GPCD) prepared by Maddaus Water Management (MWM), SCWD has an updated baseline GPCD and target GPCD of 251 and 201, respectively. In 2015 SCWD's GPCD was 158.

SCWD has implemented a number of conservation programs. In 2015, SCWD distributed 61 low-flow showerheads and 16,013 high-efficiency nozzles. 184 High-Efficiency Clothes Washer (HECW) rebates were issued and 41 Weather-Based Irrigation Controllers (WBIC) were installed and inspected. Twenty-six large landscape Homeowners Associations have completed 40 landscape modifications and received rebates.

Factors contributing to or constraining progress towards achieving 20 percent by 2020 include the ongoing challenge of influencing social behavior through effective education and outreach, rebound from the economic recession, new development projects, drought apathy and the true and perceived impacts of conservation on water usage.





## C. FINANCIAL ADMINISTRATION

Maintain a long-range, open, stable and well-planned financial condition so that current and future water users are given fair and equitable rates and charges.

SCWD is committed to achieving self-sustaining financial operations and applying all costs based on the Agency's Fairness Doctrine. In order to do so, sound financial management practices, including close attention to operating, capital expense budgets and establishment of reserve funds, are essential. SCWD will continue to explore opportunities to implement new and improved financial management tools to help meet its goal.

### C1. HEALTHY MANAGEMENT *Sustain healthy financial governance and management.*

The following measure will be used to gauge progress towards achieving Objective C1:

1. Division budget status.

#### Status and Progress

For the past five years SCWD has been under budget for both capital and operating expenses. Figures C1A and C1B provide a comparison of the Division's operating and capital expenditures against SCWD's budgeted expenses.

Factors contributing to SCWD's success staying under budget include close, active monitoring of both capital and operating expenses by staff, implementation of energy efficiency programs including solar as applicable and restructured rates with Southern California Edison (SCE), greater awareness of office spending, and a willingness to put innovative ideas into action.

### C2. FINANCIAL PROFILE *Strengthen our financial profile attributes.*

The following measures will be used to gauge progress towards achieving Objective C2:

1. Rate stabilization reserve fund status.
2. Operating reserve fund status.
3. Capital reserve fund status.
4. Emergency reserve fund status.



FIGURE C1A: SCWD OPERATING EXPENSES (2011-2016)

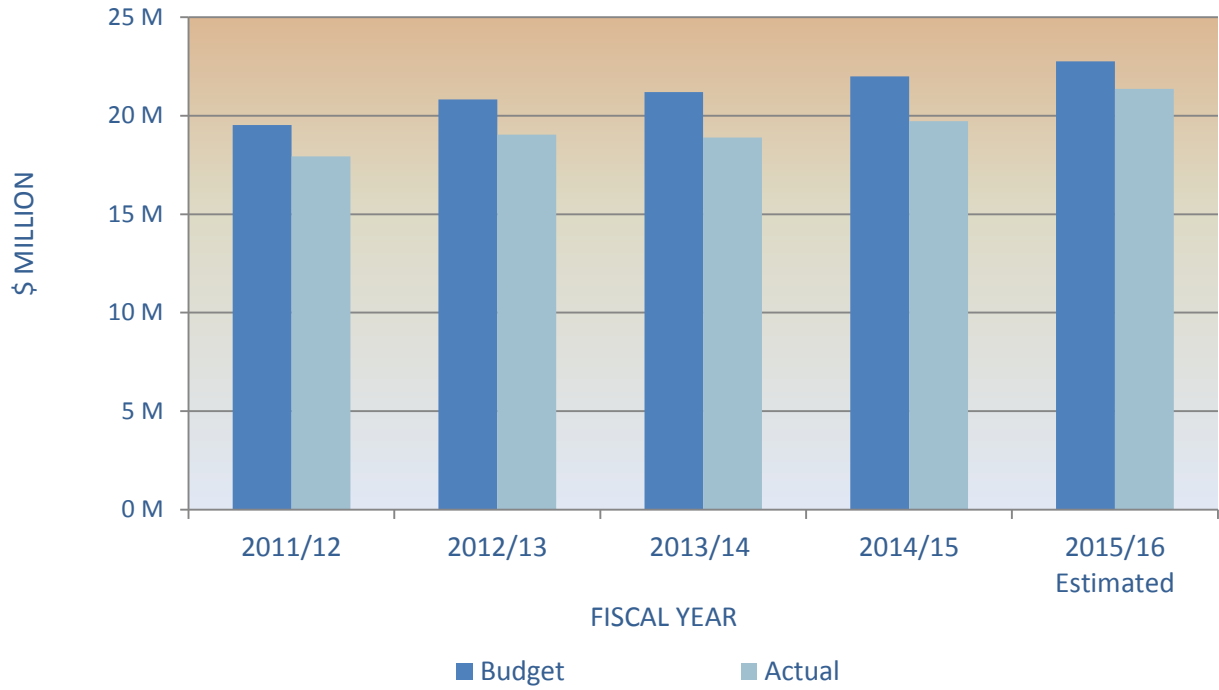
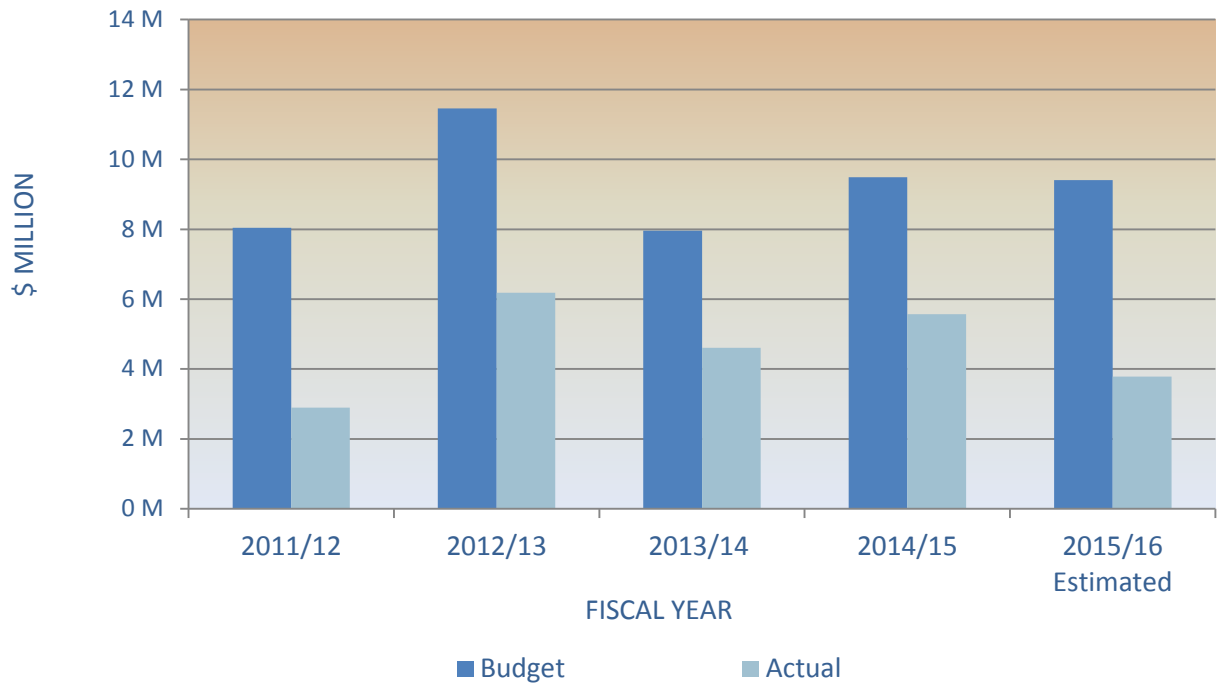


FIGURE C1B: SCWD CAPITAL EXPENSES (2011-2016)



## Status and Progress

The Operating Expense Reserve Fund represents 25 percent of the current annual operating expense budget to adequately cover “working cash” and unscheduled costs related to water system operations.

The Rate Stabilization Reserve Fund was established in January 2014 to cover variations in water sales resulting from variable weather conditions, conservation and loss of imported water supplies. The Rate Stabilization Reserve Fund was increased from 2 percent to 5 percent of current annual operating revenue budget in November 2013, to be fully funded by June 2014. Due to severe drought, the Rate Stabilization Fund was increased from 5 percent to 10 percent of the current annual operating revenue budget in May 2015, to be fully funded by June 2016. In FY 2016/17, SCWD plans to evaluate the sufficiency of the Rate Stabilization Reserve Fund given the continuing drought and lower consumption levels.

A Capital Reserve Fund was established in November 2013 to cover any unexpected and unplanned infrastructure and replacement repairs not included in the budget. Currently the Capital Reserve Fund is set at a flat amount of \$1 million, which is approximately 20 percent of the average annual Capital Improvement Program (CIP). In FY 2016/17, SCWD is evaluating increasing the Capital Reserve Fund to enhance coverage for repair and replacement of aging infrastructure based on SCWD’s average annual CIP, which is \$6 million. The proposal would be to increase the amount from \$1 million to \$6 million.

An Emergency Reserve Fund was established in May 2015 to cover any emergency repairs due to unforeseen natural disasters such as earthquake, fire, etc. Currently the Emergency Reserve Fund is set at a flat amount of \$1 million for immediate repairs to restore SCWD’s operations for continued water delivery to its customers while waiting for possible assistance through the Federal Emergency Management Agency (FEMA).



## D. ORGANIZATIONAL EFFECTIVENESS

Maintain a well-defined organizational structure with clear and comprehensive policies and procedures that foster SCWD's culture and values.

SCWD remains committed to improving day-to-day operations for the benefit of both its customers and employees. Successful operations rely heavily on the strength and excellence of its leadership and workforce and on the investments SCWD makes to ensure that all its staff are appropriately trained in their respective fields. Employee safety and satisfaction are essential to maintain SCWD's desired culture and corresponding high level of customer service.

**D1. EDUCATION AND TRAINING** *Provide educational and training opportunities including career-path, succession planning and other opportunities.*

The following measures will be used to gauge progress towards achieving Objective D1:

1. Contact hours and continuing education units (average of total and by department).
2. Number of licensed operators.
3. Meet or exceed the licensing required by the State Water Resources Control Board-Division of Drinking Water.

### Status and Progress

Table D1 provides an overview of license requirements, the number of SCWD license holders by employee grade, and the number of contact hours required to maintain licensure. Staff is actively working to obtain and retain required certifications.

TABLE D1: LICENSE REQUIREMENTS

GRADE	STATE WATER RESOURCES CONTROL BOARD DIVISION OF DRINKING WATER REQUIREMENT	NUMBER OF SCWD LICENSE HOLDERS	CONTACT HOURS REQUIREMENT PER LICENSE (EVERY 3 YEARS)
D-5	1	7	36 hrs
D-4	N/A	0	36 hrs
D-3	1	8	24 hrs
D-2	N/A	10	16 hrs
D-1	N/A	3	12 hrs
T-2	1	12	16 hrs
T-1	1	8	12 hrs



**D2. WELLNESS AND SAFETY** *Promote wellness and sustain a safe and safety-conscious work environment.*

The following measures will be used to gauge progress towards achieving Objective D2:

1. Number of incidents per year.
2. Type of incidents each year.
3. Participation in number of training classes per year.

**Status and Progress**

Each year the Agency provides staff training on approximately 15 different health and safety related subjects. Figure D2 illustrates the number of work-related personal injuries at SCWD annually since FY 2011/12. SCWD has been successful in reducing the number of work-related injuries over the last five fiscal years.

Factors contributing to success in providing a safe and safety-conscious work environment are regular safety meetings and the combined SCWD and CLWA training. Factors limiting success are the limited number of staff certified to handle situations involving electrical panels and ability to provide customized HAZWOPER training.



## E. INFRASTRUCTURE

### Enhance operational system efficiency through effective capital planning.

SCWD recognizes the continual need to improve the efficiency, safety and security of water storage, treatment and delivery systems. To make progress towards this goal, current fiscal year objectives and actions emphasize the need for evaluation of existing assets and system performance, strengthened infrastructure management planning, proactive and preventative system maintenance and ongoing investment in infrastructure.

#### **E1. SYSTEM OPERATIONS** *Invest in infrastructure and equipment to improve system operations.*

The following measures will be used to gauge progress towards achieving Objective E1:

1. Completion of capital improvement projects.
2. Water produced (groundwater and imported).
3. Water sold.
4. Water loss.

#### **Status and Progress**

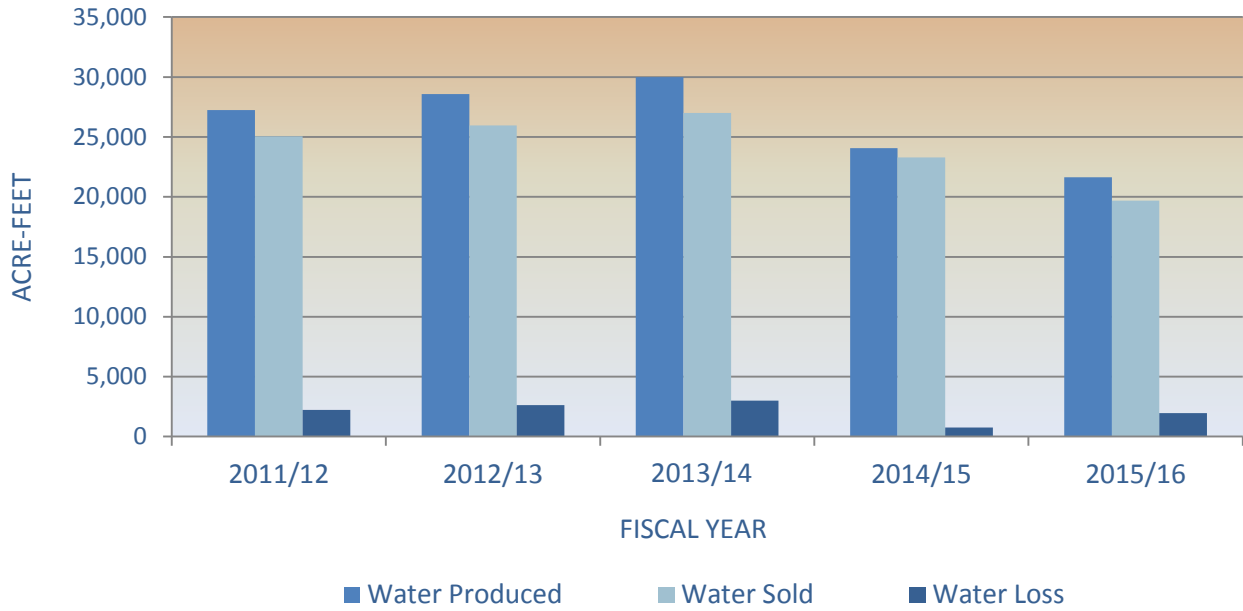
The amount of water produced and sold decreased from FY 2008/09 through FY 2010/11. Starting in FY 2011/12, water produced and sold steadily increased until FY 2014/15. As anticipated there was a decrease in FY 2015/16 from FY 2013/14 in water produced and sold by 8,349 acre-feet (28 percent) and 7,423 (27 percent) acre-feet, respectively.

Water loss is the difference between water produced and water sold. Water loss for FY 2014/15 was at a low of 3.32 percent, down from 9.66 percent from the previous FY 2013/14. In FY 2015/16, SCWD water loss was 9.26 percent.

Factors affecting the efforts to further minimize SCWD water loss include meters that are out of calibration, water theft and broken or aged infrastructure. In order to minimize water loss due to incorrect meter calibration, SCWD monitors recorded high and low water consumption monthly to help identify problem meters to be replaced prior to the scheduled meter change-out program.

SCWD anticipates water produced and sold to increase slightly in FY 2016/17 from FY 2015/16 levels due to the self-certification which lifted the mandatory conservation mandate from the SWRCB.

FIGURE E1: WATER PRODUCED, SOLD AND LOST



**E2. PREVENTATIVE MAINTENANCE** *Enhance our proactive preventative maintenance program.*

The following measures will be used to gauge progress towards achieving Objective E2:

1. Service leaks.
2. Service line replacement program.
3. Main line breaks.
4. Valves exercised.
5. Dead end flushing.
6. Meter replacements.

**Status and Progress**

SCWD had 88 service line leak repairs in FY 2015/16 which is lower than FY 2013/14 at 108 repairs and 114 repairs in FY 2014/15; this is down from an average of 145 for the previous five years, primarily due to the effectiveness of the service line replacement program. This program pro-actively replaced 65 services in FY 2014/15 that included problematic and high risk meters/services and 86 services in FY 2013/14.

SCWD deferred the service line replacements, valve exercising and dead end flushing scheduled in 2015/16 to FY 2016/17 due to expenditure and water loss concerns amidst lower revenues due to the SWRCB mandatory conservation mandate.

Mainline leaks dropped to 8 repairs from previous years with 15 repairs in FY 2013/14 and 13 repairs in FY 2014/15.



During FY 2014/15, 827 valves were exercised, down from 1,589 valves exercised in FY 2013/14. This number is down dramatically from prior years due to drought conditions and the need to reduce water use.

In FY 2014/15, 207 deadends were flushed, up from 57 flushed in FY 2013/14, primarily due to the fact that, after the halt of valve exercising activities, the valve exercising crew was redeployed to flush deadends, which requires far less water.

SCWD proactively replaces aged meters annually. The annual meter replacements are scheduled based on age and monitoring monthly readings for recurring issues. Most meters have an average life span of 10 to 20 years depending on meter size. In FY 2015/16, SCWD met its goal of replacing 409 aged meters, a slight increase from prior years. Figures E2A and E2B provide an overview of valve exercising, system leaks, breaks and failures.

FIGURE E2A: VALVE EXERCISING

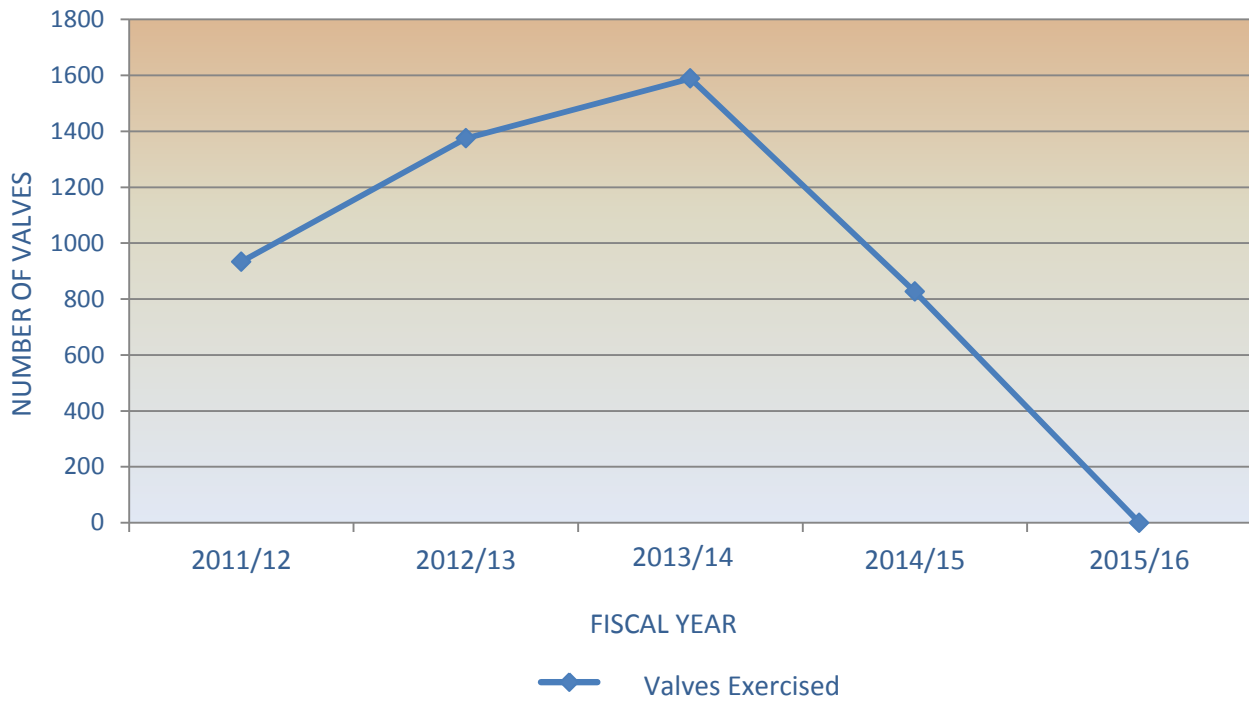
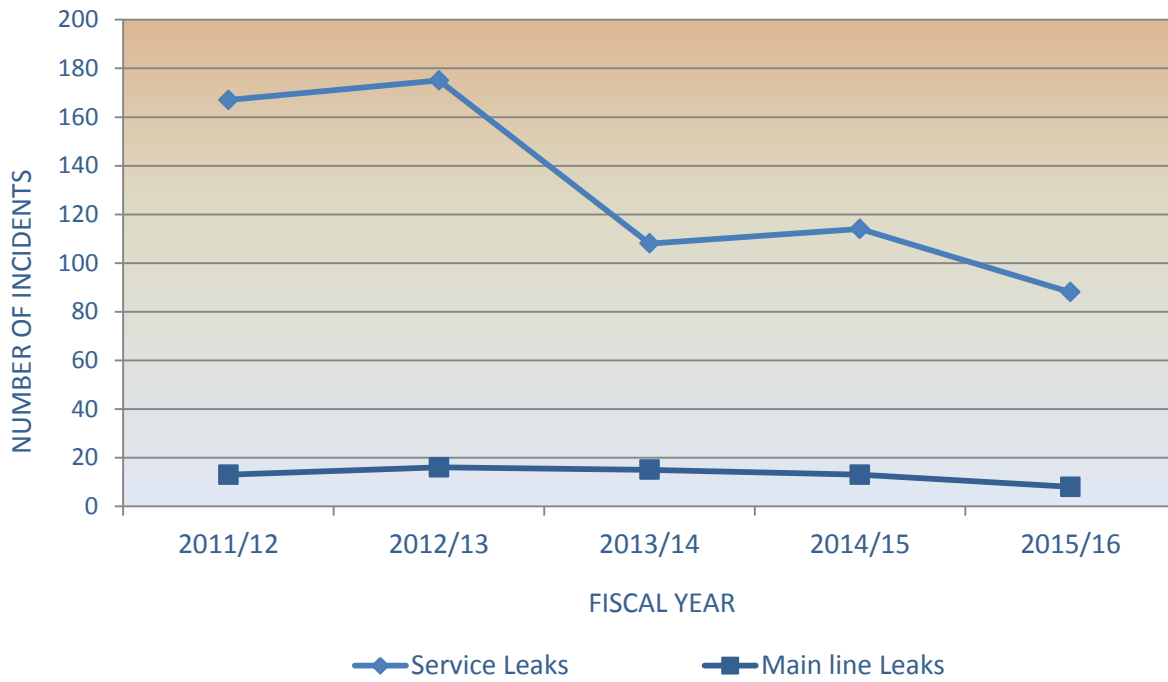


FIGURE E2B: SYSTEM LEAKS, BREAKS AND FAILURES





## **F. CUSTOMER SERVICE AND COMMUNICATIONS**

Continuously enhance the value of SCWD to its customers.

SCWD is committed to providing quality water to its customers and ensuring customer satisfaction in both its product and services. The Board and SCWD staff believes that thoroughly collecting, tracking and analyzing data related to SCWD response time and customer satisfaction will significantly help improve customer service. Community outreach efforts and ongoing communications and information exchange with the public on matters related to conservation and water quality will strengthen the Agency's position as a trusted source of information in the Santa Clarita Valley.

### **F1. CONSUMER CONFIDENCE** *Enhance customer confidence.*

The following measures will be used to gauge progress towards achieving Objective F1:

1. Customer complaints regarding hardness, odor and taste.
2. Number of unscheduled emergency shut-offs and scheduled shut-offs.

#### **Status and Progress**

In FY 2015/16 there were 32 customer complaints regarding various water quality issues. The major factor that contributes to increased or decreased water hardness complaints is the amount of groundwater and the imported to groundwater ratio.

### **F2. CUSTOMER EXPERIENCE** *Continuously improve customer experience.*

The following measures will be used to gauge progress towards achieving Objective F2:

1. Provision of online bill payment options.
2. The length of time it takes to resolve customer issues.

#### **Status and Progress**

SCWD responds immediately to major leaks and has on call staff that responds around the clock in case of emergencies. Customer issues are resolved as expeditiously as possible and are prioritized to minimize water loss.

Factors contributing to SCWD's ability to improve customer service and response time include the availability of field personnel and improved communications between field personnel and office staff regarding scheduling repairs. To enhance the communication, In July 2013, SCWD implemented a new Utility Billing and Customer Information System (UB/CIS) that includes an online service order where field personnel receive real-time online repair requests for quicker response times.

On April 1, 2015, SCWD launched the first phase of Customer Connect to provide customers online access to account details such as consumption and payment history. Customer Connect also allows customers to pay online via credit/debit card. The second phase of Customer Connect was completed on December 31, 2015 to activate the service order request feature by which customers can request to open and close accounts online.



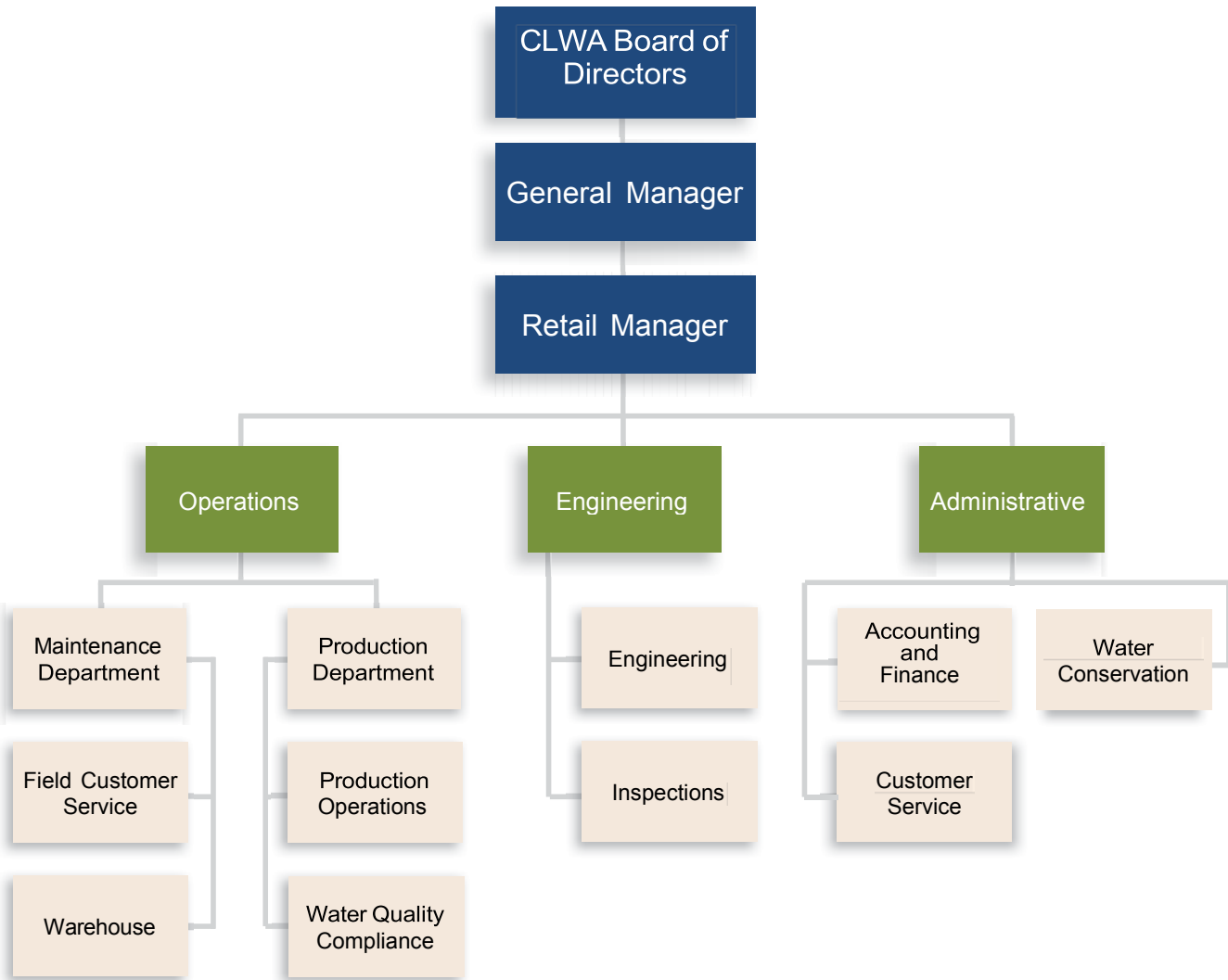
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# Appendices

- A. SCWD Organizational Structure
- B. SCWD Action Plan

# Appendix A | SCWD Organizational Structure



## Appendix B | SCWD Action Plan

### A. WATER RESOURCES MANAGEMENT

Coordinate, facilitate, plan and support effective development and utilization of SCWD water supplies to meet long-term service area needs.

<b>A1. ALTERNATIVE SUPPLIES</b> Create alternative water supplies to help meet future water demands.				
ACTIONS		TARGET DATE	LEAD	PRIORITY
A1.1	Coordinate with the CLWA Engineering Department in the update of Recycled Water Master Plan.	June 2017	Engineering	P1
A1.2	Develop recycled water standards and specifications.	June 2017	Engineering	P1
A1.3	Conduct recycled water rate study (in coordination with CLWA for Phase 2B Project).	June 2017	Engineering	P1
A1.4	Prepare CEQA documentation for Recycled Water System Phase 2B Project.	December 2016	Engineering	P1
A1.5	Prepare design of pump station, pipeline and tank for Recycled Water System Phase 2B Project.	June 2017	Engineering	P1

### B. CONSERVATION

Sustain SCWD's finite water supply.

<b>B1. STATE WATER RESOURCES CONTROL BOARD</b> SCWD's self-certification target approved (to be reviewed in January 2017).				
ACTIONS		TARGET DATE	LEAD	PRIORITY
B1.1	Enforcement of Ordinance No. 44 restrictions to minimize violations and encourage conservation in accordance with the newly approved SWRCB requirements and SCWD's self-certification through January 2017.	October 2016	Operations, Customer Service and Water Conservation	P1
B1.2	Reevaluate and prioritize outreach targets and methods to maximize rebates and incentive benefits to encourage additional conservation.	June 2017	Customer Service and Water Conservation	P2

<b>B2. 20% BY 2020</b> Achieve 20 percent per capita conservation by 2020.				
ACTIONS		TARGET DATE	LEAD	PRIORITY
B2.1	Promote various water conservation programs.	Ongoing	Water Conservation	



### C. FINANCIAL ADMINISTRATION

Maintain a long-range, open, stable and well-planned financial condition, so that current and future water users are given fair and equitable rates and charges.

<b>C1. HEALTHY MANAGEMENT</b> Sustain a healthy financial governance and management.				
ACTIONS		TARGET DATE	LEAD	PRIORITY
C1.1	Review financial policies to ensure compliance or provide recommendations for revision if necessary.	June 2017	Finance	P2
C1.2	Ensure the department and capital budgets are appropriately expended by actively managing and controlling expenditures.	Ongoing	All Departments	
C1.3	Monitor revenue impact of vigorous water conservation performance as a result of the new SWRCB requirements and SCWD's self-certification.	Ongoing	Finance	

<b>C2. FINANCIAL PROFILE</b> Strengthen our financial profile attribute.				
ACTIONS		TARGET DATE	LEAD	PRIORITY
C2.1	Implement approved rate increase.	January 2017	Finance	P1
C2.2	Complete Capacity Fee Study.	October 2016	Finance	P1
C2.3	Implement revised capacity fees.	January 2017	Finance	P1
C2.4	Complete Cost of Service Rate Study.	June 2017	Finance	P1
C2.5	Evaluate current Reserve Fund Policy.	June 2017	Finance	P1

### D. ORGANIZATIONAL EFFECTIVENESS

Maintain a well-defined organizational structure with clear and comprehensive policies and procedures that foster SCWD's culture and values.

<b>D1. EDUCATION AND TRAINING</b> Provide educational and training opportunities including career-path, succession planning and other opportunities.				
ACTIONS		TARGET DATE	LEAD	PRIORITY
D1.1	Evaluate and focus SCWD's training and educational seminar attendance with respect to job related requirements.	Ongoing	All Departments	

<b>D2. WELLNESS AND SAFETY</b> Promote wellness and sustain a safe and safety conscious work environment.				
ACTIONS		TARGET DATE	LEAD	PRIORITY
D2.1	Continue to emphasize safety through tailgate and safety meetings.	Ongoing	All Departments	

## E. INFRASTRUCTURE

Enhance operational system efficiency through effective capital planning.

<b>E1. SYSTEM OPERATIONS</b> Invest in infrastructure and equipment to improve system operations.				
ACTIONS		TARGET DATE	LEAD	PRIORITY
E1.1	Construct upgrades for Clark Well based on the ARC Flash study.	January 2017	Operations	P1
E1.2	Complete cement approach/drain across Aquaduct on Mesa Tank road.	December 2016	Operations	P1
E1.3	Complete design and installation of Placerita Booster Pump Station at the SC-12 imported water connection.	June 2017	Engineering	P1
E1.4	Remove and replace two pressure reducing valve stations located at Placerita Canyon Road and Whites Canyon/ Americana.	October 2016	Operations	P1
E1.5	Complete design of new pipeline in Rainbow Glen Drive.	December 2016	Engineering	P1
E1.6	Complete design to remove and replace Rainbow Glen/ Sierra Highway pressure reducing station.	January 2017	Engineering	P1
E1.7	Complete design and installation of Circle J pressure station.	December 2016	Operations	P1
E1.8	Remove and replace site access road at Sky Blue Tank.	April 2017	Operations	P2
E1.9	Complete the fourth phase installation of the Automated Meter Reading (AMR) system.	June 2017	Operations	P1
E1.10	Upgrade facility video surveillance at office/warehouse.	January 2017	Operations	P1
E1.11	Purchase and setup water system hydraulic model.	June 2017	Engineering	P1
E1.12	Implement first phase of GIS by setting up GIS software and converting existing base maps from AutoCAD to a GIS platform.	June 2017	Engineering	P1

<b>E2. PREVENTATIVE MAINTENANCE</b> Enhance our proactive preventative maintenance program.				
ACTIONS		TARGET DATE	LEAD	PRIORITY
E2.1	Conduct annual tank inspection and maintenance program.	March 2017	Operations	P2
E2.2	Conduct annual well inspection and maintenance program.	April 2017	Operations	P2

## F. CUSTOMER SERVICE AND COMMUNICATIONS

Continuously enhance the value of SCWD to its customers.

### F1. CONSUMER CONFIDENCE Enhance customer confidence.

ACTIONS		TARGET DATE	LEAD	PRIORITY
F1.1	Enhance web-based and social marketing information.	Ongoing	All Departments	

### F2. CUSTOMER EXPERIENCE Continuously improve customer experience.

ACTIONS		TARGET DATE	LEAD	PRIORITY
F2.1	Implement UB/CIS automation processes.	June 2017	Customer Service	P2



BOARD OF DIRECTORS:

B.J. Atkins

Thomas P. Campbell, President

Edward A. Colley

William C. Cooper, Vice President

Robert J. DiPrimio

Dean D. Efstathiou

E.G. "Jerry" Gladbach

R.J. Kelly

Gary R. Martin

Jacquelyn H. McMillan

William Peksi



Santa Clarita Water Division

# Strategic Plan

# 2016



## Santa Clarita Water Division Performance Measurement FY 2016/17 Budget

The Santa Clarita Water Division's mission is:

*"To Provide Reliable, Quality Water at a Reasonable Cost to our Customers"*

The foundation of our culture is strengthened by the following values:

- ◆ Team.
- ◆ Appearance.
- ◆ Personal Accountability.
- ◆ Work Ethic.
- ◆ Quality.
- ◆ Camaraderie.
- ◆ Professionalism.
- ◆ Communication.
- ◆ Honesty.
- ◆ Trustworthiness.

Performance measures provide benchmarks that help SCWD achieve its goals. The performance measures articulate and quantify the mission, strategic plan and goals for SCWD. In addition to workload measures, SCWD measures performance in four key areas:

1. Maintain a commitment to excellence and continue to improve customer satisfaction and communications related to water quality.
2. Evaluate and optimize operations to improve system efficiency.
3. Create alternative water supplies to help meet future water demands and encourage water conservation through implementation of water conservation programs.
4. Strive to be under or at fiscal year operating expense budget and capital expense budget.

### **Maintain a commitment to excellence and continue to improve customer satisfaction and communications related to water quality.**

Performance measures include customer satisfaction related to water hardness, odor, taste and color. The majority of inquiries were about the white color in water (which results from entrained air when the groundwater table is low) and odor. The musty smell is from low turnover in dead ends of the distribution system, which is resolved by flushing water. However, when a strong chlorine odor is noticed, it's usually when a distribution system zone's disinfectant is switched from chloramine to free chlorine. Tracking customer complaints and providing customers with information and solutions, demonstrates SCWD's dedication to providing quality water to customers.

### **Evaluate and optimize operations to improve system efficiency.**

SCWD measures system efficiency by carefully monitoring water produced, water sold and water loss. The Operations Department has established a preventive maintenance program to take a proactive approach to the routine maintenance of infrastructure. Performance measures include tracking service leaks, main line breaks, meter replacements, valve exercising, dead end flushing, blow-off maintenance and service line replacement.

## Performance Measurement

Due to the continued drought situation the Maintenance department is utilizing alternative ways to reduce potable water usage for routine maintenance. For example, instead of discharging water into storm drains while flushing wells, the water is directed to a holding tank and utilized to wash down well sites or recovered by a water truck to be reused for development grading, dust control or watering trees.

### **Create alternative water supplies to help meet future water demands and encourage water conservation through implementation of water conservation programs.**

In FY 2011/12, SCWD changed the imported/groundwater ratio from a historical 60/40 blend to a 65/35 blend (sixty-five percent imported and thirty-five percent groundwater) throughout the system through FY 2012/13. With multiple dry years, the groundwater tables are very low. In FY 2013/14 and FY 2014/15 SCWD was averaging 82/18 blend (eighty-two percent imported and eighteen percent groundwater) throughout the system. Fiscal Year 2015/16 followed a similar trend with a 79/21 blend. SCWD will monitor the groundwater aquifer and adjust the blend as hydrologic conditions change.

Previously SCWD was monitoring conservation to achieve the goal of twenty percent conservation per capita water use by the year 2020 as mandated by the Water Conservation Bill SBX7-7. Due to Governor Brown's April 1, 2015 Executive Order requiring an immediate 25 percent reduction in overall potable urban water use statewide, the SWRCB assigned a 32 percent conservation target to SCWD (compared to 2013 levels) from June 2015 through February 2016. SCWD achieved 28 percent conservation, short of the 32 percent conservation goal. In February 2016, SWRCB revised SCWD's conservation target to 28 percent effective March 2016 through June 2016 and achieved 26 percent conservation for the same time period, short of the 28 percent conservation goal. Overall conservation from June 2015 through June 2016 was 27 percent. SCWD is carefully monitoring conservation by patrolling its service area. Notices of violations were issued for violators of Drought Ordinance No. 43, which outlined the watering restrictions.

On May 18, 2016, the SWRCB adopted a new approach which will go into effect through January 2017 that replaces the prior percentage conservation standard with a local stress test approach that mandates urban water suppliers self-certify to ensure at least a three year supply of water to their customers under drought conditions. On July 13, 2016, the CLWA Board of Directors approved the SCWD Ordinance No. 44 (replacing Ordinance No.43) as a result of the SWRCB new requirements and SCWD's self-certification. The Board of Directors also approved rescinding Resolution No. 3041 which lifted the restricted watering day schedules, although certain mandated watering restrictions are permanently in effect as outlined in Ordinance No. 44, Section 3.

### **Strive to be under or at fiscal year operating expense budget and capital expense budget.**

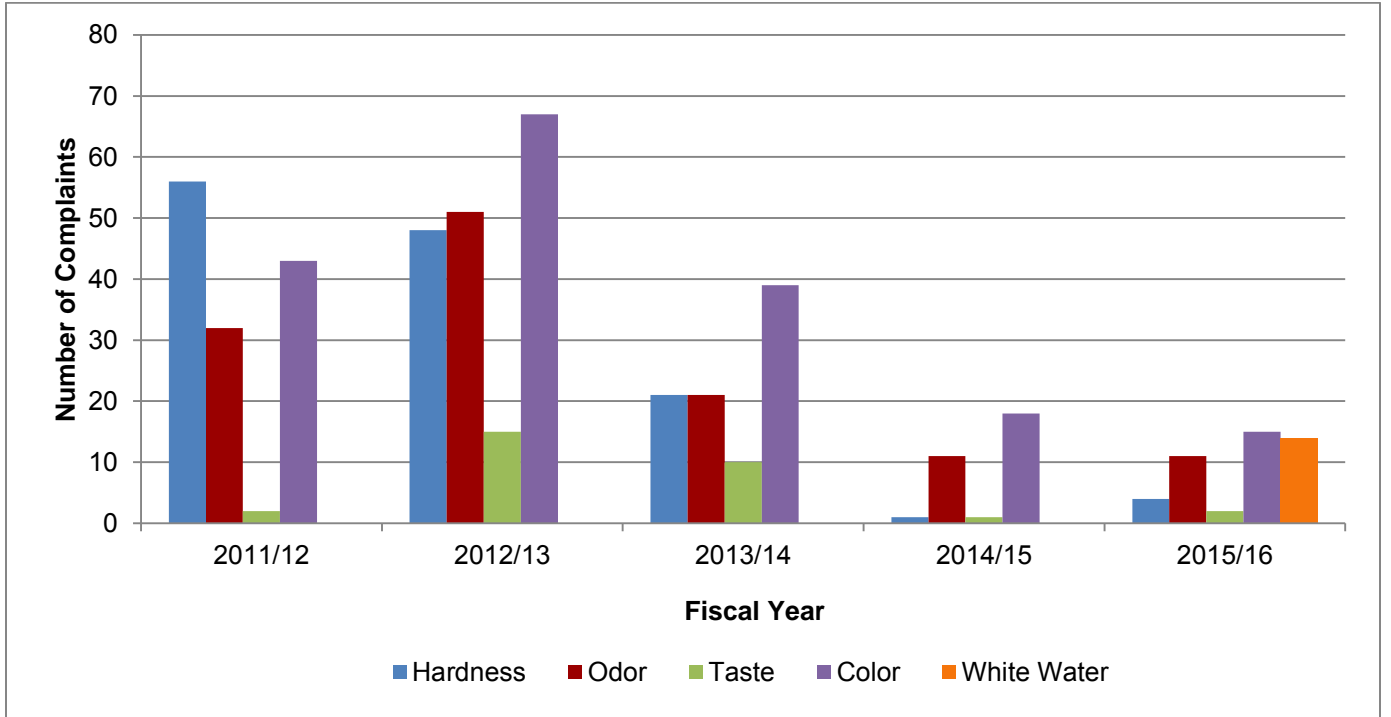
SCWD monitors both operating and capital expenditures monthly and historically, and has been under budget the past five years. With the assistance of the Board of Directors, SCWD has strengthened its policies and procedures and made sound financial decisions. Innovative ideas by employees in combination with equipment conversions have resulted in additional savings. Among others, SCWD has been proactive with energy cost savings by participating in energy efficient programs including solar as applicable and restructuring rates with Southern California Edison Company.

### **Workload Measures**

SCWD measures workload for key activities in each of the departments.

**Maintain a commitment to excellence and continue to improve customer satisfaction and communications related to water quality.**

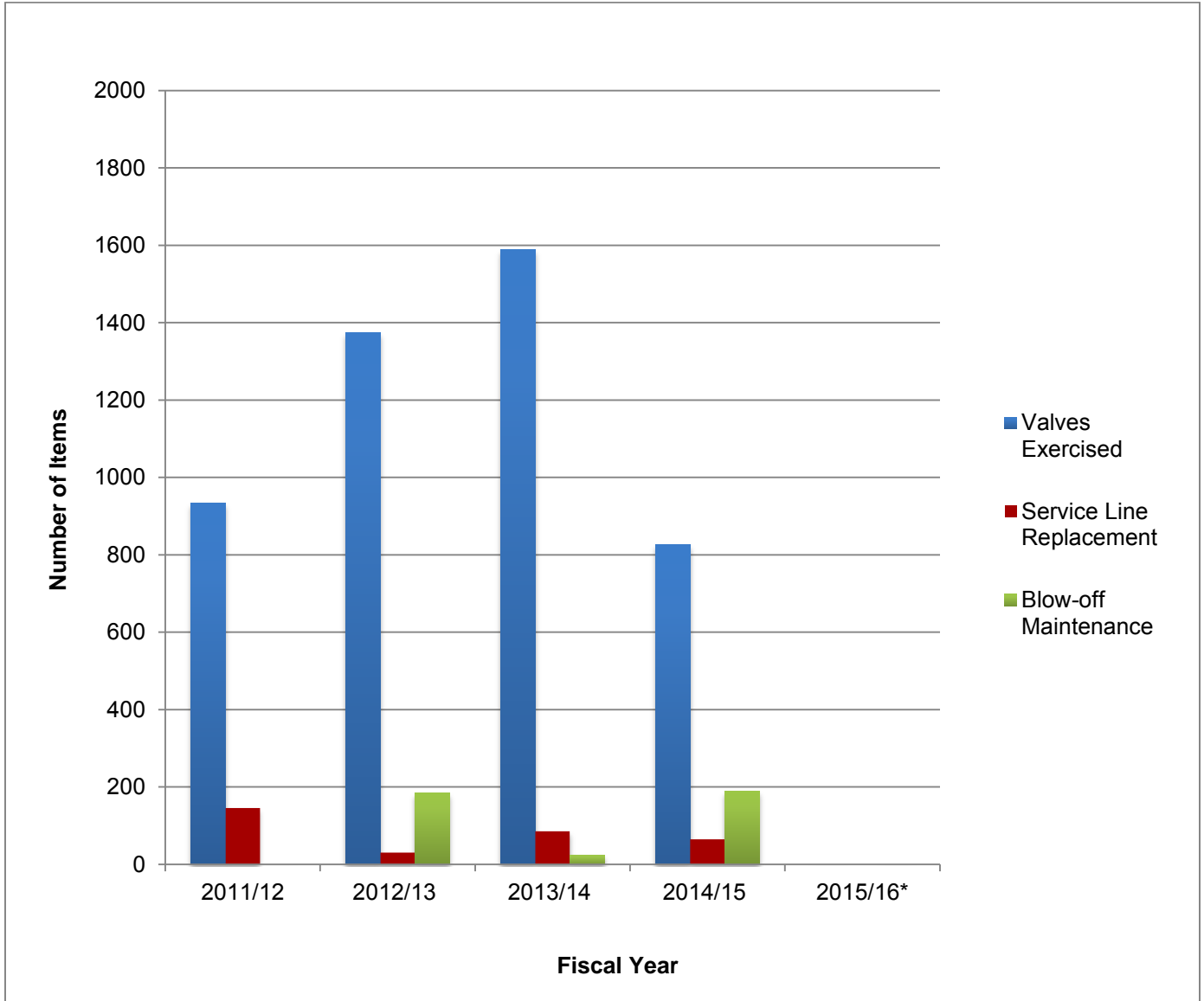
Performance Measures  
FY 2016/17 Budget  
Customer Complaints: Water Quality



**Evaluate and optimize operations to improve system efficiency.**

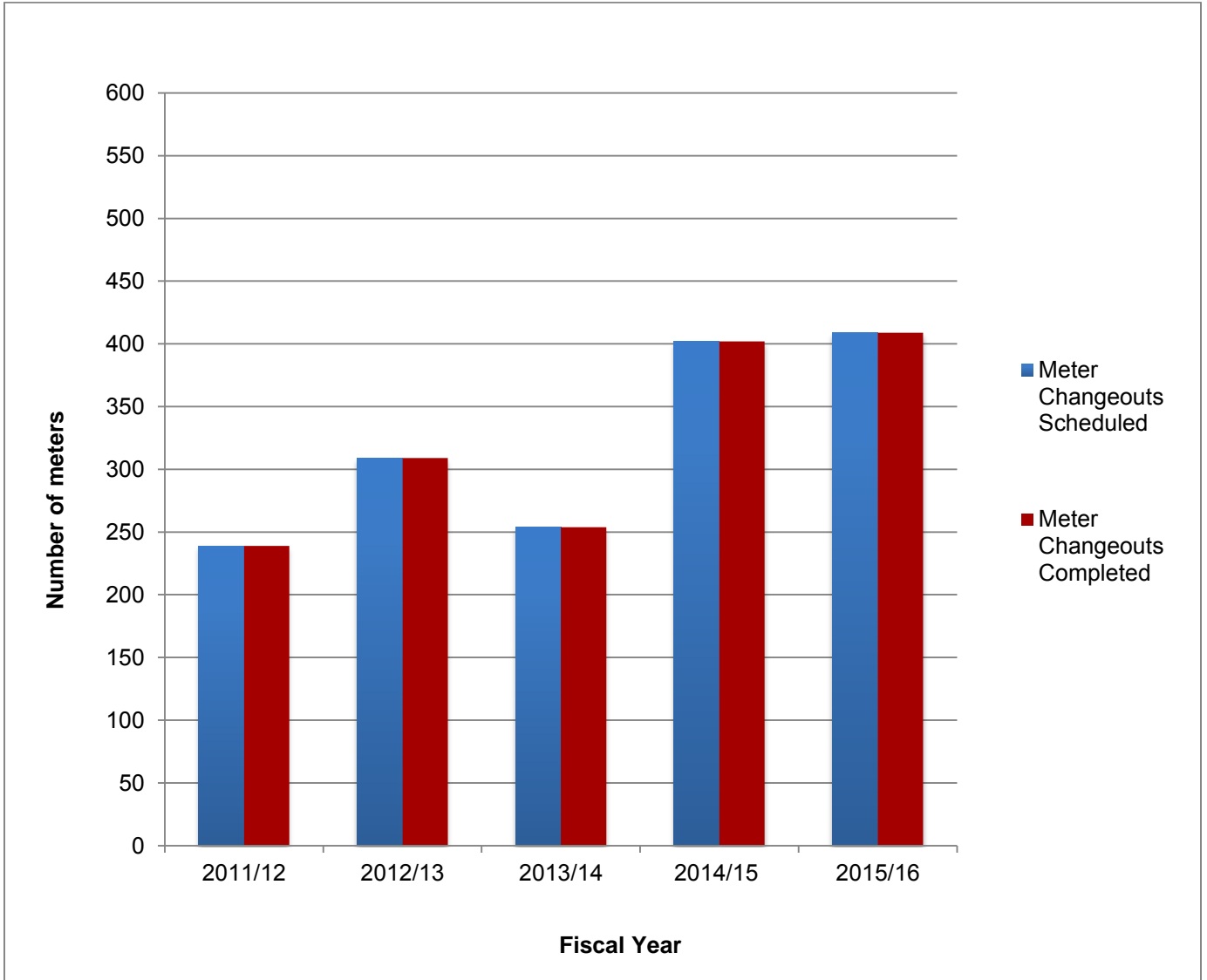


**Performance Measures  
FY 2016/17 Budget  
Preventative Maintenance**

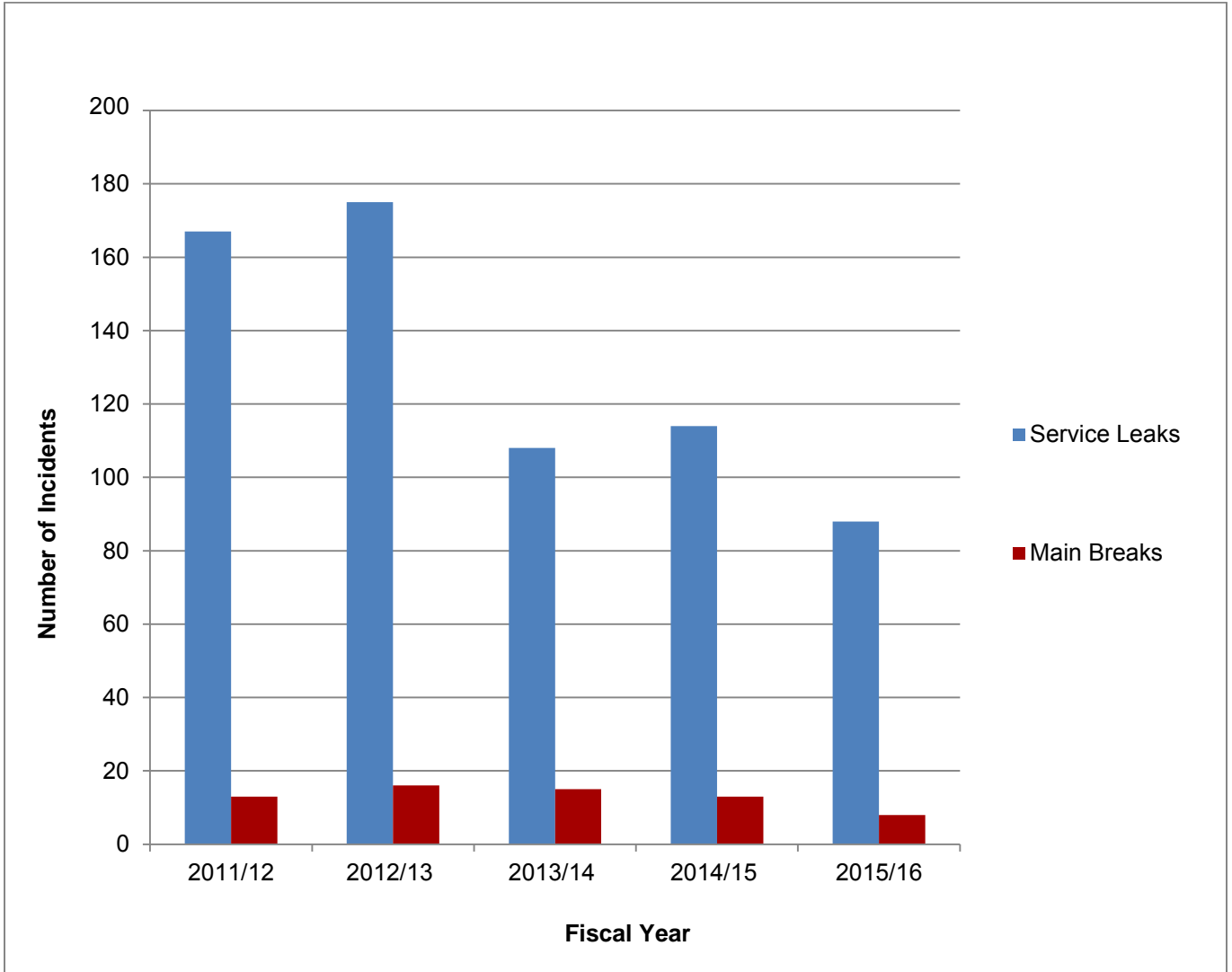


\* Valves Exercised and Blow-off Maintenance were on hold in FY 2015/16 due to mandatory conservation. Service line replacements scheduled for FY 2015/16 were deferred to FY 2016/17.

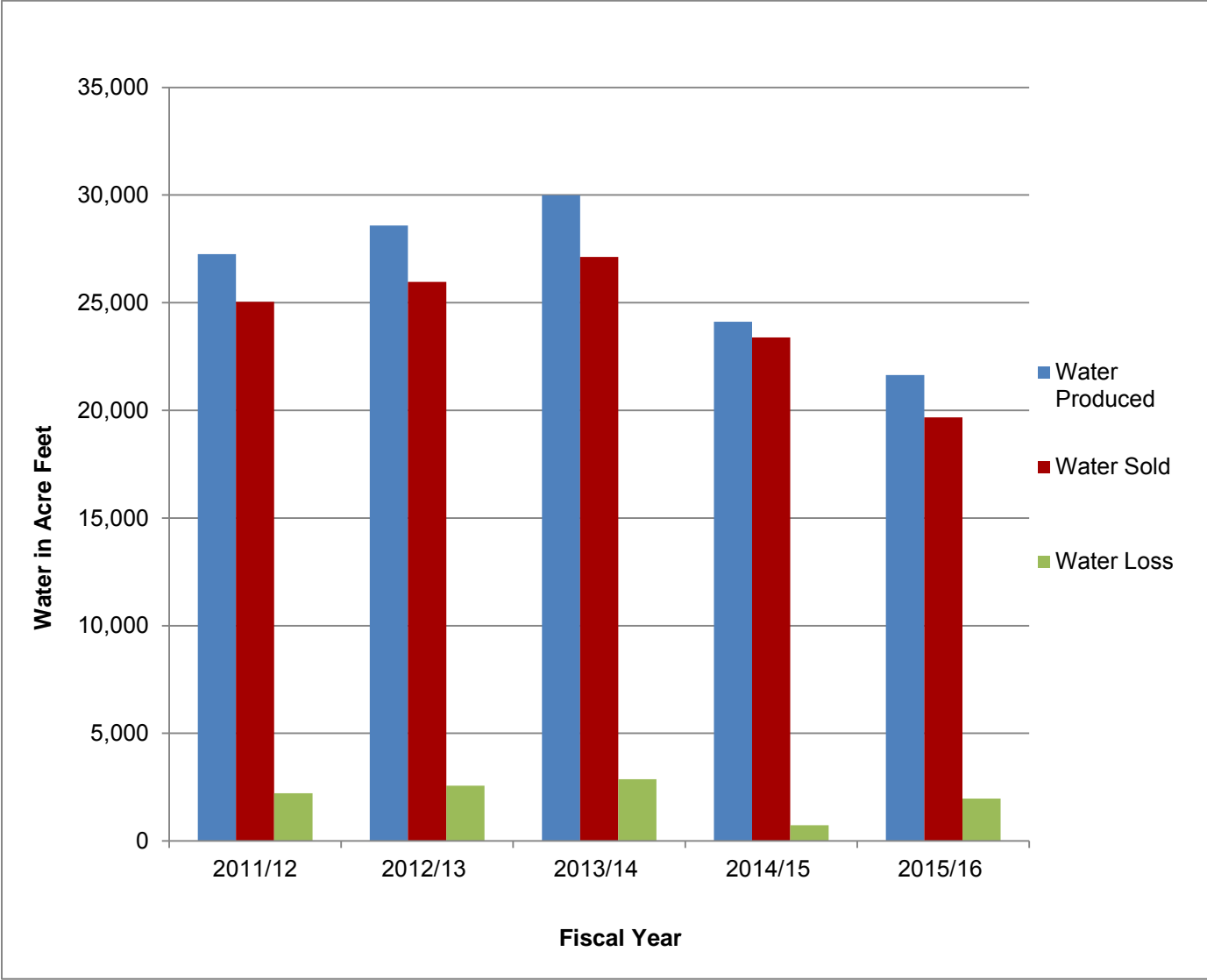
**Performance Measures  
FY 2016/17 Budget  
Preventative Maintenance**



**Performance Measures  
FY 2016/17 Budget  
System Leaks and Breaks**

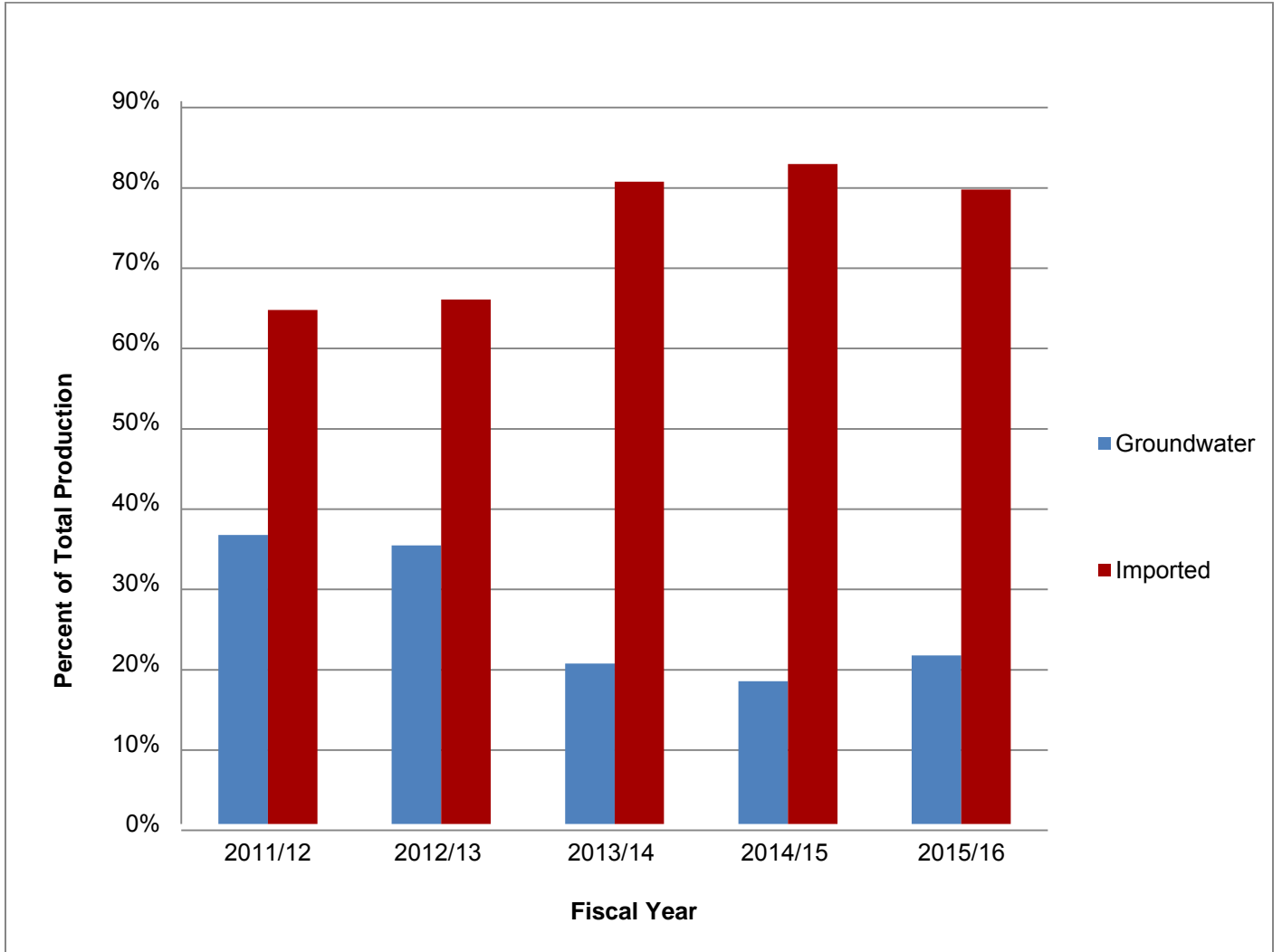


**Performance Measures  
FY 2016/17 Budget  
Water Produced, Sold and Lost**



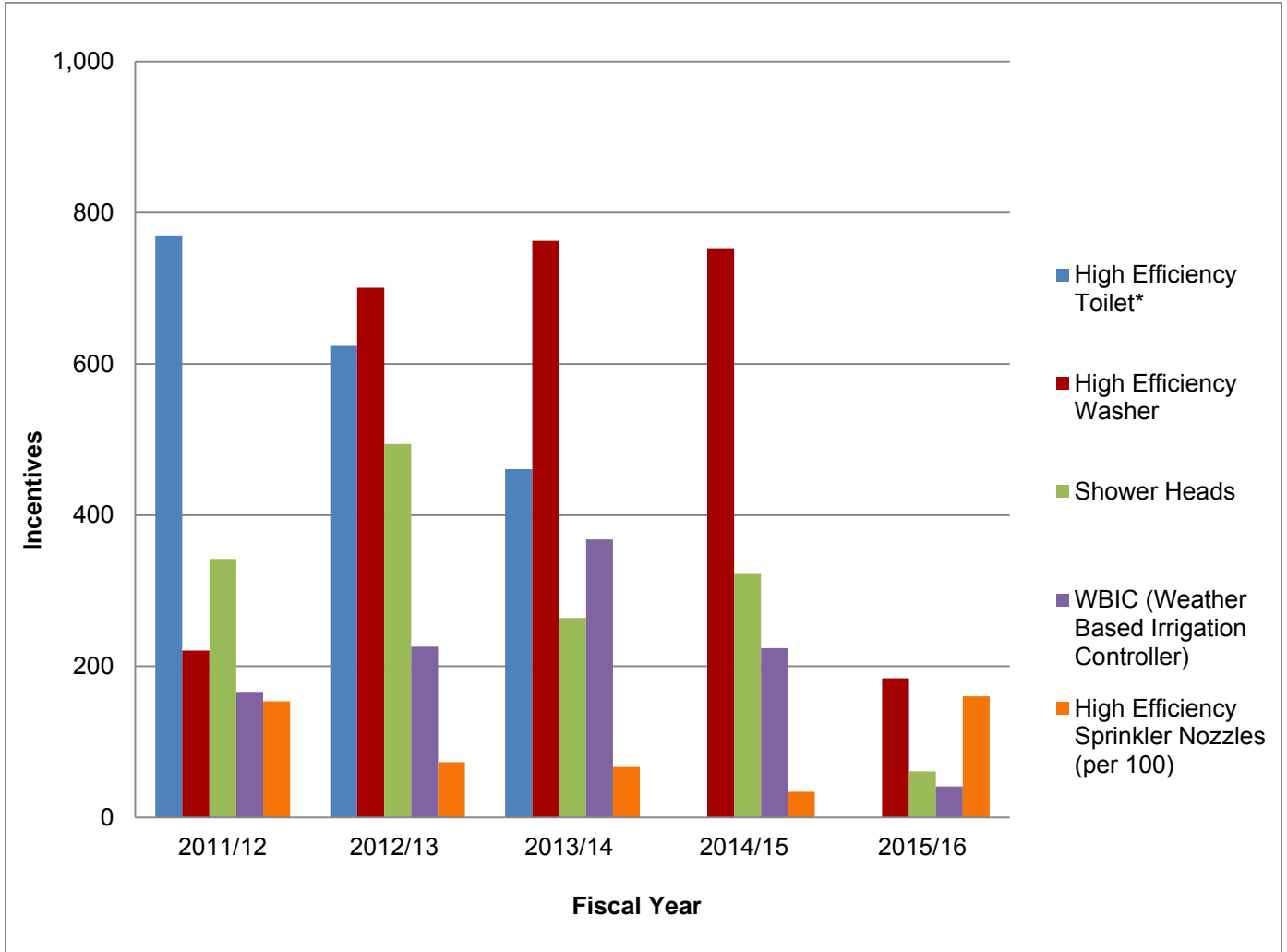
**Create alternative water supplies to help meet future water demands and encourage water conservation through implementation of water conservation programs.**

**Performance Measures  
FY 2016/17 Budget  
Water Production**





**Performance Measures  
FY 2016/17 Budget  
Conservation Incentives**

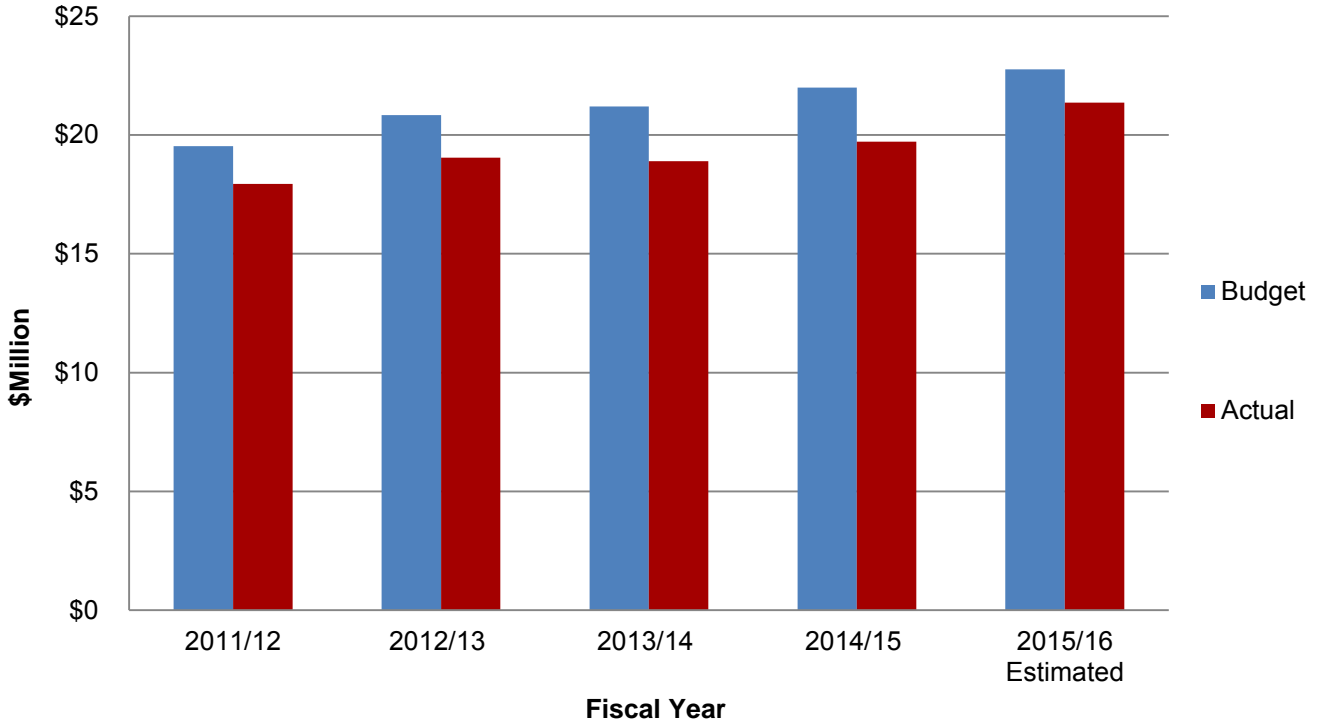


\* High Efficiency Toilet Program ended in FY 2013/14.

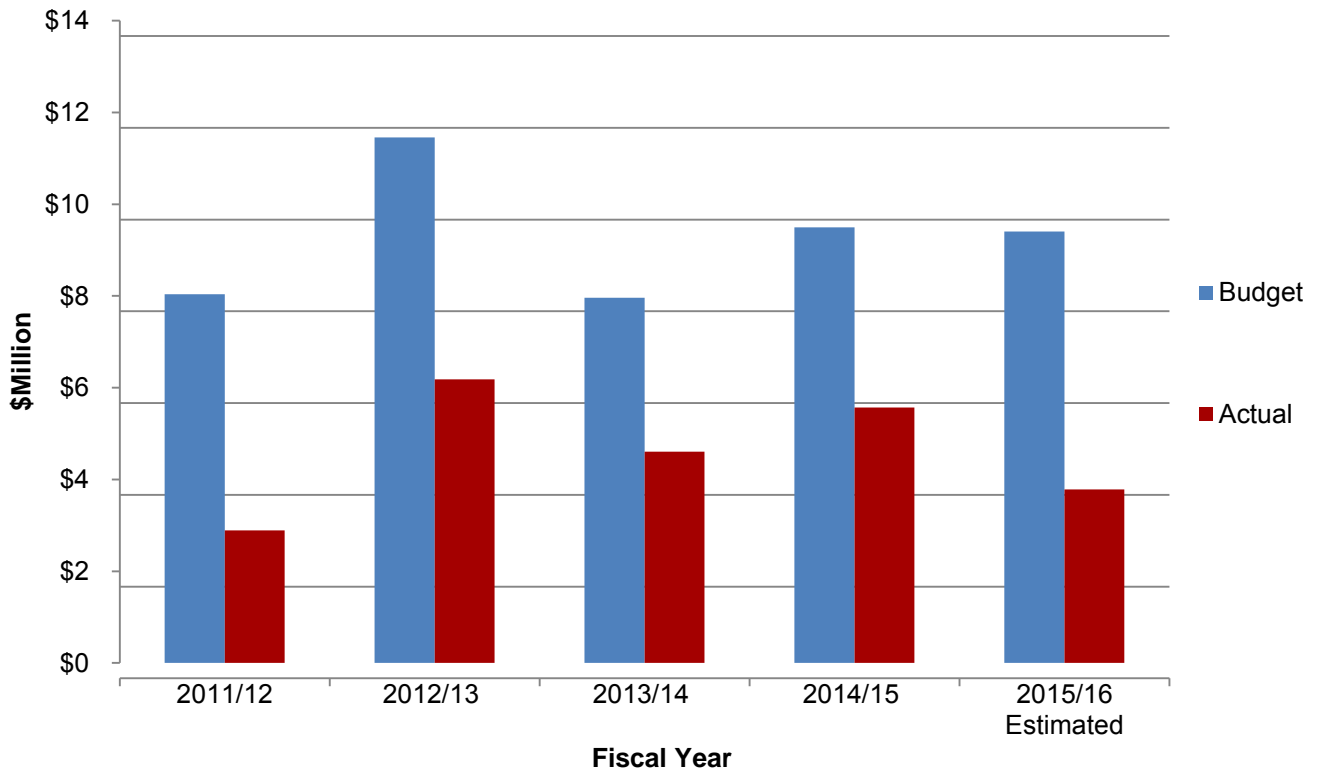
**Strive to be under or at fiscal year operating expense budget and capital expense budget.**

Performance Measures  
FY 2016/17 Budget  
Financials

### Operating Expenses



### Capital Expenses



**Performance Measures  
FY 2016/17 Budget  
Financials**

	FY 2010/11 Actual	FY 2011/12 Actual	FY 2012/13 Actual	FY 2013/14 Actual	FY 2014/15 Actual	FY 2015/16 Budget	FY 2015/16 Estimated	FY 2016/17 Budget
Capital Expenditures per connection	\$ 219	\$ 102	\$ 215	\$ 175	\$ 189	\$ 318	\$ 311	\$ 224
Operating Expenditures per connection	\$ 588	\$ 633	\$ 664	\$ 701	\$ 668	\$ 766	\$ 749	\$ 822
Operating Revenues per connection	\$ 896	\$ 1,011	\$ 1,079	\$ 1,054	\$ 979	\$ 997	\$ 877	\$ 946
Debt Service Ratio*	7.67	3.43	2.71	2.21	1.38	1.49	2.39	1.58

\* Debt Service Ratio for FY 2015/16 Estimated and FY 2016/17 Budget includes Defeasance transactions.

## **Workload Measures**

**Performance Measures  
FY 2016/17 Budget  
Financials**

	FY 2011/12 Actual	FY 2012/13 Actual	FY 2013/14 Actual	FY 2014/15 Actual	FY 2015/16 Budget	FY 2015/16 Actual	FY 2016/17 Budget
<b>Customer Service</b>							
Active service connections	28,330	28,688	29,232	29,502	29,602	30,278	30,478
Accounts closed and opened	3,000	3,660	3,900	4,980	5,100	5,242	5,600
Service orders	9,800	11,151	11,500	12,575	13,000	12,378	12,900
Connections per employee	567	574	552	628	519	571	525
<b>Administration</b>							
Retail Operations Committee meetings	10	10	9	9	12	10	12
Safety training classes	35	35	34	36	36	24	20
<b>Operations</b>							
Valves exercised*	934	1,375	1,520	827	2,250	-	-
Meter changeouts	239	309	254	402	856	409	197
Service line replacements**	146	31	87	65	100	-	24
Blow-off maintenance*	*	184	25	207	150	-	-
Number of water quality tests/samples	6,314	6,314	5,150	6,300	4,700	5,552	5,600
<b>Engineering</b>							
Consumption per service connection	385	382	400	344	269	282	279
Major Capital Improvement Projects underway	5	4	5	5	13	7	11
Value of Major Capital Improvement Projects underway	\$ 2,062,766	\$ 5,165,742	\$ 3,208,069	\$ 3,953,566	3,991,000	1,598,175	4,943,000

\* Valves Exercised and Blow-off Maintenance were on hold in FY 2015/16 and FY 2016/17 due to mandatory conservation.

\*\*Service line replacements scheduled for FY 2015/16 were deferred to FY 2016/17.



## Conservation: *Elements of* A Beautiful, Low Water Use Garden



### Shape, Size and Texture:

Mixtures of compact feathery grasses, larger plants with lacey flowering spikes and a small natural hedge provide contrast to the solid structure of the large evergreen topiaries.





Conservation Garden Ideas:

# Planting a Pop of Color



Mexican Sage and Ruby Dianthus



Red Aloe blooms and Blue Sticks



Kalanchoe Thyrsiflora Red



California Poppy

Planting bright colors in a garden draws your attention. Repeating the same bright colors throughout the garden can draw focus through the space and give the garden a cohesive appearance.

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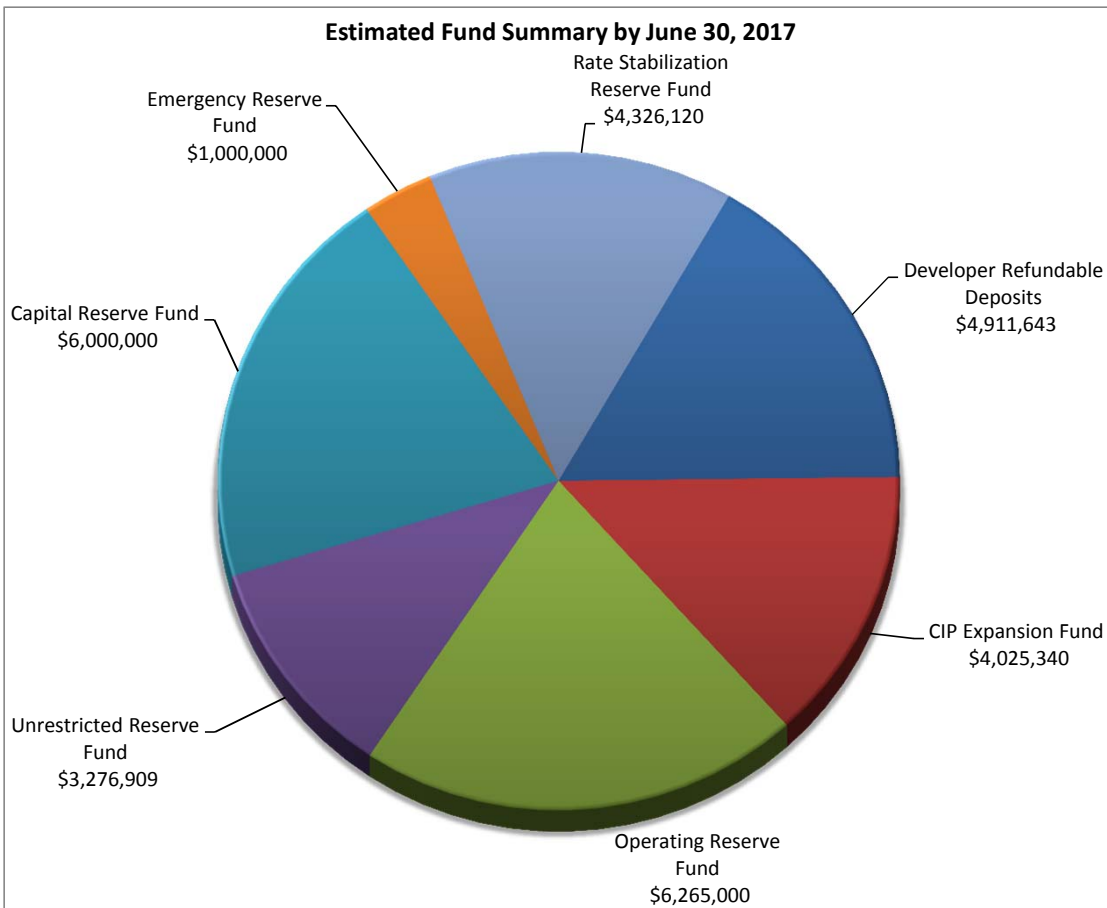
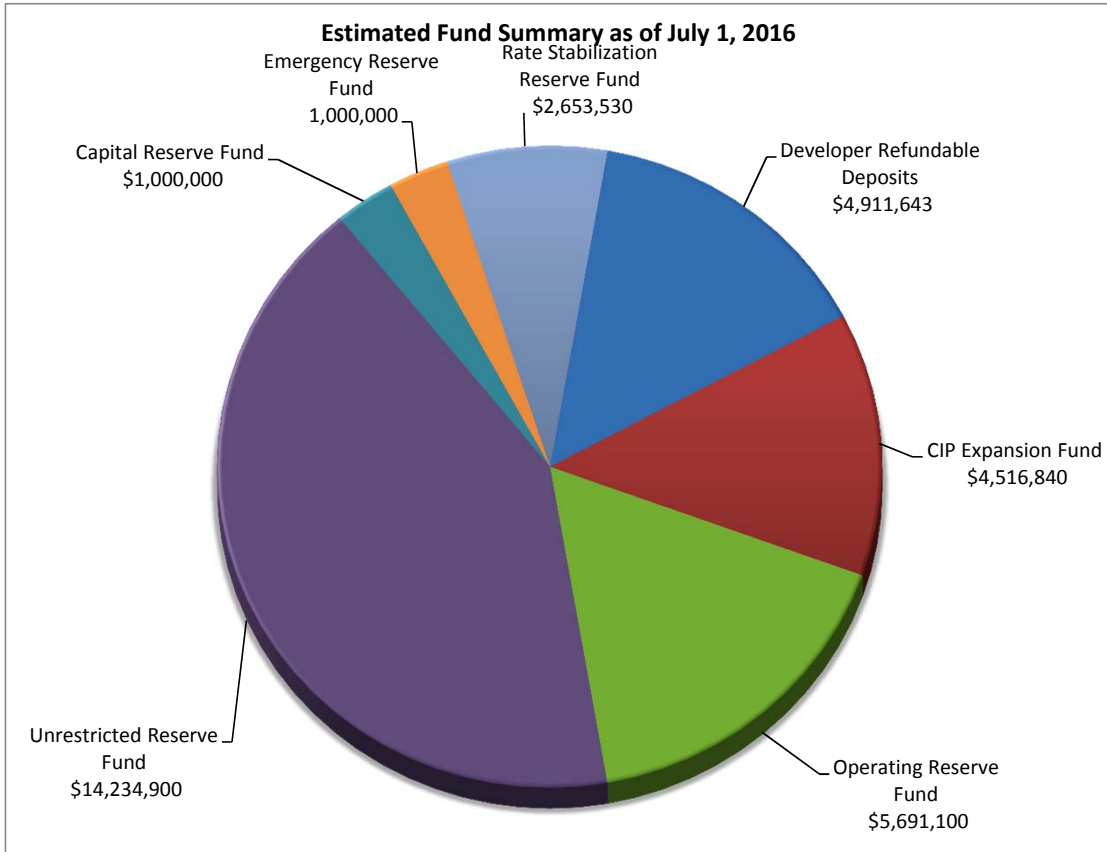
**Santa Clarita Water Division  
Financial Summary  
FY 2016/17 Budget**

	FY 2015/16 Budget	FY 2015/16 Estimated	FY 2015/16 Variance	FY 2015/16 % Variance	FY 2016/17 Budget	FY 2015/16 Estimated vs. FY 2016/17 Budget % Variance
<b>Santa Clarita Water Division</b>						
<b>Total Operating Revenues</b>	\$ 26,535,300	\$ 27,299,150	\$ 763,850	2.8%	\$ 28,840,800	6.0%
<b>Operating Expenditures</b>						
Source of Supply	8,709,200	8,197,289	(511,911)	-6.2%	10,936,100	33.4%
Pumping	2,486,700	2,581,840	95,140	3.7%	2,674,400	3.6%
Water Treatment	1,213,200	1,090,925	(122,275)	-11.2%	1,178,000	8.0%
Transmission and Distribution	5,004,800	4,506,577	(498,223)	-11.1%	4,681,300	3.9%
Customer Service	977,000	918,509	(58,491)	-6.4%	1,012,800	10.3%
Engineering	1,018,800	909,177	(109,623)	-12.1%	1,002,900	10.3%
Administrative and General	3,354,500	3,156,425	(198,075)	-6.3%	3,574,400	13.2%
<b>Total Operating Expenses</b>	22,764,200	21,360,742	(1,403,458)	-6.6%	25,059,900	17.3%
<b>Operating Income</b>	3,771,100	5,938,408	2,167,308	36.5%	3,780,900	-36.3%
<b>Non-Operating Revenue/(Expense)</b>						
Other Income - Cellular Antenna Rental and Miscellaneous	282,000	774,518	492,518	63.6%	286,000	-63.1%
Rental Income - 22722 Soledad Canyon Road Office Building	134,100	134,062	(38)	N/A	134,400	0.3%
Interest Earnings - SCWD Fund	160,000	236,743	76,743	32.4%	236,000	-0.3%
Interest Earnings - Certificates of Participation (COP)	-	618	618	100.0%	-	-100.0%
Interest Expense - COP Series 2010 B (Capital Projects)*	(687,688)	(687,683)	5	0.0%	(670,588)	-2.5%
Interest Expense - Revenue Bond Series 2011 A (Retail Acquisition Repayment)*	(2,272,313)	(2,272,299)	14	0.0%	(2,138,513)	-5.9%
<b>Total Non-Operating, Net</b>	(2,383,900)	(1,814,041)	569,859	-31.4%	(2,152,701)	18.7%
<b>Net Income Before Debt Principal Payment</b>	1,387,200	4,124,367	2,737,167	66.4%	1,628,199	-60.5%
Principal Payment - COP Series 2010 B (Capital Projects)*	(285,000)	(285,000)	-		-	
Principal Payment - Revenue Bond Series 2011 A (Retail Acquisition Repayment)*	(2,230,000)	(2,230,000)	-		-	
<b>Increase/(Decrease) to Fund Balance</b>	(1,127,800)	1,609,367	2,737,167	170.1%	1,628,199	1.2%
<b>Total Revenue Requirements</b>	<u>\$ 26,535,300</u>	<u>\$ 27,299,150</u>	<u>\$ 763,850</u>	<u>2.8%</u>	<u>\$ 28,840,800</u>	<u>6.0%</u>

	FY 2016/17 Estimated Beginning Balance	FY 2016/17 Additions	FY 2016/17 Use of Funds	FY 2016/17 Estimated Ending Balance
<b>Santa Clarita Water Division Fund Summary</b>				
Developer Refundable Deposit	\$ 4,911,643	\$ -	\$ -	\$ 4,911,643
Expansion Fund	4,516,840	1,000,000	(1,491,500)	4,025,340
CIP Fund	-	5,339,700	(5,339,700)	-
Operating Reserve Fund	5,691,100	573,900	-	6,265,000
Rate Stabilization Reserve Fund	2,653,530	1,672,590	-	4,326,120
Capital Reserve Fund	1,000,000	5,000,000	-	6,000,000
Emergency Reserve Fund	1,000,000	-	-	1,000,000
Unrestricted Reserve Fund	14,234,900	-	(10,957,991)	3,276,909
<b>Total Funds Available</b>	<u>\$ 34,008,013</u>	<u>\$ 13,586,190</u>	<u>\$ (17,789,191)</u>	<u>\$ 29,805,012</u>

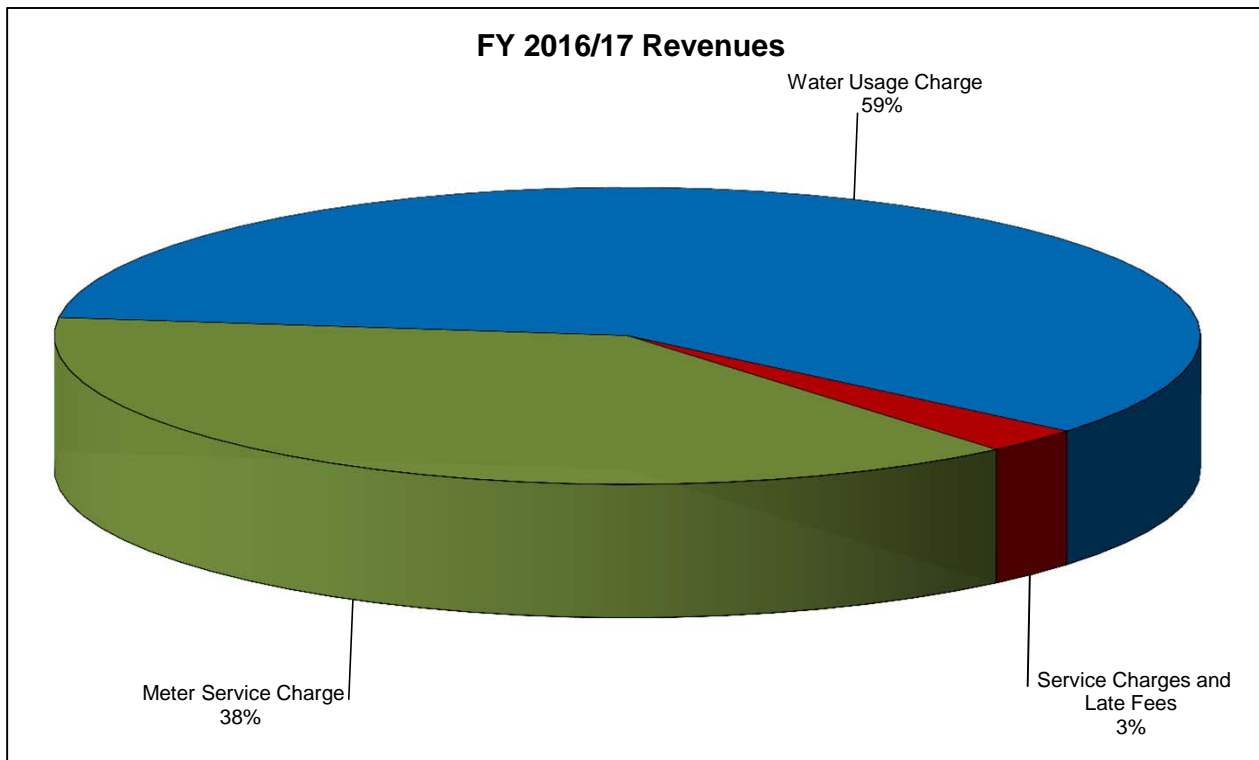
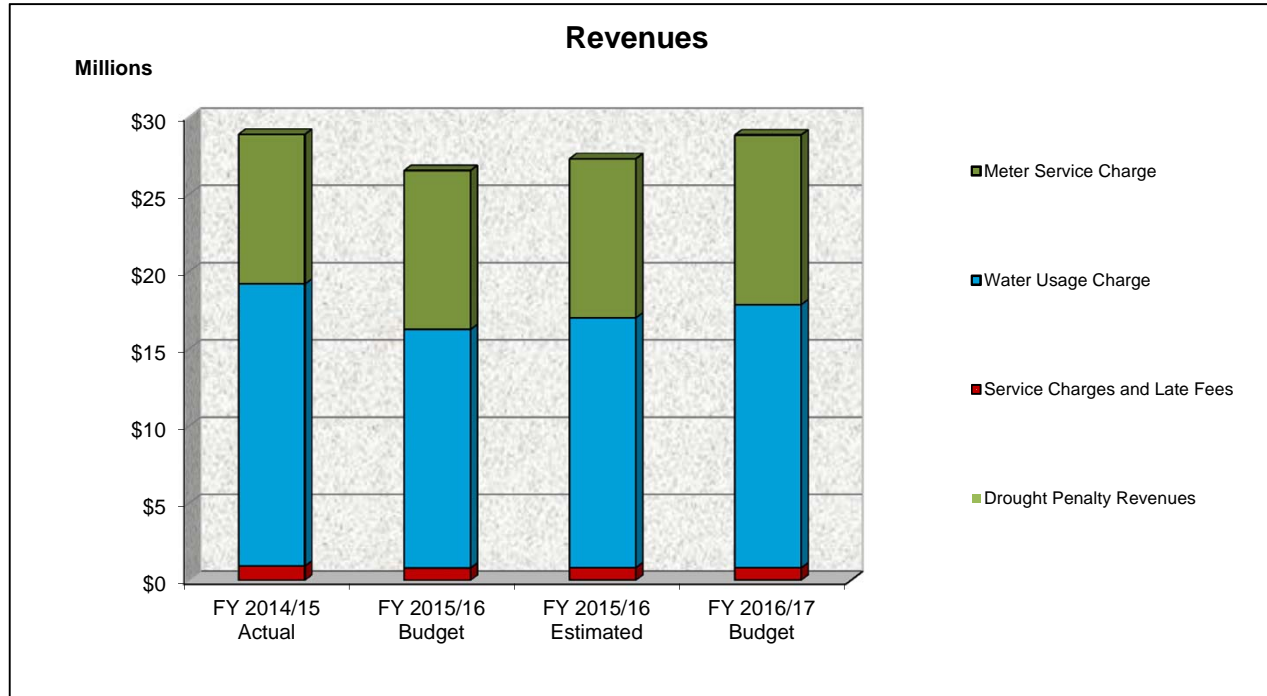
\*Defeasance (prepay) FY 2016/17 principal of 2010B COP (\$285,000) and 2011A Revenue Bonds (\$2,230,000) and the associated interest of \$5,700 and \$44,600 respectively. FY 2015/16 Budget will be amended as shown if the Board approves the Defeasance agreements on May 11, 2016.

**Santa Clarita Water Division  
Fund Balance Summary  
FY 2016/17 Budget**



**Santa Clarita Water Division  
Operating Revenues  
FY 2016/17 Budget**

<b>Operating Revenues</b>	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Budget</b>	<b>FY 2015/16 Estimated</b>	<b>FY 2016/17 Budget</b>
Meter Service Charge	\$ 9,673,124	\$ 10,274,700	\$ 10,282,467	\$ 10,967,300
Water Usage Charge	18,270,306	15,460,600	16,182,309	17,058,500
Service Charges and Late Fees	929,431	800,000	820,774	800,000
Drought Penalty Revenues	-	-	13,600	15,000
<b>Total Operating Revenues</b>	<b>\$ 28,872,861</b>	<b>\$ 26,535,300</b>	<b>\$ 27,299,150</b>	<b>\$ 28,840,800</b>





**Santa Clarita Water Division  
Revenues  
FY 2015/16 Budget vs FY 2016/17 Budget**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Budget</b>	<b>FY 2016/17 Budget</b>	<b>Change from FY 2015/16 Budget</b>	<b>% Change</b>	
<b><u>Operating Revenues</u></b>						*
Meter Service Charge	\$ 9,898,700	\$ 10,274,700	\$ 10,967,300	\$ 692,600	7%	
Water Usage Charge	19,542,300	15,460,600	17,058,500	1,597,900	10%	A
Service Charges and Late Fees	700,000	800,000	800,000	-	0%	
Drought Penalty Revenues	N/A	-	15,000	15,000		
<b>Total Operating Revenues</b>	<b>\$ 30,141,000</b>	<b>\$ 26,535,300</b>	<b>\$ 28,840,800</b>	<b>\$ 2,305,500</b>	<b>9%</b>	

*Growth budgeted at 200 new services*

\* Changes of more than 10% and more than \$20,000.

FY 2016/17 Budget compared to FY 2015/16 Budget:

A. Water Usage Charge increases \$1,597,900, or 10%, due to anticipated 1.6 percent growth and increased consumption due to SWRCB revised conservation target from 32 percent to 28 percent effective March 1, 2016.

**Santa Clarita Water Division  
Revenues  
FY 2015/16 Estimated vs. FY 2016/17 Budget**

**Operating Revenues**

Meter Service Charge  
Water Usage Charge  
Service Charges and Late Fees  
Drought Penalty Revenues  
**Total Operating Revenues**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Budget</b>	<b>FY 2015/16 Estimated</b>	<b>FY 2016/17 Budget</b>	<b>Change from FY 2015/16 Estimated</b>	<b>% Change</b> *
Meter Service Charge	\$ 9,673,124	\$ 10,274,700	\$ 10,282,467	\$ 10,967,300	\$ 684,833	7%
Water Usage Charge	18,270,306	15,460,600	16,182,309	17,058,500	876,191	5%
Service Charges and Late Fees	929,431	800,000	820,774	800,000	(20,774)	-3%
Drought Penalty Revenues	N/A	-	13,600	15,000	1,400	10%
<b>Total Operating Revenues</b>	<b>\$ 28,872,861</b>	<b>\$ 26,535,300</b>	<b>\$ 27,299,150</b>	<b>\$ 28,840,800</b>	<b>\$ 1,541,650</b>	<b>6%</b>

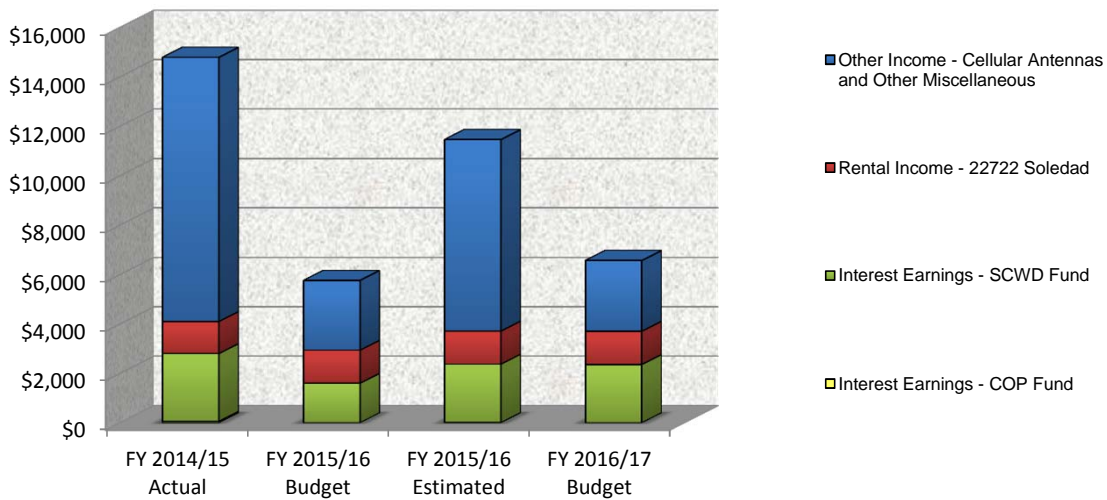
*Growth budgeted at 200 new services*

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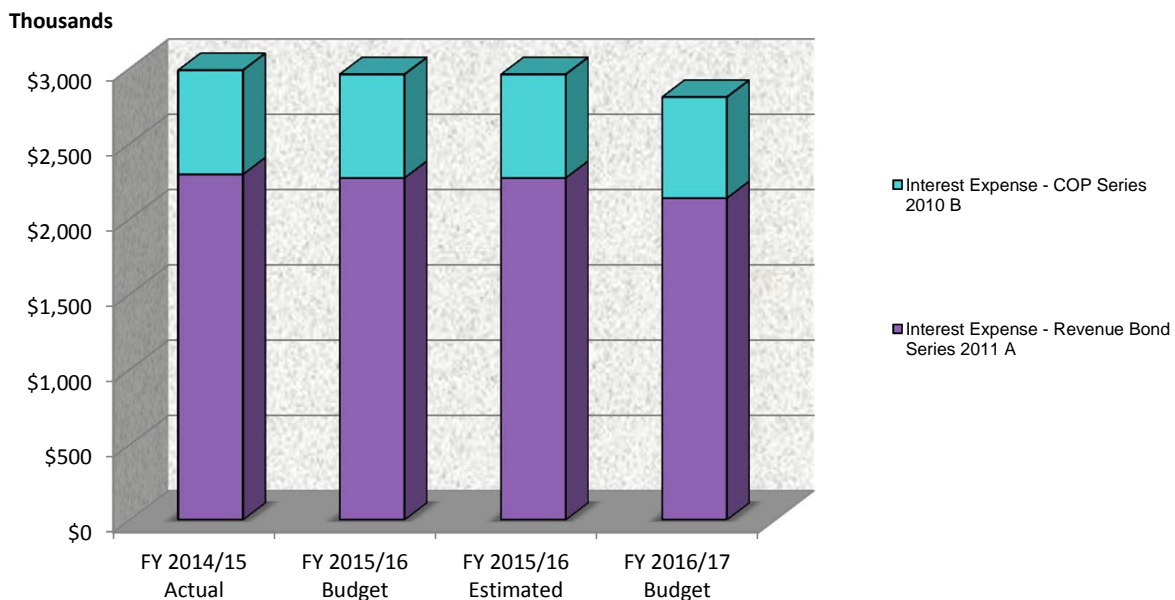
**Santa Clarita Water Division  
Non-Operating Revenue/(Expense)  
FY 2016/17 Budget**

Non-Operating Revenue/(Expense)	FY 2014/15 Actual	FY 2015/16 Budget	FY 2015/16 Estimated	FY 2016/17 Budget
Other Income - Cellular Antenna Rental and Miscellaneous	\$ 1,068,316	\$ 282,000	\$ 774,518	\$ 286,000
Rental Income - 22722 Soledad Canyon Road Office Building	130,159	134,100	134,062	134,400
Interest Earnings - SCWD Fund	273,759	160,000	236,743	236,000
Interest Earnings - COP Fund	6,392	-	618	-
Interest Expense - COP Series 2010 B (Capital Projects)	(691,459)	(687,688)	(687,683)	(670,588)
Interest Expense - Revenue Bond Series 2011 A (Retail Acquisition)	(2,296,037)	(2,272,313)	(2,272,299)	(2,138,513)
<b>Total Non-Operating, Net</b>	<b>\$ (1,508,870)</b>	<b>\$ (2,383,900)</b>	<b>\$ (1,814,041)</b>	<b>\$ (2,152,701)</b>

**Non-Operating Revenue**



**Non-Operating Expense**



**Santa Clarita Water Division**  
**Non-Operating Revenue/(Expense)**  
**FY 2015/16 Budget vs. FY 2016/17 Budget**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Budget</b>	<b>FY 2016/17 Budget</b>	<b>Change from FY 2015/16 Budget</b>	<b>% Change</b>	*
<b><u>Non-Operating Revenue/(Expense)</u></b>						
Other Income - Cellular Antenna Rental and Miscellaneous	\$ 1,068,316	\$ 282,000	\$ 286,000	\$ 4,000	1%	
Rental Income - 22722 Soledad Canyon Road Office Building	130,159	134,100	134,400	300	0%	
Interest Earnings - SCWD Fund	273,759	160,000	236,000	76,000	48%	A
Interest Earnings - COP Fund	6,392	-	-	-		
Interest Expense - COP Series 2010 B (Capital Projects)	(691,459)	(687,688)	(670,588)	17,100	-2%	
Interest Expense - Revenue Bond Series 2011 A (Retail Acquisition)	(2,296,037)	(2,272,313)	(2,138,513)	133,800	-6%	
<b>Total Non-Operating, Net</b>	<b>\$ (1,508,870)</b>	<b>\$ (2,383,900)</b>	<b>\$ (2,152,701)</b>	<b>\$ 231,199</b>	<b>-10%</b>	

Changes of more than 10% and more than \$20,000.

FY 2016/17 Budget compared to FY 2015/16 Budget:

A. Interest Earnings - SCWD Fund increases by \$76,000, or 48%, based on prior year estimated actual.

**Santa Clarita Water Division**  
**Non-Operating Revenue/(Expense)**  
**FY 2015/16 Estimated vs. FY 2016/17 Budget**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Estimated</b>	<b>FY 2016/17 Budget</b>	<b>Change from FY 2015/16 Estimated</b>	<b>% Change</b>	
<b><u>Non-Operating Revenue/(Expense)</u></b>						
Other Income - Cellular Antenna Rental and Miscellaneous	\$ 1,068,316	\$ 774,518	\$ 286,000	\$ (488,518)	-63%	B
Rental Income - 22722 Soledad Canyon Road Office Building	130,159	134,062	134,400	338	0%	
Interest Earnings - SCWD Fund	273,759	236,743	236,000	(743)	0%	
Interest Earnings - COP Fund	6,392	618	-	(618)	-100%	
Interest Expense - COP Series 2010 B (Capital Projects)	(691,459)	(687,683)	(670,588)	17,095	-2%	
Interest Expense - Revenue Bond Series 2011 A (Retail Acquisition)	(2,296,037)	(2,272,299)	(2,138,513)	133,786	-6%	
<b>Total Non-Operating, Net</b>	<b>\$ (1,508,870)</b>	<b>\$ (1,814,041)</b>	<b>\$ (2,152,701)</b>	<b>\$ (338,660)</b>	<b>19%</b>	

\* Changes of more than 10% and more than \$20,000.

FY 2016/17 Budget compared to FY 2015/16 Estimated:

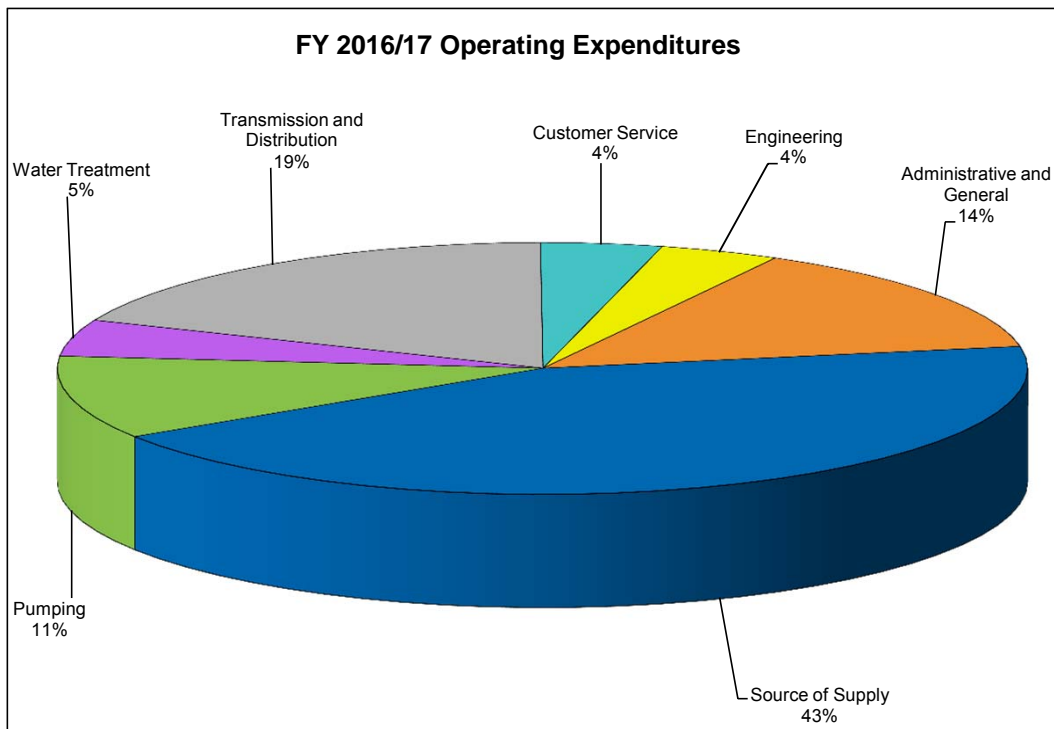
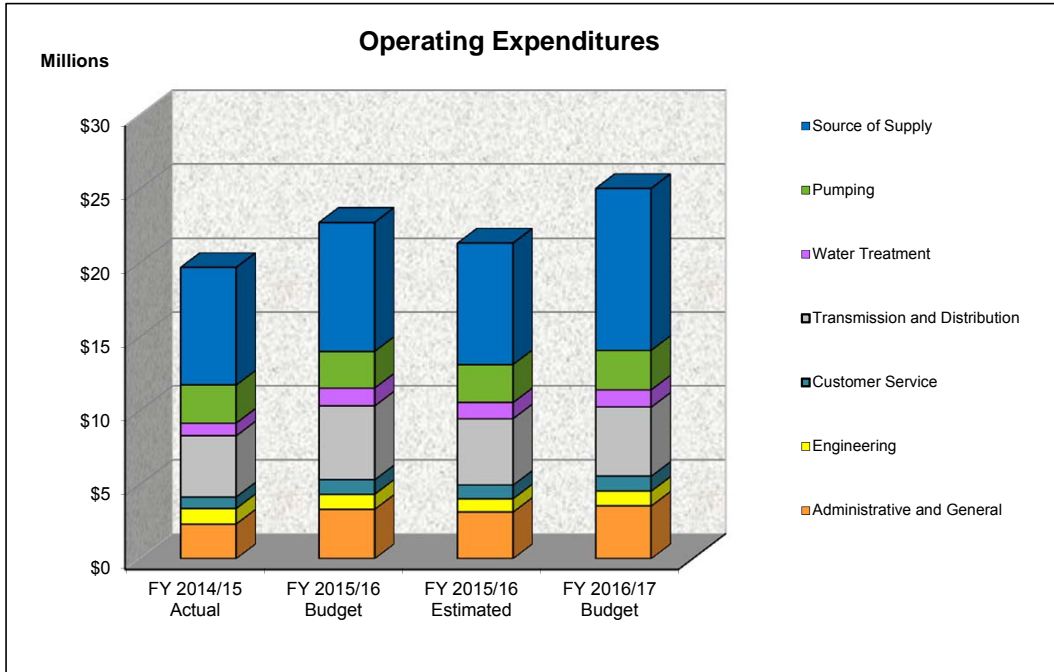
B. Other Income decreases \$488,518, or 63% due to FY 2015/16 included the DWR Grant Reimbursement and a legal settlement.



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**Santa Clarita Water Division  
Operating Expenditure Summary  
FY 2016/17 Budget**

Operating Expenses	FY 2014/15 Actual	FY 2015/16 Budget	FY 2015/16 Estimated	FY 2016/17 Budget
Source of Supply	\$ 7,951,667	\$ 8,709,200	\$ 8,197,289	\$ 10,936,100
Pumping	2,575,959	2,486,700	2,581,840	2,674,400
Water Treatment	862,681	1,213,200	1,090,925	1,178,000
Transmission and Distribution	4,141,445	5,004,800	4,506,577	4,681,300
Customer Service	783,772	977,000	918,509	1,012,800
Engineering	1,048,033	1,018,800	909,177	1,002,900
Administrative and General	2,356,501	3,354,500	3,156,425	3,574,400
<b>Total Operating Expenditures</b>	<b>\$ 19,720,058</b>	<b>\$ 22,764,200</b>	<b>\$ 21,360,742</b>	<b>\$ 25,059,900</b>



**Santa Clarita Water Division  
Operating Expenditure Summary  
FY 2016/17 Budget**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Budget</b>	<b>FY 2015/16 Estimated</b>	<b>FY 2016/17 Budget</b>
<b><u>Source of Supply</u></b>				
Purchased Water	\$ 7,756,432	\$ 8,469,600	\$ 7,989,059	\$ 10,706,000
Labor	102,209	148,100	128,674	141,700
Burden and Benefits	58,655	74,100	64,835	73,000
Transportation	11,908	16,300	13,830	14,500
Materials and Supplies	20,975	100	25	100
Outside Services	800	-	-	-
Other	688	1,000	866	800
<b>Total Source of Supply</b>	<b>\$ 7,951,667</b>	<b>\$ 8,709,200</b>	<b>\$ 8,197,289</b>	<b>\$ 10,936,100</b>
<b><u>Pumping</u></b>				
Power for Pumping	\$ 1,916,576	\$ 1,592,700	\$ 1,723,736	\$ 1,700,000
Labor	248,695	348,000	308,910	403,600
Burden and Benefits	113,456	173,300	157,744	206,300
Transportation	37,379	41,800	40,697	42,000
Materials and Supplies	76,688	103,200	102,686	105,200
Outside Services	174,118	213,000	229,080	198,000
Other	9,047	14,700	18,987	19,300
<b>Total Pumping</b>	<b>\$ 2,575,959</b>	<b>\$ 2,486,700</b>	<b>\$ 2,581,840</b>	<b>\$ 2,674,400</b>
<b><u>Water Treatment</u></b>				
Chemicals	\$ 65,951	\$ 115,000	\$ 90,892	\$ 95,000
Labor	324,893	459,600	398,229	401,400
Burden and Benefits	164,060	230,900	206,752	205,800
Transportation	47,630	50,300	50,160	50,700
Materials and Supplies	16,675	73,400	69,537	77,500
Outside Services	239,801	280,000	271,461	343,800
Other	3,671	4,000	3,894	3,800
<b>Total Water Treatment</b>	<b>\$ 862,681</b>	<b>\$ 1,213,200</b>	<b>\$ 1,090,925</b>	<b>\$ 1,178,000</b>
<b><u>Transmission and Distribution</u></b>				
Labor	\$ 1,593,989	\$ 2,000,900	\$ 1,715,024	\$ 1,906,200
Burden and Benefits	823,412	1,007,500	835,103	1,029,000
Transportation	175,338	185,700	173,446	180,000
Materials and Supplies	658,725	764,900	752,494	626,600
Outside Services	794,204	924,000	923,765	818,000
Other	95,777	121,800	106,745	121,500
<b>Total Transmission and Distribution</b>	<b>\$ 4,141,445</b>	<b>\$ 5,004,800</b>	<b>\$ 4,506,577</b>	<b>\$ 4,681,300</b>
<b><u>Customer Service</u></b>				
Uncollectibles	\$ 70,392	\$ 80,000	\$ 66,333	\$ 75,000
Labor	351,023	351,400	324,458	332,900
Burden and Benefits	163,225	190,100	183,522	185,200
Transportation	111	-	-	-
Materials and Supplies	136,660	148,400	149,007	172,100
Outside Services	60,041	202,200	190,477	241,000
Other	2,320	4,900	4,712	6,600
<b>Total Customer Service</b>	<b>\$ 783,772</b>	<b>\$ 977,000</b>	<b>\$ 918,509</b>	<b>\$ 1,012,800</b>
<b><u>Engineering</u></b>				
Labor	\$ 355,832	\$ 408,000	\$ 349,006	\$ 462,300
Burden and Benefits	124,148	190,500	156,947	236,200
Transportation	3,840	5,800	5,404	5,800
Materials and Supplies	12,595	20,500	19,620	29,100
Outside Services	542,081	375,700	361,174	243,600
Other	9,537	18,300	17,026	25,900
<b>Total Engineering</b>	<b>\$ 1,048,033</b>	<b>\$ 1,018,800</b>	<b>\$ 909,177</b>	<b>\$ 1,002,900</b>

**Santa Clarita Water Division  
Operating Expenditure Summary  
FY 2016/17 Budget**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Budget</b>	<b>FY 2015/16 Estimated</b>	<b>FY 2016/17 Budget</b>
<b><u>Administrative and General</u></b>				
Labor	\$ 607,368	\$ 763,200	\$ 658,017	\$ 799,200
Burden and Benefits	294,131	380,500	326,608	390,200
Shared Labor/Burden and Benefits from CLWA	515,389	615,500	570,598	620,500
Transportation	6,293	6,500	5,907	6,500
Materials and Supplies	66,909	104,500	102,741	117,000
Outside Services	412,759	784,200	833,922	946,700
Directors Compensation	9,984	12,000	10,184	12,000
Professional Services	194,614	290,300	287,445	305,000
Property, Liability and Retiree Medical Insurance	278,337	368,100	361,728	361,100
Dues and Memberships	44,165	73,400	69,199	60,200
Other	52,479	88,300	61,578	91,400
Administrative and General Transfer Labor	(125,927)	(132,000)	(131,502)	(135,400)
<b>Total Administrative and General</b>	<b>\$ 2,356,501</b>	<b>\$ 3,354,500</b>	<b>\$ 3,156,425</b>	<b>\$ 3,574,400</b>
<b><u>Total Summary</u></b>				
Purchased Water	\$ 7,756,432	\$ 8,469,600	\$ 7,989,059	\$ 10,706,000
Power for Pumping	1,916,576	1,592,700	1,723,736	1,700,000
Chemicals	65,951	115,000	90,892	95,000
Uncollectibles	70,392	80,000	66,333	75,000
Labor	3,584,009	4,479,200	3,882,318	4,447,300
Burden and Benefits	1,741,087	2,246,900	1,931,511	2,325,700
Shared Labor/Burden and Benefits from CLWA	515,389	615,500	570,598	620,500
Transportation	282,499	306,400	289,444	299,500
Materials and Supplies	989,227	1,215,000	1,196,110	1,127,600
Outside Services	2,223,804	2,779,100	2,809,879	2,791,100
Property, Liability and Retiree Medical Insurance	278,337	368,100	361,728	361,100
Dues and Memberships	44,165	73,400	69,199	60,200
Directors Compensation	9,984	12,000	10,184	12,000
Professional Services	194,614	290,300	287,445	305,000
Administrative and General Transfer Labor	(125,927)	(132,000)	(131,502)	(135,400)
Other	173,519	253,000	213,808	269,300
<b>Total Operating Expenditures</b>	<b>\$ 19,720,058</b>	<b>\$ 22,764,200</b>	<b>\$ 21,360,742</b>	<b>\$ 25,059,900</b>

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**Santa Clarita Water Division  
Summary of Personnel Costs  
FY 2016/17 Budget**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Budget</b>	<b>FY 2015/16 Estimated</b>	<b>FY 2016/17 Budget</b>
<b>Source of Supply</b>				
Labor	\$ 102,209	\$ 148,100	\$ 128,674	\$ 141,700
Burden and Benefits	58,655	74,100	64,835	73,000
<b>Pumping</b>				
Labor	\$ 248,695	\$ 348,000	\$ 308,910	\$ 403,600
Burden and Benefits	113,456	173,300	157,744	206,300
<b>Water Treatment</b>				
Labor	\$ 324,893	\$ 459,600	\$ 398,229	\$ 401,400
Burden and Benefits	164,060	230,900	206,752	205,800
<b>Transmission and Distribution</b>				
Labor	\$ 1,593,989	\$ 2,000,900	\$ 1,715,024	\$ 1,906,200
Burden and Benefits	823,412	1,007,500	835,103	1,029,000
<b>Customer Service</b>				
Labor	\$ 351,023	\$ 351,400	\$ 324,458	\$ 332,900
Burden and Benefits	163,225	190,100	183,522	185,200
<b>Engineering</b>				
Labor	\$ 355,832	\$ 408,000	\$ 349,006	\$ 462,300
Burden and Benefits	124,148	190,500	156,947	236,200
<b>Administrative and General</b>				
Labor	\$ 607,368	\$ 763,200	\$ 658,017	\$ 799,200
Shared Labor/Burden and Benefits from CLWA	515,389	615,500	570,598	620,500
Burden and Benefits	294,131	380,500	326,608	390,200
<b>TOTAL</b>				
Labor	\$ 3,584,009	\$ 4,479,200	\$ 3,882,318	\$ 4,447,300
Shared Labor/Burden and Benefits from CLWA*	515,389	615,500	570,598	620,500
Burden and Benefits	1,741,087	2,246,900	1,931,511	2,325,700
<b>Total Personnel Costs</b>	<b>\$ 5,840,485</b>	<b>\$ 7,341,600</b>	<b>\$ 6,384,427</b>	<b>\$ 7,393,500</b>
<b>Burden and Benefits as a % of Salary</b>	<b>48.58%</b>	<b>50.16%</b>	<b>49.75%</b>	<b>52.29%</b>

**\* CLWA Shared Positions Allocation - Labor and Associated Benefits**

Administrative Services Manager	23%
Senior Accounting Technician	46%
Controller	33%
Facilities Maintenance Technician	25%
Human Resources Analyst	46%
Human Resources/Risk Management Supervisor	46%
Human Resources/Risk Management Administrative Technician	46%
Information Technology Technician - Senior	46%
Information Technology Technician	46%
Safety Officer	46%



**Santa Clarita Water Division  
Staff Count  
FY 2016/17 Budget**

<b>Authorized Staff</b>	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Budget</b>	<b>FY 2015/16 Estimated</b>	<b>FY 2016/17 Budget</b>
<b>Retail Administration</b>				
Retail Manager	1	1	1	1
Retail Administrative Officer	1	1	1	1
Executive Assistant	-	1	1	1
Accountant	1	1	1	1
Accounting Technician II	1	1	1	1
Administrative Technician*	0.5	0.5	0.5	0.5
Financial Analyst	1	1	1	1
Conservation Specialist II	-	1	1	1
	<u>5.5</u>	<u>7.5</u>	<u>7.5</u>	<u>7.5</u>
<b>Customer Service</b>				
Customer Service Supervisor	1	1	1	1
Administrative Technician*	0.5	0.5	0.5	0.5
Customer Service Representative II	4	4	4	4
	<u>5.5</u>	<u>5.5</u>	<u>5.5</u>	<u>5.5</u>
<b>Engineering**</b>				
Senior Engineer	1	1	1	1
Civil Engineer	-	1	1	1
Administrative Technician	1	1	1	1
Inspector	2	2	2	2
Engineering Technician II	1	2	2	3
	<u>5</u>	<u>7</u>	<u>7</u>	<u>8</u>
<b>Operations</b>				
Operations Superintendent	1	1	1	1
Administrative Technician	1	2	2	2
Warehouseman/Mechanic	1	1	1	1
Utility Maintenance Supervisor	1	1	1	1
Senior Utility Worker	4	3	3	3
Senior Field Customer Service Representative	-	1	1	1
Field Customer Service Representative II	5	6	6	6
Utility Worker II	9	9	9	9
Production Supervisor	1	1	1	1
Senior Production Operator	2	3	3	3
Production Operator II	6	9	9	9
	<u>31</u>	<u>37</u>	<u>37</u>	<u>37</u>
<b>Total</b>	<b>47</b>	<b>57</b>	<b>57</b>	<b>58</b>

\* Allocation of employee to two Departments.

## Operations Department

### Department Objective:

Maintain Division facilities including wells, boosters, imported water connections, pressure stations, tanks, hydrants, mainlines, service lines, meters, and other appurtenances to provide a reliable source of supply to the Division's customers. Ensure that all water within the system meets stringent water quality standards and regulations through disinfection, monitoring, sampling, and testing.

### Major Accomplishments – FY 2015/16

- ◆ Completed upgrade to North Oaks West Well based on the ARC Flash Study.
- ◆ Completed upgrade to North Oaks East Well based on the ARC Flash Study.
- ◆ Completed the third phase installation of the Automated Meter Reading (AMR) System.
- ◆ Conducted annual tank inspection and maintenance program.
- ◆ Conducted annual well inspection and maintenance program.
- ◆ Install SCADA sensor equipment.
- ◆ Replaced Clark well and Fair Oaks booster meters.

### Major Actions – FY 2016/17

- ◆ Construct upgrades for Clark Well based on the ARC Flash study [1/17]. P1
- ◆ Remove and replace two pressure reducing valve stations located at Placerita Canyon Road and Whites Canyon/Americana [10/16]. P1
- ◆ Complete cement approach/drain across Aqueduct on Mesa Tank road [12/16]. P1
- ◆ Complete the fourth phase installation of the Automated Meter Reading (AMR) System [6/17]. P1
- ◆ Remove and replace site access road at Sky Blue Tank. [4/17]. P2

### Safety

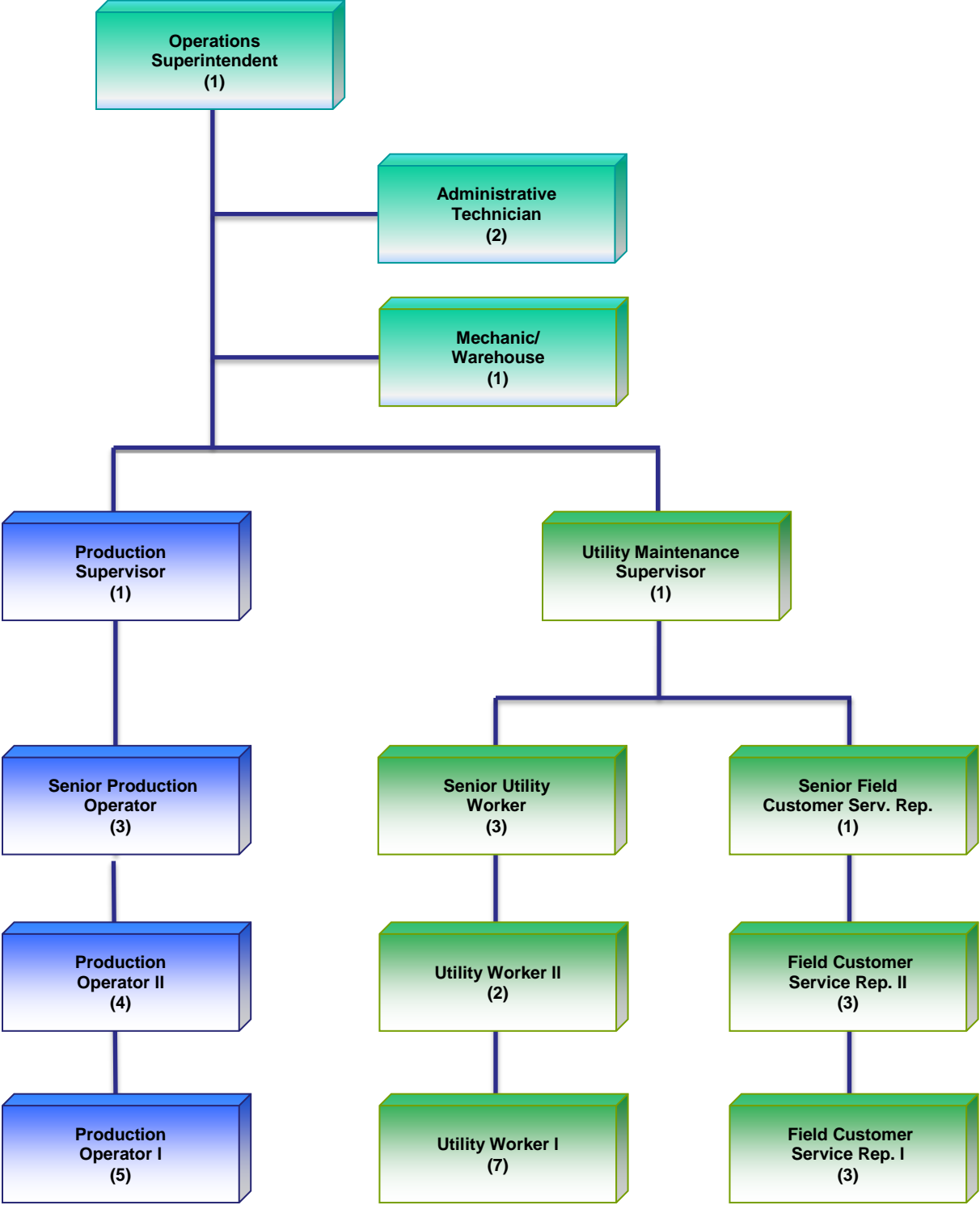
- ◆ Continue to emphasize safety through tailgate and safety meetings [ongoing].

### Long Term Actions

- ◆ *Enhance web-based and social marketing information [ongoing].*
- ◆ *Evaluate and focus SCWD's training and educational seminar attendance with respect to job related requirements [ongoing].*

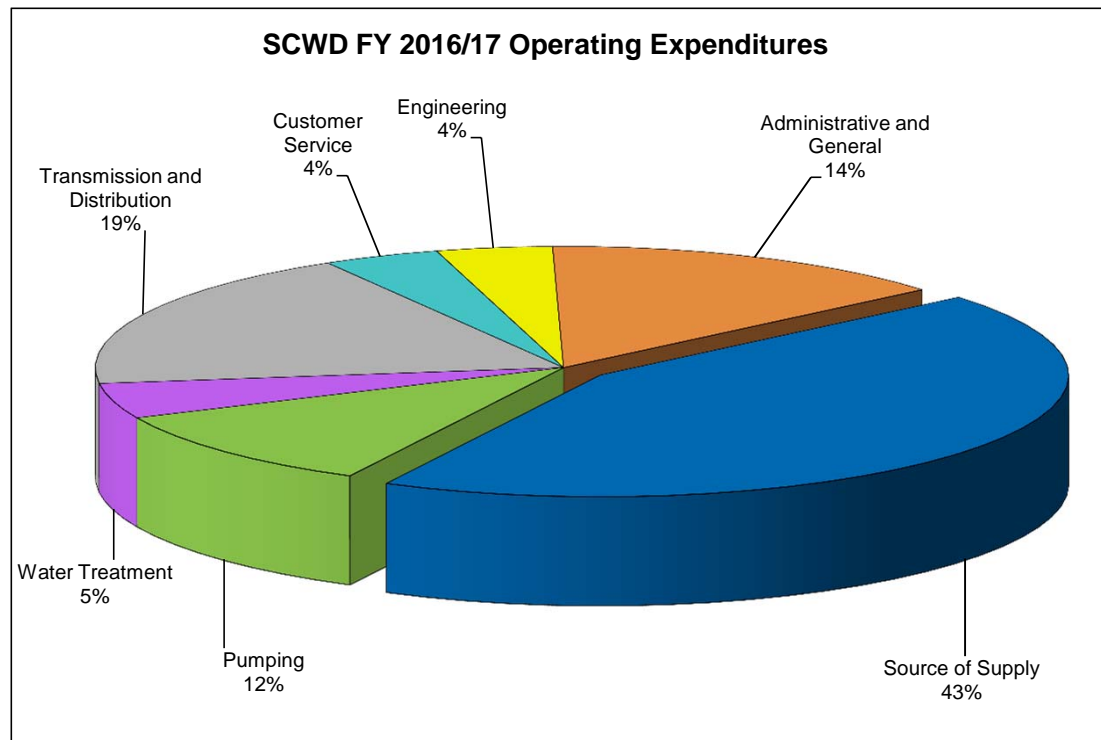
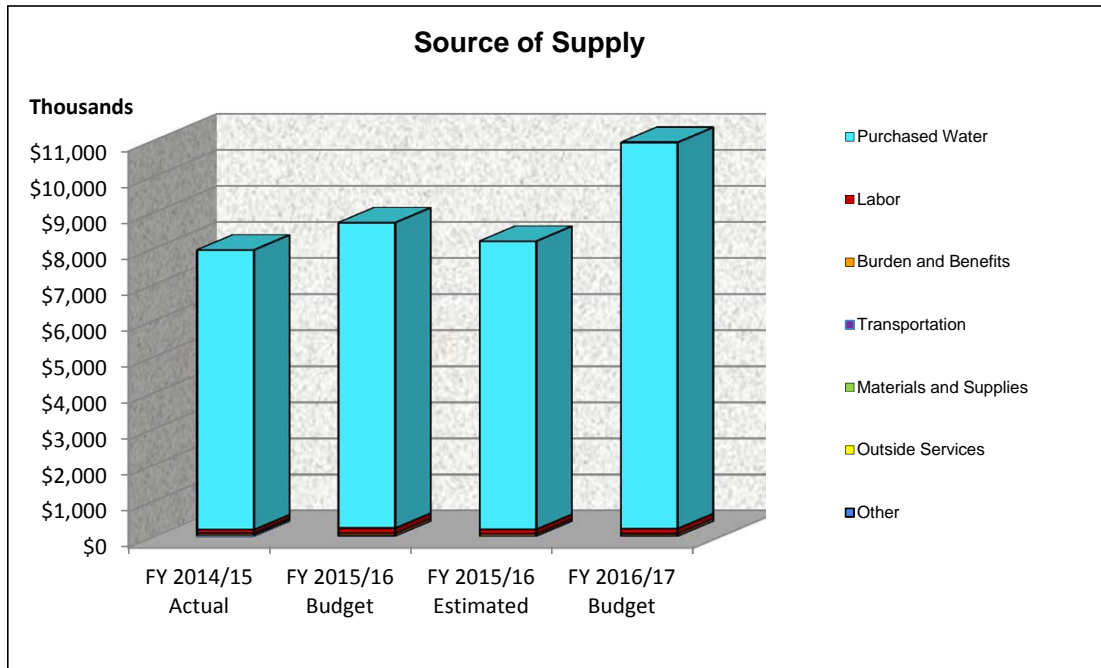
P1, P2 and P3 actions indicate highest, high and normal priority, respectively, and are shown in blue.

# Operations Organizational Chart



**Santa Clarita Water Division  
Source of Supply Expenditures  
FY 2016/17 Budget**

Source of Supply Expenditures	FY 2014/15 Actual	FY 2015/16 Budget	FY 2015/16 Estimated	FY 2016/17 Budget
Purchased Water	\$ 7,756,432	\$ 8,469,600	\$ 7,989,059	\$ 10,706,000
Labor	102,209	148,100	128,674	141,700
Burden and Benefits	58,655	74,100	64,835	73,000
Transportation	11,908	16,300	13,830	14,500
Materials and Supplies	20,975	100	25	100
Outside Services	800	-	-	-
Other	688	1,000	866	800
<b>Total Source of Supply</b>	<b>\$ 7,951,667</b>	<b>\$ 8,709,200</b>	<b>\$ 8,197,289</b>	<b>\$ 10,936,100</b>



**Santa Clarita Water Division**  
**Source of Supply**  
**FY 2015/16 Budget vs. FY 2016/17 Budget**

**Source Of Supply**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Budget</b>	<b>FY 2016/17 Budget</b>	<b>Change from FY 2015/16 Budget</b>	<b>% Change</b>	*
<b>901281501 Operating and Maintenance Expenses</b>						
Purchased Water	\$ 7,756,432	\$ 8,469,600	\$ 10,706,000	\$ 2,236,400	26%	A
Labor	101,901	146,500	140,700	(5,800)	-4%	
Overtime	308	1,600	1,000	(600)	-38%	
Burden and Benefits	58,655	74,100	73,000	(1,100)	-1%	
Transportation	11,908	16,300	14,500	(1,800)	-11%	
Materials and Supplies						
Internal Relations	135	100	100	-		
Office Supplies	-	-	-	-		
Parts and Materials	20,840	-	-	-		
Outside Services						
Outside Services and Contracting	800	-	-	-		
Equipment Repair and Rental	-	-	-	-		
Other						
Cell Phone	-	-	-	-		
Employee Expense	-	100	100	-	0%	
Uniforms	688	900	700	(200)	-22%	
<b>Total Expenses</b>	<b>\$ 7,951,667</b>	<b>\$ 8,709,200</b>	<b>\$ 10,936,100</b>	<b>\$ 2,226,900</b>	<b>26%</b>	

\* Changes of more than 10% and more than \$20,000.

FY 2016/17 Budget compared to FY 2015/16 Budget:

A. Purchased Water increases \$2,236,400, or 26%, due to CLWA's new rate structure and increased operating costs.

**Santa Clarita Water Division**  
**Source of Supply**  
**FY 2015/16 Estimated vs. FY 2016/17 Budget**

**Source Of Supply**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Estimated</b>	<b>FY 2016/17 Budget</b>	<b>Change from FY 2015/16 Estimated</b>	<b>% Change</b>
<b>901281501 Operating and Maintenance Expenses</b>					
Purchased Water	\$ 7,756,432	\$ 7,989,059	\$ 10,706,000	\$ 2,716,941	34% B
Labor	101,901	127,874	140,700	12,826	10%
Overtime	308	800	1,000	200	25%
Burden and Benefits	58,655	64,835	73,000	8,165	13%
Transportation	11,908	13,830	14,500	670	5%
Materials and Supplies					
Internal Relations	135	25	100	75	300%
Office Supplies	-	-	-	-	
Parts and Materials	20,840	-	-	-	
Outside Services					
Outside Services and Contracting	800	-	-	-	
Equipment Repair and Rental	-	-	-	-	
Other					
Cell Phone	-	-	-	-	
Employee Expense	-	50	100	50	100%
Uniforms	688	816	700	(116)	-14%
<b>Total Expenses</b>	<b>\$ 7,951,667</b>	<b>\$ 8,197,289</b>	<b>\$ 10,936,100</b>	<b>\$ 2,738,811</b>	<b>33%</b>

\* Changes of more than 10% and more than \$20,000.

FY 2016/17 Budget compared to FY 2015/16 Estimated:

B. Purchased Water increases \$2,716,941, or 34%, due to CLWA's new rate structure and increased operating costs.



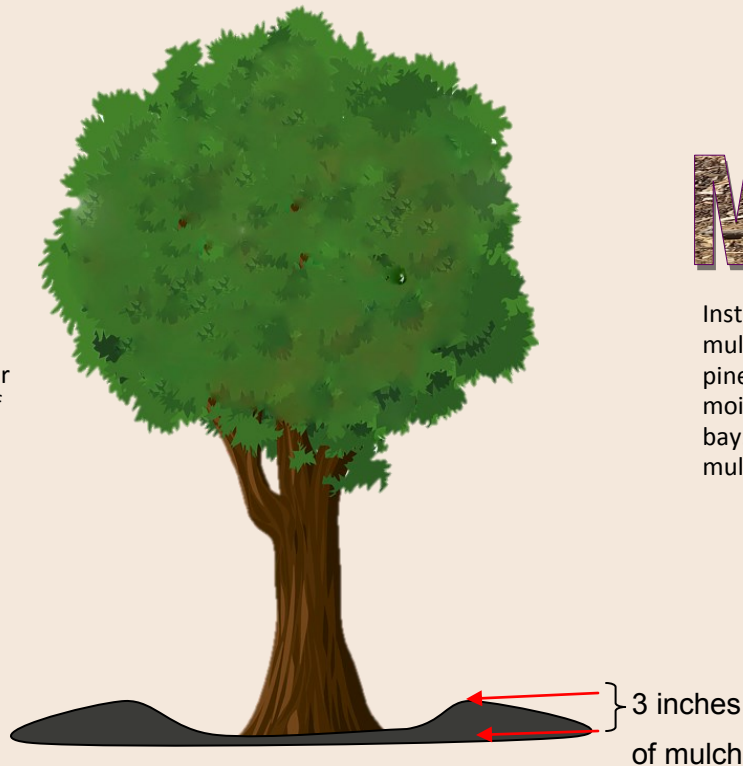
Conservation: *Various* Options for

# Saving Water and Trees

in a Drought

## Water

As a general rule of thumb, slowly apply an inch of irrigation water or enough water to moisten the soil to a depth of 10" or more for mature trees. A common mistake is to apply frequent shallow waterings that don't soak deeply into the soil.



## Mulch

Install a 2" to 3" layer of organic mulch, such as shredded bark or pine straw. This helps conserve moisture and keeps weeds at bay. To prevent rot, don't pile mulch against the trunk.

## ~~Grass~~

Keep a 3' turf free circle around the trunk. Grass growing under trees will intercept much of the water you apply, keeping it from reaching tree roots.

## ~~Pruning~~

Don't do any heavy pruning during a *severe* drought. Do remove broken, diseased, dead or insect-infested branches.



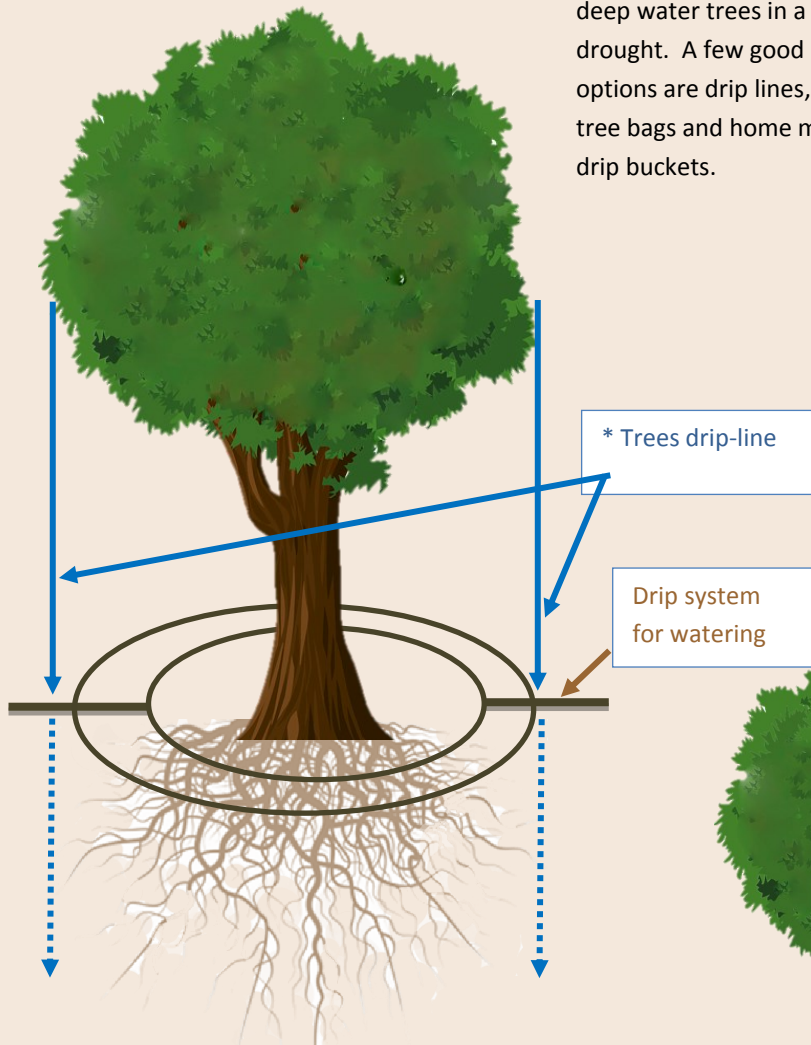
## ~~Fertilizer~~

Generally, drought-stressed trees should not be fertilized. When water supplies are limited, trees naturally slow their growth. Applying fertilizer can cause a flush of new growth that causes the tree to require more water than is available.

# Saving Water and Trees

in a Drought

There are several ways to deep water trees in a drought. A few good options are drip lines, tree bags and home made drip buckets.



Drip systems can be very effective for watering trees by applying water slowly and evenly to the root zone.



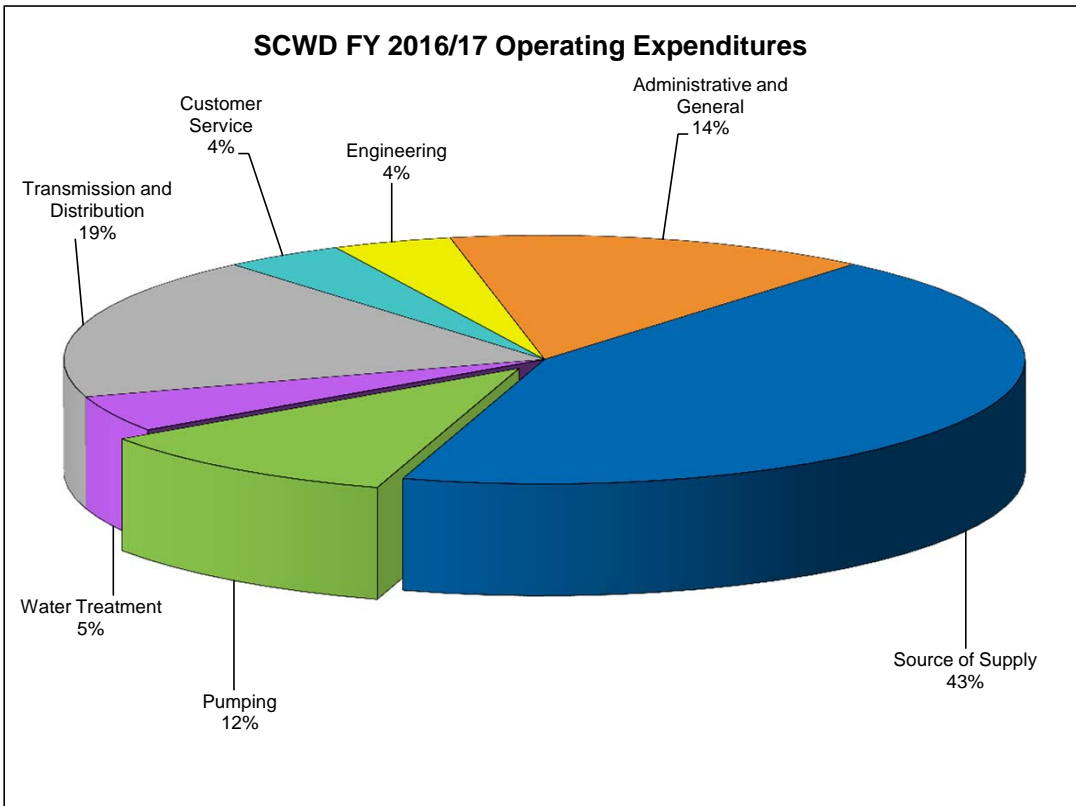
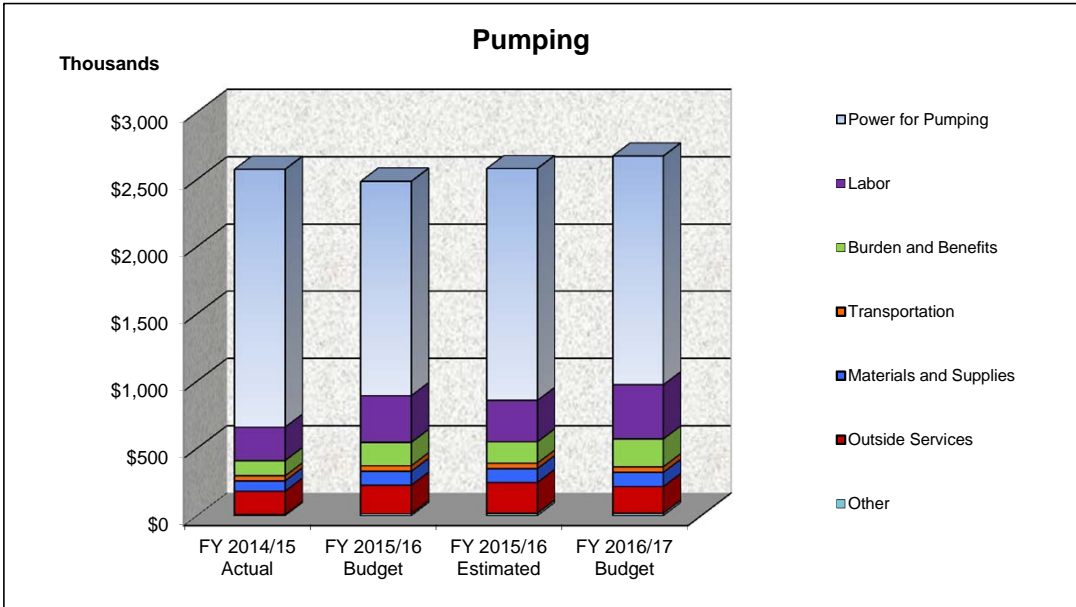
Buckets or Bags—Tree watering bags or tubes are available in stores. They are periodically placed around the base of a tree and filled with a hose. The bags then slowly release 15-25 gallons of water over 5-9 hours. The same slow watering can be accomplished by drilling small holes into the bottom of 5 gallon buckets, placing several of them around the base of a tree, filling them with water and allowing them to drain over several hours.

Whatever watering method you choose must wet at least 50% of the root area. The root area is within the drip-line of the tree (shown above \*).

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**Santa Clarita Water Division  
Pumping Expenditures  
FY 2016/17 Budget**

<b>Pumping Expenditures</b>	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Budget</b>	<b>FY 2015/16 Estimated</b>	<b>FY 2016/17 Budget</b>
Power for Pumping	\$ 1,916,576	\$ 1,592,700	\$ 1,723,736	\$ 1,700,000
Labor	248,695	348,000	308,910	403,600
Burden and Benefits	113,456	173,300	157,744	206,300
Transportation	37,379	41,800	40,697	42,000
Materials and Supplies	76,688	103,200	102,686	105,200
Outside Services	174,118	213,000	229,080	198,000
Other	9,047	14,700	18,987	19,300
<b>Total Pumping</b>	<b>\$ 2,575,959</b>	<b>\$ 2,486,700</b>	<b>\$ 2,581,840</b>	<b>\$ 2,674,400</b>



**Santa Clarita Water Division  
Pumping  
FY 2015/16 Budget vs. FY 2016/17 Budget**

**Pumping**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Budget</b>	<b>FY 2016/17 Budget</b>	<b>Change from FY 2015/16 Budget</b>	<b>% Change</b>	*
<b>901283501 Operating and Maintenance Expenses</b>						
Power	\$ 1,916,576	\$ 1,592,700	\$ 1,700,000	\$ 107,300	7%	
Labor	230,494	330,000	381,100	51,100	15%	A
Overtime	18,201	18,000	22,500	4,500	25%	
Burden and Benefits	113,456	173,300	206,300	33,000	19%	B
Transportation	37,379	41,800	42,000	200	0%	
Materials and Supplies						
Internal Relations	225	200	200	-	0%	
Office Supplies	-	-	-	-		
Parts and Materials	76,463	103,000	105,000	2,000	2%	
Safety Training and Equipment	-	-	-	-		
Small Tools and Power Equipment	-	-	-	-		
Outside Services						
Education and Seminars	-	-	-	-		
Temporary Personnel Services	60,772	-	-	-		
Outside Services and Contracting	111,099	200,000	190,000	(10,000)	-5%	
Equipment Repair and Rental	2,247	13,000	8,000	(5,000)	-38%	
Other						
Cell Phone	-	-	-	-		
Employee Expense	-	200	100	(100)	-50%	
Utilities - SCADA	7,188	12,500	17,400	4,900	39%	
Uniforms	1,859	2,000	1,800	(200)	-10%	
<b>Total Expenses</b>	<b>\$ 2,575,959</b>	<b>\$ 2,486,700</b>	<b>\$ 2,674,400</b>	<b>\$ 187,700</b>	<b>8%</b>	

\* Changes of more than 10% and more than \$20,000.

FY 2016/17 Budget compared to FY 2015/16 Budget:

- A. Labor increases by \$51,100, or 15% due to allocation of staff hours from Water Treatment and full year funding for vacant positions.
- B. Burden and Benefits increase by \$33,000, or 19% due to allocation of staff hours from Water Treatment and full year funding for vacant positions.

**Santa Clarita Water Division  
Pumping  
FY 2015/16 Estimated vs. FY 2016/17 Budget**

**Pumping**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Estimated</b>	<b>FY 2016/17 Budget</b>	<b>Change from FY 2015/16 Estimated</b>	<b>% Change</b>	*
<b>901283501 Operating and Maintenance Expenses</b>						
Power	\$ 1,916,576	\$ 1,723,736	\$ 1,700,000	\$ (23,736)	-1%	
Labor	230,494	288,713	381,100	92,387	32%	C
Overtime	18,201	20,197	22,500	2,303	11%	
Burden and Benefits	113,456	157,744	206,300	48,556	31%	D
Transportation	37,379	40,697	42,000	1,303	3%	
Materials and Supplies						
Internal Relations	225	100	200	100	100%	
Office Supplies	-	-	-	-		
Parts and Materials	76,463	102,586	105,000	2,414	2%	
Safety Training and Equipment	-	-	-	-		
Small Tools and Power Equipment	-	-	-	-		
Outside Services						
Education and Seminars	-	-	-	-		
Temporary Personnel Services	60,772	33,436	-	(33,436)	-100%	E
Outside Services and Contracting	111,099	187,922	190,000	2,078	1%	
Equipment Repair and Rental	2,247	7,722	8,000	278	4%	
Other						
Cell Phone	-	-	-	-		
Employee Expense	-	100	100	-	0%	
Utilities - SCADA	7,188	16,899	17,400	501	3%	
Uniforms	1,859	1,988	1,800	(188)	-9%	
<b>Total Expenses</b>	<b>\$ 2,575,959</b>	<b>\$ 2,581,840</b>	<b>\$ 2,674,400</b>	<b>\$ 92,560</b>	<b>4%</b>	

\* Changes of more than 10% and more than \$20,000.

FY 2016/17 Budget compared to FY 2015/16 Estimated:

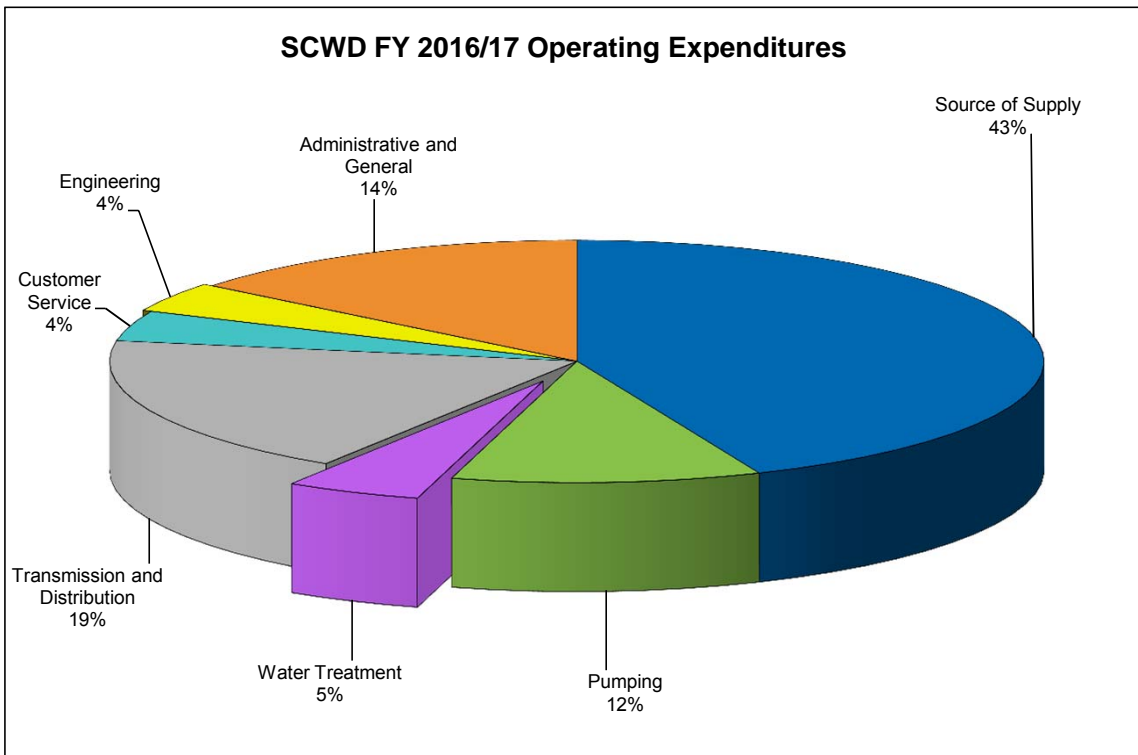
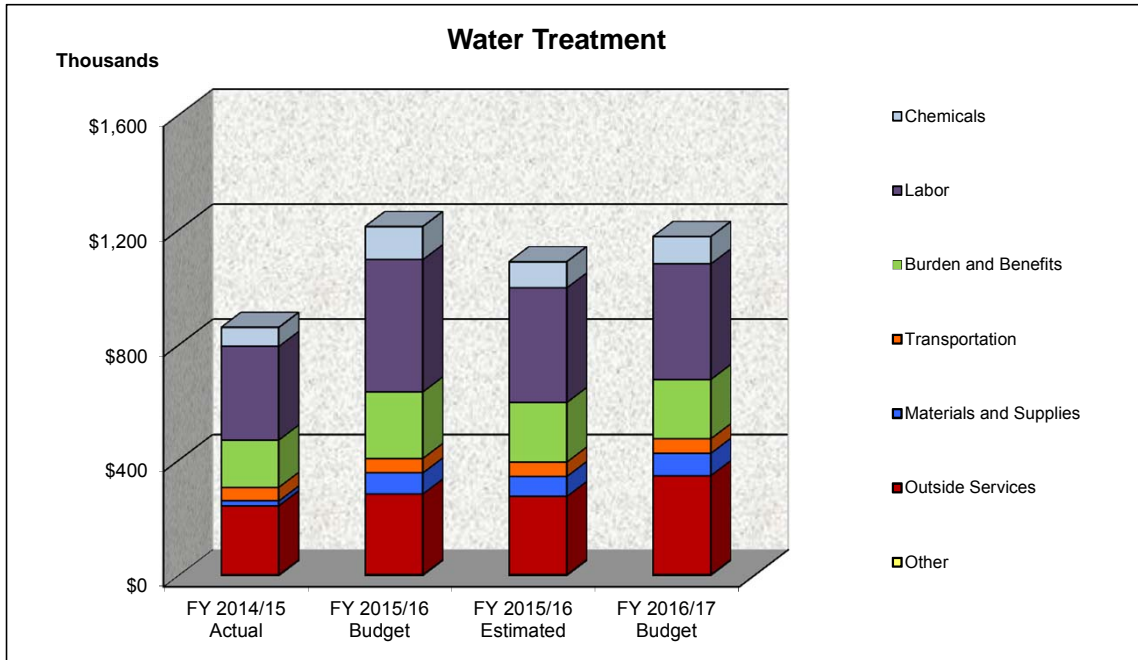
- C. Labor increases by \$92,387, or 32% due to allocation of staff hours from Water Treatment and full year funding for vacant positions.
- D. Burden and Benefits increase by \$48,556, or 31% due to allocation of staff hours from Water Treatment and full year funding for vacant positions.
- E. Temporary Personnel Services decrease by \$33,436, or 100%, due to vacant positions filled.

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**Santa Clarita Water Division  
Water Treatment Expenditures  
FY 2016/17 Budget**

Water Treatment Expenditures	FY 2014/15 Actual	FY 2015/16 Budget	FY 2015/16 Estimated	FY 2016/17 Budget
Chemicals	\$ 65,951	\$ 115,000	\$ 90,892	\$ 95,000
Labor	324,893	459,600	398,229	401,400
Burden and Benefits	164,060	230,900	206,752	205,800
Transportation	47,630	50,300	50,160	50,700
Materials and Supplies	16,675	73,400	69,537	77,500
Outside Services	239,801	280,000	271,461	343,800
Other	3,671	4,000	3,894	3,800
<b>Total Water Treatment</b>	<b>\$ 862,681</b>	<b>\$ 1,213,200</b>	<b>\$ 1,090,925</b>	<b>\$ 1,178,000</b>



**Santa Clarita Water Division**  
**Water Treatment**  
**FY 2015/16 Budget vs. FY 2016/17 Budget**

**Water Treatment**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Budget</b>	<b>FY 2016/17 Budget</b>	<b>Change from FY 2015/16 Budget</b>	<b>% Change</b>	<b>*</b>
<b>901240001 Operating and Maintenance</b>						
Chemicals	\$ 65,951	\$ 115,000	\$ 95,000	\$ (20,000)	-17%	A
Labor	308,840	435,600	380,400	(55,200)	-13%	B
Overtime	16,053	24,000	21,000	(3,000)	-13%	
Burden and Benefits	164,060	230,900	205,800	(25,100)	-11%	C
Transportation	47,630	50,300	50,700	400	1%	
Materials and Supplies						
Internal Relations	646	400	400	-	0%	
Office Supplies	-	-	-	-		
Parts and Materials	16,029	73,000	77,100	4,100	6%	
Safety Training and Equipment	-	-	-	-		
Small Tools and Power Equipment	-	-	-	-		
Outside Services						
Education and Seminars	-	-	-	-		
Temporary Personnel Services	-	-	-	-		
Outside Services and Contracting	125,289	150,000	214,000	64,000	43%	D
Equipment Repair and Rental	114,512	130,000	129,800	(200)	0%	
Other						
Cell Phone	-	-	-	-		
Employee Expense	64	200	200	-	0%	
Uniforms	3,607	3,800	3,600	(200)	-5%	
<b>Total Expenses</b>	<b>\$ 862,681</b>	<b>\$ 1,213,200</b>	<b>\$ 1,178,000</b>	<b>\$ (35,200)</b>	<b>-3%</b>	

\* Changes of more than 10% and more than \$20,000.

FY 2016/17 Budget compared to FY 2015/16 Budget:

- A. Chemicals decrease by \$20,000, or 17%, based on operational improvements in maintaining water quality.
- B. Labor decreases by \$55,200, or 13%, due to allocation of staff hours to Pumping based on estimated actuals from FY 2015/16.
- C. Burden and Benefits decrease by \$25,100, or 11%, due to allocation of staff hours to Pumping based on estimated actuals from FY 2015/16.
- D. Outside Services increases \$64,000, or 43% due to the public water systems annual fee from the SWRCB.

**Santa Clarita Water Division  
Water Treatment  
FY 2015/16 Estimated vs. FY 2016/17 Budget**

**Water Treatment**

**901240001 Operating and Maintenance**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Estimated</b>	<b>FY 2016/17 Budget</b>	<b>Change from FY 2015/16 Estimated</b>	<b>% Change</b>	*
Chemicals	\$ 65,951	\$ 90,892	\$ 95,000	\$ 4,108	5%	
Labor	308,840	377,829	380,400	2,571	1%	
Overtime	16,053	20,400	21,000	600	3%	
Burden and Benefits	164,060	206,752	205,800	(952)	0%	
Transportation	47,630	50,160	50,700	540	1%	
Materials and Supplies						
Internal Relations	646	325	400	75	23%	
Office Supplies	-	-	-	-		
Parts and Materials	16,029	69,212	77,100	7,888	11%	
Safety Training and Equipment	-	-	-	-		
Small Tools and Power Equipment	-	-	-	-		
Outside Services						
Education and Seminars	-	-	-	-		
Temporary Personnel Services	-	-	-	-		
Outside Services and Contracting	125,289	147,725	214,000	66,275	45%	E
Equipment Repair and Rental	114,512	123,736	129,800	6,064	5%	
Other						
Cell Phone	-	-	-	-		
Employee Expense	64	76	200	124	163%	
Uniforms	3,607	3,818	3,600	(218)	-6%	
<b>Total Expenses</b>	<b>\$ 862,681</b>	<b>\$ 1,090,925</b>	<b>\$ 1,178,000</b>	<b>\$ 87,075</b>	<b>8%</b>	

\* Changes of more than 10% and more than \$20,000.

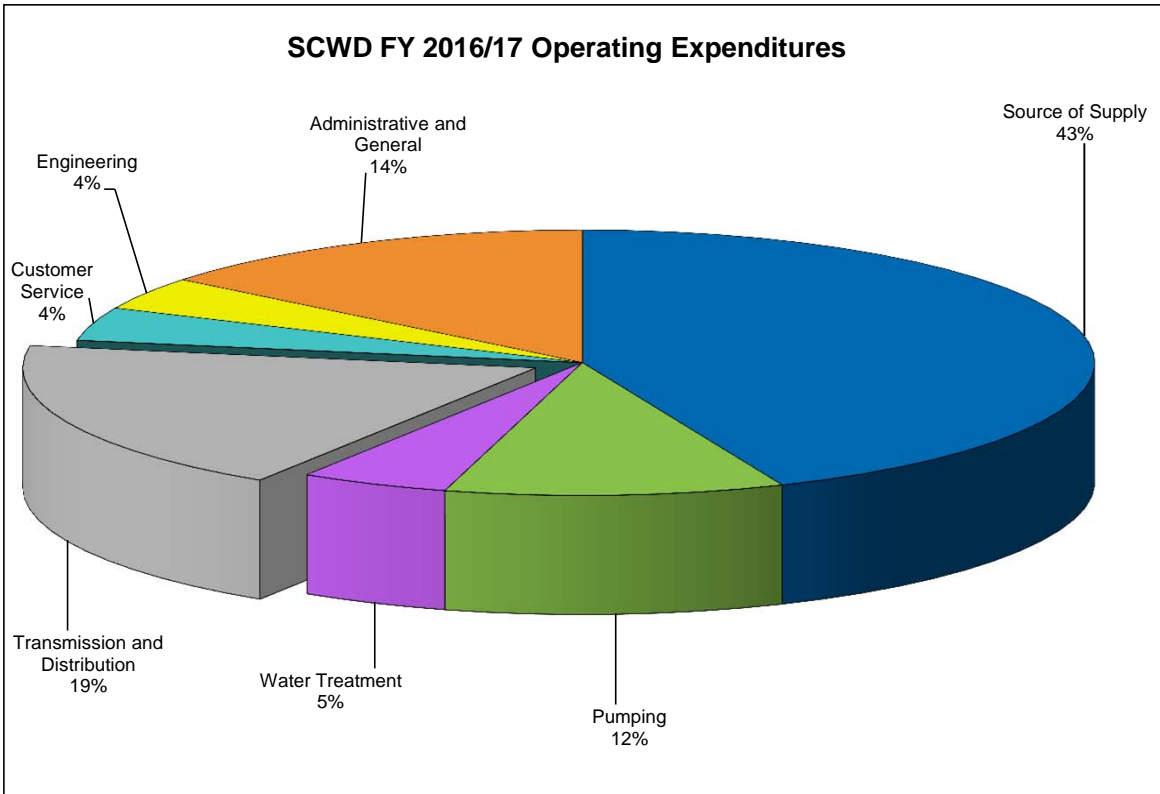
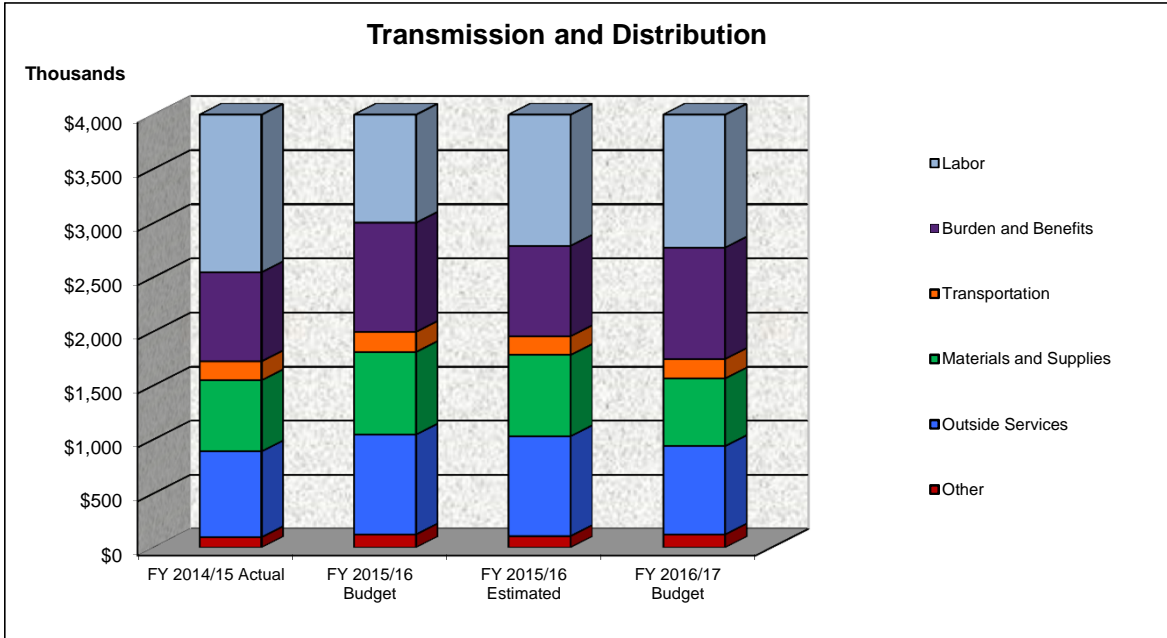
FY 2016/17 Budget compared to FY 2015/16 Estimated:

E. Outside Services increases \$66,275, or 45% due to the public water systems annual fee from the SWRCB.

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**Santa Clarita Water Division  
Transmission and Distribution Expenditures  
FY 2016/17 Budget**

<b>Transmission and Distribution Expenditures</b>	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Budget</b>	<b>FY 2015/16 Estimated</b>	<b>FY 2016/17 Budget</b>
Labor	\$ 1,593,989	\$ 2,000,900	\$ 1,715,024	\$ 1,906,200
Burden and Benefits	823,412	1,007,500	835,103	1,029,000
Transportation	175,338	185,700	173,446	180,000
Materials and Supplies	658,725	764,900	752,494	626,600
Outside Services	794,204	924,000	923,765	818,000
Other	95,777	121,800	106,745	121,500
<b>Total Transmission and Distribution</b>	<b>\$ 4,141,445</b>	<b>\$ 5,004,800</b>	<b>\$ 4,506,577</b>	<b>\$ 4,681,300</b>



**Santa Clarita Water Division  
Transmission and Distribution  
FY 2015/16 Budget vs. FY 2016/17 Budget**

**Transmission and Distribution**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Budget</b>	<b>FY 2016/17 Budget</b>	<b>Change from FY 2015/16 Budget</b>	<b>% Change</b>	*
<b>901282501 Operating and Maintenance Expenses</b>						
Labor	\$ 1,483,550	\$ 1,864,800	\$ 1,781,000	\$ (83,800)	-4%	
Overtime	110,439	136,100	125,200	(10,900)	-8%	
Burden and Benefits	823,412	1,007,500	1,029,000	21,500	2%	
Transportation	175,338	185,700	180,000	(5,700)	-3%	
Materials and Supplies						
Internal Relations	233	400	400	-	0%	
Office Supplies	5,927	22,500	22,500	-	0%	
Parts and Materials	589,557	606,000	450,000	(156,000)	-26%	A
Safety Training and Equipment	33,049	58,500	55,000	(3,500)	-6%	
Small Tools and Power Equipment	29,959	77,500	98,700	21,200	27%	B
Outside Services						
Education and Seminars	16,938	37,500	39,000	1,500	4%	
Temporary Personnel Services	146,446	90,000	-	(90,000)	-100%	C
Outside Services and Contracting	427,924	371,500	354,000	(17,500)	-5%	
Equipment Repair and Rental	2,643	25,000	25,000	-	0%	
Asphalt and Concrete Patch Services	200,253	400,000	400,000	-	0%	
Other						
Utilities - Mobile Devices, Phone, Electricity and Gas	41,634	64,000	62,500	(1,500)	-2%	
Employee Expense	1,696	2,300	4,000	1,700	74%	
Uniforms	12,437	13,500	13,000	(500)	-4%	
Other - Miscellaneous Permits	40,010	42,000	42,000	-	0%	
<b>Total Expenses</b>	<b>\$ 4,141,445</b>	<b>\$ 5,004,800</b>	<b>\$ 4,681,300</b>	<b>\$ (323,500)</b>	<b>-6%</b>	

\* Changes of more than 10% and more than \$20,000.

FY 2016/17 Budget compared to FY 2015/16 Budget:

- A. Parts and Materials decrease by \$156,000, or 26%, due to fewer aged meter replacements scheduled.
- B. Small Tools and Power Equipment increases by \$21,200, or 27%, which includes the addition of leak detection equipment.
- C. Temporary Personnel Services decrease by \$90,000, or 100%, due to vacant positions filled.

**Santa Clarita Water Division  
Transmission and Distribution  
FY 2015/16 Estimated vs. FY 2016/17 Budget**

**Transmission and Distribution**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Estimated</b>	<b>FY 2016/17 Budget</b>	<b>Change from FY 2015/16 Estimated</b>	<b>% Change</b>	*
<b>901282501 Operating and Maintenance Expenses</b>						
Labor	\$ 1,483,550	\$ 1,593,963	\$ 1,781,000	\$ 187,037	12%	D
Overtime	110,439	121,061	125,200	4,139	3%	
Burden and Benefits	823,412	835,103	1,029,000	193,897	23%	E
Transportation	175,338	173,446	180,000	6,554	4%	
Materials and Supplies						
Internal Relations	233	400	400	-	0%	
Office Supplies	5,927	20,712	22,500	1,788	9%	
Parts and Materials	589,557	605,969	450,000	(155,969)	-26%	F
Safety Training and Equipment	33,049	53,185	55,000	1,815	3%	
Small Tools and Power Equipment	29,959	72,228	98,700	26,472	37%	G
Outside Services						
Education and Seminars	16,938	36,805	39,000	2,195	6%	
Temporary Personnel Services	146,446	123,016	-	(123,016)	-100%	H
Outside Services and Contracting	427,924	355,640	354,000	(1,640)	0%	
Equipment Repair and Rental	2,643	24,297	25,000	703	3%	
Asphalt and Concrete Patch Services	200,253	384,007	400,000	15,993	4%	
Other						
Utilities - Mobile Devices, Phone, Electricity and Gas	41,634	60,204	62,500	2,296	4%	
Employee Expense	1,696	3,242	4,000	758	23%	
Uniforms	12,437	13,372	13,000	(372)	-3%	
Other - Miscellaneous Permits	40,010	29,927	42,000	12,073	40%	
<b>Total Expenses</b>	<b>\$ 4,141,445</b>	<b>\$ 4,506,577</b>	<b>\$ 4,681,300</b>	<b>\$ 174,723</b>	<b>4%</b>	

\* Changes of more than 10% and more than \$20,000.

FY 2016/17 Budget compared to FY 2015/16 Estimated:

- D. Labor increases by \$187,037, or 12%, due to full year funding of vacant positions.
- E. Burden and Benefits increase by \$193,897, or 23%, due to full year funding of vacant positions.
- F. Parts and Materials decrease by \$155,969, or 26%, due to fewer aged meter replacements scheduled.
- G. Small Tools and Power Equipment increases by \$26,472, or 37%, which includes the addition of leak detection equipment.
- H. Temporary Personnel Services decrease by \$123,016, or 100%, due to vacant positions filled.



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## Customer Service Department

### Department Objective:

Generate timely billing statements including regular bills, reminder notices and termination notices. Responsible for incoming calls, opening and closing customer accounts. Investigate and resolve customer questions and concerns on a wide variety of service-related issues including billing questions.

### Major Accomplishments – FY 2015/16

- ◆ Implemented second phase of Customer Connect Portal.

### Major Actions – FY 2016/17

- ◆ Implement UB/CIS automation processes [6/17]. P1

### Safety

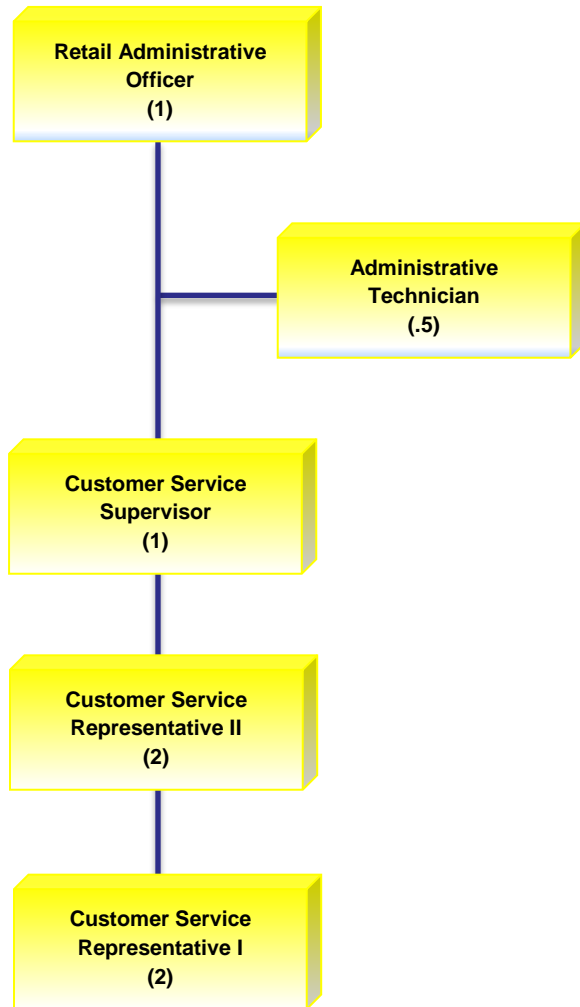
- ◆ Continue to emphasize safety through scheduled safety meetings. [ongoing]

### Long Term Actions

- ◆ *Enhance web-based and social marketing information [ongoing].*
- ◆ *Evaluate and focus SCWD's training and educational seminar attendance with respect to job related requirements [ongoing].*

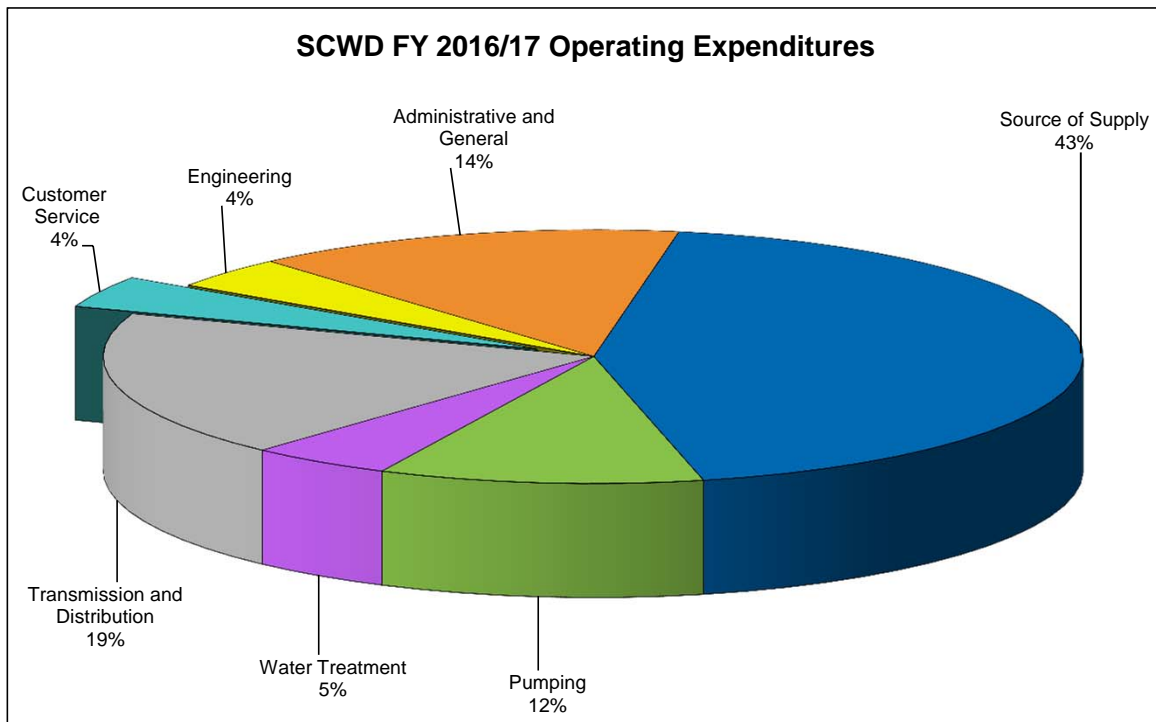
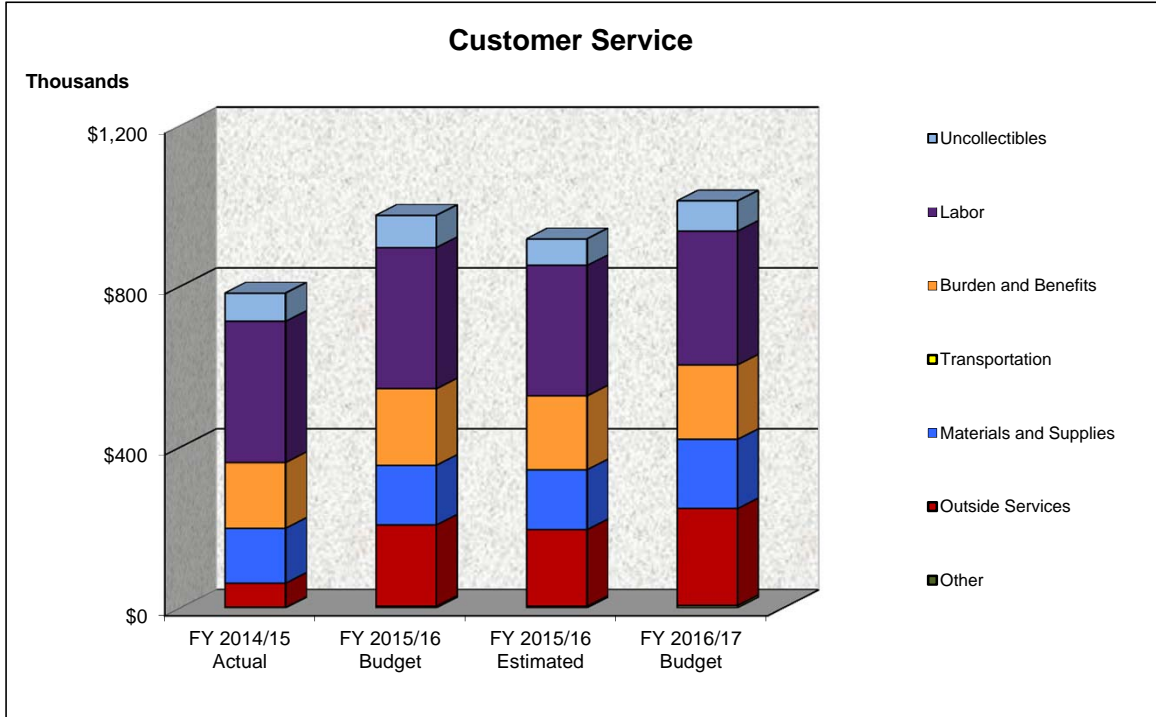
P1, P2 and P3 actions indicate highest, high and normal priority, respectively, and are shown in blue.

## Customer Service Organizational Chart



**Santa Clarita Water Division  
Customer Service Expenditures  
FY 2016/17 Budget**

<b>Customer Service Expenditures</b>	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Budget</b>	<b>FY 2015/16 Estimated</b>	<b>FY 2016/17 Budget</b>
Uncollectibles	\$ 70,392	\$ 80,000	\$ 66,333	\$ 75,000
Labor	351,023	351,400	324,458	332,900
Burden and Benefits	163,225	190,100	183,522	185,200
Transportation	111	-	-	-
Materials and Supplies	136,660	148,400	149,007	172,100
Outside Services	60,041	202,200	190,477	241,000
Other	2,320	4,900	4,712	6,600
<b>Total Customer Service</b>	<b>\$ 783,772</b>	<b>\$ 977,000</b>	<b>\$ 918,509</b>	<b>\$ 1,012,800</b>



**Santa Clarita Water Division  
Customer Service  
FY 2015/16 Budget vs. FY 2016/17 Budget**

**Customer Service**

**901222502 Operating Expenses**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Budget</b>	<b>FY 2016/17 Budget</b>	<b>Change from FY 2015/16 Budget</b>	<b>% Change</b>
Uncollectibles	\$ 70,392	\$ 80,000	\$ 75,000	\$ (5,000)	-6%
Labor	350,715	350,900	332,400	(18,500)	-5%
Overtime	308	500	500	-	0%
Burden and Benefits	163,225	190,100	185,200	(4,900)	-3%
Transportation	111	-	-	-	
Materials and Supplies					
Internal Relations	150	300	300	-	0%
Office Supplies	1,583	5,000	5,800	800	16%
Postage	130,632	132,000	155,000	23,000	17% A
Parts and Materials	4,295	11,100	11,000	(100)	-1%
Outside Services					
Education and Seminars	-	9,200	7,500	(1,700)	-18%
Temporary Personnel Services	-	-	-	-	
Outside Services and Contracting	60,041	193,000	233,500	40,500	21% B
Other					
Cell Phone	2,320	2,600	2,600	-	0%
Employee Expense	-	2,300	4,000	1,700	74%
<b>Total Customer Service</b>	<b>\$ 783,772</b>	<b>\$ 977,000</b>	<b>\$ 1,012,800</b>	<b>\$ 35,800</b>	<b>4%</b>

\* Changes of more than 10% and more than \$20,000.

FY 2016/17 Budget compared to FY 2015/16 Budget:

A. Postage increases by \$23,000, or 17%, mainly due to the additional postage needed for Proposition 218 notices.

B. Outside Services and Contracting increases by \$40,500, or 21%, due to software upgrades for automation.

**Santa Clarita Water Division  
Customer Service  
FY 2015/16 Estimated vs. FY 2016/17 Budget**

**Customer Service**

**901222502 Operating Expenses**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Estimated</b>	<b>FY 2016/17 Budget</b>	<b>Change from FY 2015/16 Estimated</b>	<b>% Change</b> *
Uncollectibles	\$ 70,392	\$ 66,333	\$ 75,000	\$ 8,667	13%
Labor	350,715	324,042	332,400	8,358	3%
Overtime	308	416	500	84	20%
Burden and Benefits	163,225	183,522	185,200	1,678	1%
Transportation	111	-	-	-	
Materials and Supplies					
Internal Relations	150	300	300	-	0%
Office Supplies	1,583	4,450	5,800	1,350	30%
Postage	130,632	133,294	155,000	21,706	16% C
Parts and Materials	4,295	10,963	11,000	37	0%
Outside Services					
Education and Seminars	-	2,992	7,500	4,508	151%
Temporary Personnel Services	-	-	-	-	
Outside Services and Contracting	60,041	187,485	233,500	46,015	25% D
Other					
Cell Phone	2,320	2,532	2,600	68	3%
Employee Expense	-	2,180	4,000	1,820	83%
<b>Total Customer Service</b>	<b>\$ 783,772</b>	<b>\$ 918,509</b>	<b>\$ 1,012,800</b>	<b>\$ 94,291</b>	<b>10%</b>

\* Changes of more than 10% and more than \$20,000.

FY 2016/17 Budget compared to FY 2015/16 Estimated:

C. Postage increases by \$21,706, or 16%, mainly due to the additional postage for Proposition 218 notices.

D. Outside Services and Contracting increases by \$46,015, or 25%, due to software upgrades for automation.

# Commercial and Residential Water Use



Sweep off your driveway, sidewalks and hardscape. New California water rules prohibit hosing down driveways, sidewalks and hardscape. Doing this also saves up to 150 gallons each time.

Reduce runoff and over spray with a quick check and adjustment of spray heads that can save hundreds of gallons a month. New California water rules prohibit over watering your lawn to the point of creating runoff.



Use a hose with an automatic shut-off nozzle for washing cars and watering your garden. You will save water and new California water rules prohibit washing a car or watering without one.



# Commercial and Residential Water Use



Using potable water in decorative water features that do not recirculate is prohibited.



Watering during and within 48 hours of measurable rainfall (1/4 inch or more) is prohibited.



Serving water in a restaurant without it being requested is prohibited.



Use of potable water for irrigation of ornamental turf in road medians is prohibited.

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## Engineering Department

### Department Objectives:

Provide planning, design and construction management of Division capital projects and oversee developer activities to ensure that capital facilities meet division standards.

### Major Accomplishments – FY 2015/16

- ◆ Hired a new Civil Engineer.
- ◆ Completed installation of Luther Drive Pipeline relocation project.
- ◆ Completed design of upgrades for Clark Well based on ARC Flash study.
- ◆ Completed installation of new suction line at Fair Oaks Booster Station.
- ◆ Identified key and strategic alternative water supply sites/locations and potential users in coordination with the Reconnaissance Study with Castaic Lake Water Agency Service Area Water Resources Management Measures.
- ◆ Completed coordination with CLWA in preparing 2015 Urban Water Management Plan.

### Major Actions – FY 2016/17

- ◆ Complete design of new pipeline in Rainbow Glen Drive [12/16]. P1
- ◆ Complete the design and installation of Circle J Pressure Station upgrade [12/16]. P1
- ◆ Coordinate with the CLWA Engineering Department in the update of Recycled Water Master Plan [6/17]. P1
- ◆ Complete design to remove and replace Rainbow Glen/Sierra Highway pressure reducing station [1/17]. P1
- ◆ Implement first phase of GIS by setting up GIS software and converting existing base maps from AutoCAD to a GIS platform [6/17]. P1
- ◆ Complete design and installation of Placerita Booster Pump Station at SC-12 imported water connection [6/17]. P2
- ◆ Purchase and setup water system hydraulic model [6/17]. P2

### Safety

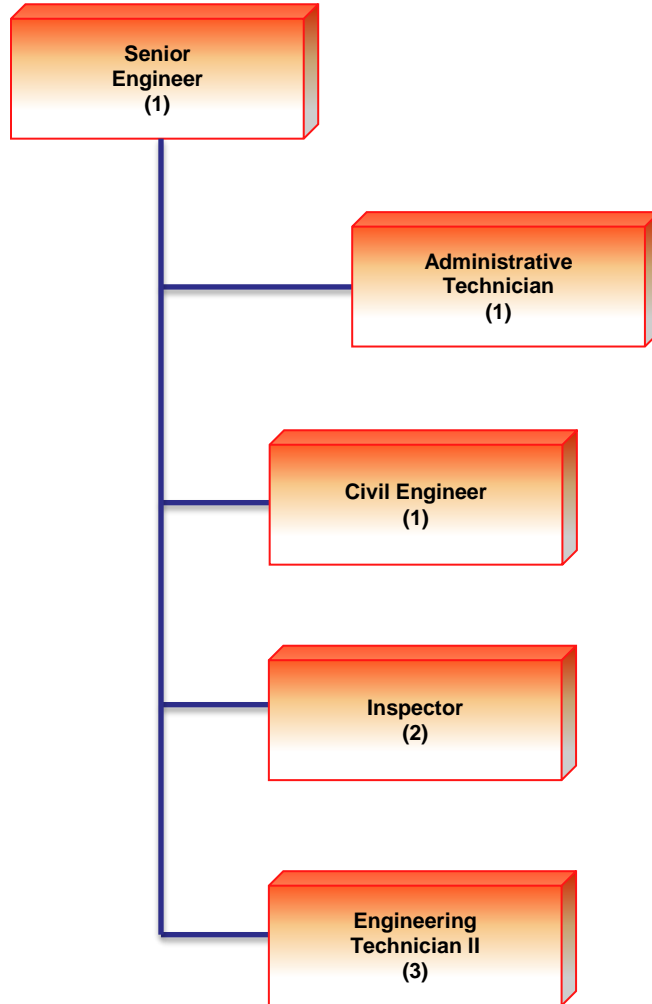
- ◆ Continue to emphasize safety through scheduled safety meetings [ongoing].

### Long Term Actions

- ◆ *Enhance web-based and social marketing information [ongoing].*
- ◆ *Evaluate and focus SCWD's training and educational seminar attendance with respect to job related requirements [ongoing].*

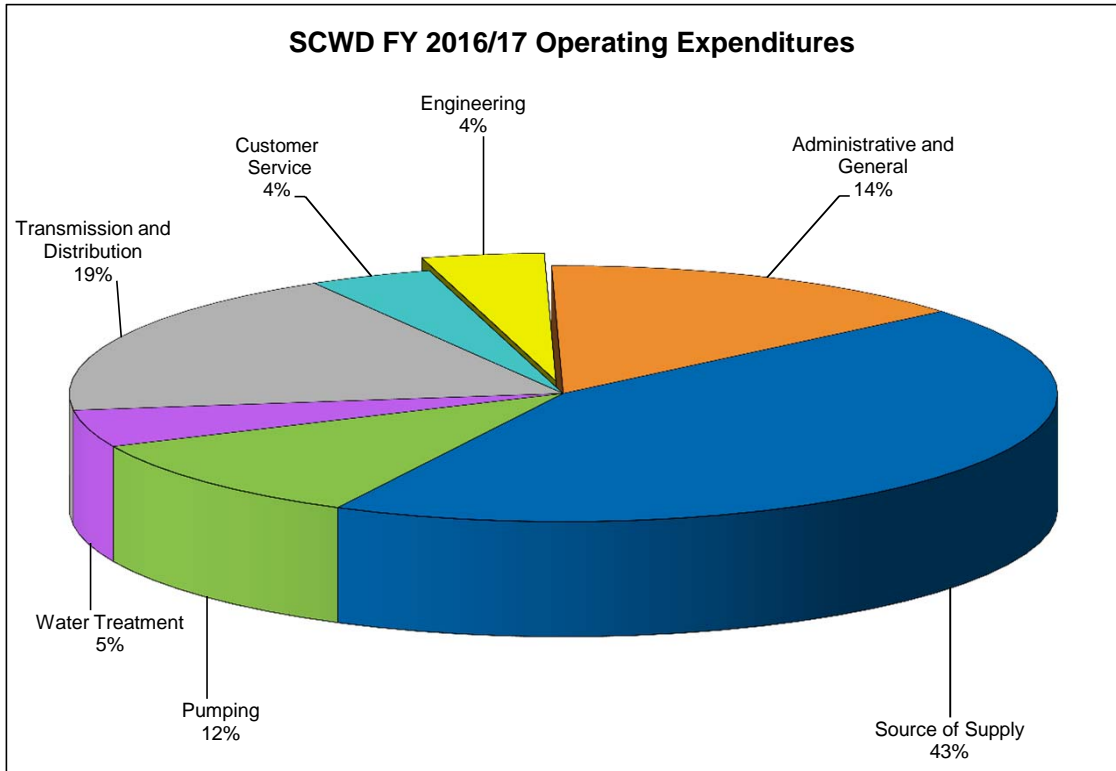
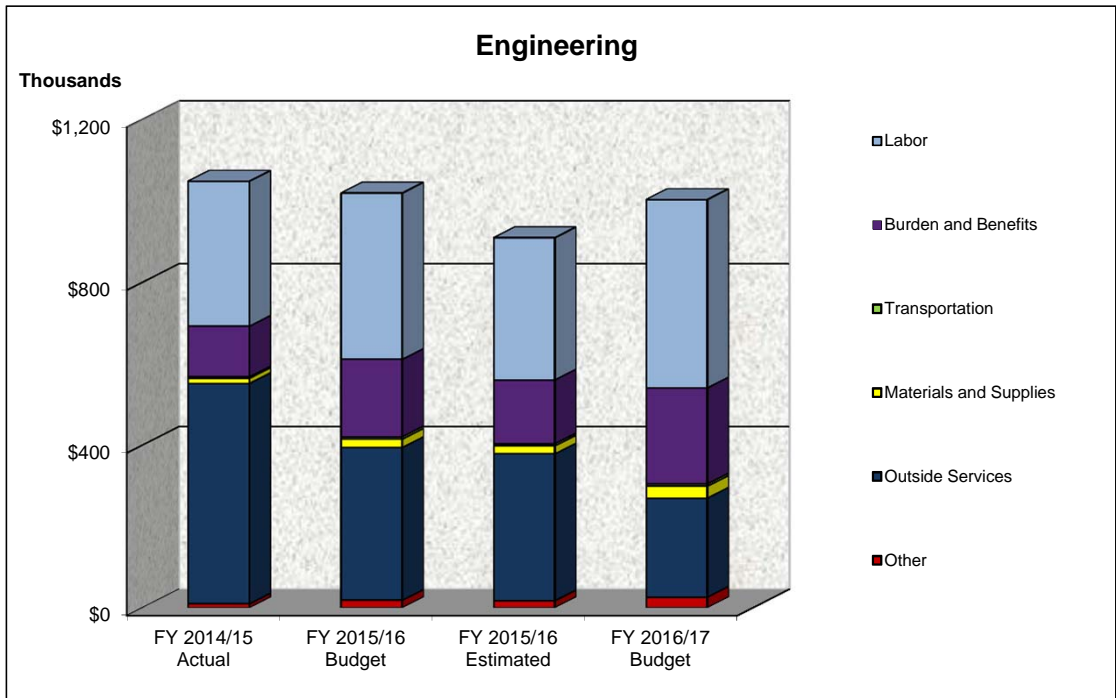
P1, P2 and P3 actions indicate highest, high and normal priority, respectively, and are shown in blue.

## Engineering Organizational Chart



**Santa Clarita Water Division  
Engineering Expenditures  
FY 2016/17 Budget**

Engineering Expenditures	FY 2014/15 Actual	FY 2015/16 Budget	FY 2015/16 Estimated	FY 2016/17 Budget
Labor	\$ 355,832	\$ 408,000	\$ 349,006	\$ 462,300
Burden and Benefits	124,148	190,500	156,947	236,200
Transportation	3,840	5,800	5,404	5,800
Materials and Supplies	12,595	20,500	19,620	29,100
Outside Services	542,081	375,700	361,174	243,600
Other	9,537	18,300	17,026	25,900
<b>Total Engineering</b>	<b>\$ 1,048,033</b>	<b>\$ 1,018,800</b>	<b>\$ 909,177</b>	<b>\$ 1,002,900</b>



**Santa Clarita Water Division  
Engineering  
FY 2015/16 Budget vs. FY 2016/17 Budget**

**Engineering**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Budget</b>	<b>FY 2016/17 Budget</b>	<b>Change from FY 2015/16 Budget</b>	<b>% Change</b>	*
<b>901260001 Operating Expenses</b>						
Labor	\$ 355,832	\$ 408,000	\$ 462,300	\$ 54,300	13%	A
Burden and Benefits	124,148	190,500	236,200	45,700	24%	B
Transportation	3,840	5,800	5,800	-	0%	
Materials and Supplies						
Internal Relations	150	200	300	100	50%	
Office Supplies	2,396	6,000	7,000	1,000	17%	
Postage	-	800	800	-	0%	
Parts and Materials	10,049	13,500	21,000	7,500	56%	
Outside Services						
Education and Seminars	2,613	20,400	29,600	9,200	45%	
Temporary Personnel Services	82,420	-	-	-		
Outside Services and Contracting	455,363	351,000	205,000	(146,000)	-42%	C
Office Equipment Repair	1,685	4,300	9,000	4,700	109%	
Other						
Cell Phone	1,560	1,600	3,100	1,500	94%	
Dues and Memberships	2,454	6,700	5,500	(1,200)	-18%	
Employee Expense	5,523	10,000	17,300	7,300	73%	
<b>Total Engineering</b>	<b>\$ 1,048,033</b>	<b>\$ 1,018,800</b>	<b>\$ 1,002,900</b>	<b>\$ (15,900)</b>	<b>-2%</b>	

\* Changes of more than 10% and more than \$20,000.

FY 2016/17 Budget compared to FY 2015/16 Budget:

- A. Labor increases by \$54,300, or 13%, due to the addition of an Engineering Technician I and full year funding for one vacant position.
- B. Burden and Benefits increase by \$45,700, or 24%, due to the addition of an Engineering Technician I and full year funding for one vacant position.
- C. Outside Services and Contracting decrease by \$146,000, or 42%, due to more work done in-house.

**Santa Clarita Water Division  
Engineering  
FY 2015/16 Estimated vs. FY 2016/17 Budget**

**Engineering**

**901260001 Operating Expenses**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Estimated</b>	<b>FY 2016/17 Budget</b>	<b>Change from FY 2015/16 Estimated</b>	<b>% Change</b>	
Labor	\$ 355,832	\$ 349,006	\$ 462,300	\$ 113,294	32%	D
Burden and Benefits	124,148	156,947	236,200	79,253	50%	E
Transportation	3,840	5,404	5,800	396	7%	
Materials and Supplies						
Internal Relations	150	200	300	100	50%	
Office Supplies	2,396	5,613	7,000	1,387	25%	
Postage	-	399	800	401	101%	
Parts and Materials	10,049	13,408	21,000	7,592	57%	
Outside Services						
Education and Seminars	2,613	18,110	29,600	11,490	63%	
Temporary Personnel Services	82,420	4,915	-	(4,915)	-100%	
Outside Services and Contracting	455,363	344,666	205,000	(139,666)	-41%	F
Office Equipment Repair	1,685	(6,517)	9,000	15,517	-238%	
Other						
Cell Phone	1,560	1,582	3,100	1,518	96%	
Dues and Memberships	2,454	5,959	5,500	(459)	-8%	
Employee Expense	5,523	9,485	17,300	7,815	82%	
<b>Total Engineering</b>	<b>\$ 1,048,033</b>	<b>\$ 909,177</b>	<b>\$ 1,002,900</b>	<b>\$ 93,723</b>	<b>10%</b>	

\* Changes of more than 10% and more than \$20,000.

FY 2016/17 Budget compared to FY 2015/16 Estimated:

- D. Labor increases by \$113,294, or 32%, due to the addition of an Engineering Technician I and full year funding for one vacant position.
- E. Burden and Benefits increase by \$79,253, or 50%, due to the addition of an Engineering Technician I and full year funding for one vacant position.
- F. Outside Services and Contracting decrease by \$139,666, or 41%, due to more work done in-house.



Conservation Garden Ideas:

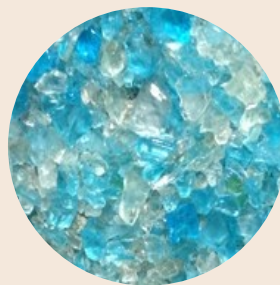
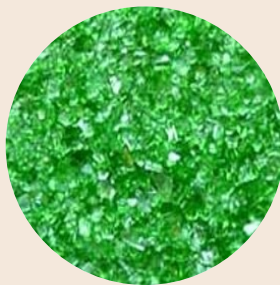
# Colored Stone and Glass



The rock garden above has a mix of mulch and stone. Other options for even more color are illustrated below:



Colored stone shown above and colored tumbled glass shown below, come in a variety shapes, sizes and colors.



## Administrative and General Department

### Department Objective:

Direct and communicate activities of the Division and provide support to the Retail Operations Committee. Maintain proactive, strategic and budgetary financial direction for the Division to ensure internal financial controls and accurate financial reporting according to Generally Accepted Accounting Practices and Procedures.

### Major Accomplishments – FY 2015/16

- ◆ Received the Distinguished Budget Presentation Award from the Government Finance Officer Association for FY 2015/16 (fifth consecutive year).
- ◆ Received the Excellence Award in Operating Budget FY 2015/16 from the California Society of Finance Officers (fifth consecutive year).
- ◆ Implemented a 3.5% rate increase effective January 1, 2016.

### Major Actions – FY 2016/17

- ◆ Complete Capacity Fee Study [10/16]. P1
- ◆ Complete Cost of Service Rate Study [6/17]. P1
- ◆ Implement approved rate increase [1/17]. P1
- ◆ Implement revised capacity fees [1/17]. P1
- ◆ Evaluate current Reserve Fund Policy [6/17]. P1
- ◆ Review financial policies to ensure compliance or provide recommendations for revision if necessary [6/17]. P2
- ◆ Monitor revenue impact of vigorous water conservation performance as a result of the new SWRCB conservation requirements and SCWD's self-certification [ongoing].
- ◆ Ensure the Department and capital budgets are appropriately expended by actively managing and controlling expenditures [ongoing].

### Safety

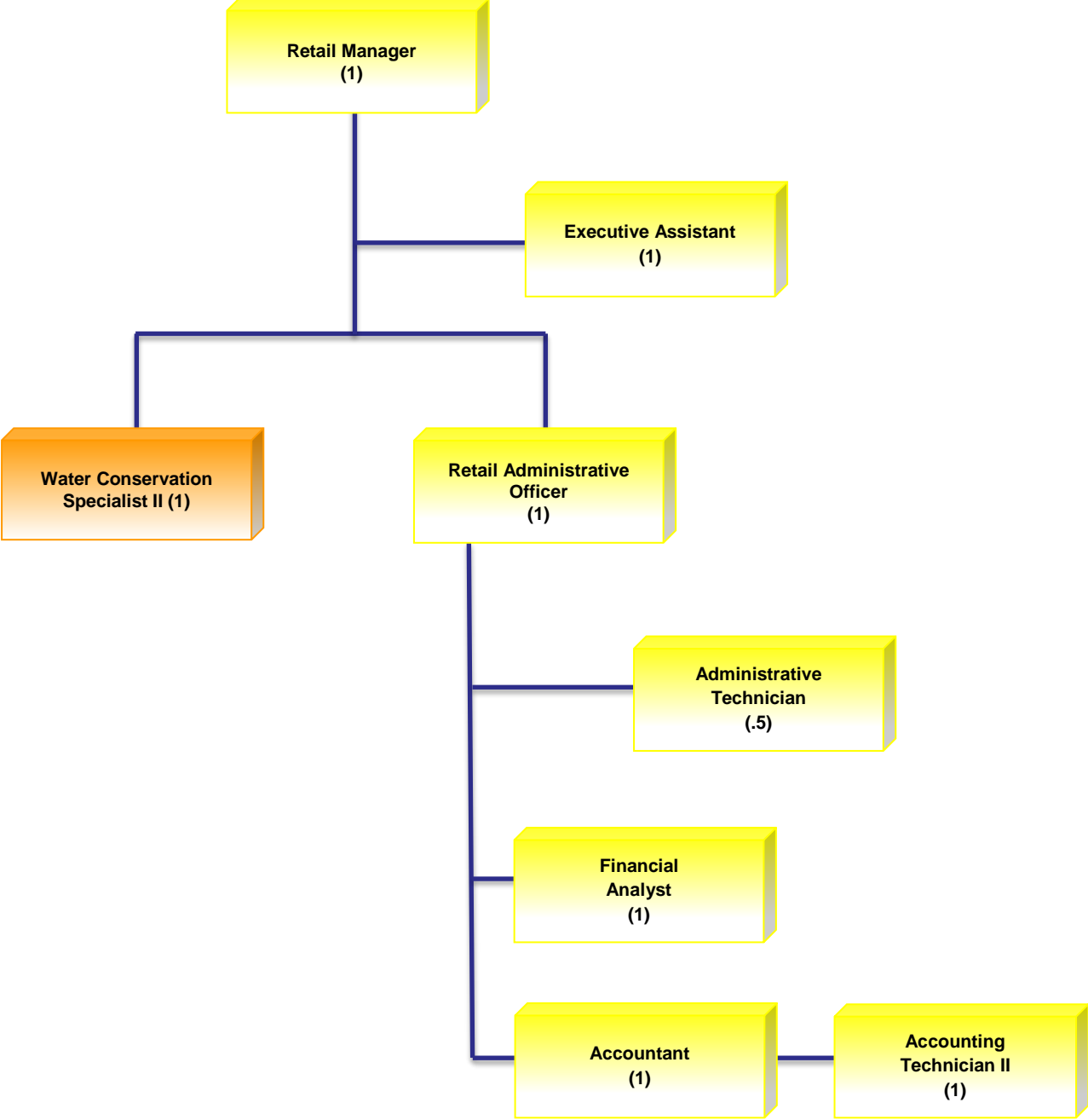
- ◆ Continue to emphasize safety through scheduled safety meetings [ongoing].

### Long Term Actions

- ◆ *Enhance web-based and social marketing information [ongoing].*
- ◆ *Evaluate and focus SCWD's training and educational seminar attendance with respect to job related requirements [ongoing].*

P1, P2 and P3 actions indicate highest, high and normal priority, respectively, and are shown in blue.

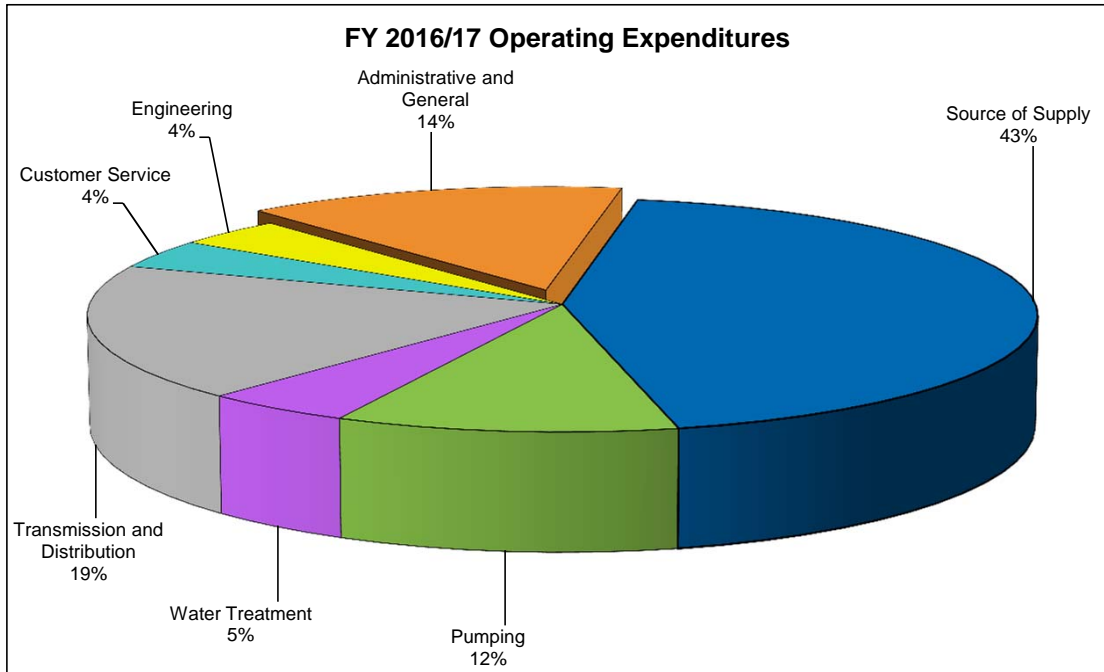
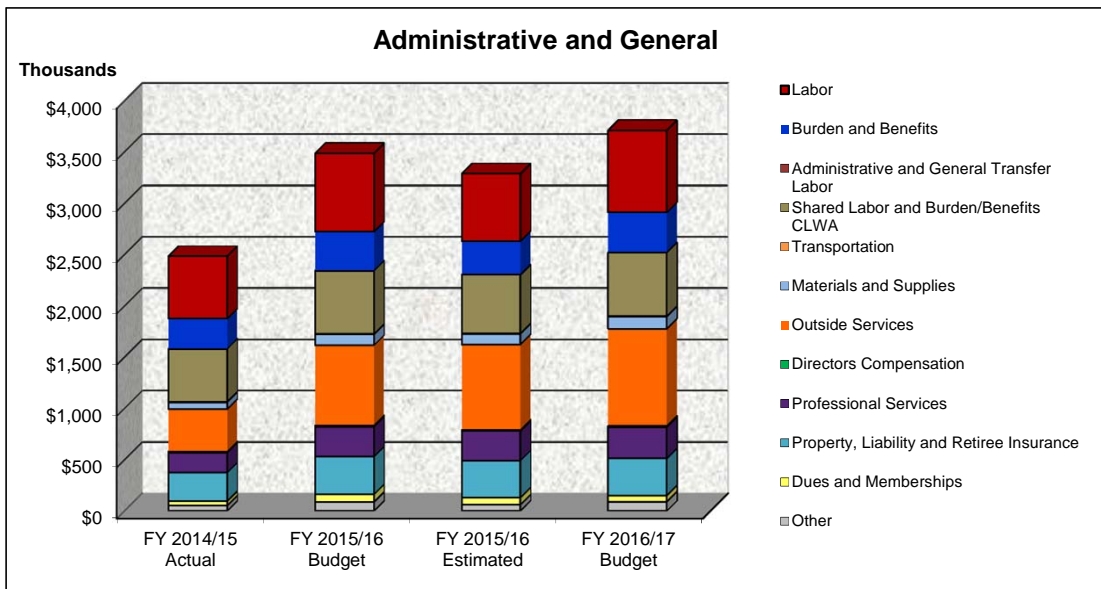
# Administrative and General Organizational Chart





**Santa Clarita Water Division  
Administrative and General Expenditures  
FY 2016/17 Budget**

Administrative and General Expenditures	FY 2014/15 Actual	FY 2015/16 Budget	FY 2015/16 Estimated	FY 2016/17 Budget
Labor	\$ 607,368	\$ 763,200	\$ 658,017	\$ 799,200
Burden and Benefits	294,131	380,500	326,608	390,200
Shared Labor and Burden/Benefits CLWA	515,389	615,500	570,598	620,500
Transportation	6,293	6,500	5,907	6,500
Materials and Supplies	66,909	104,500	102,741	117,000
Outside Services	412,759	784,200	833,922	946,700
Directors Compensation	9,984	12,000	10,184	12,000
Professional Services	194,614	290,300	287,445	305,000
Property, Liability and Retiree Insurance	278,337	368,100	361,728	361,100
Dues and Memberships	44,165	73,400	69,199	60,200
Other	52,479	88,300	61,578	91,400
Administrative and General Transfer Labor	(125,927)	(132,000)	(131,502)	(135,400)
<b>Total Administrative and General</b>	<b>\$ 2,356,501</b>	<b>\$ 3,354,500</b>	<b>\$ 3,156,425</b>	<b>\$ 3,574,400</b>



**Santa Clarita Water Division  
Administrative and General  
FY 2015/16 Budget vs. FY 2016/17 Budget**

**Administrative and General**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Budget</b>	<b>FY 2016/17 Budget</b>	<b>Change from FY 2015/16 Budget</b>	<b>% Change</b>	
<b>901210001 Operating Expenses</b>						
Labor	\$ 607,368	\$ 762,600	\$ 787,500	\$ 24,900	3%	
Overtime	-	600	11,700	11,100	1850%	
Burden and Benefits	294,131	380,500	390,200	9,700	3%	
Shared Labor and Burden/Benefits from CLWA	515,389	615,500	620,500	5,000	1%	
Transportation	6,293	6,500	6,500	-	0%	
Materials and Supplies						
Internal Relations	250	300	200	(100)	-33%	
Office Supplies	11,560	24,000	24,100	100	0%	
Postage	2,752	2,500	2,500	-	0%	
Parts and Materials	52,347	77,700	90,200	12,500	16%	
Outside Services						
Education and Seminars	7,551	18,300	17,200	(1,100)	-6%	
Temporary Personnel Services	24,531	80,000	-	(80,000)	-100%	A
Outside Services and Contracting	371,096	675,900	918,500	242,600	36%	B
Office Equipment Repair	9,581	10,000	11,000	1,000	10%	
Directors Compensation	9,984	12,000	12,000	-	0%	
Professional Services - Legal	114,951	110,300	140,000	29,700	27%	C
Professional Services - Other	79,663	180,000	165,000	(15,000)	-8%	
Other						
Telephone - Office and Cell Phone	29,630	28,700	33,000	4,300	15%	
Utilities - Electricity and Gas (Office Building)	31,173	36,000	38,000	2,000	6%	
Miscellaneous including permits	(12,651)	15,000	13,000	(2,000)	-13%	
Rent	4,327	5,900	6,000	100	2%	
Insurance	278,337	368,100	361,100	(7,000)	-2%	
Dues, Memberships and Employee Expense	44,165	73,400	60,200	(13,200)	-18%	
Franchise Requirements	-	2,700	1,400	(1,300)	-48%	
Administrative and General Transfer Labor	(125,927)	(132,000)	(135,400)	(3,400)	3%	
<b>Total Administrative and General Expenses</b>	<b>\$ 2,356,501</b>	<b>\$ 3,354,500</b>	<b>\$ 3,574,400</b>	<b>\$ 219,900</b>	<b>7%</b>	

\* Changes of more than 10% and more than \$20,000.

FY 2016/17 Budget compared to FY 2015/16 Budget:

- A. Temporary Personnel Services decrease \$80,000, or 100% due to vacant positions filled.
- B. Outside Services and Contracting increases by \$242,600, or 36%, due to the increase in conservation programs, credit card fee absorption, additional software licenses and cloud replication services for IT.
- C. Professional Services - Legal increases \$29,700, or 27%, due to expenses related to Proposition 218 and the rate study.

**Santa Clarita Water Division  
Administrative and General  
FY 2015/16 Estimated vs. FY 2016/17 Budget**

**Administrative and General**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Estimated</b>	<b>FY 2016/17 Budget</b>	<b>Change from FY 2015/16 Estimated</b>	<b>% Change</b>	*
<b>901210001 Operating Expenses</b>						
Labor	\$ 607,368	\$ 640,903	\$ 787,500	\$ 146,597	23%	D
Overtime	-	17,114	11,700	(5,414)	-32%	
Burden and Benefits	294,131	326,608	390,200	63,592	19%	E
Shared Labor and Burden/Benefits from CLWA	515,389	570,598	620,500	49,902	9%	
Transportation	6,293	5,907	6,500	593	10%	
Materials and Supplies						
Internal Relations	250	200	200	-	0%	
Office Supplies	11,560	23,434	24,100	666	3%	
Postage	2,752	2,355	2,500	145	6%	
Parts and Materials	52,347	76,752	90,200	13,448	18%	
Outside Services						
Education and Seminars	7,551	13,177	17,200	4,023	31%	
Temporary Personnel Services	24,531	144,147	-	(144,147)	-100%	F
Outside Services and Contracting	371,096	665,457	918,500	253,043	38%	G
Office Equipment Repair	9,581	11,141	11,000	(141)	-1%	
Directors Compensation	9,984	10,184	12,000	1,816	18%	
Professional Services - Legal	114,951	110,068	140,000	29,932	27%	H
Professional Services - Other	79,663	177,377	165,000	(12,377)	-7%	
Other						
Telephone - Office and Cell Phone	29,630	29,979	33,000	3,021	10%	
Utilities - Electricity and Gas (Office Building)	31,173	35,882	38,000	2,118	6%	
Miscellaneous including permits	(12,651)	(11,245)	13,000	24,245	-216%	I
Rent	4,327	5,612	6,000	388	7%	
Insurance	278,337	361,728	361,100	(628)	0%	
Dues and Memberships	44,165	69,199	60,200	(8,999)	-13%	
Franchise Requirements	-	1,350	1,400	50	4%	
Administrative and General Transfer Labor	(125,927)	(131,502)	(135,400)	(3,898)	3%	
<b>Total Administrative and General Expenses</b>	<b>\$ 2,356,501</b>	<b>\$ 3,156,425</b>	<b>\$ 3,574,400</b>	<b>\$ 417,975</b>	<b>13%</b>	

\* Changes of more than 10% and more than \$20,000.

FY 2016/17 Budget compared to FY 2015/16 Estimated:

- D. Labor increases by \$146,597, or 23%, due to full year funding for vacant positions.
- E. Burden and Benefits increase by \$63,592, or 19%, due to full year funding for vacant positions.
- F. Temporary Personnel Services decrease by \$144,147, or 100%, due to vacant positions filled.
- G. Outside Services and Contracting increases by \$253,043, or 38%, due to the increase in conservation programs, credit card fee absorption, additional software licenses and cloud replication services for IT.
- H. Professional Services - Legal increases \$29,932, or 27%, due to increased expenses related to Proposition 218 and the rate study.
- I. Miscellaneous including permits increases by \$24,245, or 216%, due to a reclass of bank fees to Outside Services in FY 2015/16 for prior year.



Conservation Garden Ideas:

# Colored Mulch



Rubber Mulch shown above and natural mulch shown below, both come in a wide variety of colors.





**Santa Clarita Water Division  
Burden and Benefits  
FY 2015/16 Budget vs. FY 2016/17 Budget**

**Burden and Benefits**

	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Budget</b>	<b>FY 2016/17 Budget</b>	<b>Change from FY 2015/16 Budget</b>	<b>% Change</b>	
Employee Assistance Program	\$ 1,474	\$ 1,800	\$ 1,700	\$ (100)	-6%	
In-Lieu Sick Salary	34,274	37,000	34,000	(3,000)	-8%	
In-Lieu Medical Insurance	160,537	160,000	165,000	5,000	3%	
Deferred Compensation	89,716	137,700	137,500	(200)	0%	
PERS Retirement	593,276	709,900	752,600	42,700	6%	
Medical Insurance	541,645	669,200	705,600	36,400	5%	
Dental Insurance	80,077	90,300	93,700	3,400	4%	
Life Insurance	10,097	12,500	13,100	600	5%	
Vision Insurance	10,774	13,500	12,900	(600)	-4%	
Long Term Disability	20,136	24,900	24,400	(500)	-2%	
FICA/Medicare Tax	62,134	69,000	64,300	(4,700)	-7%	
OPEB - Retiree Medical Insurance	263,641	321,100	320,900	(200)	0%	
OPEB Unfunded Liability	(126,694)	-	-	-		
<b>Total Burden and Benefits/Distribution</b>	<b>\$ 1,741,087</b>	<b>\$ 2,246,900</b>	<b>\$ 2,325,700</b>	<b>\$ 78,800</b>	<b>4%</b>	
Transfer Source of Supply Benefits	\$ (58,655)	\$ (74,100)	\$ (73,000)	\$ 1,100	-1%	
Transfer Pumping Benefits	(113,456)	(173,300)	(206,300)	(33,000)	19%	A
Transfer Water Treatment Benefits	(164,060)	(230,900)	(205,800)	25,100	-11%	B
Transfer Transmission and Distribution Benefits	(823,412)	(1,007,500)	(1,029,000)	(21,500)	2%	
Transfer Customer Service Benefits	(163,225)	(190,100)	(185,200)	4,900	-3%	
Transfer Engineering Benefits	(124,148)	(190,500)	(236,200)	(45,700)	24%	C
Transfer Administrative and General Benefits	(294,131)	(380,500)	(390,200)	(9,700)	3%	
<b>Total Transfer of Burden and Benefits</b>	<b>\$ (1,741,087)</b>	<b>\$ (2,246,900)</b>	<b>\$ (2,325,700)</b>	<b>\$ (78,800)</b>	<b>4%</b>	

\* Changes of more than 10% and more than \$20,000.

FY 2016/17 Budget compared to FY 2015/16 Budget:

- A. Transfer Pumping Benefits increase \$33,000, or 19%, based on actual estimated FY 2015/16 allocation of staff hours between the Pumping and Water Treatment departments.
- B. Transfer Water Treatment Benefits decrease \$25,100, or 11%, based on actual estimated FY 2015/16 allocation of staff hours between the Pumping and Water Treatment departments.
- C. Transfer Engineering Benefits increase \$45,700, or 24%, due to a new proposed Engineering Technician I and full year funding for vacant position.

**Santa Clarita Water Division  
Burden and Benefits  
FY 2015/16 Estimated vs. FY 2016/17 Budget**

<b>Burden and Benefits</b>	<b>FY 2014/15 Actual</b>	<b>FY 2015/16 Estimated</b>	<b>FY 2016/17 Budget</b>	<b>Change from FY 2015/16 Estimated</b>	<b>% Change</b>	
Employee Assistance Program	\$ 1,474	\$ 1,630	\$ 1,700	\$ 70	4%	*
In-Lieu Sick Salary	34,274	32,342	34,000	1,658	5%	
In-Lieu Medical Insurance	160,537	160,464	165,000	4,536	3%	
Deferred Compensation	89,716	119,523	137,500	17,977	15%	
PERS Retirement	593,276	601,686	752,600	150,914	25%	D
Medical Insurance	541,645	558,763	705,600	146,837	26%	E
Dental Insurance	80,077	85,457	93,700	8,243	10%	
Life Insurance	10,097	11,495	13,100	1,605	14%	
Vision Insurance	10,774	11,551	12,900	1,349	12%	
Long Term Disability	20,136	21,403	24,400	2,997	14%	
FICA/Medicare Tax	62,134	63,090	64,300	1,210	2%	
OPEB - Retiree Medical Insurance	263,641	264,107	320,900	56,793	22%	F
OPEB - Unfunded Liability	(126,694)	-	-	-		
<b>Total Burden and Benefits/Distribution</b>	<b>\$ 1,741,087</b>	<b>\$ 1,931,511</b>	<b>\$ 2,325,700</b>	<b>\$ 394,189</b>	<b>20%</b>	
Transfer Source of Supply Benefits	\$ (58,655)	\$ (64,835)	\$ (73,000)	\$ (8,165)	13%	
Transfer Pumping Benefits	(113,456)	(157,744)	(206,300)	(48,556)	31%	G
Transfer Water Treatment Benefits	(164,060)	(206,752)	(205,800)	952	0%	
Transfer Transmission and Distribution Benefits	(823,412)	(835,103)	(1,029,000)	(193,897)	23%	H
Transfer Customer Service Benefits	(163,225)	(183,522)	(185,200)	(1,678)	1%	
Transfer Engineering Benefits	(124,148)	(156,947)	(236,200)	(79,253)	50%	I
Transfer Administrative and General Benefits	(294,131)	(326,608)	(390,200)	(63,592)	19%	J
<b>Total Transfer of Burden and Benefits</b>	<b>\$ (1,741,087)</b>	<b>\$ (1,931,511)</b>	<b>\$ (2,325,700)</b>	<b>\$ (394,189)</b>	<b>20%</b>	

Notes:

\* Changes of more than 10% and more than \$20,000.

FY 2016/17 Budget compared to FY 2015/16 Estimated:

- D. PERS Retirement increases \$150,914, or 25%, due to proposed additional position and full year funding for vacant positions.
- E. Medical Insurance increases by \$146,837 or 26%, due to proposed additional position, full year funding for vacant positions and an estimated 7.5% increase in medical insurance premiums.
- F. OPEB - Retiree Medical Insurance increases by \$56,793, or 22% due to proposed additional position and full year funding for vacant positions.
- G. Transfer Pumping Benefits increase by \$48,556, or 31%, due to adjusted allocation of staff hours from Water Treatment.
- H. Transfer Transmission and Distribution Benefits increase by \$193,897, or 23%, due to full year funding for vacant positions.
- I. Transfer Engineering Benefits increase by \$79,253, or 50%, due to a new proposed Engineering Technician I position and full year funding for vacant position.
- J. Transfer Administrative and General Benefits increase by \$63,592, or 19%, due to full year funding for vacant positions.

**Santa Clarita Water Division  
Reserve Funds  
FY 2016/17 Budget**

**Operating Reserve Fund - 25% of Annual Operating Expense Budget**

The Operating Expense Fund is used for working cash and unscheduled costs relating to the operation of the retail water system. Additions to the Operating Expense Fund are made from retail water revenues. The fund was established in January 2004 to reach the target by June 2014. Currently the Operating Reserve Fund is set at 25% of annual operating expense budget.

**Rate Stabilization Reserve Fund - 10% of Annual Operating Revenue Budget**

The Rate Stabilization Fund covers variations in water sales resulting from unusual seasons, major consumption reduction due to voluntary conservation and to adjust for net loss of revenues in the event of a catastrophic loss of imported water supplies which serves to defer rate increases due to temporary reductions in water sales. Currently the Rate Stabilization Fund is set at 10% of annual operating revenue budget, proposing to increase to 15% pending Board approval in FY 2016/17.

**Capital Reserve Fund - \$1,000,000**

The Capital Reserve Fund is to cover unexpected and unplanned infrastructure and replacement repairs not included in the budget. The Fund was established in November 2013 to reach the target by June 2014. Currently the Capital Reserve Fund is set at a flat amount of \$1,000,000, proposing to increase to \$6,000,000 which is the average annual CIP pending Board approval in FY 2016/17.

**Emergency Reserve Fund - \$1,000,000**

The Emergency Reserve Fund is to cover emergency repairs due to unforeseen natural disasters such as earthquake, fire, etc. The Emergency Fund would assist to cover immediate repairs to restore SCWD's operations for continued water delivery to its customers. The fund was established during the FY 2015/16 budget process and to reach the target by June 2016. Currently the Emergency Reserve Fund is set at a flat amount of \$1,000,000.

**Unrestricted Reserve Fund**

The Unrestricted Fund balance is the residual net resources in excess of the Operating Expense Fund, Rate Stabilization Fund, Capital Reserve Fund, Emergency Fund and the CIP Fund. The Unrestricted Fund can be used to fund future CIP, increase existing or add new Reserve Funds and/or mitigate any future risks and ensure the Division's creditworthiness. Unrestricted amounts are available for any purposes with the Board of Director's approval. The liquidity of the Unrestricted Fund will maintain and possibly strengthen the Division's credit rating.

<b>Reserve Fund</b>	<b>FY 2016/17 Estimated Beginning Balance</b>	<b>Additions to Reserves</b>	<b>Uses of Fund</b>	<b>FY 2016/17 Estimated Ending Balance</b>
Operating Reserve Fund	\$ 5,691,100	\$ 573,900	\$ -	\$ 6,265,000
Rate Stabilization Reserve Fund	2,653,530	1,672,590	-	4,326,120 *
Capital Reserve Fund	1,000,000	5,000,000	-	6,000,000 **
Emergency Reserve Fund	1,000,000	-	-	1,000,000
Unrestricted Reserve Fund	<u>14,234,900</u>	<u>-</u>	<u>(10,957,991)</u>	<u>3,276,909</u>
<b>Total</b>	<b><u>\$ 24,579,530</u></b>	<b><u>\$ 7,246,490</u></b>	<b><u>\$ (10,957,991)</u></b>	<b><u>\$ 20,868,029</u></b>

\* Proposing 15% of annual Operating Revenue Budget pending Board approval.

\*\* Proposing \$6,000,000 which is the average annual CIP pending Board approval.

**Santa Clarita Water Division  
Reserve Funds  
FY 2016/17 Budget**

<b>Reserve Fund</b>	<b>FY 2016/17 Estimated Beginning Balance</b>	<b>Target as of 6/30/2017*</b>	<b>% of Target</b>	<b>Funding Level</b>
Operating Reserve Fund <sup>1</sup>	\$ 5,691,100	\$ 6,265,000	100%	25% of Annual Operating Budget
Rate Stabilization Reserve Fund <sup>2</sup>	2,653,530	4,326,120	100%	15% of Annual Operating Revenues
Capital Reserve Fund	1,000,000	6,000,000	100%	Flat amount
Emergency Reserve Fund	1,000,000	1,000,000	100%	Flat amount
Unrestricted Reserve Fund	<u>14,234,900</u>	<u>3,276,909</u>		
<b>Total Reserve Funds</b>	<b><u>\$ 24,579,530</u></b>	<b><u>\$ 20,868,029</u></b>		

\* Based on FY 2016/17 Budget

<sup>1</sup> Operating Expense Fund - 25% of Annual Operating Expense Budget

FY 2016/17 Annual Operating Expense Budget	\$ 25,059,900
	<u>25%</u>
Target Balance	\$ 6,265,000

<sup>2</sup> Rate Stabilization Fund - 15% of Annual Operating Revenue Budget

FY 2016/17 Operating Revenues	\$ 28,840,800
	<u>15%</u>
Target Balance	\$ 4,326,120

# Santa Clarita Water Division Capital Improvement Projects FY 2016/17 Budget

## Introduction

The FY 2016/17 CIP has been developed based on capital improvements identified in the 2013 Water Master Plan Update (2013 WMP), and other non-master plan improvements identified to maintain or enhance overall system operations and performance. The FY2016/17 CIP includes \$2,256,000 in projects identified in the 2013 WMP, and \$4,433,200 in other non-master plan improvements. The 2013 WMP identified \$42,683,234 in CIP projects covering all aspects of the supply and distribution system such as storage, booster pumps, pressure reducing stations, pipelines and control systems and \$3,872,838 of these projects were completed through FY2015/16. With the planned improvements in FY2016/17, the remaining balance of CIP projects from the 2013 WMP will be \$36,554,396. Impact Capacity Fees for new development are forecasted to be \$1,000,000 in FY2016/17 based on developer projects currently in the planning phase.

## Capital Projects

Capital projects are defined as non-operating expense items of the budget, which include expenditures for fixed asset/equipment purchases as well as the accumulation of expenditures associated with construction projects. Capital projects must have a minimum life of one year or more, but typically have a life of five years or more.

The categories of capital projects are:

- ◆ Major Capital Improvement Projects. The acquisition of land, facilities, works, improvements and supplies of water; and enhancements or enlargements to existing capacity and facilities for obtaining, importing, transporting and delivering additional quantities of water. Projects associated with the expansion of service due to growth or increase in demand that cost more than \$250,000. Major capital improvement projects are typically included in the 2013 Water Master Plan.
- ◆ Minor Capital Improvement Projects. The acquisition of land, facilities, works, improvements and supplies of water, and enhancements or enlargements to existing capacity and facilities for obtaining, importing, transporting and delivering additional quantities of water. Projects associated with the expansion of service due to growth or increase in demand that cost \$250,000 or less. Minor capital improvement projects are typically included in the 2013 Water Master Plan.
- ◆ Repair and Replacement Projects. Any repair or refurbishment and replacement to SCWD's existing water infrastructure that extends the life a minimum of at least one year but typically five years or more and costs \$5,000 or more.
- ◆ Capital Planning, Studies and Administration. The initial planning costs of future capital improvement projects such as site feasibility studies, permit requirements, evaluations or tests and other non-recurring reports.
- ◆ Capital Equipment. The purchase, replacement, maintenance and upgrading of fixed asset equipment essential to supporting administrative and service needs with a cost of \$5,000 or more and has a minimum of at least one year life but typically five years or more.

Additional detail is included on the following pages for both major and minor capital improvement projects. Details for projects costing over \$250,000 include title, type, source, description, purpose, justification, budgeted cost estimate, benefit/impact, location/extent and

schedule. Details for projects costing \$250,000 and below include title, type, description and budgeted cost estimate. The projects are listed in alphabetical order within each category (i.e. Major Capital Improvement Projects, Minor Capital Improvement Projects, Repair and Replacement Projects, Capital Planning, Studies and Administration and Capital Equipment).

**Santa Clarita Water Division  
Capital Improvement Program  
FY 2016/17 Budget  
Summary**

<b>Category</b>	<b>FY 2015/16 Budget</b>	<b>FY 2015/16 Estimated</b>	<b>FY 2016/17 Budget</b>	<b>Changes from 2015/16 Budget</b>
Major Capital Improvement Projects	\$ 318,903	\$ 50,000	\$ 1,200,000	\$ 881,097
Minor Capital Improvement Projects	250,000	250,000	-	(250,000)
Repair and Replacement Projects	4,342,200	1,766,535	3,988,200	(354,000)
Capital Equipment	1,859,500	1,714,048	1,643,000	(216,500)
Total Capital Projects	6,770,603	3,780,583	6,831,200	60,597
Less Expansion Capital Projects	(1,007,500)	(316,795)	(1,491,500)	(484,000)
Total SCWD Capital Projects	\$ 5,763,103	\$ 3,463,788	\$ 5,339,700	\$ (423,403)

Expansion



**Santa Clarita Water Division  
Capital Improvement Program  
FY 2016/17 Budget**

	FY 2015/16	FY 2015/16	FY 2016/17	***
	Budget	Estimated	Budget	Page
<b>Major Capital Improvement Projects</b>				<b>Location</b>
<b>Reservoirs</b>				
3.25 MG Placerita Pressure Zone Storage (originally 3.25 MG Placerita Tank)*	\$ 114,903	\$ 50,000	\$ 250,000	162
1.0 MG Seco Tank	204,000	-	-	
<b>Pipelines</b>				
Los Angeles Residential Community (LARC) Water Pipeline	-	-	700,000	163
Recycled Water Pipeline	-	-	250,000	165
<b>Total Major Capital Improvement Projects</b>	<b>\$ 318,903</b>	<b>\$ 50,000</b>	<b>\$ 1,200,000</b>	

	FY 2015/16	FY 2015/16	FY 2016/17	***
	Budget	Estimated	Budget	Page
<b>Minor Capital Improvement Projects</b>				<b>Location</b>
<b>Infrastructure</b>				
Warehouse Modular	\$ 250,000	\$ 250,000	\$ -	
<b>Total Minor Capital Improvement Projects</b>	<b>\$ 250,000</b>	<b>\$ 250,000</b>	<b>\$ -</b>	

	FY 2015/16	FY 2015/16	FY 2016/17	***
	Budget	Estimated	Budget	Page
<b>Repair and Replacement Projects</b>				<b>Location</b>
<b>Wells</b>				
Chlorinator Replacement Program	\$ -	\$ -	\$ 60,000	166
Clark Well	20,000	665	70,500	166
Mag Meter - Well	16,000	3,917	-	
North Oaks East Well	129,000	64,830	-	
North Oaks West Well	135,000	115,763	-	
Self-Generating Chlorine Unit at Valley Center Well**	169,000	60,000	-	
Variable Frequency Drive (VFD) Upgrade for Wells	110,000	146,320	-	
Well Allowance	246,000	126,564	60,000	166
<b>Pressure Regulating Stations</b>				
Placerita Canyon Road	50,000	-	53,000	167
Rainbow Glen/Sierra Highway	5,200	-	5,700	167
Whites Canyon and Americana	52,000	-	55,000	168
<b>Subtotal Repair and Replacement Projects</b>	<b>\$ 932,200</b>	<b>\$ 518,059</b>	<b>\$ 304,200</b>	

\* Includes Carry-Forward

\*\* Replaced with the Chlorinator Replacement Program in FY 2016/17

\*\*\* CIP Detail Description Page Location Number

**Santa Clarita Water Division  
Capital Improvement Program  
FY 2016/17 Budget**

	FY 2015/16	FY 2015/16	FY 2016/17	***
Repair and Replacement Projects (Cont.)	Budget	Estimated	Budget	Page Location
<b>Booster Pumps</b>				
Booster Allowance	\$ 317,000	\$ 317,000	\$ 100,000	169
Booster Mag Meter	45,000	45,000	41,000	170
Circle J Pressure Station	30,000	9,827	230,000	
Circle J Pressure Station (Expansion)	30,000	9,827	230,000	
<b>Subtotal Circle J Pressure Station</b>	60,000	19,654	460,000	171
Imported Water Connection Upgrade	83,000	-	-	
Imported Water Mag Meter	7,000	-	-	
Lower Fair Oaks Bypass	89,000	33,919	-	
North Oaks Booster	54,000	-	-	
Placerita Booster Station - SC-12	314,000	145,000	669,000	
Placerita Booster Station - SC-12 (Expansion)	314,000	145,000	669,000	
<b>Subtotal Placerita Booster Station - SC-12</b>	628,000	290,000	1,338,000	172
Princess Booster - Surge Protection	-	-	75,000	173
Whites Canyon Booster*	212,000	212,000	-	
<b>Reservoir Access</b>				
Asphalt Replacement/Repair Program	138,500	26,734	117,500	
Asphalt Replacement/Repair Program (Expansion)	138,500	26,734	117,500	
<b>Subtotal Asphalt Replacement/Repair Program</b>	277,000	53,468	235,000	174
Mesa Bridge and Tank Road	-	-	142,000	174
<b>Reservoir Maintenance</b>				
Dean Tank No. 2 Interior Coating Replacement/Retrofit	-	-	170,000	
Dean Tank No. 2 Interior Coating Replacement/Retrofit (Expansion)	-	-	170,000	
<b>Subtotal Dean No. 2 Interior Coating Replacement/Retrofit</b>	-	-	340,000	175
Earthquake Valve Retrofit	-	-	156,000	176
Honby No. 1 Tank Exterior Roof	160,000	117	-	
Honby No. 1 Tank Exterior Roof (Expansion)	160,000	117	-	
<b>Subtotal Honby No. 1 Tank Exterior Roof</b>	320,000	234	-	
Placerita No. 2 Tank Interior Coating Replacement/Retrofit	230,000	117	235,000	
Placerita No. 2 Tank Interior Coating Replacement/Retrofit (Expansion)	230,000	117	235,000	
<b>Subtotal Placerita No. 2 Interior Coating Replacement/Retrofit</b>	460,000	234	470,000	177
Tank Allowance	-	-	50,000	178
<b>Pipeline and Service Replacement</b>				
Honby Zone Distribution Operation Congestion	53,000	-	-	
Luther Drive and North Oaks East Pipeline Improvements	280,000	276,967	-	
Rainbow Glen (WMP Pipe #5)	25,000	-	25,000	179
Service Line Replacement Program FY 2015/16	500,000	-	-	
Service Line Replacement Program FY 2016/17	-	-	200,000	180
Soledad Canyon Road from Oak Springs Canyon Road to Rue Entrée	-	-	35,000	181
West Newhall Alley	-	-	17,000	182
<b>Total Repair and Replacement Projects</b>	<b>\$ 4,342,200</b>	<b>\$ 1,766,535</b>	<b>\$ 3,988,200</b>	

\* Includes Carry-Forward

\*\*\* CIP Detail Description Page Location Number

Expansion

**Santa Clarita Water Division  
Capital Improvement Program  
FY 2016/17 Budget**

	FY 2015/16	FY 2015/16	FY 2016/17	***
Capital Equipment	Budget	Estimated	Budget	Page Location
<b>Meters</b>				
Automated Meter Reading (AMR)*	\$ 886,000	\$ 886,000	\$ 800,000	183
<b>Computer Software</b>				
Electronic Timesheet Upgrade	-	-	20,000	184
GIS Implementation	-	-	70,000	
GIS Implementation (Expansion)	-	-	70,000	
<b>Subtotal GIS*</b>	-	-	140,000	184
Water Distribution System Hydraulic Model	-	-	100,000	185
<b>Media Equipment</b>				
26521 Summit Circle Conference Room Projection System	-	-	40,000	186
<b>Office Equipment</b>				
Copier/Scanner	-	-	20,000	187
Oce ColorWave 500	-	-	28,000	187
<b>Computer Hardware</b>				
Exchange Database Availability Group (DAG)	55,000	55,000	-	
Network Resiliency Upgrade Contingencies	50,000	50,000	-	
Network Switch Stacking	-	-	8,000	188
SAN System Upgrade (Rio Vista)	52,500	52,406	-	
Wireless Upgrade (Rio Vista to Retail Warehouse)	25,000	25,000	-	
<b>Building Improvements</b>				
22722 Soledad Canyon Road Building Exterior Lighting Replacement	-	-	40,000	189
22722 Soledad Canyon Road Building Roof Replacement	85,000	59,642	-	
26521 Summit Circle Bullpen Gate Upgrade	-	-	15,000	189
Facility Video Surveillance	33,000	33,000	166,000	190
<b>Transportation Equipment</b>				
Crew Truck	120,000	-	120,000	191
Exhaust Filter	28,000	28,000	-	
Office Vehicle	-	-	35,000	191
Service Truck	45,000	45,000	45,000	191
Super Cab Trucks (2)	-	-	66,000	192
Water Quality Vans	210,000	210,000	-	
<b>Communications Equipment</b>				
SCADA - Sensor/Equipment Upgrade	135,000	135,000	-	
SCADA - Sensor/Equipment Upgrade (Expansion)	135,000	135,000	-	
<b>Subtotal SCADA - (Sensor/Equipment Upgrade)</b>	270,000	270,000	-	
<b>Total Capital Equipment</b>	<b>\$ 1,859,500</b>	<b>\$ 1,714,048</b>	<b>\$ 1,643,000</b>	
<b>Total Capital</b>	<b>\$ 6,770,603</b>	<b>\$ 3,780,583</b>	<b>\$ 6,831,200</b>	

\* Includes Carry-Forward

\*\*\* CIP Detail Description Page Location Number

Expansion

# Capital Improvement Project Descriptions

**Note: Capital Improvement Project (CIP) descriptions on pages 162 to 192 are in the same order of appearance in the CIP tables on pages 158 to 160.**

## Major Capital Improvement Projects – Reservoirs

### Projects Over \$250,000

**Title:** 3.25 MG Placerita Pressure Zone Storage (originally 3.25 MG Placerita Tank)

**Type:**

Reservoirs

**Source:**

2013 SCWD Water Master Plan Chapter 9, Table 9.46 – Storage Tank CIP

**Description:**

Construct 3.25 million gallon (MG) of new storage in the Placerita Pressure Zone, including land acquisition, CEQA, design and construction of site improvements, tank(s), and piping.

**Purpose:**

To provide adequate emergency storage in the Placerita Pressure Zone in accordance with the 2013 Master Plan storage design criteria.

**Justification:**

The Placerita Pressure Zone was determined to have a storage deficiency of 3.25 MG per 2013 Master Plan Table 9.6 – Storage Analysis, Page 9-5, based on storage design criteria and existing demands. There is adequate storage to meet operational and fire flow criteria, but insufficient storage to meet emergency storage criteria.

**Budgeted Cost Estimate:**

- \$ 114,903 for Feasibility and Geotechnical studies and land acquisition in FY 2015/16
- \$ 250,000 for CEQA and Site Investigations in FY 2016/17
- \$ 100,000 for design in FY 2017/18
- \$ 250,000 to construct site improvements in FY 2018/19
- \$1,783,000 to start constructing tank(s) in FY 2019/20
- \$1,783,000 to complete constructing tank(s) in FY 2020/21

Total Estimated Budget is \$4,280,903.

**Benefit/Impact:**

Adequate emergency storage ensures a sufficient volume of water to provide uninterrupted water service to repair infrastructure or restore service due to emergencies such as pipe breaks or power outages.

**Location/Extent:**

The proposed tank site is located on the north side of Placerita Canyon Road, approximately 4,000 feet west of Sand Canyon Road.

**Schedule:**

The purchase of land is being coordinated with the City of Santa Clarita's purchase of adjacent property for open space, tentatively scheduled to close escrow in early FY 2016/17. Site investigations, CEQA, design and construction are scheduled over a 5 year period from FY 2016/17 through FY 2020/21.

## Major Capital Improvement Projects – Pipelines

### Projects Over \$250,000

**Title:** Los Angeles Residential Community (LARC) Water Pipeline

**Type:**  
Pipelines

**Source:**  
Engineering/Civiltec Technical Memorandums (August 2014 and November 2014)

**Description:**  
Construct 9,500 feet of 16-inch ductile iron pipe (DIP) in Bouquet Canyon Road from Shadow Valley Lane to the LARC turnout. The 16-inch pipeline is sized to accommodate LARC demands and SCWD's Master Plan criteria. An 8-inch polyvinyl chloride (PVC) pipe would be adequate to meet LARC demand and is eligible for grant funding from the State Water Resources Control Board (SWRCB). The SCWD CIP budget is based on the cost to upsize the pipeline from 8-inch PVC to 16-inch DIP and the anticipated approval of grant funding for LARC's portion of the pipeline from the SWRCB. The scope includes preparation of the Grant Application with supporting technical and environmental (California Environmental Quality Act, CEQA) documents. (A portion of the design and CEQA work is being prepared under a design deposit received from LARC for the 8-inch pipeline in the amount of \$244,375.)

**Purpose:**  
Provide potable water service to LARC, and provide adequate pipeline capacity to support SCWD infrastructure per SCWD's Master Plan along North Bouquet Canyon Road within the SCWD Service Boundary. Funding to upsize the pipeline from 8-inch PVC to 16-inch DIP would be from the existing expansion fund.

**Justification:**  
Construction of the system to serve LARC as per SCWD's Master Plan provides the benefit of funding a portion of the project through grant funding with the balance being funded by impact fees.

**Budgeted Cost Estimate:**

- \$ 12,388 in FY 2014/15 for project planning
- \$244,375 in FY 2015/16 for design (deposit received from LARC)
- \$700,000 in FY 2016/17 (\$50,000 for preparation of grant application and SCWD portion of CEQA and design, and \$650,000 for construction to upsize from 8-inch PVC to 16-inch DIP)

Total Estimated Budget is \$712,388 excluding design deposit received from LARC.

**Benefit/Impact:**  
Provide reliable service to LARC and other customers along North Bouquet Canyon Road currently served by private wells with declining production or that have become inactive during the drought.

**Location/Extent:**

North Bouquet Canyon Road (Catala Pressure Zone)

**Schedule:**

Construction of the pipeline will commence in FY 2016/17 and will be completed in FY 2017/18.



## Major Capital Improvement Projects – Pipelines

### Projects Over \$250,000

**Title:** Recycled Water Pipeline

**Type:**

Pipelines

**Source:**

Engineering/Recycled Water System Phase 2B Preliminary Design Report (October 2015)

**Description:**

Construct 6,300 feet of 6-inch polyvinyl chloride (PVC) pipeline for recycled water distribution in the Fair Oaks Ranch area, in conjunction with the Recycled Water Phase 2B backbone system.

**Purpose:**

Provide recycled infrastructure to serve recycled water to major irrigation customers in Fair Oaks Ranch area.

**Justification:**

Provide recycled water supply and infrastructure to reduce potable water demands used for irrigation in the North Oaks Pressure Zone.

**Budgeted Cost Estimate:**

- \$250,000 in FY 2016/17 for CEQA and design
- \$750,000 in FY 2017/18 for construction

Total Estimated Budget is \$1,000,000.

**Benefit/Impact:**

Help reduce reliance on imported water and local groundwater by using recycled water. At buildout, the project is expected to deliver 300 acre-feet of recycled water per year.

**Location/Extent:**

Various streets in Fair Oaks Area (e.g., Lost Canyon Road, W. Scott Lane, Honey Maple Street).

**Schedule:**

- Complete CEQA and Design in FY 2016/17
- Construct pipelines in FY 2017/18

## Minor Repair and Replacement Projects – Wells

### Projects \$250,000 or less

**Title:** Chlorinator Replacement Program

**Type:**  
Wells

**Description:**

Replace current Accu-tab Chlorinator with a Trichlor Chlorinator system to improve efficiency, reduce labor and treatment costs. This project will retrofit 2 wells.

**Budgeted Cost Estimate:**

- \$60,000 in FY 2016/17 for equipment and installation

**Title:** Clark Well

**Type:**  
Wells

**Description:**

Remove and replace the electrical equipment that also includes upgrades based on the Arc Flash analysis study.

**Budgeted Cost Estimate:**

- \$20,000 in FY 2015/16 for design
- \$70,500 in FY 2016/17 for construction

Total Estimated Budget is \$90,500

**Title:** Well Allowance

**Type:**  
Wells

**Description:**

To provide funding for unforeseen repairs, motors, pumps, controllers, etc.

**Budgeted Cost Estimate:**

- \$60,000 in FY 2016/17

## Minor Repair and Replacement – Pressure Regulating Stations

### Projects \$250,000 or less

**Title:** Placerita Canyon Road

**Type:**

Pressure Regulating Stations

**Description:**

Removal and installation of new regulators and vault. Design for this project was completed during FY 2014/15. Station was originally constructed in 1966.

**Budgeted Cost Estimate:**

- \$ 4,700 in FY 2014/15 for design
- \$53,000 in FY 2016/17 for construction

Total Estimated Budget is \$57,700

**Title:** Rainbow Glen/Sierra Highway

**Type:**

Pressure Regulating Stations

**Description:**

Design of the removal and installation of new regulators and vault. Station was originally constructed in 1988.

**Budgeted Cost Estimate:**

- \$ 5,700 in FY 2016/17 for design
- \$54,000 in FY 2017/18 for construction

Total Estimated Budget is \$59,700

## Minor Repair and Replacement – Pressure Regulating Stations

### Projects \$250,000 or less

**Title:** Whites Canyon and Americana

**Type:**

Pressure Regulating Stations

**Description:**

Removal and installation of new regulators and vault. Design for this project was completed during FY 2014/15. Station was originally constructed in 1984.

**Budgeted Cost Estimate:**

- \$ 4,700 in FY 2014/15 for design
- \$55,000 in FY 2016/17 for construction

Total Estimated Budget is \$59,700

## Major Repair and Replacement – Booster Pumps

### Projects Over \$250,000

**Title:** Booster Allowance

**Type:**

Booster Pumps

**Source:**

SCWD Engineering and Operations Departments

**Description:**

To provide funding for unforeseen repairs, motors, pumps, controllers, etc.

**Purpose:**

To keep the booster stations working efficiently and effectively

**Justification:**

Repairs to these pumps are in excess of \$5,000 and increase the life of the pump 10 – 15 years.

**Budgeted Cost Estimate:**

- \$100,000 in FY 2016/17

**Benefit/Impact:**

The ability to respond to system disruptions expeditiously.

**Location/Extent:**

TBD

**Schedule:**

To be completed during FY 2016/17

## Minor Repair and Replacement – Booster Pumps

### Projects \$250,000 or less

**Title:** Booster Mag Meter

**Type:**

Booster Pumps

**Description:**

Replace propeller meter with a mag meter and install meter vault.

**Budgeted Cost Estimate:**

- \$41,000 in FY 2016/17

## Major Repair and Replacement – Booster Pumps

### Projects Over \$250,000

**Title:** Circle J Pressure Station

**Type:**

Booster Pumps

**Source:**

SCWD Operations Department

**Description:**

To replace all of the pumping equipment as well as replacing the electrical equipment in order to meet code.

**Purpose:**

To develop a more reliable system and meet the electrical code.

**Justification:**

The station does not meet the electrical code. This station is also relied on to provide fire protection.

**Cost Estimate:**

- \$ 86,000 in FY 2014/15 for design
- \$ 60,000 in FY 2015/16 for design
- \$460,000 in FY 2016/17 for construction

Total Estimated Budget \$606,000

**Benefit/Impact:**

Increased reliability

**Location/Extent:**

Circle J Pressure Station

**Schedule:**

Design began in FY 2014/15 and was completed in FY 2015/16; construction is scheduled to be completed in FY 2016/17.



## Major Repair and Replacement – Booster Pumps

### Projects Over \$250,000

**Title:** Placerita Booster Station SC-12

**Type:**

Booster Pumps

**Source:**

2013 SCWD Water Master Plan Chapter 9, Table 9.47 – Pump Station CIP

**Description:**

Equip SC-12 with a booster station and reconfigure to pump to the Placerita Zone.

**Purpose:**

To increase the flow from SC-12 to the North Oaks zone and to avoid the double lift via the Live Oaks zone to the Placerita zone.

**Justification:**

Demands in the east end of system are greater than current turnout capacity by gravity flows. SCWD currently utilizes a diesel pump to increase the flows. The diesel pump is limited to day use only and there is planned growth in the east end of the valley.

**Budgeted Cost Estimate:**

- \$ 290,000 in FY 2015/16 for site acquisition, site investigations and CEQA
- \$1,338,000 in FY 2016/17 for design and construction of pump station

Total Estimated Budget is \$1,628,000.

**Benefit/Impact:**

The proposed booster pump station will address deficiencies in booster pump capacity in the Placerita and North Oaks Pressure Zones and reduce pumping costs to the Placerita Zone.

**Location/Extent:**

SC-12 State connection

**Schedule:**

Construction to start in FY 2016/17 and to be completed in FY 2017/18.

## Minor Repair and Replacement – Booster Pumps

### Projects \$250,000 or less

**Title:** Princess Booster – Surge Protection

**Type:**

Booster Pumps

**Description:**

Install surge anticipation valves on the intake and discharge pipelines at the Princess Booster Station.

**Budgeted Cost Estimate:**

- \$75,000 in FY 2016/17 for design and installation of surge anticipation valves

## Minor Repair and Replacement – Reservoir Access

### Projects Under \$250,000

**Title:** Asphalt Replacement/Repair Program

**Type:**

Reservoir Access

**Description:**

Remove/replace and/or repair of asphalt surfaces.

**Budgeted Cost Estimate:**

- \$235,000 in FY 2016/17

**Title:** Mesa Tank Bridge and Road

**Type:**

Reservoir Access

**Description:**

Finalize improvements to the bridge over the aqueduct per LADWP requirements and install “v” ditches along the road to provide for erosion control.

**Budgeted Cost Estimate:**

- \$142,000

## Major Repair and Replacement – Reservoir Maintenance

### Projects Over \$250,000

**Title:** Deane Tank No. 2 Interior Coating Replacement/Retrofit

**Type:**

Reservoir Maintenance

**Source:**

CSI Services, Inc. annual inspections and SCWD Operations Department

**Description:**

Remove and replace the interior coating of the tank, retrofit the tank with flex tends and install an earthquake seismic valve.

**Purpose:**

To increase the life expectancy of the tank and enhance survivability to a seismic event.

**Justification:**

This storage facility was inspected and it was determined that the coating system has reached its life expectancy and needs to be replaced.

**Budgeted Cost Estimate:**

- \$340,000 in FY 2016/17 for design and construction

**Benefit/Impact:**

To increase the life expectancy of the tank and to enhance survivability to a seismic event.

**Location/Extent:**

Deane Zone/Deane Tank Site

**Schedule:**

To be completed in FY 2016/17

## Repair and Replacement – Reservoir Maintenance

### Projects Under \$250,000

**Title:** Earthquake Valve Retrofit

**Type:**

Reservoir Maintenance

**Description:**

Install five earthquake seismic valves on five tanks.

**Budgeted Cost Estimate:**

- \$156,000 in FY 2016/17

## Major Repair and Replacement – Reservoir Maintenance

### Projects Over \$250,000

**Title:** Placerita Tank No. 2 Interior Coating Replacement/Retrofit

**Type:**

Reservoir Maintenance

**Source:**

CSI Services, Inc. annual inspections and SCWD Operations Department

**Description:**

Remove and replace the interior coating of the tank, retrofit the tank with flex tends and install an earthquake seismic valve.

**Purpose:**

To increase the life of the tank and to enhance survivability to a seismic event.

**Justification:**

This storage facility was inspected and it was determined that the coating system has reached its life expectancy and needs to be replaced.

**Budgeted Cost Estimate:**

- \$470,000 in FY 2016/17 for design and construction

**Benefit/Impact:**

To increase the life expectancy of the tank and to enhance survivability to a seismic event .

**Location/Extent:**

Placerita Zone/ Placerita Tank Site

**Schedule:**

To be completed in FY 2016/17

## Minor Repair and Replacement – Reservoir Maintenance

### Projects \$250,000 or less

**Title:** Tank Allowance

**Type:**

Reservoir Maintenance

**Description:**

Unforeseen equipment failures, necessary upgrades or repairs

**Budgeted Cost Estimate:**

- \$50,000 in FY 2016/17



## Minor Repair and Replacement – Pipeline and Service Replacement

### Projects \$250,000 or less

**Title:** Rainbow Glen (WMP Pipe #5)

**Type:**

Pipeline and Service Replacement

**Description:**

Construct 800 linear feet (LF) of new 10-inch polyvinyl chloride (PVC) waterline in Rainbow Glen Drive north of Scarlett Meadows Drive to improve fire flows in the residential area north of Spanish Oak Drive. This pipeline will expand the limits of the Rainbow Glen Sub-Zone.

**Budgeted Cost Estimate:**

- \$ 25,000 for FY 2016/17 for design
- \$155,000 for FY 2017/18 for construction

Total Estimated Budget is \$180,000.

## Major Repair and Replacement – Pipeline and Service Replacement

### Projects Over \$250,000

**Title:** Service Line Replacement Program FY 2016/17

**Type:**

Pipeline and Service Replacement

**Source:**

SCWD Operations Department

**Description:**

Remove old service lines or components.

**Purpose:**

Preventative maintenance that would replace service lines in areas that have excessive leak history and relocate meters that pose a high risk.

**Justification:**

Current in-ground materials are failing and creating frequent leaks.

**Budgeted Cost Estimate:**

- \$200,000 in FY 2016/17

**Benefit/Impact:**

More reliable distribution system and reduced customer service outages. Risk mitigation on services that pose a financial threat.

**Location/Extent:**

Various locations

**Schedule:**

To be completed during FY 2016/17

## Major Repair and Replacement – Pipeline and Service Replacement

### Projects Over \$250,000

**Title:** Soledad Canyon Road from Oak Springs Canyon Road to Rue Entrée

**Type:**

Pipeline and Service Replacement

**Source:**

SCWD Engineering

**Description:**

Construct 1,200 feet of new 8-inch polyvinyl chloride (PVC) waterline along Soledad Canyon Road from Oak Springs Canyon Road to Rue Entrée. Construct a new pressure reducing station at Rue Entrée and Soledad Canyon Road to provide a secondary feed source to serve single-family residential areas located northeast of Soledad Canyon Road and Oak Springs Canyon Road.

**Purpose:**

Provide secondary feed to Prairie sub-zone.

**Justification:**

The current system within the Dean Zone has a single supply line and pressure reducing station to serve the Prairie sub-zone located northeast of Soledad Canyon Road and Oak Springs Canyon Road. The project will provide adequate redundancy by adding a secondary waterline and pressure reducing station to accommodate repairs to infrastructure without interrupting service or restore service due to emergencies such as pipe breaks.

**Budgeted Cost Estimate:**

- \$ 35,000 for FY 2016/17 for design
- \$380,000 for FY 2017/18 for construction

Total Estimated Budget is \$415,000.

**Benefit/Impact:**

Secondary feed to Prairie sub-zone will improve service reliability and operating flexibility.

**Location/Extent:**

- Pipeline is located along Soledad Canyon Road from Oak Springs Canyon Road to Rue Entrée (located within the Dean Zone).
- Pressure reducing station is located at Rue Entrée and Soledad Canyon Road (located within the Dean Zone).

**Schedule:**

Design in FY 2016/17 and construction in FY 2017/18.

## Minor Repair and Replacement – Pipeline and Service Replacement

### Projects \$250,000 or less

**Title:** West Newhall Alley

**Type:**

Pipeline and Service Replacement

**Description:**

Construct 500 feet of new 4-inch polyvinyl chloride (PVC) laterals and 150 feet of new 2-inch PVC laterals to replace existing 2-inch and 3-inch laterals in an alley along Lyons Avenue in West Newhall. The project will replace six (6) existing services to businesses located along Lyons Avenue between Fourl Road and Everett Drive (located within the Circle J Pressure Zone). The existing laterals will be abandoned in place.

**Budgeted Cost Estimate:**

- \$ 17,000 for FY 2016/17 for design
- \$183,000 for FY 2017/18 for construction

Total Estimated Budget is \$200,000.

## Major Capital Equipment – Meters

### Projects Over \$250,000

**Title:** Automated Meter Reading (AMR)

**Type:**  
Meters

**Source:**  
SCWD Operations Department

**Description:**  
Installation of a drive-by Automated Meter Reading system.

**Purpose:**  
To increase meter reading accuracy, improve customer service and strengthen a safe working environment.

**Justification:**  
The current meter reading method is labor intensive. AMR will increase efficiency and minimize safety hazards.

**Budgeted Cost Estimate:**

- |                            |                             |
|----------------------------|-----------------------------|
| • \$ 600,000 in FY 2008/09 | • \$ 0 in FY 2013/14        |
| • \$ 150,000 in FY 2009/10 | • \$1,311,000 in FY 2014/15 |
| • \$ 0 in FY 2010/11       | • \$ 886,000 in FY 2015/16  |
| • \$ 875,000 in FY 2011/12 | • \$ 800,000 in FY 2016/17  |
| • \$ 0 in FY 2012/13       | • \$ 724,000 in FY 2017/18  |

Total Estimated Budget is \$5,346,000

**Benefit/Impact:**  
The AMR system will provide faster read times. This system will also allow staff to attend training and other programs without interrupting reading schedules. It will reduce human error and enhance staff safety. This program will allow SCWD to utilize employees, currently dedicated to reading meters, for other projects without adding additional employees and increasing payroll costs. This program will also allow SCWD to migrate to an Advanced Metering Infrastructure (AMI) system in the future.

**Location/Extent:**  
All metered service connections and various SCWD water company properties.

**Schedule:**  
Fiscal Year 2016/17:  
Installation of 1,963 SmartPoint transmitters including labor to convert approximately 3,335 meters - 591 single services (591 meters) and 1,372 double services (2,744 meters) and purchase 935 Sensus meters with single SmartPoint transmitters which will be installed by SCWD personnel for a total of 4,270 meters converted to the AMR system.

## Minor Capital Equipment – Computer Software

### Projects \$250,000 or less

**Title:** Electronic Timesheet Upgrade

**Type:**

Computer Software

**Description:**

The Electronic Timesheet is ExecuTime software that will work seamlessly with CLWA's current SunGard® Public Sector Payroll application. This software will allow all employees to submit their timesheet electronically from various electronic devices such as laptops, tablets, and smart phones, thereby eliminating paper timesheets. This will speed up and improve accuracy in the payroll process, help supervisors with approving time-off and with scheduling and provide additional reporting capabilities.

**Budgeted Cost Estimate:**

- \$20,000 in FY 2016/17 (\$40,000 total, split cost 50% with CLWA)

**Title:** GIS Implementation

**Type:**

Computer Software

**Description:**

Develop GIS strategic plan with phased implementation. The first phase to be implemented in FY 2016/17 will include purchase and installation of ArcGIS software and creating maps of SCWD major water system infrastructure in GIS from existing AutoCAD base maps and field work to collect GPS location data as required. The software costs are based on annual sharing of licensing fees with CLWA. Budget includes staff time to collect field data and start database development.

**Budgeted Cost Estimate:**

- \$140,000 in FY 2016/17 to purchase software and provide labor for implementation

## Minor Capital Equipment – Computer Software

### Projects \$250,000 or less

**Title:** Water Distribution System Hydraulic Model

**Type:**

Computer Software

**Description:**

Purchase software to develop SCWD distribution system hydraulic model to support design of capital improvements and optimize operations. Budget includes staff time to setup and develop system model.

**Budgeted Cost Estimate:**

- \$100,000 in FY 2016/17 to purchase software and provide labor for implementation



## Capital Improvements – Media Equipment

### Projects \$250,000 or Less

**Title:** 26521 Summit Circle Conference Room Projection System

**Type:**

Media Equipment

**Description:**

Install a video projection system to complement the existing television in SCWD's conference room on Summit Circle. The video projection system will provide a significantly larger display solution and a resolution of 1920 x 1200, making detailed charts and graphs more easily readable which is a critical factor during meetings and training for the audience to be able to focus on specific areas displayed on the screen.

**Budgeted Cost Estimate:**

- \$40,000 in FY 2016/17

## Minor Capital Equipment – Office Equipment

### Projects \$250,000 or Less

**Title:** Copier/Scanner

**Type:**

Office Equipment

**Description:**

The unit would replace the Canon Image Runner 3480 that was purchased in 2009. The 3480 Canon copier/scanner machine is unreliable, has exceeded its useful life and requires frequent and expensive maintenance.

**Budgeted Cost Estimate:**

- \$20,000 in FY 2016/17

**Title:** Oce ColorWave 500

**Type:**

Office Equipment

**Description:**

A large format monochrome and color printer, scanner, and copier that can produce up to 225 D-sized monochrome and color prints per hour. This system can hold up to four media rolls and prints come out dry, cut-to-size, and ready to use. This unit would replace the Canon 8000 that is no longer functioning at full capacity since the computer tower that houses the CPU and is used by the scanner is no longer in service. Canon has discontinued this unit and parts are no longer available.

**Budgeted Cost Estimate:**

- \$28,000 in FY 2016/17

## Capital Equipment – Computer Hardware

### Projects Under \$250,000

**Title:** Network Switch Stacking

**Type:**

Computer Hardware

**Description:**

The project is aimed at creating a better networking environment at key communication points within the Agency network. It creates a simplified network administration. It has more scalability. It will create deployment flexibility. Stackable switches can operate together with other stackable switches or can operate independently. Units one day can be combined as a stack in a single site, and later can be run in different locations as independent switches. It will create resilient connections. Active connections can be spread across multiple units so that should one unit in a stack be removed or fail, data will continue to flow through other units that remain functional.

**Budgeted Cost Estimate:**

- \$8,000 in FY 2016/17 (\$16,000 total, split cost 50% with CLWA)

## Minor Capital Improvement Projects – Building Improvements

### Projects \$250,000 or Less

**Title:** 22722 Soledad Canyon Road Building Exterior Lighting Replacement

**Type:**

Building Improvements

**Description:**

Install new Polyvinyl chloride (PVC) conduit, wire boxes, and nine light standards and three planter lights to replace the rotted galvanized steel conduit and the termite damaged light standards at SCWD's rental building on Soledad Canyon Road for safety and security reasons.

**Budgeted Cost Estimate:**

- \$40,000 in FY 2016/17

**Title:** 26521 Summit Circle Bullpen Gate Upgrade

**Type:**

Building Improvements

**Description:**

Install a slide gate operator which will lift and move the current manual gate at SCWD's building on Summit Circle. The slide gate operator will be solar powered with a battery backup system. The current manual gate is large and heavy and is difficult to open and close. Equipping the gate with a slide gate operator will make opening and closing it easier and safer for staff.

**Budgeted Cost Estimate:**

- \$15,000 in FY 2016/17

## Minor Capital Equipment – Building Improvements

### Projects \$250,000 or less

**Title:** Facility Video Surveillance

**Type:**

Building Improvements

**Description:**

Upgrade the security surveillance equipment for SCWD Warehouse and Main Office locations

**Budgeted Cost Estimate:**

- \$33,000 in FY 2015/16 for design
- \$166,000 in FY 2016/17 for installation

Total Estimated Budget is \$199,000

## Minor Capital Equipment – Transportation Equipment

### Projects \$250,000 or less

**Title:** Crew Truck

**Type:**

Transportation Equipment

**Description:**

The vehicle category and Mileage Guideline: Heavy duty trucks, vans or vehicles (class 3 and under) having a GVWR of 8,501 pounds or more: 125,000 miles or 10 years of age. The replacement is for unit # 19. This truck is 11 years old, has 80,400 miles and does not meet the new AQMD regulations.

**Budgeted Cost Estimate:**

- \$120,000 in FY 2016/17

**Title:** Office Vehicle

**Type:**

Transportation Equipment

**Description:**

The vehicle category and Mileage Guideline: Sedans and light duty trucks or vehicles having a gross vehicle weight rating (GVWR) of 8,500 pounds or less: 125,000 miles or 10 years. Replace the office vehicle – 2002 Ford Taurus at the warehouse that is 14 years old and has 74,600 miles. The vehicle is unreliable and costly to maintain.

**Budgeted Cost Estimate:**

- \$35,000 in FY 2016/17

**Title:** Service Truck

**Type:**

Transportation Equipment

**Description:**

2WD truck with a service bed for small service jobs

**Budgeted Cost Estimate:**

- \$45,000 in FY 2016/17

## Minor Capital Equipment – Transportation Equipment

### Projects \$250,000 or less

**Title:** Super Cab Trucks (2)

**Type:**

Transportation Equipment

**Description:**

To meet the growth in staff for senior positions (Production and Utility).

**Budgeted Cost Estimate:**

- \$66,000 in FY 2016/17

Conservation: *Easy* Options for Reducing

# Indoor Water Use

Installing low flow aerators, low flow shower heads, filling a bucket in the shower and running full loads in your washing machine and dishwasher are all very simple, low cost ways to reduce indoor water use.

The average family can save 2,900 gallons per year by installing low flow shower heads.



Replacing aerators and shower heads requires only a few tools and a few minutes of time.

Replacing a bathroom aerator with a 1.2 GPM and a kitchen aerator with a 1.8 GPM aerator can save an average family thousands of gallons per year.



Filling a bucket while you are waiting for the shower to warm up is a great way to capture water for your garden, potted plants or pets. This can save the average family 2,400 gallons per year.



Running only full loads in your washing machine and dishwasher can save up to 2,600 gallons per year.



Conservation: *Bigger* Projects for Reducing

# Indoor Water Use

Replacing older toilets, washing machines and dishwashers with high efficiency models can save 20,000 gallons per year for the average family.



High Efficiency dishwashers can save 6,000 gallons per year compared to hand washing.



High Efficiency clothes washers can save 6,500 gallons of water per year.



Low flow toilets can save 13,000 gallons of water per year.

**Santa Clarita Water Division  
Recap of Long Term Commitments  
FY 2016/17 Budget**

**Interfund Loan**

CLWA acquired Santa Clarita Water Company's stock through condemnation in September 1999 for a purchase price of \$63 million. The acquisition was treated as an Interfund Loan. At the time of the purchase, the CLWA Financial Advisor prepared a financial analysis of SCWC's cash flow. The analysis showed that it was financially feasible to fund the acquisition of the company with its own revenue stream. The interest rate on CLWA's Interfund Loan was 5.04%. SCWD began making payments on the loan in FY 2000/01.

In June 2010 CLWA refunded the 2001 COPs with the 2010 refunding COPs, achieving an all-in true interest cost of 4.23%. As a result, the Board of Directors adopted Resolution Number 2765 on January 26, 2011, adopting the revised payment schedule for the SCWD Interfund Loan at the interest rate of 4.23%.

On September 15, 2011, SCWD refinanced the CLWA Interfund Loan by selling \$52,290,000 of Upper Santa Clara Valley Joint Powers Authority revenue bonds with an average interest rate of 3.52% for a net present value savings of \$3,671,785.53, or 6.32%, over the life of the bond issue.

**Certificates of Participation (COPs)**

2010 COPs

SCWD sold \$14,475,000 million of COPs through the issuance of premium COPs, which generated \$15,293,202 million in cash to pay issuance costs and to generate construction proceeds of \$15 million.

In June 2016, SCWD defeased \$290,700 (\$285,000 principal and \$5,700 interest) by creating a separate irrevocable trust to prepay the principal and portion of the interest due in FY 2016/17. The defeasance transaction was completed in order to increase the debt service coverage ratio for FY 2016/17. The amount was placed in an escrow account from which principal and interest will be used to make the scheduled principal and a portion of interest payments due on August 1, 2016.

**Revenue Bonds**

2011A Revenue Bonds

SCWD sold \$52,290,000 million of Revenue Bonds (Upper Santa Clara Valley Joint Powers Authority), which generated \$58,830,049 million in cash to pay issuance cost and to generate the proceeds of \$58,286,314 to refund the Interfund Loan to CLWA.

In June 2016, SCWD defeased \$2,274,600 (\$2,230,000 principal and \$44,600 interest) by creating a separate irrevocable trust to prepay the principal and portion of the interest due in FY 2016/17. The defeasance transaction was completed in order to increase the debt service coverage ratio for FY 2016/17. The amount was placed in an escrow account from which principal and interest will be used to make the scheduled principal and a portion of interest payments due on August 1, 2016.

**Santa Clarita Water Division  
2010B COP Payment Schedule - Summary  
FY 2016/17 Budget**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Coupon</b>	<b>Interest</b>	<b>Total</b>	<b>Principal Remaining</b>
2010/11	\$ -		\$ 518,907.64	\$ 518,907.64	\$ 14,475,000.00
2011/12	245,000	2.000%	716,037.50	961,037.50	14,230,000.00
2012/13	250,000	2.000%	711,087.50	961,087.50	13,980,000.00
2013/14	255,000	3.000%	704,762.50	959,762.50	13,725,000.00
2014/15	265,000	3.000%	696,962.50	961,962.50	13,460,000.00
2015/16	275,000	4.000%	687,487.50	962,487.50	13,185,000.00
* 2016/17	285,000	4.000%	676,287.50	961,287.50	12,900,000.00
2017/18	290,000	3.000%	666,237.50	956,237.50	12,610,000.00
2018/19	305,000	3.250%	656,931.25	961,931.25	12,305,000.00
2019/20	315,000	5.000%	644,100.00	959,100.00	11,990,000.00
2020/21	330,000	5.000%	627,975.00	957,975.00	11,660,000.00
2021/22	345,000	5.000%	611,100.00	956,100.00	11,315,000.00
2022/23	365,000	5.000%	593,350.00	958,350.00	10,950,000.00
2023/24	380,000	5.000%	574,725.00	954,725.00	10,570,000.00
2024/25	400,000	5.250%	554,725.00	954,725.00	10,170,000.00
2025/26	420,000	5.250%	533,200.00	953,200.00	9,750,000.00
2026/27	445,000	5.250%	510,493.75	955,493.75	9,305,000.00
2027/28	465,000	5.250%	486,606.25	951,606.25	8,840,000.00
2028/29	490,000	5.250%	461,537.50	951,537.50	8,350,000.00
2029/30	515,000	5.250%	435,156.25	950,156.25	7,835,000.00
2030/31	545,000	5.250%	407,331.25	952,331.25	7,290,000.00
2031/32	570,000	5.250%	378,062.50	948,062.50	6,720,000.00
2032/33	600,000	5.250%	347,350.00	947,350.00	6,120,000.00
2033/34	635,000	5.250%	314,931.25	949,931.25	5,485,000.00
2034/35	665,000	5.250%	280,806.25	945,806.25	4,820,000.00
2035/36	700,000	5.250%	244,975.00	944,975.00	4,120,000.00
2036/37	740,000	5.500%	206,250.00	946,250.00	3,380,000.00
2037/38	780,000	5.500%	164,450.00	944,450.00	2,600,000.00
2038/39	820,000	5.500%	120,450.00	940,450.00	1,780,000.00
2039/40	865,000	5.500%	74,112.50	939,112.50	915,000.00
2040/41	915,000	5.500%	25,162.50	940,162.50	-
	<b>\$ 14,475,000.00</b>		<b>\$ 14,631,551.39</b>	<b>\$ 29,106,551.39</b>	<b>\$ -</b>

\* Deceased (prepaid) FY 2016/17 Principal \$285,000 and Interest \$5,700 in June 2016.

**Santa Clarita Water Division  
2011A USCJVPA Bond - Payment Schedule Summary  
FY 2016/17 Budget**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Coupon</b>	<b>Interest</b>	<b>Total</b>	<b>Principal Remaining</b>
2011/12	\$ -		\$ 925,919.17	\$ 925,919.17	\$ 52,290,000.00
2012/13	1,200,000	3.000%	2,432,962.50	3,632,962.50	51,090,000.00
2013/14	1,685,000	3.000%	2,389,687.50	4,074,687.50	49,405,000.00
2014/15	1,850,000	3.000%	2,336,662.50	4,186,662.50	47,555,000.00
2015/16	2,030,000	4.000%	2,268,312.50	4,298,312.50	45,525,000.00
* 2016/17	2,230,000	4.000%	2,183,112.50	4,413,112.50	43,295,000.00
2017/18	2,455,000	5.000%	2,077,137.50	4,532,137.50	40,840,000.00
2018/19	2,705,000	5.000%	1,948,137.50	4,653,137.50	38,135,000.00
2019/20	2,950,000	4.000%	1,821,512.50	4,771,512.50	35,185,000.00
2020/21	3,210,000	5.000%	1,682,262.50	4,892,262.50	31,975,000.00
2021/22	3,490,000	4.000%	1,527,262.50	5,017,262.50	28,485,000.00
2022/23	3,785,000	5.000%	1,357,887.50	5,142,887.50	24,700,000.00
2023/24	4,110,000	5.000%	1,160,512.50	5,270,512.50	20,590,000.00
2024/25	4,460,000	5.000%	946,262.50	5,406,262.50	16,130,000.00
2025/26	4,825,000	5.000%	714,137.50	5,539,137.50	11,305,000.00
2026/27	5,220,000	5.250%	456,487.50	5,676,487.50	6,085,000.00
2027/28	6,085,000	5.250%	159,731.25	6,244,731.25	0.00
	<b>\$ 52,290,000.00</b>		<b>\$ 26,387,987.92</b>	<b>\$ 78,677,987.92</b>	<b>\$ -</b>

\* Defeased (prepaid) FY 2016/17 Principal \$2,230,000 and Interest \$44,600 in June 2016.



# Conservation: *Elements of* A Beautiful, Low Water Use Garden



## A Solid Foundation:

Decomposed Granite, large rocks lining a curved path, and a small footbridge add structure and shape to this garden, giving it visual interest even before the plants go in.





**Santa Clarita Water Division  
5-Year Forecast Assumptions  
FY 2016/17 Budget**

**Revenues**

The financial forecast for revenues assumes a modest 3.5 percent rate increase effective January 1, 2017 as approved by the Board of Directors on September 25, 2013. Effective April 1, 2016, CLWA changed its rate structure and also increased its rates in order to recover its costs. SCWD has been absorbing the CLWA Purchased Water rate increase since April 1, 2016.

SCWD is forecasting 8.3 percent annual rate increases starting on January 1, 2018 through 2022, including the additional incremental CLWA Purchased Water pass-through costs that SCWD has been absorbing since April 1, 2016.

In FY 2015/16 SCWD engaged a financial consultant to update the financial plan and to complete another cost of service rate study with anticipated completion in FY 2016/17. The financial plan will ensure that SCWD is financially stable in order to maintain the water system and meet the operation and maintenance requirements, capital expenditures and its reserve targets. The cost of service analysis determines the equitable allocation of the revenue requirements to the various customer classes of service (e.g. Single Family Residential and Other Customers (non-single family residential and irrigation)). The rate structure enhances conservation due to the continued drought and goals toward meeting the Senate Bill X7-7 requirement to reduce daily per capita demand by 20 percent by 2020.

**Customer Account Growth and Consumption**

Although the Santa Clarita Valley housing development is rebounding, SCWD is forecasting a conservative 3 percent growth in the 1-inch metered accounts; all other accounts are projected to remain the same for FY 2017/18 through FY 2021/22.

In FY 2016/17, SCWD's is forecasting a 10 percent increase in consumption from actual FY 2015/16 due to the SWRCB lifting the mandatory conservation targets by allowing a local "stress test" approach that mandates urban water suppliers self-certify to ensure at least a three year supply of water to their customers under drought conditions. In FY 2017/18 through FY 2021/22, only a modest consumption increase of 3 percent for growth in the 1-inch metered accounts is forecasted. SCWD anticipates customers will maintain a level of conservation due to installation of new water saving irrigation and permanent drought tolerant landscapes that were completed through rebate programs.

**Purchased Water**

The current purchased water rate is based on the April 1, 2016 CLWA's new wholesale water rate structure approved by the CLWA Board of Directors on March 23, 2016. The Board approved the rates through December 31, 2018 with annual rate increases effective January 1 of 2017 and 2018.

## 5-Year Forecast Assumptions

CLWA's rate study included a financial plan through 2020 and SCWD is forecasting 2019 and 2020 rate increases based on CLWA's financial consultant's March 16, 2016 Financial Plan and Rate Study Report below:

- 2019
  - CLWA Purchase Water Fixed Rate – \$484.54 per AF (11.1 percent increase from 2018).
  - CLWA Purchase Water Variable Rate- \$234.38 per AF (5.0 percent increase from 2018).
- 2020
  - CLWA Purchase Water Fixed Rate – \$538.00 per AF (11.0 percent increase from 2019).
  - CLWA Purchase Water Variable Rate- \$244.46 per AF (4.3 percent increase from 2019).

SCWD is forecasting a 5 percent purchased water annual rate increase for 2021 and 2022 for both the fixed and variable rates.

Historically, the purchased water/groundwater ratio has been approximately a 60/40 blend (sixty percent purchased water and forty percent groundwater). Due to the ongoing drought, the blend has shifted to more purchased water in the last five years. Below is a summary of the purchased water/groundwater blend for the last five fiscal years:

### Purchased Water/Groundwater

- FY 2015/16 – 79/21 blend
- FY 2014/15 – 82/18 blend
- FY 2013/14 – 83/17 blend
- FY 2012/13 – 65/35 blend
- FY 2011/12 – 64/36 blend

SCWD is projecting FY 2017/18 blend at 64/37 and is anticipating the purchased water/groundwater ratio to return to the 60/40 blend starting in FY 2018/19 through FY 2021/22.

The blend will be adjusted accordingly depending on the weather and operational circumstances.

### Debt Service

SCWD has two existing debt service schedules, COP Series 2010B for capital projects and Revenue Bond Series 2011A for refunding of the CLWA Interfund Loan. At this time, SCWD is not anticipating any new debt issuance and plans on funding CIP as pay-as-you-go through FY 2021/22.

SCWD defeased (prepaid) all the principal due and a portion of the interest due in FY 2015/16 and FY 2016/17 in the prior fiscal years due to anticipated lower revenues from conservation. The debts were defeased in order to increase the debt service coverage ratio to the required minimum of 1.2 to meet bond covenant. SCWD will meet the minimum 1.2 debt service coverage ratio with the proposed annual 8.3 percent rate increase starting January 1, 2018 through January 2022.

**Santa Clarita Water Division  
Financial Summary  
5-year Forecast**

	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
<b>Total Operating Revenues</b>	<b>\$ 33,301,488</b>	<b>\$ 36,014,364</b>	<b>\$ 38,974,800</b>	<b>\$ 42,207,061</b>	<b>\$ 45,737,917</b>
<b>Operating Expenditures</b>					
Source of Supply	11,165,800	12,019,600	13,259,400	13,780,900	14,327,900
Pumping	2,873,600	3,090,700	3,327,500	3,585,700	3,867,500
Water Treatment	1,213,300	1,249,700	1,287,200	1,325,800	1,365,600
Transmission and Distribution	4,821,700	4,966,400	5,115,400	5,268,800	5,426,900
Customer Service	1,043,200	1,074,500	1,106,700	1,139,900	1,174,100
Engineering	1,033,000	1,064,000	1,095,900	1,128,800	1,162,600
Administrative and General	3,681,600	3,792,100	3,905,800	4,023,000	4,143,700
<b>Total Operating Expenses</b>	<b>\$ 25,832,200</b>	<b>\$ 27,257,000</b>	<b>\$ 29,097,900</b>	<b>\$ 30,252,900</b>	<b>\$ 31,468,300</b>
<b>Operating Income</b>	<b>\$ 7,469,288</b>	<b>\$ 8,757,364</b>	<b>\$ 9,876,900</b>	<b>\$ 11,954,161</b>	<b>\$ 14,269,617</b>
<b>Non-Operating Revenue/(Expense)</b>					
Other Income	439,300	459,100	479,700	501,300	523,900
Interest Earnings	236,000	236,000	236,000	236,000	236,000
Interest Expense - COP Series 2010B (Capital Projects)	(666,238)	(656,931)	(644,100)	(627,975)	(611,100)
Interest Expense - Revenue Bond Series 2011A (Retail Acquisition Repayment)	(2,077,138)	(1,948,138)	(1,821,513)	(1,682,263)	(1,527,263)
<b>Total Non-Operating, Net</b>	<b>\$ (2,068,076)</b>	<b>\$ (1,909,969)</b>	<b>\$ (1,749,913)</b>	<b>\$ (1,572,938)</b>	<b>\$ (1,378,463)</b>
<b>Net Income Before Debt Principal Payment</b>	<b>\$ 5,401,213</b>	<b>\$ 6,847,395</b>	<b>\$ 8,126,988</b>	<b>\$ 10,381,224</b>	<b>\$ 12,891,155</b>
Principal Payment - COP Series 2010B (Capital Projects)	(290,000)	(305,000)	(315,000)	(330,000)	(345,000)
Principal Payment - Revenue Bond Series 2011A (Retail Acquisition Repayment)	(2,455,000)	(2,705,000)	(2,950,000)	(3,210,000)	(3,490,000)
<b>Increase/(Decrease) to Fund Balance</b>	<b>\$ 2,656,213</b>	<b>\$ 3,837,395</b>	<b>\$ 4,861,988</b>	<b>\$ 6,841,224</b>	<b>\$ 9,056,155</b>
<b>Total Revenue Requirements</b>	<b>\$ 33,301,488</b>	<b>\$ 36,014,364</b>	<b>\$ 38,974,800</b>	<b>\$ 42,207,061</b>	<b>\$ 45,737,917</b>



**Santa Clarita Water Division  
Active Service Connections  
5-year Forecast**

	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
<b>Growth in Accounts</b>					
1"	3.0%	3.0%	3.0%	3.0%	3.0%
Other Accounts	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total Growth</b>	<b>253</b>	<b>127</b>	<b>131</b>	<b>135</b>	<b>139</b>

<b>Meter Size (No. of Meters)</b>					
5/8" x 3/4" (Code 1)	6,296	6,296	6,296	6,296	6,296
3/4" (Code 2)	18,105	18,105	18,105	18,105	18,105
1" (Code 3)	4,229	4,356	4,486	4,621	4,759
1 1/2" (Code 4)	729	729	729	729	729
2" (Code 5)	1,193	1,193	1,193	1,193	1,193
3" (Code 6)	44	44	44	44	44
4" (Code 7)	113	113	113	113	113
6" (Code 8)	24	24	24	24	24
8" (Code 9)	8	8	8	8	8
<b>Total Accounts</b>	<b>30,741</b>	<b>30,868</b>	<b>30,998</b>	<b>31,133</b>	<b>31,271</b>

**Customer Consumption  
5-year Forecast**

Description	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
<b>Usage (Ccf)</b>					
Residential - Single Family					
Tier 1	3,622,087	3,730,750	3,842,672	3,957,952	4,076,690
Tier 2	1,465,909	1,509,885	1,555,182	1,601,838	1,649,894
Tier 3	396,290	408,179	420,425	433,037	446,028
<b>Subtotal Residential - Single Family</b>	<b>5,484,286</b>	<b>5,648,814</b>	<b>5,818,279</b>	<b>5,992,827</b>	<b>6,172,612</b>
Landscape	1,726,034	1,726,034	1,726,034	1,726,034	1,726,034
All Others	2,567,106	2,567,106	2,567,106	2,567,106	2,567,106
<b>Total Usage, Ccf</b>	<b>9,777,426</b>	<b>9,941,954</b>	<b>10,111,419</b>	<b>10,285,967</b>	<b>10,465,752</b>

**Increase/Decrease in Consumption**

Residential - Single Family					
Tier 1	3%	3%	3%	3%	3%
Tier 2	3%	3%	3%	3%	3%
Tier 3	3%	3%	3%	3%	3%
<b>Subtotal Residential - Single Family</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>
Landscape	0%	0%	0%	0%	0%
All Others	0%	0%	0%	0%	0%
<b>Total Annual Consumption Increase/(Decrease)</b>	<b>1.7%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>1.7%</b>

**Santa Clarita Water Division  
Capital Improvement Expenditures  
5-year Forecast**

<b>Description</b>	<b>FY 2017/18</b>	<b>FY 2018/19</b>	<b>FY 2019/20</b>	<b>FY 2020/21</b>	<b>FY 2021/22</b>
<b>Upgrade Projects</b>					
<b>Pay-As-You-Go Funded</b>					
Reservoirs	\$ 1,620,700	\$ 2,530,700	\$ 4,511,300	\$ 3,361,400	\$ 2,263,700
Pipeline and Service Replacements	2,199,000	1,130,700	894,100	679,100	1,580,400
Tank Maintenance (Recoating)	266,300	151,300	220,800	216,700	162,400
Meters (AMR)	760,700	484,600	-	-	-
Capital Equipment	698,700	414,600	441,500	345,100	620,400
Other Projects	747,400	1,238,000	949,200	1,117,800	1,163,200
<b>Subtotal Upgrade Projects</b>	<b>\$ 6,292,800</b>	<b>\$ 5,949,900</b>	<b>\$ 7,016,900</b>	<b>\$ 5,720,100</b>	<b>\$ 5,790,100</b>
<b>Subtotal Upgrade Projects</b>					
<b>Subtotal Upgrade Projects</b>	<b>\$ 6,292,800</b>	<b>\$ 5,949,900</b>	<b>\$ 7,016,900</b>	<b>\$ 5,720,100</b>	<b>\$ 5,790,100</b>
<b>Expansion Projects</b>					
Wells and Other Projects	\$ 397,700	\$ 285,900	\$ 358,700	\$ 838,900	\$ 851,200
GIS (Master Plan and Data Collection)	-	21,500	-	-	-
<b>Subtotal Expansion Projects</b>	<b>\$ 397,700</b>	<b>\$ 307,400</b>	<b>\$ 358,700</b>	<b>\$ 838,900</b>	<b>\$ 851,200</b>
<b>Total Project Expenditures</b>					
<b>Total Project Expenditures</b>	<b>\$ 6,690,500</b>	<b>\$ 6,257,300</b>	<b>\$ 7,375,600</b>	<b>\$ 6,559,000</b>	<b>\$ 6,641,300</b>

**Santa Clarita Water Division  
Water Supplies and Water Supply Costs  
5-year Forecast**

<b><u>SCWD Total Water Supplies</u></b>	<b>FY 2017/18</b>	<b>FY 2018/19</b>	<b>FY 2019/20</b>	<b>FY 2020/21</b>	<b>FY 2021/22</b>
CLWA Imported Water Supplies, acre-ft/yr	12,349	11,724	11,975	12,234	12,500
CLWA Groundwater Supplies, acre-ft/yr	3,000	3,000	3,000	3,000	3,000
SCWD Groundwater Supplies, acre-ft/yr	8,785	9,816	9,984	10,156	10,333
<b>Total acre-ft/yr</b>	<b>24,134</b>	<b>24,540</b>	<b>24,959</b>	<b>25,390</b>	<b>25,833</b>

<b><u>Water Supply Blend</u></b>					
Percent from CLWA (Imported and Groundwater)	64%	60%	60%	60%	60%
Percent from SCWD (Groundwater)	36%	40%	40%	40%	40%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<b><u>CLWA Purchased Water Supplies</u></b>	<b>FY 2017/18</b>	<b>FY 2018/19</b>	<b>FY 2019/20</b>	<b>FY 2020/21</b>	<b>FY 2020/21</b>
CLWA Imported Water Supplies, acre-ft/yr	12,349	11,724	11,975	12,234	12,500
CLWA Groundwater Supplies, acre-ft/yr	3,000	3,000	3,000	3,000	3,000
<b>Total acre-ft/yr</b>	<b>15,349</b>	<b>14,724</b>	<b>14,975</b>	<b>15,234</b>	<b>15,500</b>

<b><u>CLWA Purchased Water Supply Cost</u></b>					
Fixed Charge, Annual	\$7,684,862	\$8,543,409	\$9,554,880	\$9,831,972	\$10,117,099
Variable Charge- Imported	2,731,482	2,695,292	2,890,550	3,100,501	3,326,281
Variable Charge - Groundwater	513,525	539,201	566,161	594,469	624,193
<b>CLWA Purchased Water Cost</b>	<b>\$10,929,869</b>	<b>\$11,777,902</b>	<b>\$13,011,591</b>	<b>\$13,526,942</b>	<b>\$14,067,573</b>

**Santa Clarita Water Division  
Debt Service and Debt Coverage  
5-year Forecast**

	<b>FY 2017/18</b>	<b>FY 2018/19</b>	<b>FY 2019/20</b>	<b>FY 2020/21</b>	<b>FY 2021/22</b>
<b>Total Operating Revenues</b>	<b>\$ 33,301,488</b>	<b>\$ 36,014,364</b>	<b>\$ 38,974,800</b>	<b>\$ 42,207,061</b>	<b>\$ 45,737,917</b>
<b>Operating Expenditures</b>					
Source of Supply	\$ 11,165,800	\$ 12,019,600	\$ 13,259,400	\$ 13,780,900	\$ 14,327,900
Pumping	2,873,600	3,090,700	3,327,500	3,585,700	3,867,500
Water Treatment	1,213,300	1,249,700	1,287,200	1,325,800	1,365,600
Transmission and Distribution	4,821,700	4,966,400	5,115,400	5,268,800	5,426,900
Customer Service	1,043,200	1,074,500	1,106,700	1,139,900	1,174,100
Engineering	1,033,000	1,064,000	1,095,900	1,128,800	1,162,600
Administrative and General	3,681,600	3,792,100	3,905,800	4,023,000	4,143,700
<b>Total Operating Expenses</b>	<b>\$ 25,832,200</b>	<b>\$ 27,257,000</b>	<b>\$ 29,097,900</b>	<b>\$ 30,252,900</b>	<b>\$ 31,468,300</b>
<b>Operating Income</b>	<b>\$ 7,469,288</b>	<b>\$ 8,757,364</b>	<b>\$ 9,876,900</b>	<b>\$ 11,954,161</b>	<b>\$ 14,269,617</b>
<b>Non-Operating Revenue</b>					
Other Income	\$ 439,300	\$ 459,100	\$ 479,700	\$ 501,300	\$ 523,900
Interest Earnings	236,000	236,000	236,000	236,000	236,000
<b>Total Non-Operating Revenue</b>	<b>\$ 675,300</b>	<b>\$ 695,100</b>	<b>\$ 715,700</b>	<b>\$ 737,300</b>	<b>\$ 759,900</b>
<b>Total Net Revenues</b>	<b>\$ 8,144,588</b>	<b>\$ 9,452,464</b>	<b>\$ 10,592,600</b>	<b>\$ 12,691,461</b>	<b>\$ 15,029,517</b>
<b>Parity Debt Service</b>					
COP Series 2010B	\$ 956,238	\$ 961,931	\$ 959,100	\$ 957,975	\$ 956,100
USCVJPA Revenue Bonds, Series 2011A	4,532,138	4,653,138	4,771,513	4,892,263	5,017,263
<b>Total Debt Service</b>	<b>\$ 5,488,376</b>	<b>\$ 5,615,069</b>	<b>\$ 5,730,613</b>	<b>\$ 5,850,238</b>	<b>\$ 5,973,363</b>
<b>Debt Service Coverage</b>	<b>1.48</b>	<b>1.68</b>	<b>1.85</b>	<b>2.17</b>	<b>2.52</b>
<b>Revenues Available for Other Purposes</b>	<b>\$ 2,656,212</b>	<b>\$ 3,837,395</b>	<b>\$ 4,861,988</b>	<b>\$ 6,841,224</b>	<b>\$ 9,056,155</b>

Conservation: *Bigger* Projects-Creating a Landscape that

# Spreads Water

Rainwater and landscape watering that is spread slowly will soak into the ground more easily. This recharges aquifers with water, deters soil erosion, reduces runoff (flooding) and thereby reduces the amount of fertilizer and pesticides that run into storm drains and out to streams and the ocean.



Cover Bare Ground:

Ground cover, mulch or rock slows water down and allows it time to soak in.



Create a Bioswale:

Usually a mix of stone, grasses and native plants. That will direct water away from your home while still allowing it time to soak in.



Plant Wide Canopy Trees:

Tree canopies slow down the rain water before it hits the ground.

# Retain Soil and Reduce Runoff



Small retaining rocks and block walls can be used to terrace your slope. This gives you an area to plant behind and will also catch water and keep soil in place.



On larger slopes, native hydroseed can be applied. Once established it will require little or no water and will retain soil.



Plants, like the Creeping Juniper shown below, do well on slopes. The runners on this plant root themselves and will help retain soil.



Create a water ring (shown above) around new plants on a slope to catch water before it runs off.

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## BUDGET GLOSSARY

**Accounts Receivable.** SCWD extends credit to customers in the normal course of operations. Management deems at least 99% of all accounts receivable as collectible at fiscal year end.

**Accrual Basis of Accounting.** The method of accounting under which revenues are recorded when they are earned (whether or not cash is received at that time) and expenditures are recorded when goods and services are received (whether or not cash disbursements are made at the time).

**Acre-Foot/Acre-Feet (AF).** A unit of measure equivalent to 325,851 gallons of water.

**Advanced Metering Infrastructure (AMI).** This technology includes hardware, meter data management software, communications equipment and smart meters that provide real-time meter reads and consumption to the customer and the utility. This information will then allow the customer to be more aware of water usage and identify problems sooner and also allows the Utility to improve meter reading accuracy and efficiency.

**Agency.** Refers to both CLWA and SCWD.

**Alluvial Aquifer or Alluvium.** The shallow aquifer which generally underlies the Santa Clara River and its several tributaries within the Santa Clarita Valley.

**American Water Works Association (AWWA).** An international scientific and educational society dedicated to the improvement of drinking water quality and supply. The Agency is a member of AWWA.

**Aquifer.** An underground layer of permeable rock, sediment (usually sand or gravel), or soil that yields water.

**Assets.** Resources having monetary and economic value that are owned or held by the Agency.

**Asset Management.** A set of systematic and coordinated activities and practices through which an organization optimally and sustainably manages its assets and asset systems, their associated performance, risks and expenditures over their life cycles for the purpose of achieving its organizational strategic plan.

**Association of California Water Agencies (ACWA).** A statewide organization comprised of a coalition of public water agencies. The Agency is a member of ACWA.

**Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA).** A statewide organization dedicated to consistently and cost effectively providing the broadest possible affordable insurance coverage as well as training and related services to its member agencies. The Agency is a member of ACWA/JPIA.

**Automated Meter Reading (AMR).** Automatic collection of water meter data using remote reading devices.

**Backbone.** Refers to all infrastructure necessary to deliver recycled water into SCWD's Distribution System.

**Balanced Budget.** A balanced budget is a basic budgetary constraint intended to ensure that an entity does not spend beyond its means.



**Board of Directors.** The governing body of the Castaic Lake Water Agency. The Agency is divided into three elective divisions; the governing board is made up of two directors from each division, three directors at large, and one director appointed by each of the two retail water purveyors excluding SCWD and VWC, 11 members.

**Bond.** A written promise to pay a specified sum of money (called the principal) at a specified date in the future, together with periodic interest at a specified rate. In the budget document, these payments are identified as debt service.

**Budget.** A balanced financial plan for a given period of time which matches proposed expenditures to the expected revenues for that same period of time.

**Ccf.** The ccf is the standard rate of billing for retail water service. 1 ccf is equal to 100 cubic feet of water which is equal to 748 gallons of water.

**CAFR.** Comprehensive Annual Financial Report.

**California Public Utilities Commission (CPUC).** Commission governing the business operations of private utilities in so much as they affect the rates of the services sold.

**Capital Equipment.** Fixed assets such as vehicles, computers, furniture and technical instruments which have a life expectancy of more than one year and a value over \$5,000.

**Capital Improvement Plan (CIP).** A long-range plan of SCWD for the construction, rehabilitation and modernization of SCWD's owned and operated infrastructure.

**Capital Planning, Studies and Administration.** Non-operating expenses, including but not limited to (1) studies in support of major capital projects and (2) non-recurring studies.

**Capital Project.** A non-operating expense item of the budget, which includes expenditures for fixed asset/equipment purchases as well as the accumulation of expenditures associated with construction projects. Capital projects typically have a life expectancy of five years or more.

**Castaic Lake Water Agency (Agency or CLWA).** The Castaic Lake Water Agency is the area's wholesaler, which imports water from the State Water Project that is used to supplement the local retailers' groundwater supply. CLWA acquired SCWD in 1999.

**CEQA.** California Environmental Quality Act.

**Certificate of Participation (COP).** The financing technique that provides long-term financing through a lease (with an option to purchase) or installment agreement that does not constitute indebtedness under the state constitutional debt limit and does not require voter approval.

**CIP Fund.** Funds allocated for SCWD projects through Retail Water sales excluding COP financed projects and expansion projects due to development.

**COLA.** Cost-of-Living Adjustments.

**Commodity Charge.** A charge per ccf that includes local SCWD water usage charge and pass-through charges for purchased water from CLWA.

**Computerized Maintenance Management System (CMMS).** A CMMS software package maintains a computer database of information about an organization's maintenance operations. This aids in making informed decisions regarding preventative maintenance and helps maintenance workers do their jobs more efficiently.

**COP Fund.** Funds allocated for specific projects through COP financing.

**CPI.** Consumer Price Index.

**Customer Class.** SCWD has three customer class categories and they each have specific Commodity Charges based on the cost of service study:

- Residential
- Industrial
- All others

**Customer Information System (CIS).** Computer database and information system that contains all billing and personal data pertaining to utility customers usually combined with Utility Billing (UB).

**Dead End Flushing.** Dead end water mains are often found at the end of cul-de-sac streets. Dead end water mains may not provide enough flow to maintain disinfectant levels. Therefore, a preventative maintenance program has been set up for flushing dead end water mains to ensure high water quality and acceptable disinfection residual.

**Department of Water Resources (DWR).** The state agency responsible for financing, constructing and operating State Water Project facilities.

**Developer.** A person or entity that invests in and develops potentialities of real estate, especially by subdividing the land into home sites and then building houses and selling them.

**Developer Refundable Deposit.** Initial funds received from developers to do engineering studies and construction related to SCWD's water system for their specific development. Any unused amount is refundable.

**Disbursements.** Payments made on obligations.

**Drought.** Is a period of below average precipitation in a given region resulting in prolonged shortages in the water supply, whether atmospheric, surface or ground water.

**EIR.** Environment Impact Report prepared in compliance with the California Environmental Quality Act.

**EIS.** Environmental Impact Statement prepared in compliance with the National Environmental Protection Act.

**Earl Schmidt Filtration Plant (ESFP).** One of two treatment plants operated by CLWA.

**Enterprise Fund.** A fund established to account for operations that are financed and operated in a manner similar to business enterprises where (1) the intent of the governing body is that costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) the governing body or higher governmental authority has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control and accountability for other purposes.

**Equipment.** The purchase, replacement, maintenance and upgrading of equipment essential to supporting administrative and service needs with a cost of \$5,000 or more.

**Equipment Purchases.** The purchases of office equipment, furniture, automobiles, trucks, pumps, shop equipment and other items.

**Expansion Fund.** Capacity Fees received from developers to be utilized to offset costs associated with improvements to storage, booster pumping, supply and distribution as system needs are realized in future development.

**Expenditure.** An amount of money disbursed or obligated. Expenditures include current operating expenses and capital improvements requiring the present or future use of net current assets and the current year portion of debt service.

**FICA.** Federal Insurance Compensation Act.

**Finance and Administration Committee.** A committee of the Board of Directors consisting of five Board members that meets monthly to discuss finance and administration issues.

**Financial Information System (FIS).** An accounting software that records and processes accounting transactions.

**Fiscal Year (FY).** The timeframe in which the Budget applies. For SCWD this is the period from July 1 through June 30 of the succeeding year.

**Fixed Assets.** Long-term tangible assets that have a normal use expectancy of more than three years and do not lose their individual identity through use. Fixed assets include buildings, equipment and improvements other than buildings and land.

**Fund.** A set of accounts used to account for a specific activity, such as a water enterprise fund. A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and changes in these assets and liabilities.

**Fund Balance.** The current funds on hand resulting from historical collection and use of monies. The difference between assets and liabilities reported in SCWD's Operating Fund plus residual equities or balances or changes therein, from the results of operations.

**Fund Summary.** SCWD's list of all available funds designated for each specific purpose.

**GFOA.** Government Finance Officers Association of the United States and Canada.

**GPCD.** Gallons per capita per day.

**Generally Accepted Accounting Principles (GAAP).** Uniform minimum standards of, and guidelines for, external financial accounting and reporting. They govern the form and content of the basic Financial Statements of an entity. The responsibility for setting GAAP for state and local governments rests with the Governmental Accounting Standards Board (GASB).

**General Obligation Bonds.** Bonds, the payment for which the full faith and credit of the issuing government are pledged.

**Geographic Information System (GIS).** GIS is a system designed to capture, store, manipulate, analyze, manage and present all types of geographically referenced data.

**Goal.** A description of a desired end state, condition or outcome expressed in qualitative terms.

**Governmental Accounting Standards Board (GASB).** The organization that sets the standards of state and local governmental accounting and financial reporting that will result in useful information for users of financial reports and guide and educate the public, including issuers, auditors, and users of those financial reports.

**GPM.** Gallons per minute.

**HE.** High efficiency.

**HOA.** Homeowners association.

**Interfund Loan.** Payments from SCWD to CLWA for the purchase of the Santa Clarita Water Company (SCWC) in 1999.

**Internal Control.** Agency management is responsible for the establishment and maintenance of an internal control structure that ensures that the assets of the Agency are protected from loss, theft or misuse. The internal control structure also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

**Capacity Fees.** Fee imposed when a customer requests a new service connection. The Capacity Fee funds (also referred to as Expansion Fund) are used by SCWD to plan, design and construct new facilities to support the additional demand placed on the water system by the new and future service connections.

**Integrated Regional Water Management (IRWM).** A collaborative, stakeholder-driven process to integrate planning and implementation efforts and facilitate regional cooperation with the goals of reducing water demands, improving operational efficiency, increasing water supply, improving water quality and promoting resources stewardship over the long term. The Upper Santa Clara River IRWM plan, adopted in July 2008 (and updated February, 2014), examines current and future water-related needs, identifies regional objectives for water-related resource management, develops strategies to address identified needs and then evaluates and offers various projects to meet the regional objectives.

**IT.** Information technology.

**LACWD No. 36.** Los Angeles County Waterworks District No. 36, one of the four Santa Clarita Valley retail purveyors.

**LAIF.** Local agency investment fund.

**MG.** Million gallons.

**MGD.** Million gallons per day.

**MOU.** Memorandum of understanding.

**Major Capital Improvement Projects.** Projects associated with the expansion of service due to growth or increase in demand which cost more than \$250,000.

**Materials and Supplies.** Cost of the various materials and supplies purchased to operate and maintain SCWD. Examples of supplies include stationery, safety glasses, cables, valves, nuts and bolts.

**Meter Service Charge.** A monthly charge for water availability based on meter size.

**Minor Capital Improvement Projects.** Projects associated with the expansion of service due to growth or increase in demand that cost \$250,000 or less.

**NCWD.** Newhall County Water District, one of the four Santa Clarita Valley retail purveyors.

**Objective.** A description of the result that is expected to be achieved. An objective is time specific and measurable. Fiscal year objectives are the yearly organizational levels of achievement expected.

**Operating Budget.** The normal, ongoing operating costs to operate SCWD including salaries, employer expenses, professional and outside services and other operating expenses.

**O&M.** Operations and maintenance.

**Other Post-Employment Benefits (OPEB).** Post-employment benefits that an employee will begin to receive at the start of retirement, but it does not include pension benefits paid to the retired employee.

**Perchlorate.** Compound used in the manufacturing of explosives, munitions and rocket fuel.

**Performance Measurement.** A qualitative or quantitative indicator of successful goal attainment. A “good” performance measure is a reasonable approximation or representation of goal attainment. The performance measure cited should also be one that the Agency can affect, gather data on and measure.

**Potable Water.** Water that meets the drinking water standards of the US Environmental Protection Agency.

**Public Employees’ Pension Reform Act (PEPRA).** In September 2012, the legislature passed and the Governor signed into law the “California Public Employees’ Pension Reform Act of 2013” (PEPRA) (Government Code Sections 7522, *et seq.*). PEPRA limits the pension benefits offered to new employees and increases flexibility for employee and employer cost sharing for current employees.

**Public Employees Retirement System (PERS).** An agent, multiple-employer, public retirement system to which the Agency contributes that acts as a common investment and administrative agent for participating public entities within the State of California.

**Purchased Water.** Water purchased from CLWA to supplement SCWD’s groundwater supply.

**Redundancy.** A fail-safe in the water distribution system to ensure continued service when a critical portion of the water system is out of service due to unforeseen conditions.

**Reliability.** Providing a consistent level of water service.

**Repair and Replacement Projects.** Any repair or replacement to SCWD’s existing water infrastructure that extends the life a minimum of five years or more and costs \$5,000 or more.

**Replacements.** Projects related to replacement of existing infrastructure.

**Retail Operations Committee.** A Committee of the Board of Directors consisting of five Board members that meets monthly to discuss retail operation issues.

**Recycled Water.** Beneficial use of treated wastewater for such planned uses as irrigation, industrial cooling, recreation, groundwater recharge, environmental enhancement and other uses permitted under California law.

**Revenue.** Income generated by taxes, notes, bonds, investments, land rental, user charges and water rates.

**SCWC.** Santa Clarita Water Company, 1973 merger of Bouquet Canyon Water Company and Solemint Water Company.

**SCWD.** Santa Clarita Water Division. The name was changed from Santa Clarita Water Company after acquisition by the Agency in 1999.

**Santa Clarita Valley Family of Water Suppliers.** To help Santa Clarita residents use water more efficiently, Castaic Lake Water Agency, Santa Clarita Water Division, Los Angeles Waterworks District No.36, Newhall County Water District and Valencia Water Company teamed up to promote water conservation through its "Put Your Water to Work" campaign by offering tips and information to be more water wise.

**Saugus Formation.** The deep aquifer that underlies the Alluvial Aquifer.

**Service Charge.** A flat monthly charge based on the meter size to cover the cost of reading, billing, maintaining meters and services.

**Southern California Edison (SCE).** The primary electricity supply company for most of Southern California, including the Agency and SCWD.

**State Water Project (SWP).** A water development and distribution system owned and operated by the State of California Department of Water Resources, which transports water from northern California. It entails the operation and maintenance of the collection and transportation facilities.

**State Water Resources Control Board (SWRCB).** Also known as the State Water Board. Along with the nine Regional Water Quality Control Boards, the SWRCB is tasked with preserving California's water resources and drinking water for the protection of the environment, public health, and all beneficial uses, and to ensure proper water resource allocation and efficient use, for the benefit of present and future generations. The SWRCB plays a key role in the State's response to current drought conditions.

**Strategic Goal.** A discrete aim for future achievement that is necessary to meet a component of SCWD's mission.

**Strategic Plan.** A long-term plan defining SCWD's mission, goals and objectives and implementing actions.

**Studies and Administration.** Expenses related to planning, feasibility studies and other non-recurring reports, evaluations or tests.

**Supervisory Control and Data Acquisition (SCADA).** The Supervisory Control and Data Acquisition system collects operational data from remote units to monitor and control water and facilities throughout SCWD's service area.

**Total Budget.** The sum of the total operating budget, debt service, water purchases and total capital budget requests.

**Total Capital Budget.** The total budget requests for equipment purchases and construction projects.

**UWMP.** Urban Water Management Plan. A water management planning document required by the “California Urban Water Management Planning Act.” This Plan provides a description of supplies and demands for existing and future conditions over a 20 year time horizon. CLWA and the other retail purveyors prepare this plan jointly. This document is prepared every five years with the current document being the 2015 UWMP.

**Upgrades.** Projects related to the repair or refurbishment of existing infrastructure.

**Utilities.** This includes gas, electricity, water, sewer and telephone service.

**Utility Billing (UB).** Billing software system for utilities usually combined with Customer Information System (CIS).

**VWC.** Valencia Water Company, one of the four Santa Clarita Valley retail purveyors.

**Water Conservation.** Encompasses the policies, strategies and activities made to manage fresh water as a sustainable resource, to protect the water environment and to meet current and future demand.

**Water Master Plan.** An engineering study that recommends and prioritizes capital improvements based on long-range planning efforts through analysis and assessment of the capacity of existing and planned infrastructure with respect to established design criteria. SCWD’s Water Master Plan was updated in 2013.

**Water Rates.** Retail water rates charged to SCWD customers. The water rates consist of two main components: a fixed monthly Service Charge and a variable water usage Commodity Charge. The rates for the Service Charge varies based on meter size, whereas the Commodity Charge is a three-tiered rate structure for single family residential (SFR) customers that varies based on the amount of water used in ccf and separate uniform rates per ccf of water usage for irrigation and all other customers.

**Water System.** The whole and each and every part of the water system of SCWD, comprising all facilities for the supply, storage, treatment and distribution of water, together with all additions, extensions and improvements to such system.

**WBIC.** Weather-based irrigation controller. An irrigation controller that adjusts watering patterns based on real time weather conditions.

**WUESP.** Water Use Efficiency Strategic Plan. A comprehensive long-term conservation plan for the Santa Clarita Valley which provides objectives, policies and programs designed to promote proven and cost-effective conservation practices. The plan was first adopted in 2008 and subsequently updated in 2015.

**SANTA CLARITA WATER DIVISION  
RESERVE FUND POLICY  
(RETAIL WATER SYSTEM)**

**INTRODUCTION**

This policy has been developed to maintain prudent management of a retail water system which requires that reserve funds be established and maintained to fund scheduled and unscheduled expenses including operation and maintenance, debt service, emergencies, capital improvement, repair and replacement, and for the stabilization of retail water rates.

**STATEMENT OF PURPOSE**

The purposes of the Castaic Lake Water Agency's Reserve Policy for the retail water system is to ensure the Agency's financial stability and to have sufficient funding available to meet its operating, capital and debt service cost obligations. This policy establishes the level of reserves necessary for maintaining the Agency's credit worthiness and ratings and for adequately providing for:

- ◆ Cash flow requirements and working capital.
- ◆ Economic uncertainties and other financial hardships, including performance of the regional economy and water supply reliability.
- ◆ Infrastructure replacements.
- ◆ Emergency repairs.
- ◆ Local disasters, natural disasters or catastrophic events.
- ◆ Loss of significant revenue sources due to variations in water sales resulting from variable weather conditions or conservation.
- ◆ Unfunded mandates including costly regulatory requirements.

**Types of Reserves**

1. **Operating Reserve Fund.** Covers unscheduled costs relating to the operation of the retail water system, including, but not limited to, unforeseen repairs, emergencies, unexpected increases in treatment costs, regulatory changes, unforeseen legal expenses and disruption of a source of supply. The target balance for the Operating Reserve Fund shall be set at 25% of the Retail Annual Operating Expense Budget. Funds from the Operating Reserve Fund shall be used exclusively for operating expenses of the retail water system, unless otherwise authorized by the Board of Directors. The Operating Reserve Fund was fully funded by June 2014. When the fund has reached its target balance, additional allocations to the Operating Reserve Fund, to replace funds expended over the fiscal year or to increase the balance to match increases in the Annual Operating Expense Budget, shall be included in the annual budget. If the balance in the Operating Reserve Fund drops below 50% of the target amount during a fiscal year, staff will advise the Board of Directors and recommend appropriate action. In any year, the balance in the Operating Reserve Fund shall not exceed 25% of that year's Operating Expense Budget.
2. **Rate Stabilization Reserve Fund.** Offsets revenue reductions resulting from reduced retail water sales during periods when consumption is 10% or more below average consumption. The Rate Stabilization Reserve Fund shall have a target balance of 10% of Retail Annual Operating Revenue Budget and shall be fully funded by June 2016. When



the fund has reached its target balance, additional allocations to the Rate Stabilization Reserve Fund to replace funds expended over the fiscal year or to increase the balance to match increases in the Annual Operating Revenue Budget, shall be included in the annual budget. If the balance in the Rate Stabilization Reserve Fund drops below 50% of the target amount during a fiscal year, staff will advise the Board of Directors and recommend appropriate action. In any year, the balance in the Operating Rate Stabilization Reserve Fund shall not exceed 10% of that year's Operating Revenue Budget.

3. **Capital Reserve Fund.** Covers any unexpected and unplanned infrastructure and replacement repairs not included in the budget. The Capital Reserve Fund shall have a target balance of \$1,000,000 and was fully funded by June 2014. When the fund has reached its target balance, additional allocation to the Capital Reserve Fund to replace funds expended over the fiscal year shall be included in the annual budget. If the balance in the Capital Reserve Fund drops below 50% of the target amount during a fiscal year, staff will advise the Board of Directors and recommend appropriate action. In any year, the balance in the Capital Reserve Fund shall not exceed \$1,000,000.
4. **Emergency Reserve Fund.** Covers any emergency repairs due to unforeseen natural disasters such as earthquake, fire, etc. The Emergency Fund covers immediate repairs to restore SCWD's operations for continued water delivery to its customers. The Emergency Fund shall have a target balance of \$1,000,000 and be fully funded by June 2016. When the fund has reached its target balance, additional allocation to the Emergency Reserve Fund to replace funds expended over the fiscal year shall be included in the annual budget. If the balance in the Emergency Reserve Fund drops below 50% of the target amount during a fiscal year, staff will advise the Board of Directors and recommend appropriate action. In any year, the balance in the Emergency Reserve Fund shall not exceed \$1,000,000.

### **Reporting**

The annual Budget document will include a reserve analysis, showing reserve amounts and targets for each type of reserve. Should a major change in conditions compromise reserve levels, the Retail Manager will provide an analysis to the Board of Directors. This analysis would include an explanation of why reserve levels are below targeted levels and/or a recommended course of action to improve reserve levels.

*(Originally Adopted January 2004)*

**CASTAIC LAKE WATER AGENCY  
STATEMENT OF INVESTMENT POLICY**

*(Board Approved; Re-adopted February 2016; Reviewed Annually)*

**INTRODUCTION**

The Board of Directors of the Castaic Lake Water Agency recognizes its responsibility to direct the investment of funds under its care. This policy applies to the Castaic Lake Water Agency and the Santa Clarita Water Division.

**STATEMENT OF PURPOSE**

The purpose of this policy is to provide guidelines for the investment of funds based upon prudent cash management practices and in conformity with all applicable statutes.

**Investment Goals**

The investment of funds by the Castaic Lake Water Agency shall be guided by the goals of safety of principal, liquidity and return on funds invested. These goals, ranked in order of priority, are further defined as follows:

- ◆ Safety of Principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
- ◆ Liquidity of Funds invested will remain sufficient to enable the Agency to meet all operating requirements and budgeted expenditures. Investments will be undertaken with the expectation that unplanned expenses will be incurred; therefore, portfolio liquidity will be created to cover reasonable contingency costs.
- ◆ Return on Funds Invested should be focused upon with investment safety and liquidity goals in perspective. The goal is to maximize return while ensuring that safety and liquidity objectives are not compromised.

**Scope**

This investment policy applies to all financial assets held by Castaic Lake Water Agency. The Agency pools all cash for investment purposes. This policy is applicable, but not limited to all funds listed below:

General/Operating Fund  
Special Revenue Funds  
a) One Percent Property Tax Fund  
b) Facility Capacity Fee Fund  
c) State Water Project Fund

Capital Project Fund  
Debt Service Fund  
Reserve Funds  
Enterprise Fund  
Grant Funds

\* A separate investment policy will be developed for the proceeds from a future potential lump sum payment of the perchlorate settlement agreement for O&M activities.

### **Delegation of Authority**

Responsibility for the Agency's investment program is delegated to the Treasurer who shall oversee management of the portfolio consistent with this policy. With this delegation the Treasurer is given the authority to utilize internal staff and outside investment managers to assist in the investment program. The Treasurer will use care to assure that those assigned responsibility to assist in the management of the Agency's portfolio do so in accordance with this policy.

For the Santa Clarita Water Division, the Retail Manager serves as the Treasurer.

### **Conflicts of Interest**

All Agency officials and staff members involved with investment functions will refrain from personal business activity that could conflict with the execution of the investment function or could impair their ability to make impartial investment decisions. Officials and staff members involved with the investment function will disclose to the Board of Directors any personal financial interest with a financial institution, broker or investment issuer conducting business with the Agency. Officials and staff members will further disclose to the Board of Directors any personal financial interest in any entity related to the investment performance of the Agency's portfolio.

### **Prudence**

Agency officials and staff members responsible for the investment program, under all circumstances, will conduct themselves in accordance with the "Prudent Man Rule". This rule requires that investments will be made with judgment and care, under circumstances then prevailing, which persons of prudence, direction and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

### **Responsibility**

The Treasurer and other individuals assigned to manage the investment portfolio, acting with the intent and scope of this investment policy while exercising due diligence, shall be relieved of personal responsibility for the credit risk and market price risk for securities held in the investment portfolio, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

For the Santa Clarita Water Division, the Retail Manager serves as the Treasurer.

### **Portfolio Maturity Limits**

The maximum maturity for any single investment in the portfolio shall not exceed five years.

The maximum weighted average maturity for the investment portfolio shall not exceed three years.

When a security has a mandatory put date, the put date should be used when calculating weighted average portfolio maturity. When a security has an optional put date, the optional put date should be used when calculating weighted average portfolio maturity so long as the put is at the discretion of the Agency and the put price is equal to or greater than the market value for the security. (A put is a contract that gives its holder the right to sell an underlying security, commodity, or currency before a certain date for a predetermined price.)

### **Permissible Investments and Investment Restrictions**

Permissible investments and investment credit quality, maturity and concentration restrictions (in aggregate by type of restriction) are as follows:

1. United States Treasury Bills, Notes and Bonds

Minimum Credit Quality:	Not Applicable
Maximum Portfolio Concentration:	No Limit
Maximum Concentration per Issuer:	No Limit
Maximum Maturity:	5 Years
  
2. United States Government Agency and Sponsored Enterprise Securities

Minimum Credit Quality:	Not Applicable
Maximum Portfolio Concentration:	No Limit
Maximum Concentration per Issuer:	No Limit
Maximum Maturity:	5 Years
  
3. Bankers Acceptances

Minimum Credit Quality:	A-1 or P-1
Maximum Portfolio Concentration:	30%
Maximum Concentration per Issuer:	5%
Maximum Maturity:	180 days
  
4. Medium Term Notes and Deposit Notes

Minimum Credit Quality:	A2 or better by Moody's or A or better by Standard & Poor's.
Maximum Portfolio Concentration:	30%
Maximum Concentration per Issuer:	5%
Maximum Maturity:	5 years
Issuer Restrictions:	Issuer must be incorporated and operating in the U.S. or a U.S. depository institution licensed by the U.S. or any State.
  
5. Commercial Paper

Minimum Credit Quality:	A-1 or P-1, long term debt rating, if any, must equal or exceed "A" by Moody's or Standard & Poor's.
Issuer Restrictions:	Issuer must be incorporated and operating in the U.S. and have assets in excess of \$500,000,000. No more than 10% of any issuers' Commercial Paper may be purchased.
Maximum Portfolio Concentration:	10%
Maximum Concentration per Issuer:	5%
Maximum Maturity:	270 Days
  
6. Certificates of Deposit

Minimum Credit Quality:	A or better by the Financial Directory. The credit quality is waived if the certificate of deposit is insured with Federal Deposit Insurance Corporation (FDIC).
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Maximum Portfolio Concentration:	30%
Maximum Concentration per Depository:	10%
Maximum Maturity:	5 years
Depository Restrictions:	Pursuant to Government Code Section 53601.8 and 53635.8, the Agency, at its discretion, may invest funds in certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposits

7. Time Deposit

Minimum Credit Quality:	A or better by the Financial Directory. The credit quality is waived if the time deposit is insured with Federal Deposit Insurance Corporation.
Maximum Portfolio Concentration:	30%
Maximum Concentration per Depository:	10%
Maximum Maturity:	5 years
Depository Restrictions:	Pursuant to Government Code Section 53601(f), 53635.2, 53648 and 53649, the Agency, at its discretion, may invest funds in a time deposit at a commercial bank, savings bank, savings and loan association or credit union that uses a private sector entity that assists in the placement of time deposit.

8. Municipal Obligations

***Revenue Obligations***

Minimum Credit Quality:	A1 or better by Moody's, A+ or better by Standard & Poor's or A+ by Fitch Ratings or as otherwise approved by the Agency's Board of Directors
Maximum Portfolio Concentration:	30%
Maximum Concentration per Issuer:	5%
Maximum Maturity:	5 years
Issuer Restrictions:	Pursuant to Government Code Section 53601(d), registered treasury notes or bonds of any of the other 49 United States, in addition to California, payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency or authority of any of the other 49 United States, in addition to California.

***General Obligations***

Minimum Credit Quality:	A3 or better by Moody's, A- or better by Standard & Poor's or A- by Fitch Ratings or as otherwise approved by the Agency's Board of Directors
Maximum Portfolio Concentration:	30%

Maximum Concentration per Issuer: 5%  
Maximum Maturity: 5 years  
Issuer Restrictions: Pursuant to Government Code Section 53601(c), registered general obligation treasury notes or bonds of any of the 50 United States.

***Adjustable Rate Obligations***

Minimum Credit Quality: P-1 or better by Moody's, A-1+ or better by Standard & Poor's or F-1+ by Fitch Ratings or as otherwise approved by the Agency's Board of Directors  
Maximum Portfolio Concentration: 30%  
Maximum Concentration per Issuer: 5%  
Maximum Maturity: 5 years  
Issuer Restrictions: Pursuant to Government Code Section 53601(d), adjustable rate registered treasury notes or bonds of any of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency or authority of any of the other 49 United States, in addition to California.

***Local Agency Fixed Rate Obligations***

Minimum Credit Quality: A1 or better by Moody's, A+ or better by Standard & Poor's or A+ by Fitch Ratings or as otherwise approved by the Agency's Board of Directors (the minimum rating shall apply to the local agency, irrespective of any credit enhancement)  
Maximum Portfolio Concentration: 30%  
Maximum Concentration per Issuer: 5%  
Maximum Maturity: 5 years  
Issuer Restrictions: Pursuant to Government Code Section 53601(e), taxable or tax-exempt bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California, including bonds, notes, warrants, or other evidences of indebtedness payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by either the local agency, a department, board, agency, or authority of the local agency, or of any local agency within this state.

***Local Agency Adjustable Rate Obligations***

Minimum Credit Quality: P-1 or better by Moody's, A-1+ or better by Standard & Poor's or F-1+ by Fitch Ratings or as otherwise approved by the Agency's Board of Directors  
Maximum Portfolio Concentration: 30%

Maximum Concentration per Issuer:	5%
Maximum Maturity:	5 years
Issuer Restrictions:	Pursuant to Government Code Section 53601(e), adjustable rate notes or bonds, warrants, or other evidences of indebtedness of any local agency within the State of California, including bonds, notes, warrants, or other evidences of indebtedness payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by either the local agency, a department, board, agency, or authority of the local agency, or of any local agency within this state.

9. Repurchase Agreements

Minimum Credit Quality:	Not Applicable
Maximum Portfolio Concentration:	10%
Maximum Term:	30 days
Collateral:	U.S. Treasury or Government Securities – 102% marked-to-market daily.

10. California State Local Agency Investment Fund (LAIF)

Minimum Credit Quality:	Not Applicable
Maximum Portfolio Concentration:	State Max
Maximum Term:	Not Applicable

11. Los Angeles County Investment Pool

Minimum Credit Quality:	Not Applicable
Maximum Portfolio Concentration:	30%
Maximum Term:	Not Applicable

12. Investment Trust of California (CalTRUST)

Minimum Credit Quality:	Not Applicable.
Maximum Portfolio Concentration:	20%
Maximum Term:	Not Applicable

13. Money Market Mutual Funds

Minimum Credit Quality:	Pursuant to Government Code Section 53601(l), AA- or better if fund has retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000) or otherwise AAA.
Maximum Portfolio Concentration:	20%
Maximum Concentration per Issuer:	10%

### **Prohibited Investments**

Pursuant to Government Code Section 53601.6 the Agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with Section 53630) in inverse floaters, range notes, or mortgage-derived, interest-only strips. The Agency shall not invest in any funds that could result in zero interest accrual if held to maturity.

### **Safekeeping of Securities**

All securities owned by the Agency, except collateral for repurchase agreements, will be held in safekeeping at a third party bank trust department that will act as agent for the Agency under terms of a custody agreement.

Securities used as collateral for repurchase agreements with a term of up to seven days can be safe kept by a third party bank trust department, or by the broker/dealer's safekeeping institution, acting as agent for the Agency under the terms of a custody agreement executed by the broker/dealer and the Agency and specifying the Agency's perfected ownership of the collateral.

Payment for all transactions will be versus delivery.

### **Leveraging**

Investments may not be purchased on margin. Securities can be purchased on a "When Issued" basis only when a cash balance can be maintained to pay for the securities on the purchase settlement date.

### **Reporting**

The Treasurer will issue a monthly report to the Board of Directors providing the following information:

- ◆ List of securities by security type
- ◆ Yield to maturity at purchase per asset
- ◆ Maturity date for each asset
- ◆ Par value for each security
- ◆ Percent of portfolio invested in each asset
- ◆ Average portfolio maturity

The Treasurer will issue a quarterly report to the Board of Directors within 60 days of the end of each quarter that will include the above information as well as the market value for each asset held at quarter end and the market value for the portfolio at quarter end.

### **Annual Review**

The Board of Directors will initiate an annual review of investment practices and procedures to ensure conformance with this investment policy. This policy will be reviewed annually to ensure it is in conformance with the overall objectives of the Agency.

*(Originally Adopted October 2005)*



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**SANTA CLARITA WATER DIVISION  
DEBT MANAGEMENT POLICY  
(RETAIL WATER SYSTEM)**

**INTRODUCTION**

This policy documents Santa Clarita Water Division (“SCWD” or the “Division”) of the Castaic Lake Water Agency (the “Agency”) goals for the use of debt instruments and provides guidelines for the use of debt for financing SCWD infrastructure and project needs. The Division’s overriding goal in issuing debt is to respond to, and provide for, the infrastructure, capital project and other financing needs of the retail water system while ensuring that debt is issued and managed prudently in order to maintain a sound fiscal position and protect credit quality.

SCWD will pay for all infrastructures, projects, and other financing needs from a combination of current revenues, available reserves, if any, and prudently issued debt. SCWD believes that debt can provide an equitable means of financing projects for its customers and provide access to new capital needed for infrastructure and project needs. Debt will be used to meet financing needs if (i) it meets the goals of equitable treatment of all customers, both current and future, (ii) it is the most cost-effective means available (iii) it is fiscally prudent, responsible, and diligent under the prevailing economic conditions and (iv) if there are other important policy reasons thereof. SCWD issues debt instruments, administers Division-held debt proceeds and makes debt service payments only when all the financing needs mentioned above are met.

**STATEMENT OF PURPOSE**

This policy documents the goals for the use of debt instruments and provides guidelines for the use of debt financing by the Santa Clarita Water Division for its Retail water system. Note that the wholesale water system (Castaic Lake Water Agency) has its own debt management policy.

**Purpose and Use of Debt**

The Division will utilize reasonable debt financing as an acceptable and appropriate approach to fund long-term investments and thus ensure that existing and future users pay their fair share. Long-term investments include the acquisition of land, facilities, works, improvements and supplies of water; and enhancements or enlargements to existing capacity and facilities for obtaining, importing, transporting and delivering additional quantities of water. These investments are typically included in the Division’s Capital Improvement Program and Water Master Plan. Bond proceeds can be issued to fund the planning, design, land acquisition, construction, attached fixtures or equipment and moveable pieces or equipment, or other costs as permitted by law.

**Purpose of Policy**

The purpose of this debt management policy is to:

- ◆ Establish parameters for issuing debt
- ◆ Provide guidance to decision makers:
  - ◆ With respect to all options available to finance infrastructure, capital projects, and other financing needs
  - ◆ So that the most prudent, equitable and cost effective method of financing can be chosen
- ◆ Document the objectives to be achieved by staff both prior to issuance and subsequent to issuance

- ◆ Promote objectivity in the decision-making process
- ◆ Facilitate the financing process by establishing important policy decisions in advance

SCWD will adhere to the following legal requirements for the issuance of public debt:

- ◆ The state law which authorizes the issuance of the debt
- ◆ The federal and state laws which govern the eligibility of the debt for tax-exempt status
- ◆ The federal and state laws which govern the issuance of taxable debt
- ◆ The federal and state laws which govern disclosure, sale, and trading of the debt

### **Types of Debt**

Revenue Bonds, Notes, Certificates of Participation, special tax or special assessment bonds, capital leases, commercial paper, and lease-purchase financings will be treated as debt and subject to these same policies.

## **I. GENERAL PROVISIONS**

The Division will provide for a periodic review of its financial performance, and review its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the capital planning, budgeting, and rate setting process.

Necessary appropriations for annual debt service requirements will be routinely included in the Division's annual budget.

SCWD will maintain proactive communication with the investment community, including rating agencies, credit enhancers and investors, to ensure future capital market access at the lowest possible interest rates.

The Division's Debt Management Policy, Reserve Policy, and the Agency's Statement of Investment Policy are integrated into the decision-making framework utilized in the budgeting and capital improvement planning process. As such, the following principles outline the Division's approach to debt management:

- ◆ SCWD will issue debt only in the case where there is an identified source of repayment. Debt will be issued to the extent that (i) projected existing revenues are sufficient to pay for the proposed debt service together with all existing debt service covered by such existing revenues, or (ii) additional projected revenues have been identified as a source of repayment in an amount sufficient to pay for the proposed debt.
- ◆ SCWD will not issue debt to finance operating needs except in case of an extreme financial emergency which is beyond its control or reasonable ability to forecast, and unless specifically approved by the Agency's Board of Directors ("Board").
- ◆ Debt issuance for a capital project will not be considered unless such project has been incorporated into the Division's capital planning process, or as otherwise approved by the Board.

## **II. CONDITIONS FOR DEBT ISSUANCE**

The following guidelines formally establish parameters for evaluating, issuing, and managing the Division's debt. The guidelines outlined below are not intended to serve as a list of rules to be applied

to the Division's debt issuance process, but rather to serve as a set of practices to promote sound financial management.

In issuing debt, the Division's objectives will be to:

- ◆ Achieve the lowest cost of capital
- ◆ Ensure ratepayer equity for SCWD's customers
- ◆ Maintain the adopted credit rating strategy and access to credit enhancement
- ◆ Preserve financial flexibility

### **Standards for Use of Debt Financing**

When appropriate, SCWD will use long-term debt financing to achieve an equitable allocation of capital costs/charges between current and future system users, to provide more manageable rates in the near and medium term and to minimize rate volatility.

SCWD shall not construct or acquire a facility if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the facility throughout its expected life.

Capital projects financed through debt issuance will not be financed for a term longer than the expected useful life of the project.

### **Types of Debt**

Revenue bonds, Certificates of Participation, commercial paper, capital leases and lease-purchase financing will be treated as debt and subject to these same policies.

### **Debt Capacity**

There is no specific provision within the California Government Code that limits the amount of debt that may be issued by the Division. The Division's borrowing capability is limited by the debt coverage ratio required by the existing bond covenants.

### **Financing Criteria**

Each debt issuance should be evaluated on an individual basis within the context of the Division's overall financing objectives and current market conditions.

SCWD will evaluate alternative debt structures (and timing considerations) to ensure the most cost-efficient financing under prevailing market conditions.

*Credit Enhancement* – SCWD will consider the use of credit enhancement on a case-by-case basis. Only when clearly demonstrable savings can be realized shall credit enhancement be utilized.

*Cash-Funded Reserve vs. Surety* – If the issuance of debt requires a cash-funded Debt Service Reserve Fund, then the Division may purchase a surety policy or replace an existing cash-funded Debt Service Reserve Fund when deemed prudent and advantageous. SCWD may permit the use of guaranteed investment agreements for the investment of reserve funds pledged to the repayment of any of the Division's debt when it is approved by the Board.

*Call Provisions* – In general, the Division's securities should include optional call provisions. SCWD will avoid the sale of non-callable, long-term fixed rate bonds, absent careful evaluation of the value of the call option.

*Additional Bonds Test/Rate Covenants* – The amount and timing of debt will be planned to comply with the additional bonds tests and rate covenants outlined in the appropriate legal and financing documents, and this policy.

*Short-Term Debt* – SCWD may utilize short-term borrowing to serve as a bridge for anticipated revenues, construction financing or future bonding capacity.

*Variable Rate Debt* – Variable rate debt products are priced at the short-end of the yield curve at low interest rates, but subject to various risks. Variable rate debt may be appropriate for the Division's portfolio, depending on market conditions and a careful consideration of the risks involved. Variable rate debt products include variable rate demand obligations, commercial paper, and other obligations which have interest rates adjusting periodically. The Division may consider the use of variable rate debt products to achieve a lower cost of borrowing or for short-term borrowing. In determining whether or not to use variable rate debt, the Division will analyze the risks associated with the variable rate debt and the impact on the Division's overall portfolio. The principal amount of variable rate debt products, including those synthetically fixed through the use of derivative products, shall not exceed 25% of total SCWD outstanding debt.

*Derivatives* – The use of derivatives is covered by the Agency's Derivatives Policy. This policy states that it has been developed to guide the Division in its use of interest rate risk mitigation products such as interest rate swaps and other such financing techniques. These financing products can increase the Division's financial flexibility and provide opportunities for interest rate savings or enhanced investment yields. Careful monitoring of such products is required to preserve Division credit strength and budget flexibility. Derivatives will not be used to speculate on perceived movements in interest rates. The notional amount of derivative products shall not exceed 15% of total Division outstanding debt. More detailed information is contained in the Derivatives Policy.

*Upper Santa Clara Valley Joint Powers Authority* – The Division is a member of the Upper Santa Clara Valley Joint Powers Authority. The Division will consider issuing revenue bonds through the Authority on a case-by-case basis. The Division will only issue revenue bonds through the Authority only when clearly demonstrable savings can be realized.

*Investment of Bond Proceeds* – Bond proceeds will be invested in accordance with the permitted investment language outlined in the bond documents for each transaction, unless further restricted or limited in the Agency's Statement of Investment Policy. The Division will seek to maximize investment earnings within the investment parameters set forth in the respective debt financing documentation. The reinvestment of bond proceeds will be incorporated into the evaluation of each financing decision; specifically addressing arbitrage/rebate position, and evaluating alternative debt structures and refunding savings on a "net" debt service basis, where appropriate.

### **Refinancing Outstanding Debt**

The Treasurer shall have the responsibility to evaluate potential refunding opportunities. The Division will consider the following issues when analyzing potential refinancing opportunities:

*Debt Service Savings* – The Division shall establish a target savings level equal to 3% of the par of debt refunded on a net present value (NPV) basis. This figure will serve only as a guideline and SCWD may determine that a different savings target is appropriate; SCWD shall

evaluate each refunding opportunity on a case-by-case basis. In addition to the savings guideline, the following shall be taken into consideration:

- ◆ Remaining time to maturity
- ◆ Size of the issue
- ◆ Current interest rate environment
- ◆ Annual cash flow savings
- ◆ The value of the call option
- ◆ Other factors that may be particularly relevant to the Division at the time.

The decision to take all savings upfront or on a deferred basis must be explicitly approved by the Board.

*Restructuring* – The Division may seek to refinance a bond issue on a non-economic basis, in order to restructure debt, to mitigate irregular debt service payments, accommodate revenue shortfalls, release reserve funds, or comply with and/or eliminate rate/bond covenants.

*Term/Final Maturity* – SCWD may consider the extension of the final maturity of the refunding bonds in order to achieve a necessary outcome, provided that such extension is legal. The term of the debt should not extend beyond the reasonably expected useful life of the asset being financed. SCWD may also consider shortening the final maturity of the bonds. The remaining useful life of the assets and the concept of inter-generational equity will guide these decisions.

*Economic versus Legal Defeasance* – When evaluating an economic versus legal defeasance, SCWD shall take into consideration both the financial impact on a net present value basis as well as the rating/credit impact. SCWD shall take all necessary steps to optimize the yield on its refunding escrows investments and avoid negative arbitrage.

### **Outstanding Debt Limitations**

Prior to issuance of new debt, SCWD shall consider and review the latest credit rating agency reports and guidelines to ensure the Division's credit ratings and financial flexibility remain at levels consistent with the most highly rated comparable public agencies.

### **Method of Issuance**

SCWD will determine, on a case-by-case basis, whether to sell its bonds competitively or through negotiation.

*Competitive Sale* – In a competitive sale, the Division's debt shall be awarded to the bidder providing the lowest true interest cost ("TIC"), as long as the bid adheres to the requirements set forth in the official notice of sale.

*Negotiated Sale* – SCWD recognizes that some bond issues are best sold through negotiation with a selected underwriter. SCWD has identified the following circumstances below in which this would likely be the case:

- ◆ Issuance of variable rate or taxable bonds
- ◆ Complex structures or credit considerations (such as non-rated bonds), which require a strong pre-marketing effort. Significant par value, which may limit the number of potential bidders, unique/proprietary financing mechanism (such as a financing pool), or specialized knowledge of financing mechanism or process

- ◆ Market volatility, such that SCWD would be better served by flexibility in the timing of its sale, such as in the case of a refunding issue wherein the savings target is sensitive to interest rate fluctuations, or in a changing interest rate environment
- ◆ When an underwriter has identified new financing opportunities or presented alternative structures that financially benefit SCWD
- ◆ As a result of an underwriter's familiarity with the project/financing, that enables SCWD to take advantage of efficiency and timing considerations

*Private Placement* – From time to time SCWD may elect to issue debt on a private placement basis. Such method shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

### **Market Communication, Debt Administration and Reporting Requirements**

*Rating Agencies* – The Treasurer and/or Retail Administrative Officer shall be responsible for maintaining the Division's relationships with Standard & Poor's Ratings Services, Fitch Ratings, and Moody's Investors Service to the extent the Division has ratings from such firm. SCWD shall, from time to time, maintain relationships with these agencies as circumstances dictate. The Division may choose based upon market conditions the number of ratings to obtain for any individual debt issuance. In addition to general communication, the Treasurer and/or Retail Administrative Officer should attempt to meet, (either in person or via phone or email) with credit analysts at least once each fiscal year. The Treasurer and/or Retail Administrative Officer shall prior to each competitive or negotiated sale, offer conference calls or meeting(s) with rating agency analysts in connection with the planned sale.

*Observance of Debt Covenants* – The Treasurer and/or Retail Administrative Officer will periodically ensure that SCWD is in compliance with all legal covenants for each debt issue.

*Continuing Disclosure* – The Treasurer and/or Retail Administrative Officer will periodically comply for all debt issued with Rule 15c2-12(b)(5) by required filing as covenanted in each debt issue's Continuing Disclosure Agreement.

*Record Keeping* – A copy of all debt-related records shall be retained at the Division's offices or in an approved storage facility. At minimum, these records shall include all official statements, bid documents, bond documents/transcripts, resolutions, trustee statements, leases, and title reports for each financing (to the extent available). To the extent possible, SCWD shall retain an electronic copy of each document, preferably in PDF or CD-ROM format.

*Arbitrage Rebate* – The use of bond proceeds and their investments must be monitored to ensure compliance with all Internal Revenue Code Arbitrage Rebate Requirements. The Treasurer and/or Retail Administrative Officer shall ensure that all bond proceeds and investments are tracked in a manner that facilitates accurate calculation; if a rebate payment is due such payment is made in a timely manner.

*Policy Review* – This policy should be reviewed periodically by the Board and updated as needed.

*(Originally Adopted October 2009)*

## **CASTAIC LAKE WATER AGENCY DISCLOSURE PROCEDURES POLICY**

### **INTRODUCTION**

The Agency from time to time issues certificates of participation, revenue bonds, notes or other obligations (collectively Obligations) to fund or refund capital investments, other long-term programs and working capital needs. These Obligations may be issued directly by the Agency, through the Upper Santa Clara Valley Joint Powers Authority or on behalf of the Agency by the Castaic Lake Water Agency Financing Corporation (collectively the Issuer). In offering Obligations to the public, and at other times when making certain reports, the Agency and/or the Issuer (if other than the Agency) must comply with the anti-fraud rules of federal securities laws. (Anti-fraud rules refers to Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934, and regulations adopted by the Securities and Exchange Commission under those Acts, particularly Rule 10b-5 under the 1934 Act.)

### **STATEMENT OF PURPOSE**

The purpose of these Disclosure Procedures (Procedures) is to memorialize and communicate procedures in connection with obligations, including notes, bonds and certificates of participation, issued by or on behalf of the Castaic Lake Water Agency (Agency) to ensure the Agency continues to comply with all applicable disclosure obligations and requirements under the federal securities laws.

### **BACKGROUND**

The core requirement of the anti-fraud rules is that potential investors in Obligations must be provided with all material information relating to the offered Obligations. The information provided to investors must not contain any material misstatements, and the Agency and/or the Issuer (if other than the Agency) must not omit material information that would be necessary to provide to investors a complete and transparent description of the Obligations and the Agency's financial condition. In the context of the sale of securities, a fact is considered to be material if there is a substantial likelihood that a reasonable investor would consider it to be important in determining whether or not to purchase the securities being offered.

When Obligations are issued, the two central disclosure documents that are prepared are typically a preliminary official statement (POS) and a final official statement (OS, and collectively with the POS, Official Statement). The Official Statement generally consists of (i) the forepart, which describes the specific transaction including maturity dates, interest rates, redemption provisions, the specific type of financing, the leased premises (in certificate of participation financings) and other matters particular to the financing, (ii) a section that provides information on the Agency, including its financial condition as well as certain operating information of the wholesale division or the retail division, as applicable (Agency Section) and (iii) various other appendices, including the Agency's audited financial report, form of the proposed legal opinion and form of continuing disclosure undertaking. Investors use the Official Statement as one of their primary resources for making informed investment decisions regarding the Obligations.



## DISCLOSURE PROCESS

When the Agency determines to issue Obligations, the Agency's Treasurer requests the involved departments to commence preparation of the portions of the Official Statement (including particularly the Agency Section) for which they are responsible. While the general format and content of the Official Statement does not normally change substantially from offering to offering, except as necessary to reflect major events, the Agency's Treasurer is responsible for reviewing and preparing or updating certain portions of the Agency Section that are within his/her particular area of knowledge. After the Official Statement has been substantially updated, the entire Official Statement is shared with the General Manager for review and input. Additionally, all participants in the disclosure process are separately responsible for reviewing the entire Official Statement.

Members of the financing team, including the Bond Counsel and the Agency's Financial Advisor with respect to the Obligations, assist staff in determining the materiality of any particular item, and in the development of specific language in the Agency Section. Members of the financing team also assist the Agency in the development of a big picture overview of the Agency's financial condition, which is included in the Agency section. This overview highlights particular areas of concern. Bond Counsel has a confidential, attorney-client relationship with officials and staff of the Agency.

The Agency's Treasurer or a member of the financing team at the direction thereof schedules one or more meetings or conference calls of the financing team (which includes Agency officials, Bond Counsel, the Agency's Financial Advisor, the underwriter of the Obligations and the underwriter's counsel), and new drafts of the forepart of the Official Statement and the Agency Section are circulated and discussed. Such communications may occur via electronic means rather than by meetings or conference calls. During this part of the process, there is substantial contact among Agency staff and other members of the financing team to discuss issues that may arise, determine the materiality of particular items and ascertain the prominence in which the items should be disclosed.

Prior to distributing a POS to potential investors, there is typically a formal conference call that includes Agency officials involved in the preparation of the POS, members of the financing team and the underwriters and the underwriter's counsel, during which the Official Statement is reviewed in its entirety to obtain final comments and to allow the underwriters to ask questions of the Agency's senior officials. This is referred to as a due diligence meeting.

A substantially final form of the POS is provided to the Agency Board of Directors (and the Authority Board of Directors, if relevant) in advance of approval to afford the Board(s) of Directors an opportunity to review the POS, ask questions and make comments. The substantially final form of the POS is approved by the Board(s) of Directors, which generally authorizes certain senior staff to make additional corrections, changes and updates to the POS in consultation with General Counsel and Bond Counsel.

At the time the POS is posted for review by potential investors, senior Agency officials (and under certain circumstances the Issuer) execute certificates deeming certain portions of the POS complete (except for certain pricing terms) as required by SEC Rule 15c2-12.

Between the posting of the POS for review by potential investors and delivery of the final OS to the underwriter for redelivery to actual investors in the Obligations, any changes and developments will have been incorporated into the POS, including particularly the Agency

Section, if required. If necessary to reflect developments following publication of the POS or OS, as applicable, supplements will be prepared and published.

In connection with the closing of the transaction, one or more senior Agency officials (and under certain circumstances the Issuer) execute 10b-5 certificates. General Counsel also provides a 10b-5 opinion letter (generally addressed to the underwriter). General Counsel does not opine to the underwriters or other third parties as to any financial, statistical, economic or demographic data or forecasts, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion and certain other customary matters.

## **AGENCY SECTION**

The information contained in the Agency Section is developed by personnel under the direction of the Treasurer. The Treasurer coordinates with the General Manager, Engineering and Operations Manager, Water Resources Manager and Controller in the case of a wholesale system financing or with the General Manager, Retail Manager, Retail Administrative Officer and Controller in the case of a retail system financing. The finance team assists as well in certain circumstances and additional officials will be involved as necessary. The following principles govern the work of the respective staffs that contribute information to the Agency Section:

- ◆ Agency staff involved in the disclosure process is responsible for being familiar with its responsibilities under federal securities laws as described above.
- ◆ Agency staff involved in the disclosure process should err on the side of raising issues when preparing or reviewing information for disclosure. Officials and staff are encouraged to consult General Counsel, Bond Counsel or members of the financing team if there are questions regarding whether an issue is material or not.
- ◆ Care should be taken not to shortcut or eliminate any steps outlined in the Procedures on an ad hoc basis. However, the Procedures are not necessarily intended to be a rigid list of procedural requirements, but instead to provide guidelines for disclosure review. If warranted, based on experience during financings or because of additional SEC pronouncements or other reasons, the Agency should consider revisions to the Procedures.
- ◆ The process of updating the Agency Section from transaction to transaction should not be viewed as being limited to updating tables and numerical information. While it is not anticipated that there will be major changes in the form and content of the Agency Section at the time of each update, everyone involved in the process should consider the need for revisions in the form, content and tone of the sections for which they are responsible at the time of each update.
- ◆ The Agency must make sure that the staff involved in the disclosure process is of sufficient seniority so that it is reasonable to believe that, collectively, they are in possession of material information relating to the Agency, its operations and its finances.

## **TRAINING**

Periodic training for the staff involved in the preparation of the Official Statement (including the Agency Section) is coordinated by the finance team and the Treasurer. These training sessions are provided to assist staff members involved in identifying relevant disclosure information to be included in the Agency Section. The training sessions also provide an overview of federal laws relating to disclosure, situations in which disclosure rules apply, the purpose of the Official Statement and the Agency Section, a description of previous SEC enforcement actions and a

discussion of recent developments in the area of municipal disclosure. Attendees at the training sessions are provided the opportunity to ask questions of finance team members, including Bond Counsel concerning disclosure obligations and are encouraged to contact members of the finance team at any time if they have questions.

## **ANNUAL CONTINUING DISCLOSURE REQUIREMENTS**

In connection with the issuance of Obligations, the Agency has entered into a number of contractual agreements (Continuing Disclosure Certificates) to provide annual reports related to its financial condition (including its audited financial statements) as well as notice of certain events relating to the Obligations specified in the Continuing Disclosure Certificates. The Agency must comply with the specific requirements of each Continuing Disclosure Certificate. The Agency's Continuing Disclosure Certificates generally require that the annual reports be filed within 270 days after the end of the Agency's fiscal year, and event notices are generally required to be filed within 10 days of their occurrence.

Specific events which require material event notices are set forth in each particular Continuing Disclosure Certificate.

The Treasurer shall be responsible for preparing and filing the annual reports and material event notices required pursuant to the Continuing Disclosure Certificates. Particular care shall be paid to the timely filing of any changes in credit ratings on Obligations (including changes resulting from changes in the credit ratings of insurers of particular Obligations).

*(Originally adopted March 2014)*

# **CASTAIC LAKE WATER AGENCY DERIVATIVES POLICY**

## **INTRODUCTION**

This policy has been developed to guide the Castaic Lake Water Agency (Agency) in its use of derivative financing/interest rate risk mitigation products such as interest rate swaps and other such financing techniques. These derivative financing products can increase the Agency's financial flexibility and provide opportunities for interest rate savings. The use of derivatives should be integrated into the Agency's overall debt and investment management policy. Careful monitoring of such products is required to preserve the Agency's credit strength and budget flexibility.

Derivatives will not be used to speculate on perceived movements in interest rates.

## **STATEMENT OF PURPOSE**

### **PURPOSES FOR WHICH DERIVATIVES WILL BE USED**

Derivatives can be structured differently, such as Interest rate swaps to create variable rate exposure through a fixed-to-floating interest rate swap or to create fixed rate exposure through a floating-to-fixed interest rate swap. In any situation, the Agency will only undertake such a financing product to achieve one or more of the following objectives:

- ◆ Derivatives may be used to lower interest expense of Agency debt, for a particular financing or for the overall debt portfolio.
- ◆ Derivatives may be used to reduce exposure to changes in interest rates.
- ◆ Derivatives may be used to achieve an appropriate asset/liability match.

### **PURPOSES FOR WHICH DERIVATIVES WILL NOT BE USED**

- ◆ Derivatives may not be used for speculative purposes.
- ◆ Derivatives may not be used where they would create either extraordinary financial leverage or extraordinary financial risk.
- ◆ Derivatives may not be used if they present an extraordinary risk to the Agency's liquidity to terminate the agreement due to unforeseen events, or
- ◆ Derivatives may not be used if there is insufficient price transparency to allow for fair market valuation.

## **ANALYSIS OF RISK ASSOCIATED WITH DERIVATIVES**

The Agency will evaluate all derivatives with respect to the unique risks they present. A specific determination must be made that the proposed or estimated benefits exceed the identified risks by an adequate margin over those available in the traditional cash market. The analysis will assess the risk associated with the following factors:

### **Amortization Risk for Interest Rate Swap Agreements**

Amortization risk is defined as the mismatch of the expiration of the underlying obligation and its hedge, the swap agreements. Amortization risk is the possibility that, as the result of early redemption of the underlying variable rate bonds, the repayment schedule of the bonds differs from the underlying notional amount of the swap agreements. This risk will only arise if the

Agency wants to redeem the variable rate bonds ahead of schedule. This is not expected for the Agency financings.

### **Basis Risk**

Basis risk refers to the mismatch between the actual variable rate debt service and variable rate index used to determine the derivative payments. Different fixed income market indices will be evaluated as part of the analysis of an interest rate swap agreement. The analysis will identify the amount of basis risk that may result from various indices.

### **Credit Risk**

Credit risk refers to the credit worthiness of the counterparty. The Agency will only enter into business with highly rated counterparties. The Agency will structure derivative agreements to protect itself from credit deterioration. The Agency will only enter into transactions with counterparties with a credit rating of AA (or equivalent) or better at the time of execution. In the event that the credit rating falls below AA (or equivalent) during the transaction, the derivative documentation shall include protections and remedies. At the time of execution, The Agency should negotiate credit enhancement, subject to market conditions, in the form of:

- ◆ Contingent swap counter party providing support
- ◆ One-way collateral
- ◆ Ratings downgrade triggers

### **Counterparty Risk**

Counterparty risk refers to the failure of the counterparty to make its required payments. This risk can be minimized by establishing strong minimum counterparty credit standards and diversifying the Agency's exposure to counterparties.

### **Rollover Risk**

Rollover risk refers to the potential need to find a replacement counterparty as part of the overall plan of finance if the interest rate swap does not extend to the final maturity of the underlying variable rate bonds. The rollover risk can be minimized through the initial plan of finance by not relying on the execution of future swap agreements.

### **Tax Events Risk**

Tax events risk is defined as the risk created by potential changes to the Federal and State income tax codes on the interest rates to be paid by the Agency on its variable rate bonds. Tax events risk is a form of basis risk. The evaluation should analyze the potential impact of changes in marginal tax brackets as part of its analysis of basis risk.

### **Termination Risk**

Termination risk refers to the possibility that, upon a default by the counterparty, the Agency may be required to make a large payment to the counterparty if the swap agreement is terminated prior to its scheduled maturity pursuant to its terms. For certain types of swaps, a payment by the Agency may be required if interest rates have fallen causing the market value of the remaining payments to be in favor of the counterparty.

## **INTEREST RATE SWAP FINANCING DOCUMENTATION**

The Agency will use standard forms and documentation for derivatives. For interest rate swaps, the Agency will use the International Swaps and Derivatives Association (ISDA) swap

documentation including the Schedule to the Master Agreement and a Credit Support Annex. The Agency derivative documentation should include the following terms:

- ◆ Downgrade provisions triggering termination of the swap should be bilateral.
- ◆ Governing law for swaps will be New York or California, but should reflect California authorization provisions.
- ◆ The specified indebtedness related to credit events in the master agreement should be narrowly drafted and refer only to specific debt and in no case provide recourse to the Agency.
- ◆ Eligible collateral should be limited to Treasuries and Federal Agencies.
- ◆ Collateral thresholds should be set on a sliding scale reflective of credit ratings.
- ◆ Termination value should be set by “market quotation” methodology.

## **FINANCIAL CONSIDERATIONS**

### **Savings Targets**

Derivative transactions shall have higher savings targets, due to the greater complexity and higher risk. In calculating the prospective savings for implementing a fixed-to-variable swap, the cost of re-marketing, in addition to the cost of credit enhancement and liquidity fees must be added to the projected average variable rate. The specific targets are as follows:

- ◆ Financial transactions, using swaps or other derivative products, intended to produce the effect of a synthetic fixed rate transaction, must generate 8% or greater present value savings compared to standard fixed-rate bonds which have the same optional redemption features.
- ◆ The notional amount of all derivative financing products shall not exceed 15% of total Agency outstanding debt.

### **Reporting and Accounting**

The agency shall report derivative financing transactions in accordance with Governmental Accounting Standards Board and Financial Accounting Standards Board statements.

### **Derivative Procurement**

The Agency shall use a professional advisor or designated swap representative (Swap Advisor) to assist in the assessment, structuring, and pricing of proposed or existing interest rate swap agreements. The Agency shall select a Swap Advisor as part of the financing team where a Swap is expected to be executed. The Swap Advisor must meet the following qualifications:

1. Has sufficient knowledge to evaluate the swap transaction and risks
2. Is not subject to a statutory disqualification
3. Is independent of the swap dealer or major swap participant
4. Undertakes a duty to act in the best interests of the Agency
5. Provides appropriate and timely disclosures to the Agency
6. Evaluates fair pricing and the appropriateness of the swap

The Agency shall obtain an opinion from its Swap Advisor that the terms and conditions of any financial product entered into reflect a fair market value as of the execution date.

The General Manager is authorized to solicit derivative-proposals from firms that meet or exceed the following criteria:

- ◆ The derivative transaction provider shall have a credit rating of AA (or equivalent) or better from at least two nationally recognized credit rating agencies.
- ◆ The derivative provided shall have a demonstrated record of successfully executing derivative transactions and have a minimum capitalization of \$2 billion.

*(Originally Adopted June 2003; revised December 2011; January 2014)*

**SANTA CLARITA WATER DIVISION  
PURCHASING AND BIDDING POLICY  
(RETAIL WATER SYSTEM)**

**SECTION 1: APPLICABILITY OF POLICY**

**INTRODUCTION**

This Purchasing and Bidding Policy provides uniform procedures for acquiring goods, services and equipment<sup>1</sup> for the retail operations of the Santa Clarita Water Division (SCWD) of the Castaic Lake Water Agency (CLWA). These procedures do not apply to the wholesale operations of CLWA, which uses its own Purchasing Manual.

**STATEMENT OF PURPOSE**

This Purchasing and Bidding Policy authorizes the conditions under which the financial department head is authorized to release SCWD funds. All purchases of goods, services and equipment to be paid for by SCWD must comply with the methods, authority and dollar limits set forth in this Policy. This Purchasing and Bidding Policy does not apply to nondiscretionary operating expenditures including, but not limited to, utilities, payroll, employee benefits, water purchases and payroll taxes.

This Policy does not supersede statutory law in existence at the time SCWD purchases or contracts for goods, services or equipment. California statutes that govern such purchases and/or contracts shall control to the extent they are in conflict with this Policy. Pursuant to statute, SCWD operates in accordance with the County Water District Law (Cal. Water Code §§ 30000).

The procedures stated in this Purchasing and Bidding Policy shall be followed for:

- (1) The procurement of equipment, materials, or supplies to be furnished, sold, or leased to SCWD, whether contained in the budget or not.
- (2) Repairs.
- (3) Maintenance, which means the routine, recurring and usual work for the preservation, protection and keeping of SCWD facilities for their intended purposes in a safe and continually usable condition for which they were designed, improved, constructed, altered or repaired. "Facilities" means any plants, buildings, structures, ground facilities, utility systems or real property.
- (4) Services, including engineering and other professional services.
- (5) Construction (excluding repairs and maintenance).

**SECTION 2. AUTHORITY OF GENERAL MANAGER AND RETAIL MANAGER TO EXECUTE CONTRACTS**

The CLWA General Manager and the SCWD Retail Manager are hereby empowered to execute contracts without express Board authority for the purchase of goods, services

<sup>1</sup> The phrase "goods, services and equipment," as used in this Policy, is a general reference to all manner of SCWD purchases and contracts, including contracts for public works construction.



and equipment up to the limits established herein, which for the General Manager is up to \$100,000 and for the Retail Manager is up to \$50,000. In times of their absence, both may delegate this power.

**SECTION 3. METHODS OF ACQUISITION FOR (1) EQUIPMENT, MATERIALS, OR SUPPLIES, (2) REPAIRS AND, (3) MAINTENANCE-**

Except as otherwise provided in Section 6, the following methods of acquisition shall be used for (1) equipment, materials, or supplies, (2) repairs, and (3) maintenance. (See Table 3-1 and Flow Charts.) In each case, the appropriate method of identifying potential vendors, or contractors and obtaining performance, quality and price information to enable SCWD staff or the CLWA Board of Directors to make an advised decision will be determined by SCWD staff based on the amount and type of information (1) required by SCWD to adequately communicate its requirements to potential vendors, and contractors, and (2) required by potential vendors, and contractors to adequately describe a responsive proposal.

- (A) Items up to \$100. The acquisition shall be made from a vendor or contractor who, in the judgment of the department supervisor responsible for the acquisition, will provide the best product or service at the most favorable price. Purchase Order is not required.
- (B) Items \$101 to \$5,000.<sup>2</sup> The acquisition shall be made from a vendor, or contractor who, in the judgment of the department supervisor responsible for the acquisition, will provide the best product or service at the most favorable price. Purchase Order is required.

The appropriate method of identifying potential vendors, or contractors and obtaining performance, quality and price information shall be determined by the department supervisor. An acquisition made pursuant to this Subsection may or may not be listed in the budget.

- (C) Items \$5,001 to \$10,000. The acquisition shall be made from a vendor, or contractor who, in the judgment of the department head responsible for the acquisition, will provide the best product or service at the most favorable price. The appropriate method of identifying potential vendors, or contractors and obtaining performance, quality and price information shall be determined by the department head. An acquisition may be made pursuant to this Subsection may or may not be listed in the budget. Purchase Order is required.
- (D) Items \$10,001 to \$25,000. The department head responsible for the acquisition shall, by written or verbal requests to at least two (2) potential vendors or contractors, obtain at least two (2) written or verbal quotes and the acquisition must be made from the party that the Retail Manager determines will provide the best product or service at the most favorable price. The appropriate method of identifying potential vendors, or contractors and obtaining performance, quality and price information shall be determined by the department head. If fewer than two vendors or contractors are available, or if the product or service is not readily

<sup>2</sup> For purposes of complying with this Policy, costs may be estimated by the department supervisor or by other SCWD staff as directed by the Retail Manager.

obtainable on the open market, this procedure shall be adjusted as required and the reasons for such adjustments shall be noted on the purchase records. An acquisition made pursuant to this Subsection may or may not be listed in the budget. Purchase Order and written or verbal quotes are required.

- (E) Items \$25,001 to \$50,000. The Retail Manager shall, by written or verbal requests to at least three (3) potential vendors or contractors, obtain at least two (2) written quotes and the acquisition must be made from the party that the Retail Manager determines will provide the best service at the most favorable price. The appropriate method of identifying potential vendors, or contractors and obtaining performance, quality and price information shall be determined by the Retail Manager. If fewer than three vendors or contractors are available, or if the product or service is not readily obtainable on the open market, this procedure shall be adjusted as required and the reasons for such adjustments shall be noted on the acquisition records and in a verbal report to the Retail Operations Committee. An acquisition made pursuant to this Subsection must be listed in the budget. If not listed in the budget, the same procedures may be followed by the General Manager. Purchase Order and written quotes are required.
  
- (F) Items \$50,001 to \$100,000. The General Manager shall, by written or verbal request to at least three (3) potential vendors or contractors, obtain at least two (2) written quotes and the acquisition must be made from the party that the General Manager determines will provide the best service at the most favorable price. The appropriate method of identifying potential vendors, or contractors and obtaining performance, quality and price information shall be determined by the General Manager. If fewer than three vendors or contractors are available, or if the product or service is not readily obtainable on the open market, this procedure shall be adjusted as required and the reasons for such adjustments shall be noted on the acquisition records and in a written report to the Retail Operations Committee. An acquisition made pursuant to this Subsection must be listed in the budget. If not listed in the budget, the Board approval procedures established in Subsection (G) below shall apply. Written agreement and written quotes are required.
  
- (G) Items greater than \$100,000. The Retail Manager may acquire such items by issuing a written request for proposals/quotations to three (3) or more potential vendors, or contractors, and then purchasing the item from the vendors, or contractors that offers SCWD the best product or service at the most favorable price. Consideration of proposals/quotations received shall be made through an evaluation panel or other procedure, as established by the Retail Manager and recommendations shall be submitted to the CLWA Board for approval. If the item is (1) of a specified brand or type which is the only article that will properly meet the needs of SCWD, or (2) is not readily obtainable on the open market or (3) is an item or service for which comparable quotations or bids cannot be secured, the determination of sole source must be approved by the CLWA Board. Written agreement and written quotes are required.

**Table 3-1**

	<b>Amount</b>	<b>Item In Budget?</b>	<b>Documentation</b>	<b>Authorization Required</b>
A	\$0 – \$100	Yes/No	N/A	Department supervisor
B	\$101 – \$5,000	Yes/No	Purchase Order	Department supervisor
C	\$5,001 – \$10,000	Yes/No	Purchase Order	Department head
D	\$10,001 – \$25,000	Yes/No	P.O.; Two Written or Verbal Quotes	Retail Manager
E	\$25,001 – \$50,000	Yes	P.O.; Two Written Quotes;	Retail Manager
F	\$25,001 – \$50,000	No	P.O.; Two Written Quotes;	General Manager
F	\$50,001 – \$100,000	Yes	Two Written Quotes; Written Agreement	General Manager
F	\$50,001 – \$100,000	No	Two Written Quotes; Written Agreement	Board
G	Over \$100,000	Yes/No	Request for Proposals or Quotations (three minimum); Written Agreement	Board

**SECTION 4. METHODS OF ACQUISITION FOR CONSTRUCTION OF CAPITAL IMPROVEMENT PROJECTS.**

Except as otherwise provided in Section 6, the following methods of acquiring construction services, excluding repairs and maintenance, shall be used in the circumstances indicated. (See Table 4-1 and Flow Charts)

- (A) Items up to \$10,000. The department head responsible for the construction work shall, by written or verbal request to potential contractors obtain a quote that set forth a fixed price and a complete description of the proposed work. The work must be awarded to the contractor that the department head or Retail Manager determines will provide the best service at the most favorable price. The appropriate method of identifying potential contractors and obtaining information about experience, qualifications and price shall be determined by the department head or Retail Manager.
  
- (B) Items \$10,001 to \$25,000. The department head responsible for the construction work or the Retail Manager - shall, by written or verbal request to potential contractors, obtain at least two (2) written bids that set forth a fixed price and a complete description of the proposed work. The work must be awarded to the bidder that the Retail Manager determines will provide the best service at the most favorable price. The appropriate method of identifying potential contractors and obtaining information about experience, qualifications and price shall be determined by the Retail Manager. If fewer than two contractors are available, or if the service is not readily obtainable on the open market, this procedure shall be adjusted as required and the reasons for such adjustments shall be noted on the acquisition records.
  
- (C) Items \$25,001 to \$100,000. The Retail Manager or the General Manager shall, by written request to potential contractors and preparation of a complete set of

plans and specifications that is made available to potential contractors, obtain at least two (2) written bids that set forth a fixed price and a complete description of the proposed work. The Retail Manager shall determine the appropriate method of identifying potential contractors. A construction contract based on SCWD's bid documents shall be used for the work, but formal bidding procedures (see description of formal procedures in Section 4(C) below) are not required and the Retail Manager and the General Manager may consider quality, experience and other relevant factors in addition to price in awarding the contract. If fewer than two contractors are available, or if the service is not readily obtainable on the open market, this procedure shall be adjusted as required and the reasons for such adjustments shall be noted on the acquisition records and in a written report to the Retail Operations Committee. If listed in the budget, a contract awarded pursuant to this Subsection may be executed by the General Manager if the contract amount is between \$50,000 and \$100,000, and may be executed by the Retail Manager if the contract amount is between \$25,000 and \$50,000. If not listed in the budget, the contract must be authorized by the CLWA Board.

- (D) Items greater than \$100,000. For construction projects in this category formal bidding procedures shall consist of a notice inviting sealed proposals sent to at least three (3) qualified contractors, as determined by SCWD staff and confirmed by the Retail Manager, before a specified time and date for the construction or performance of the improvement or work. Sealed proposals shall be opened at a set date and time, and all legal formalities shall be followed in evaluating proposals and determining the lowest responsible bidder. Contract awards, if any, shall be made by the CLWA Board to the lowest responsible bidder, subject to the terms of the contract documents.

The Board shall require the successful bidder to file with SCWD good and sufficient bonds for faithful performance of the contract and payment of claims for labor and material.

- (E) Contract Documents. Standard construction contract form approved by General Counsel must be utilized for execution by the General Manager or Retail Manager.

**Table 4-1**

	<b>Amount</b>	<b>Documentation</b>	<b>Authorization Required</b>
A	\$0 – \$25,000	Purchase Order; Obtain Written Bids	Department supervisor
B	\$25,001 – \$100,000	Written Request for Bids; Plans and Specifications; Obtain Written Bids; Written Contract	If in budget, Retail Manager (\$25,000 - \$50,000), General Manager (\$50,000 - \$100,000); otherwise Board Approval
C	Over \$100,000	Bid Documents with Plans and Specifications to 3+; Formal Construction Contract	Board Must Award Contract

**SECTION 5. ALTERNATIVE METHOD OF DELIVERY FOR CONSTRUCTION SERVICES – DESIGN-BUILD PROJECTS**

When the Board determines that a design-build delivery system is in the best interests of SCWD, it may exempt the project from the requirements of this Policy and award a design-build contract through an appropriate competitive process. SCWD staff and the CLWA Board shall look for guidance in this process to Government Code §14661 (d) (3) (A) (i).

**SECTION 6. METHODS OF ACQUISITION – EMERGENCY**

The requirements of Sections 3 and 4 shall not be applicable in the event of an emergency and a written finding by the Retail Manager that it is immediately necessary to acquire equipment, materials, or supplies, perform repairs, including maintenance or acquire services, including construction. The Retail Manager is authorized to make the required purchase(s) or enter into the required contract(s). The Retail Manager shall, however, report any such action involving a cost of more than \$50,000 to the Retail Operations Committee as soon as practicable. This report shall identify the emergency and the actual or probable impact the emergency would have had on SCWD's operations.

**SECTION 7. INFORMATION TECHNOLOGY SERVICES**

The procurement of services, equipment, software, training and other elements of SCWD's retail system that involve information technology, communications and telemetry (collectively, "information technology") shall place paramount importance on the qualifications and experience of the consultants and contractors under consideration. Notwithstanding anything to the contrary in Section 3 or 4 above, the award of contracts for information technology services shall be made to the vendor, consultant or contractor that, as determined by the process established for evaluating proposals, is the most qualified to provide the services and/or equipment required. When an information technology project has both design and construction elements and the construction elements will constitute less than 20% of the entire project, as determined by SCWD staff, the project shall be let as one contract.

**SECTION 8. AUTHORITY OF THE GENERAL MANAGER OR RETAIL MANAGER TO EXECUTE CONSTRUCTION CHANGE ORDERS**

The General Manager and/or the Retail Manager are hereby empowered to bind SCWD by change order up to the amounts identified below based on the contract amount:

<u>Contract Amount</u>	<u>Change Order Authority</u>
Less than \$500,000	Up to \$50,000
\$500,000 to \$1,000,000	Up to \$75,000
Over \$1,000,000 to \$5,000,000	Up to \$100,000
Greater than \$5,000,000	\$200,000

The Board may grant different change order authority on a project-specific basis. Board approval is required for all change orders that exceed the specific levels of authority given to the General Manager and Retail Manager in this Policy. The General Manager or Retail Manager shall brief the appropriate committee and the Board on the details of all final approved change orders.

## **SECTION 9. PROFESSIONAL SERVICE CONTRACTS**

The Retail Manager shall have the authority to approve all professional service contracts as defined in the County Water District Law (Water Code Section 30000 et seq.) or work authorizations including engineering service contracts other than on calls up to \$50,000 annually that the Retail Manager determines will provide the best service at the most favorable price. All professional service contracts or work authorizations over \$50,000 and up to \$100,000 annually shall require the General Manager's approval. All professional service contracts or work authorizations in excess of \$100,000 annually shall require a written request for proposals to three (3) or more potential consultants. Consideration of proposals received shall be made through an evaluation panel or other procedure, as established by the Retail Manager and recommendations shall be submitted to the CLWA Board for approval to the consultant that offers SCWD the best service at the most favorable price. The Retail Manager shall have the authority to approve changes in professional service contracts or work authorizations up to 10% (cumulative) of the amount authorized by the CLWA Board. When the amount exceeds the approved change authorization, details of the change shall be noted on the acquisition records and in a general report to the Retail Operations Committee and the CLWA Board as soon as practicable.

## **SECTION 10. ENGINEERING SERVICES CONTRACT/ON-CALL ONLY**

Every four years, a Request for Statement of Qualifications (RFQ) shall be issued for on call engineering services to conduct evaluations, perform studies, prepare preliminary and final designs, prepare technical specifications, provide engineering support during construction and provide other miscellaneous services for SCWD's water distribution, pumping and conveyance facilities. The RFQ shall solicit Statement of Qualifications (SOQs) from engineering firms interested in being placed in SCWD's engineering consultant pool. The consultants would provide a wide range of engineering services for projects for SCWD's water distribution, pumping and conveyance facilities in accordance with CLWA's existing policies and procedures. Consultants in the preapproved engineering consultant pool would provide services to SCWD on an on-call basis for work authorizations with a value not to exceed \$250,000 annually. For work authorizations greater than \$250,000, a project-specific Request for Proposal process would be used (see Section 9). Consideration of SOQs received shall be made through an evaluation panel or other procedure, as established by the Retail Manager and recommendations of SCWD's engineering consultant pool list shall be submitted to the CLWA Board for approval. All other engineering services shall be subject to Section 9 above.

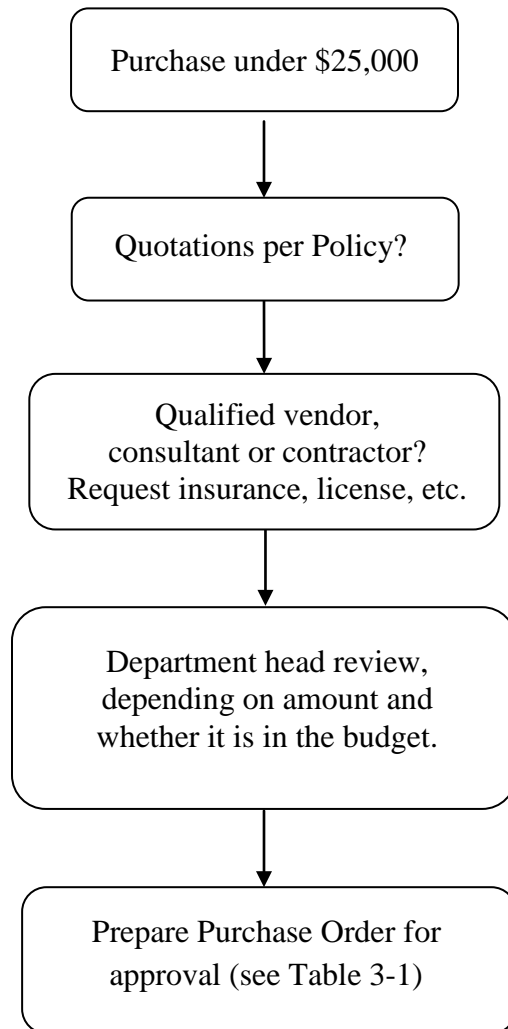
*(Originally Adopted April 2010)*

## Santa Clarita Water Division

Purchasing and Bidding Policy  
Effective Date: August 9, 2012

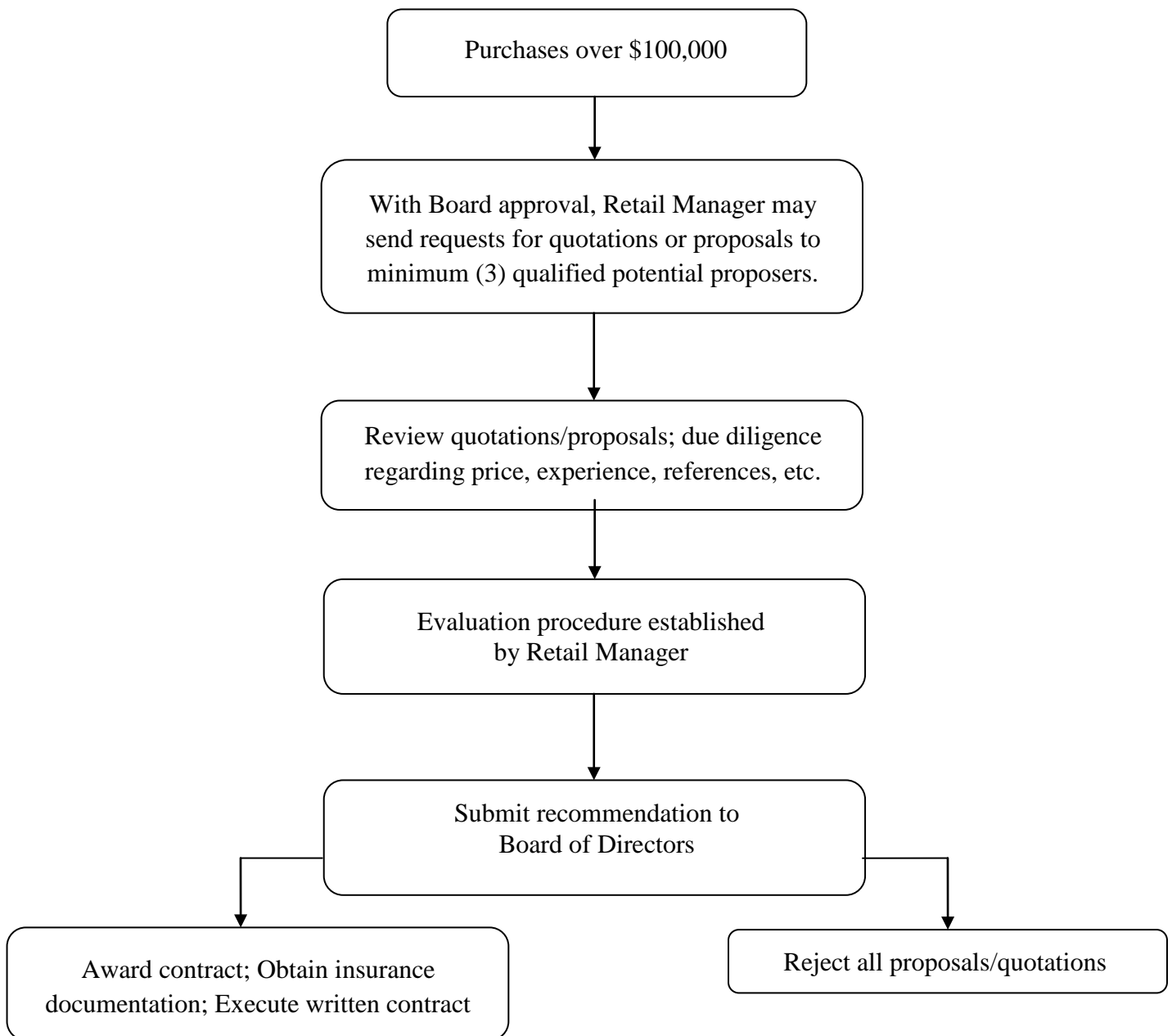


### Process Flow Chart Purchases Under \$25,000





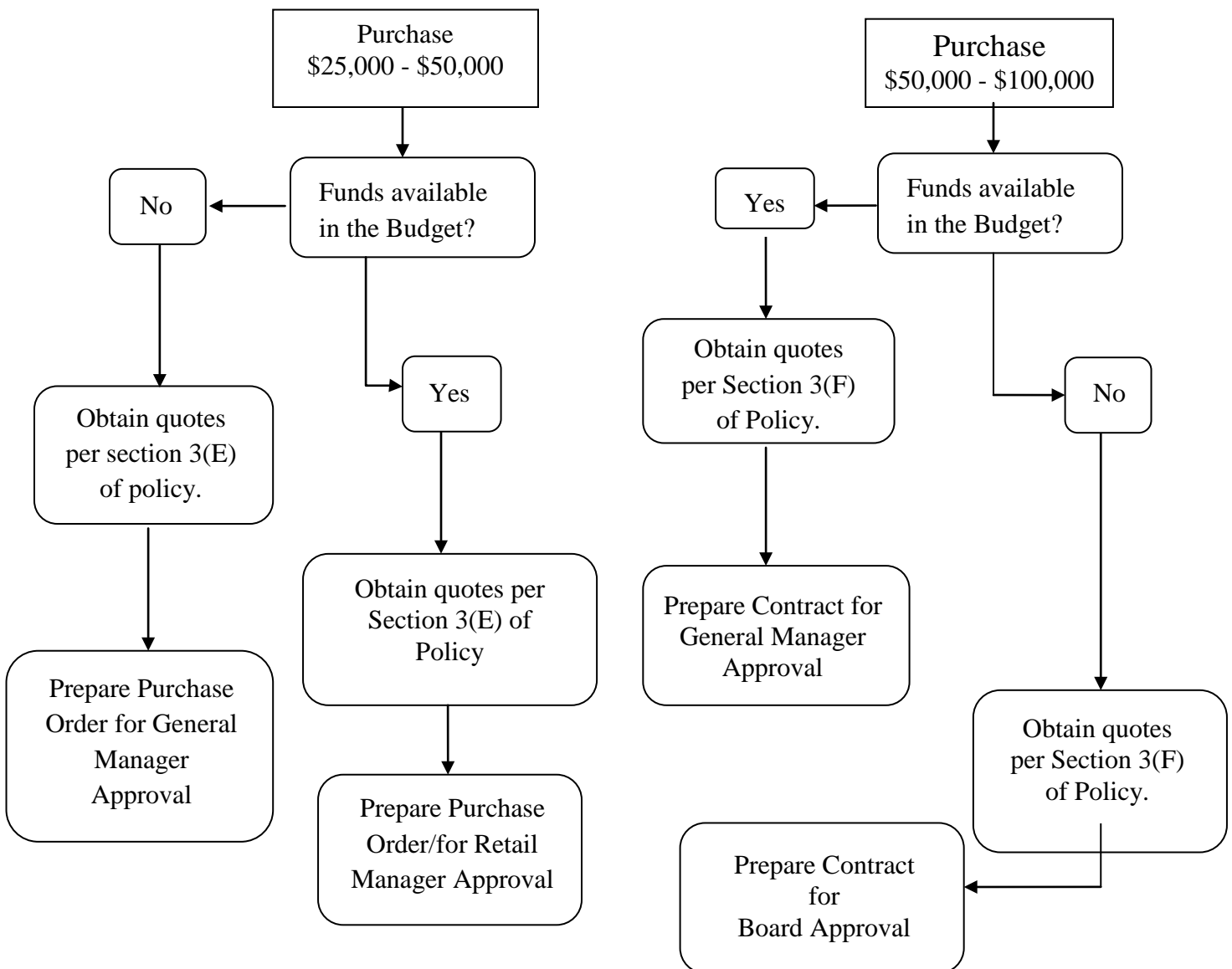
## Process Flow Chart Purchases Over \$100,000





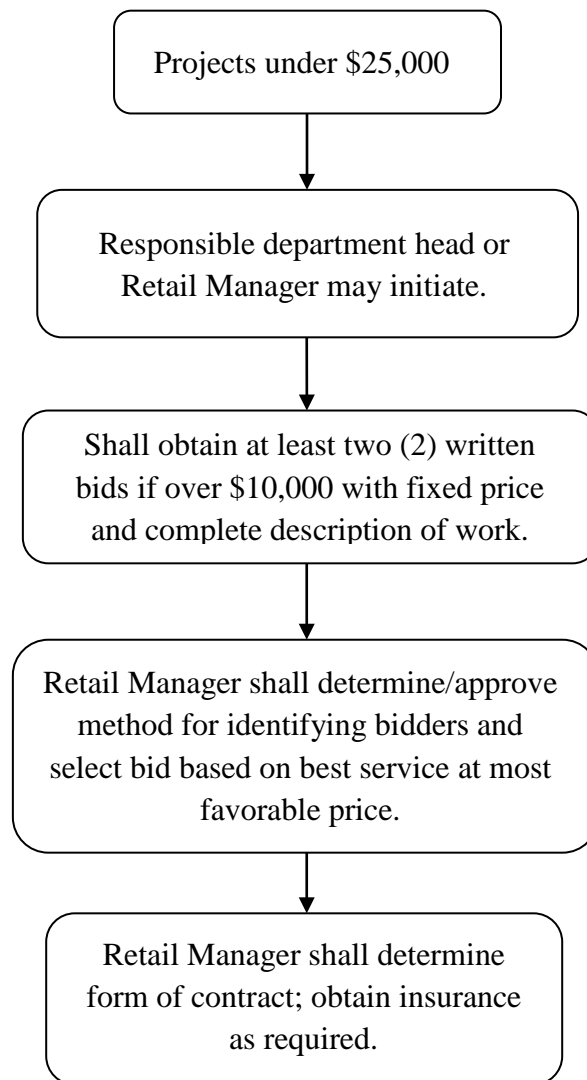


**Process Flow Chart**  
**Purchases \$25,000 - \$100,000**



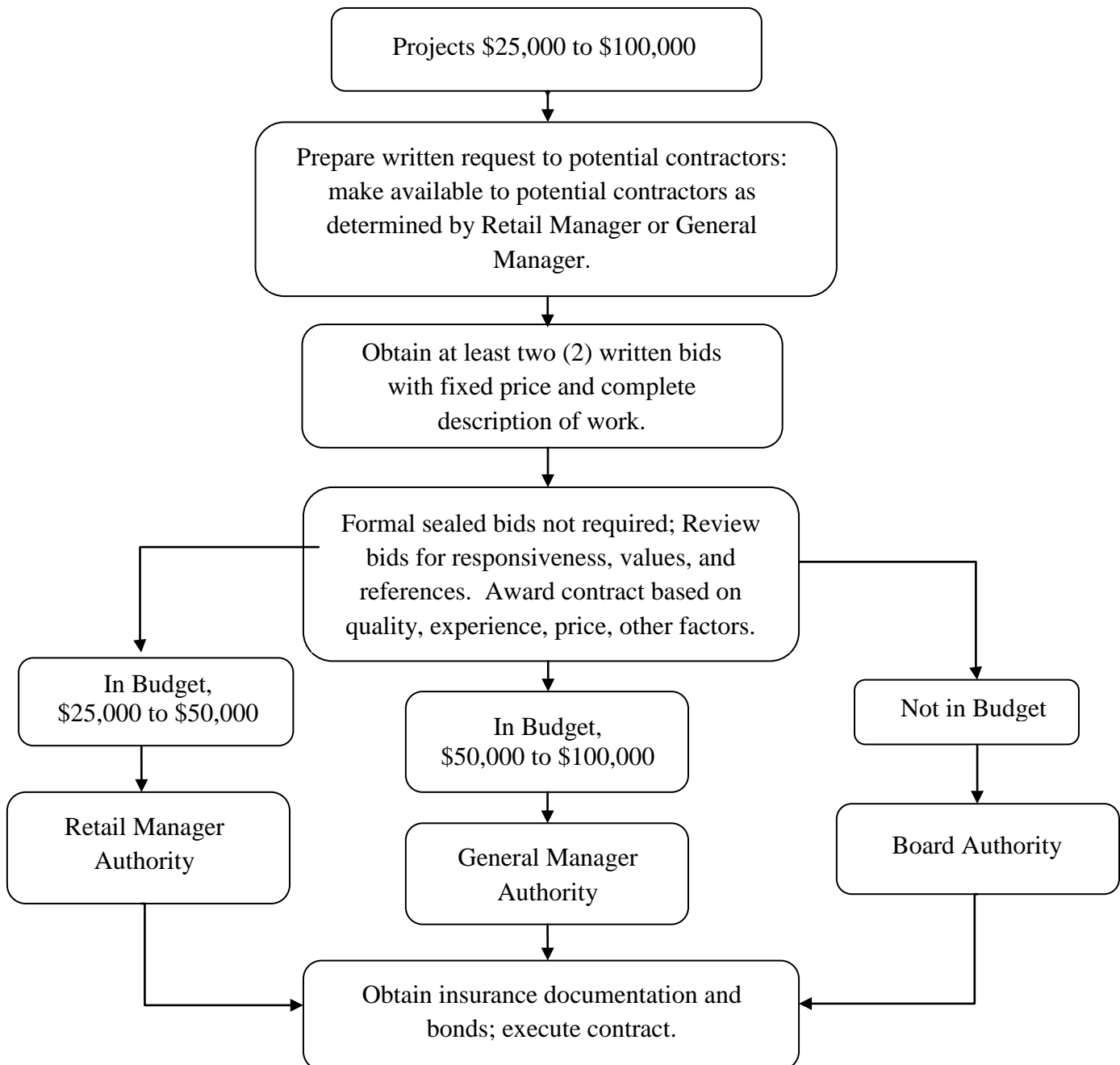


## Construction/CIP Process Flow Chart Projects Under \$25,000



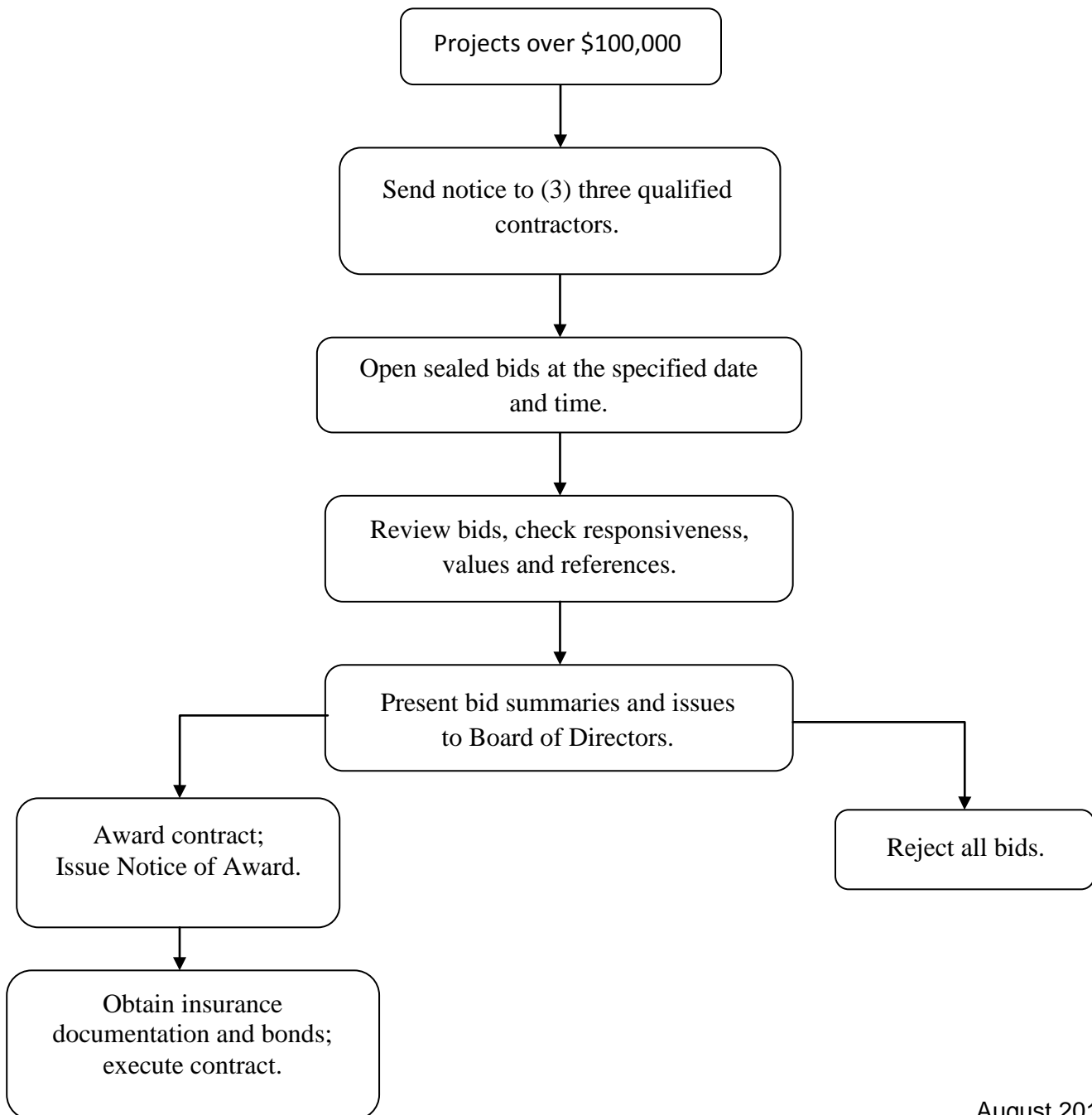


## Construction/CIP Process Flow Chart Projects \$25,000 - \$100,000





## Construction/CIP Process Flow Chart Projects Over \$100,000



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**RESOLUTION NO. 3104**

**RESOLUTION OF THE CASTAIC LAKE WATER AGENCY  
BOARD OF DIRECTORS ADOPTING THE SANTA CLARITA WATER DIVISION  
BUDGET FOR FISCAL YEAR 2016/17**

**WHEREAS**, the Santa Clarita Water Division of Castaic Lake Water Agency complies with the Board Procedures Manual requirement that the Agency shall annually adopt a budget prior to the commencement of each fiscal year; and

**WHEREAS**, the Board of Directors has reviewed the FY 2016/17 Budget that includes the State Water Resources Control Board 28% conservation mandate specific to Santa Clarita Water Division; and

**WHEREAS**, the Board of Directors has reviewed the FY 2016/17 Budget, including sections on the Operating Budget and Capital Expenditures.

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of the Castaic Lake Water Agency hereby:

1. Authorize the Retail Manager to amend FY 2015/16 Budget to reflect the defeasement transaction for the 2010B COP \$290,700 (\$285,000 for principal and \$5,700 for interest), 2011A Revenue Bond \$2,274,600 (\$2,230,000 for principal and \$44,600 for interest) and related expenses estimated at \$12,400.
2. Adopts the attached Santa Clarita Water Division Fiscal Year 2016/17 Budget.
3. Appropriates the Operating Expenditures, Capital Expenditures and Debt Principal and Interest Payment for each fund for FY 2016/17 shown on the attached Financial Summary.
4. Authorizes the General Manager or Retail Manager to make interfund transfers up to the amounts shown on the attached Financial Summary.
5. Authorizes the General Manager or Retail Manager to make inter-account transfers up to the Operating Expenditures, Capital Expenditures and Debt Principal and Interest Payment amounts shown on the attached Financial Summary.

  
\_\_\_\_\_  
President

I, the undersigned, hereby certify: That I am the duly appointed and acting Secretary of the Castaic Lake Water Agency, and that at a regular meeting of the Board of Directors of said Agency held on May 25, 2016, the foregoing Resolution No. 3104 was duly and regularly adopted by said Board, and that said resolution has not been rescinded or amended since the date of its adoption, and that it is now in full force and effect.

DATED: May 25, 2016

  
\_\_\_\_\_  
Secretary

**Santa Clarita Water Division  
Financial Summary  
FY 2016/17 Budget**

	FY 2015/16 Budget	FY 2015/16 Estimated	FY 2015/16 Variance	FY 2015/16 % Variance	FY 2016/17 Budget	FY 2015/16 Estimated vs. FY 2016/17 Budget % Variance
<b>Santa Clarita Water Division Total Operating Revenues</b>	\$26,535,300	\$27,299,150	\$ 763,850	2.8%	\$ 28,840,800	6.0%
<b>Operating Expenditures</b>						
Source of Supply	8,709,200	8,197,289	(511,911)	-6.2%	10,936,100	33.4%
Pumping	2,486,700	2,581,840	95,140	3.7%	2,674,400	3.6%
Water Treatment	1,213,200	1,090,925	(122,275)	-11.2%	1,178,000	8.0%
Transmission and Distribution	5,004,800	4,506,577	(498,223)	-11.1%	4,681,300	3.9%
Customer Service	977,000	918,509	(58,491)	-6.4%	1,012,800	10.3%
Engineering	1,018,800	909,177	(109,623)	-12.1%	1,002,900	10.3%
Administrative and General	3,354,500	3,156,425	(198,075)	-6.3%	3,574,400	13.2%
<b>Total Operating Expenses</b>	<u>22,764,200</u>	<u>21,360,742</u>	<u>(1,403,458)</u> *	<u>-6.6%</u>	<u>25,059,900</u>	<u>17.3%</u>
<b>Operating Income</b>	3,771,100	5,938,408	2,167,308	36.5%	3,780,900	-36.3%
<b>Non-Operating Revenue/(Expense)</b>						
Other Income - Cellular Antenna Rental and Miscellaneous	282,000	774,518	492,518	63.6%	286,000	-63.1%
Rental Income - 22722 Soledad Canyon Road Office Building	134,100	134,062	(38)	N/A	134,400	0.3%
Interest Earnings - SCWD Fund	160,000	236,743	76,743	32.4%	236,000	-0.3%
Interest Earnings - Certificates of Participation (COP)	-	618	618	100.0%	-	-100.0%
Interest Expense - COP Series 2010 B (Capital Projects)*	(687,688)	(687,683)	5	0.0%	(670,588)	-2.5%
Interest Expense - Revenue Bond Series 2011 A (Retail Acquisition Repayment)	(2,272,313)	(2,272,299)	14	0.0%	(2,138,513)	-5.9%
<b>Total Non-Operating, Net</b>	<u>(2,383,900)</u>	<u>(1,814,041)</u>	<u>569,859</u> *	<u>-31.4%</u>	<u>(2,152,701)</u>	<u>18.7%</u>
<b>Net Income Before Debt Principal Payment</b>	1,387,200	4,124,367	2,737,167	66.4%	1,628,199	-60.5%
Principal Payment - COP Series 2010 B (Capital Projects)*	(285,000)	(285,000)	-	-	-	-
Principal Payment - Revenue Bond Series 2011 A (Retail Acquisition Repayment)*	(2,230,000)	(2,230,000)	-	-	-	-
<b>Increase/(Decrease) to Fund Balance</b>	<u>(1,127,800)</u>	<u>1,609,367</u>	<u>2,737,167</u> *	<u>170.1%</u>	<u>1,628,199</u>	<u>1.2%</u>
<b>Total Revenue Requirements</b>	<u>\$26,535,300</u>	<u>\$27,299,150</u>	<u>\$ 763,850</u> *	<u>2.8%</u>	<u>\$ 28,840,800</u>	<u>6.0%</u>

	FY 2016/17 Estimated Beginning Balance	FY 2016/17 Additions	FY 2016/17 Use of Funds	FY 2016/17 Estimated Ending Balance
<b>Santa Clarita Water Division Fund Summary</b>				
Developer Refundable Deposit	\$ 4,911,643	\$ -	\$ -	\$ 4,911,643
Expansion Fund	4,516,840	1,000,000	(1,491,500)	4,025,340
CIP Fund	-	5,339,700	(5,339,700)	-
Operating Reserve Fund	5,691,100	573,900	-	6,265,000
Rate Stabilization Reserve Fund	2,653,530	1,672,590	-	4,326,120
Capital Reserve Fund	1,000,000	5,000,000	-	6,000,000
Emergency Reserve Fund	1,000,000	-	-	1,000,000
Unrestricted Reserve Fund	14,234,900	-	(10,957,991)	3,276,909
<b>Total Funds Available</b>	<u>\$34,008,013</u>	<u>\$ 13,586,190</u>	<u>\$ (17,789,191)</u>	<u>\$ 29,805,012</u>

\*Defeasement (prepay) FY 2016/17 principal of 2010B COP (\$285,000) and 2011A Revenue Bonds (\$2,230,000) and the associated interest of \$5,700 and \$44,600 respectively. FY 2015/16 Budget will be amended as shown if the Board approves the Defeasance agreements on May 11, 2016.

# California Drought 2011 to 2016 and Beyond

January  
2014

- Governor Brown proclaims a drought State of Emergency.
- Proclamation includes asking all Californians to reduce water consumption by 20 percent.

July  
2014

- State Water Resources Control Board (SWRCB) approves emergency regulation to increase water conservation and enforcement (Resolution 2014-0038).
- SWRCB issues a list of prohibited activities to meet 20 percent goal.

April  
2015

- Governor Brown issues Executive Order to achieve an overall statewide 25 percent reduction in potable water use.

May  
2015

- SWRCB adopts Resolution No. 2015-0032 to determine conservation goals for each urban water supplier.
- SCWD is required to meet a 32 percent reduction in water use from 2013 levels.

June  
2015

- Agency Board approves Ordinance No. 43 establishing four levels of water supply shortage, each with escalating water conservation restrictions and water use reduction goals.
- Agency Board adopts Resolution No. 3041 declaring a level 2 water shortage pursuant to Ordinance No. 43.

El Niño  
2015-16

- El Niño brings significant rain to Northern California but produces less rain than expected in Southern California.
- Areas of Los Angeles County receive only 25 to 70 percent of average precipitation. Fifth year of low rainfall.

February  
2016

- SWRCB adopts extended emergency water conservation regulation in effect through October 2016 (Resolution 2016-0007).
- SCWD is required to meet a 28% reduction from 2013 levels effective March 2016.

April  
2016

- The State Water Project allocation is increased to 60 percent. Significantly more than the last 3 years when allocations were 35 percent in 2013, 5 percent in 2014 and 20 percent in 2015.

May  
2016

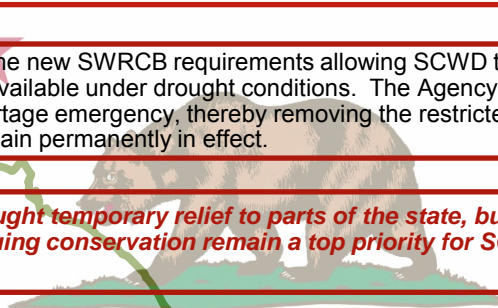
- SWRCB issues new order (Resolution 2016-0029) adopting a localized "stress test" approach, allowing water providers to certify available supplies and adjust conservation target accordingly.

July  
2016

- Agency Board approves Ordinance No. 44 incorporating the new SWRCB requirements allowing SCWD to self-certify ensuring that at least a three year water supply is available under drought conditions. The Agency Board rescinds Resolution No. 3041, lifting the level 2 water shortage emergency, thereby removing the restricted watering day schedules. Certain watering restrictions remain permanently in effect.

Ongoing

- ***The Drought continues into the fifth year. El Niño brought temporary relief to parts of the state, but it did not end the Drought. Water use efficiency and continuing conservation remain a top priority for SCWD customers.***







**Santa Clarita Water**  
***A Division of Castaic Lake Water Agency***  
**FY 2016/17 Budget**

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