

Minutes of the Regular Meeting of the Board of Directors of the Santa Clarita Valley Water Agency – January 9, 2018

A regular meeting of the Board of Directors of the Santa Clarita Valley Water Agency was held at the Santa Clarita Valley Water Agency, 27234 Bouquet Canyon Road, Santa Clarita, CA 91350, at 6:30 PM on Tuesday, January 9, 2018. A copy of the Agenda is inserted in the Minute Book of the Agency preceding these minutes.

DIRECTORS PRESENT: Directors B. J. Atkins, Tom Campbell, Ed Colley, Kathy Colley, William Cooper, Robert DiPrimio, Dean Efstathiou, Jerry Gladbach, Maria Gutzeit, R. J. Kelly, Gary Martin, Jacque McMillan, Dan Mortensen, William Pecsí and Lynne Plambeck were in attendance.

DIRECTORS ABSENT: None.

Also present: Matthew Stone, General Manager; Tom Bunn, General Counsel; April Jacobs, Board Secretary; Steve Cole, Assistant General Manager; Valerie Pryor, Assistant General Manager several staff members from SCV Water Agency; Glen Price, Best Best and Krieger; and members of the public.

President Cooper called the meeting to order at 6:30 PM. A quorum was present.

Upon motion of Director Pecsí, seconded by Director DiPrimio and carried, the Agenda was approved by the following voice votes (Item 4):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	Yes	Director K. Colley	Yes
President Cooper	Yes	Director DiPrimio	Yes
Director Efstathiou	Yes	Director Gladbach	Yes
Vice President Gutzeit	Yes	Director Kelly	Yes
Director Martin	Yes	Director McMillan	Yes
Director Mortensen	Yes	Director Pecsí	Yes
Director Plambeck	Yes		

President Cooper announced the next item of business was Agenda Item 5a the election of an additional Board Vice President and requested that the Board Secretary run the election.

At the January 2, 2018, regular Board meeting, Director Kelly and Director Martin were both nominated for an additional Vice President seat. The votes ended in a tie vote. The Board continued the ballot process to vote for the two existing candidates, Director Kelly and Director Martin.

Votes were then cast and tallied and Director Kelly received a majority vote of 8.

By motion of Director Pecsí, seconded by Director Plambeck and carried by a roll call vote of 15 Ayes, Director Kelly was elected to the position of additional Vice President of the Board (Item 5a).

Director Atkins	Yes	Director Campbell	Yes
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Director E. Colley	Yes	Director K. Colley	Yes
President Cooper	Yes	Director DiPrimio	Yes
Director Efstathiou	Yes	Director Gladbach	Yes
Vice President Gutzeit	Yes	Director Kelly	Yes
Director Martin	Yes	Director McMillan	Yes
Director Mortensen	Yes	Director Pecsí	Yes
Director Plambeck	Yes		

Upon motion of Director Gladbach, seconded by Director Kelly and carried, the Board approved the Consent Calendar by the following roll call votes (Item 6a):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	Yes	Director K. Colley	Abstained
President Cooper	Yes	Director DiPrimio	Yes
Director Efstathiou	Yes	Director Gladbach	Yes
Vice President Gutzeit	Abstained	Vice President Kelly	Yes
Director Martin	Yes	Director McMillan	Yes
Director Mortensen	Abstained	Director Pecsí	Yes
Director Plambeck	Abstained		

Upon motion of Director DiPrimio, seconded by Vice President Gutzeit and carried, the Board approved (1) Resolution SCV-06 making the finding regarding CEQA, (2) approved the dissolution of Valencia Water Company and (3) authorized the General Manager to take the necessary steps on behalf of SCV Water to implement the plan and carry out the dissolution in accordance with the intent of the legislature and the language of SB 634 by the following voice votes (Item 7a)

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	Yes	Director K. Colley	Yes
President Cooper	Yes	Director DiPrimio	Yes
Director Efstathiou	Yes	Director Gladbach	Yes
Vice President Gutzeit	Yes	Vice President Kelly	Yes
Director Martin	Yes	Director McMillan	Yes
Director Mortensen	Yes	Director Pecsí	Yes
Director Plambeck	No		

RESOLUTION NO. SCV-06

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE SANTA CLARITA VALLEY WATER AGENCY
ADOPTING THE PLAN OF DISSOLUTION OF THE VALENCIA WATER COMPANY,
AND FINDING THAT THE DISSOLUTION IS NOT SUBJECT TO CEQA
OR, ALTERNATIVELY, IS EXEMPT**

WHEREAS, on October 15, 2017, Senate Bill 634 was signed into law by Governor Brown, thereby creating the Santa Clarita Valley Water Agency ("SCV Water"); and

WHEREAS, SB 634 requires SCV Water, as the sole shareholder of Valencia Water Company (“VWC”), to take all steps necessary to dissolve VWC as a corporation no later than January 31, 2018, and transition the operations, assets, and liabilities of VWC to SCV Water (“Dissolution”); and

WHEREAS, the Dissolution required by SB 634 is not subject to the California Environmental Quality Act (Pub. Res. Code §§ 21000 et seq.) (“CEQA”) because it is not a “project,” because the state legislature did not intend for CEQA review to occur, because the Dissolution involves little or no discretion and thus is ministerial in nature, and/or because the Dissolution is otherwise exempt from CEQA; and

WHEREAS, in anticipation of the requirements of SB 634, the Board of Directors of VWC has taken action to prepare for the Dissolution and has adopted a plan of dissolution that it has recommended to SCV Water for approval as the sole shareholder of VWC;

WHEREAS, the Board of Directors of SCV Water has reviewed the plan of dissolution recommended by the Board of Directors of VWC and now desire to approve the Dissolution and the adoption of the plan;

WHEREAS, all other legal prerequisites to the adoption of this Resolution have occurred.

NOW THEREFORE, THE BOARD OF DIRECTORS OF THE SANTA CLARITA VALLEY WATER AGENCY DOES RESOLVE AS FOLLOWS:

SECTION 1. RECITALS

The recitals above are true and correct and are incorporated into this Resolution by reference as findings of fact.

SECTION 2. COMPLIANCE WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT

Based upon its review of the entire record, including the Staff Report, any public comments or testimony presented to the Board, the enactment of Senate Bill 634, and the facts outlined below, the Board hereby finds and determines that the actions required by SB 634 are not subject to CEQA for the following reasons:

1. The Dissolution is not a “project” under CEQA

The Dissolution demanded by SB 634 is a legislative act of the state legislature. The State CEQA Guidelines (14 Cal. Code Regs., § 15000 et seq.) expressly provide that CEQA does not apply to legislation adopted or proposed by the legislature. (State CEQA Guidelines, § 15378(b)(1).) As such, CEQA does not apply to the Dissolution because it is not a “project” under CEQA.

2. The legislature did not intend the Dissolution to undergo CEQA review

The legislature – through Assembly Bill 634 – required that SCV Water take action on the Dissolution no later than January 31st. Language in the bill expressly states that the new SCV Water board hold its first meeting “as soon as possible” and that SCV Water dissolve VWC “on or before January 31, 2018.” As a practical matter, then, the

Legislature could not have intended the SCV Water to undertake substantive CEQA review, because such review will take longer than the 31-days available to comply with the statute. Thus, it is reasonable to conclude that the legislature did not intend for the Dissolution to be subject to CEQA. This situation is akin to the Tuolumne Jobs & Small Business Alliance v. Superior Court case, in which the Supreme Court found that because of the short deadlines set forth in the Elections Code's procedures for cities to either adopt a qualified voter initiative or hold a special election, it would be impossible to complete CEQA review before a city adopted a voter initiative. ((2015) 59 Cal.4th 1029.) The "Legislature is presumed to be aware of all laws in existence when it passes or amends a statute" and that "[i]f the Legislature had intended to require CEQA review before direct adoption, despite the [short] deadlines, it could have easily said so. It did not." (Id. at 1039.) Similarly, here, the legislature did not state that the Dissolution was subject to CEQA, and SB 634's requirements to hold a SCV Water board meeting "as soon as possible" and dissolve VWC by January 31, 2018 indicate that the legislature did not intend CEQA review to occur prior to the Dissolution.

3. The Dissolution is a ministerial action not subject to CEQA

The Dissolution is a ministerial action because it involves little or no judgment or discretion by the public agency. (See State CEQA Guidelines, § 15369.) The Dissolution is commanded by the legislature in SB 634, and SCVWA exercises little to no discretion in undertaking the Dissolution mandated by SB 634. CEQA Guidelines section 15268 states that ministerial projects are not subject to the requirements of CEQA. As such, the Dissolution called for in SB 634 is not subject to CEQA.

4. The Dissolution is exempt from CEQA

Even if the Dissolution is a "project" and subject to CEQA, it is exempt under State CEQA Guidelines section 15061(b)(3)-Common Sense Exemption. The "common sense exemption" states that a lead agency may find a project exempt from CEQA is "it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment." The Dissolution is exempt under State CEQA Guidelines section 15061(b)(3) because it will have no significant effect on the environment—it is a change in legal organization that dissolves a private water company owned by SCV Water to transition its operations into SCV Water. No operational change is contemplated.

SECTION 3. FINDINGS FOR DISSOLUTION

The Board of Directors of the Santa Clarita Valley Water Agency, as successor in interest to Castaic Lake Water Agency, as the sole shareholder of Valencia Water Company, does hereby approve the dissolution of Valencia Water Company in accordance with the plan of dissolution recommended for approval by the Board of Directors of the Valencia Water Company and authorizes the General Manager to take the necessary steps on behalf of the Santa Clarita Valley Water Agency to implement the plan and carry out the Dissolution in accordance with SB 634.

SECTION 4. CUSTODIAN OF RECORDS

The documents and materials that constitute the record of proceedings on which these findings are based are located at 27234 Bouquet Canyon Road, Santa Clarita, CA 91350. The custodian of the records is April Jacobs, Board Secretary.

SECTION 5. EFFECTIVE DATE

This Resolution shall be effective upon its adoption.

Upon motion of Director Gladbach, seconded by Vice President Kelly and carried, the Board approved (1) Resolution No. SCV-07 approving certain portions of an official statement in connection with bonds to be issued by the Upper Santa Clara Valley Joint Powers Authority and confirming certain policies and procedures applicable to the Santa Clarita Valley Water Agency, (2) Resolution No. SCV-08 authorizing an Interfund Loan of the Valencia Water Division in connection with the issuance of the Upper Santa Clara Valley Joint Powers Authority 2018A Revenue Bonds and (3) Resolution No. SCV-09 authorizing an Interfund Loan of the Valencia Water Division to reimburse the wholesale system for moneys advanced to acquire the common stock of the Valencia Water Company by the following voice votes (Item 7b):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	Yes	Director K. Colley	Yes
President Cooper	Yes	Director DiPrimio	Yes
Director Efstathiou	Yes	Director Gladbach	Yes
Vice President Gutzeit	Yes	Vice President Kelly	Yes
Director Martin	Yes	Director McMillan	Yes
Director Mortensen	Yes	Director Pecsí	Yes
Director Plambeck	Abstained		

RESOLUTION NO. SCV-07

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE SANTA CLARITA VALLEY WATER AGENCY
APPROVING CERTAIN PORTIONS OF AN OFFICIAL STATEMENT
IN CONNECTION WITH BONDS TO BE ISSUED
BY THE UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
AND CONFIRMING CERTAIN POLICIES AND PROCEDURES APPLICABLE
TO THE SANTA CLARITA VALLEY WATER AGENCY**

WHEREAS, pursuant to Senate Bill 634 ("SB634") the Castaic Lake Water Agency (the "CLWA") and Newhall County Water District, were reorganized effective January 1, 2018 as the newly created Santa Clarita Valley Water Agency (the "Agency"); and

WHEREAS, pursuant to SB634, Agency is the successor to CLWA and NCWD for, among other matters, all duties, obligations and responsibilities of CLWA and NCWD; and

WHEREAS, pursuant to Section 4(j) of SB634, SCVWA has until January 31, 2018 to finalize a plan of dissolution for the Valencia Water Company ("VWC"), 100% of the common stock of which was owned by the former CLWA and is now owned by the Agency, as the successor to CLWA and NCWD; and

WHEREAS, on December 28, 2017, the Board of Directors of VWC approved a plan of dissolution of VWC and in connection with such dissolution, certain notes previously issued by VWC (the "VWC Notes") will be required to be refinanced; and

WHEREAS, in order to meet the statutory time frame set forth in SB634, the Board of Directors of the former CLWA previously approved documents to refinance the VWC Notes in advance of the effective date of SB634; and

WHEREAS, the Agency, as the successor to CLWA and NCWD, has determined to proceed with such refinancing and to approve information to be included in an official statement to be used in connection therewith;

WHEREAS, to comply with applicable laws of the State of California (the "State") and federal securities laws, the Agency desires to confirm that certain policies and procedures of the former CLWA as described herein, shall be the policies and procedures of the Agency; and

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

SECTION 1. The preparation and distribution of Appendices A through E of the Preliminary Official Statement (the "Agency Portion"), in substantially the form on file with the Secretary of the Board, is hereby approved, subject to final approval as to form by General Counsel and Stradling Yocca Carlson & Rauth, a Professional Corporation, as bond counsel ("Bond Counsel"). The General Manager is hereby authorized to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 relating to the Agency Portion of the Preliminary Official Statement; provided however that the General Manager shall sign such certificate only if VWC has delivered to the Agency, a certificate to the effect that Appendix B to the Preliminary Official Statement, as of its date, does not contain any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect.

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

SECTION 2. To comply with laws of the State applicable to public agencies such as the Agency and federal securities laws, the Agency hereby confirms that certain policies and procedures of the former CLWA with respect to the CLWA wholesale water system shall be the

policies and procedures of the Agency for purposes of the issuance of the Bonds, which include, but are not limited to, the former CLWA wholesale water system's Investment Policy, Debt Management Policy, Reserve Fund Policy, Derivatives Policy, Disclosure Procedures Policy and Wire Transfer Policy. Notwithstanding the foregoing, the Agency may amend or supplement such policies from time-to-time as necessary or desirable.

The General Manager and Assistant General Managers of the Agency and their designees, in consultation with General Counsel and Bond Counsel, are each hereby authorized to take all necessary actions and to revise the policies and procedures set forth in the preceding paragraph to comply with this resolution, including changing all references to "Castaic Lake Water Agency" to "Santa Clarita Valley Water Agency" and to otherwise comply with applicable law.

SECTION 3. This resolution shall take effect immediately.

RESOLUTION NO. SCV-08

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA CLARITA VALLEY WATER AGENCY AUTHORIZING AN INTERFUND LOAN OF THE WHOLESALE WATER SYSTEM TO ITS VALENCIA WATER DIVISION IN CONNECTION WITH THE ISSUANCE OF THE UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY 2018A REVENUE BONDS

WHEREAS, pursuant to Senate Bill 634 ("SB634") the Castaic Lake Water Agency ("CLWA") and Newhall County Water District, have been reorganized effective January 1, 2018 as the newly created Santa Clarita Valley Water Agency (the "Agency"); and

WHEREAS, pursuant to Section 4(j) of SB634, the Agency has until January 31, 2018 to finalize a plan of dissolution for the Valencia Water Company ("VWC"), 100% of the common stock of which is currently owned by the Agency, as the successor to CLWA; and

WHEREAS, in connection with the dissolution of VWC, certain notes previously issued by VWC (the "VWC Notes") will be required to be refinanced; and

WHEREAS, in order to meet the statutory time frame set forth in SB634, the Board of Directors of the former CLWA previously approved documents to refinance the VWC Notes in advance of the effective date of SB634; and

WHEREAS, upon dissolution of VWC, the Agency will account for the revenues and expenses related to the customers of the VWC as a separate enterprise fund (referred to herein as the "Valencia Water Division"); and

WHEREAS, the Agency has been advised by its municipal advisor that the most cost effective method of refinancing the VWC Notes is the execution and delivery by the Agency of an Installment Purchase Agreement (the "Installment Purchase Agreement") with the Upper Santa Clara Valley Joint Powers Authority (the "Authority"), pursuant to which the Agency will make installment payments from net revenues of its wholesale water division (the "Wholesale Water

Division”), which installment payments will secure refunding revenue bonds to be issued by the Authority (the “Refunding Bonds”); and

WHEREAS, to assure compliance with Section 4(k) of SB634, the Agency desires to approve an interfund loan (referred to herein as the “Refinancing Interfund Loan”) between the Agency’s Wholesale Water Division and the Valencia Water Division pursuant to which the revenues of the Valencia Water Division will be applied to reimburse the Agency’s Wholesale Water Division amounts equal to debt service on the Refunding Bonds;

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

SECTION 1. The Board hereby approves the Refinancing Interfund Loan from the Wholesale Water Division to the Valencia Water Division in an aggregate principal amount not to exceed the principal amount of the Refunding Bonds and authorizes the repayment of the Refinancing Interfund Loan to the Agency’s Wholesale Water Division from revenues derived from the Agency’s Valencia Water Division. The Refinancing Interfund Loan shall become effective simultaneously with the issuance of the Refunding Bonds by the Authority. The Refinancing Interfund Loan shall be payable at such times and in such principal and interest amounts equal to the installment payments to be made by the Agency under the Installment Purchase Agreement executed and delivered in connection with the issuance of the Refunding Bonds. Notwithstanding the foregoing, the Board hereby authorizes the General Manager or an Assistant General Manager of the Agency to modify the principal amount, interest rate, term and such other provisions of the Refinancing Interfund Loan as such officer determines is necessary to comply with applicable law, including, but not limited to, SB634.

A draft payment schedule for the Refinancing Interfund Loan is attached hereto as Exhibit A. The General Manager or an Assistant General Manager is authorized to substitute a final payment schedule in Exhibit A after the sale and closing of the Refunding Bonds.

SECTION 2. The General Manager and Assistant General Managers of the Agency and their designees, in consultation with General Counsel, are each hereby authorized to take all actions as they deem necessary to comply with the provisions of this resolution.

SECTION 3. This resolution shall take effect immediately.

RESOLUTION NO. SCV-09

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA CLARITA VALLEY WATER AGENCY AUTHORIZING AN INTERFUND LOAN TO REIMBURSE THE WHOLESALE WATER SYSTEM FOR MONEYS ADVANCED TO ACQUIRE THE COMMON STOCK OF THE VALENCIA WATER COMPANY

WHEREAS, pursuant to Senate Bill 634 (“SB634”) the Castaic Lake Water Agency (“CLWA”) and Newhall County Water District, have been reorganized effective January 1, 2018 as the newly created Santa Clarita Valley Water Agency (the “Agency”); and

WHEREAS, pursuant to Section 4(j) of SB634, the Agency has until January 31, 2018 to finalize a plan of dissolution for the Valencia Water Company (“VWC”), 100% of the common stock (the “VWC Common Stock”) of which is currently owned by the Agency, as the successor to CLWA; and

WHEREAS, upon dissolution of VWC, the Agency will account for the revenues and expenses related to the customers of the VWC as a separate enterprise fund (referred to herein as the “Valencia Water Division”); and

WHEREAS, to assure compliance with Section 4(k) of SB634, the Agency desires to approve an interfund loan (referred to herein as “the “Acquisition Interfund Loan”) between the Agency’s Wholesale Water Division and the Valencia Water Division pursuant to which the revenues of the Valencia Water Division will be applied to reimburse the Agency’s Wholesale Water Division for the acquisition costs of the VWC Common Stock;

NOW, THEREFORE, the Board of Directors of the Castaic Lake Water Agency hereby finds, determines, declares and resolves as follows:

SECTION 1. The Board hereby approves the Acquisition Interfund Loan from the Wholesale Water Division to the Valencia Water Division in an aggregate principal amount of \$58,600,000 and authorizes the repayment of the Acquisition Interfund Loan to the Agency’s Wholesale Water Division from revenues derived from the Agency’s Valencia Water Division. The Acquisition Interfund Loan shall become effective simultaneously with dissolution of the VWC. The Acquisition Interfund Loan shall be payable at such times and in principal and interest amounts as are set forth in the schedule attached hereto as Exhibit A. Notwithstanding the foregoing, the Board hereby authorizes the General Manager or an Assistant General Manager of the Agency to modify the principal amount, interest rate, term and such other provisions of the Acquisition Interfund Loan as such officer determines is necessary to comply with applicable law, including, but not limited to, SB634.

SECTION 2. The General Manager and Assistant General Managers of the Agency and their designees, in consultation with General Counsel, are each hereby authorized to take all actions as they deem necessary to comply with the provisions of this resolution.

SECTION 3. This resolution shall take effect immediately.

AB 1234 Reports (Item 10).

Director Gladbach reported that he attended the Leadership Conference with the National Water Resources Association held in Las Vegas on January 4-5, 2018.

Future Agenda Items (Item 11).

Director Colley asked that a report be brought back to the Board on existing infrastructure, deferred maintenance and debt against a common standard.

Director Atkins requested a tour of all the SCV Water facilities and plants.

Vice President Kelly requested that within the tour requested by Director Atkins that we include a tour of all the Divisions. Vice President Gutzeit requested the same and asked to include what each Division is most proud of and rotate the tours between each of these Divisions.

Director Plambeck requested that staff present a "Maintenance Moment" similar to what was presented at the Newhall County Water District Board meetings.

Upon motion of Director Campbell, seconded by Vice President Kelly and carried, the meeting was adjourned at 7:40 PM by the following voice votes (Item 12):

Director Atkins	Yes	Director Campbell	Yes
Director E. Colley	Yes	Director K. Colley	Yes
President Cooper	Yes	Director DiPrimio	Yes
Director Efstathiou	Yes	Director Gladbach	Yes
Vice President Gutzeit	Yes	Vice President Kelly	Yes
Director Martin	Yes	Director McMillan	Yes
Director Mortensen	Yes	Director Pecsí	Yes
Director Plambeck	Yes		


April Jacobs, Board Secretary

ATTEST:


President of the Board

