

AGENDA

**UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
Santa Clarita Valley Water Agency Board Room
27234 Bouquet Canyon Road
Santa Clarita, CA 91350
Tuesday, January 9, 2018 at 7:00 P.M.
Or Immediately Following the
Regular Meeting of the
Santa Clarita Valley Water Agency
Board of Directors**

1. REGULAR PROCEDURES

- 1.1. Call to Order
- 1.2. Pledge of Allegiance
- 1.3. Public Comments – Members of the public may comment as to items not on the agenda at this time. Members of the public wishing to comment on items covered in this agenda may do so now or prior to each item as they arise. Please complete and return a comment request form to the Agency Secretary. (Comments may, at the discretion of the Board's presiding officer, be limited to three minutes for each speaker.)
- 1.4. Acceptance of the Agenda

BOARD OF DIRECTORS

PRESIDENT
THOMAS P. CAMPBELL

VICE PRESIDENT
E.G. "JERRY" GLADBACH

WILLIAM C. COOPER
R. J. KELLY

EXECUTIVE DIRECTOR
MATTHEW G. STONE

GENERAL COUNSEL
STRADLING YOCCA CARLSON
& RAUTH, P.C.

SECRETARY
APRIL JACOBS

2. GENERAL AGENDA ITEMS

- 2.1. * Approve Minutes of November 20, 2017 Special Board Meeting
- 2.2. * Approve a Resolution Approving Certain Portions of an Official Statement in Connection with the Issuance of Refunding Bonds and Authorizing Certain Acts in Connection Therewith

3. ADJOURNMENT

* Indicates attachment

NOTICE:

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

January 9, 2018

Page 2

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

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DRAFT

ITEM NO.
2.1

Minutes of the special meeting of the Upper Santa Clara Valley Joint Powers Authority –
November 20, 2017

A special meeting of the Upper Santa Clara Valley Joint Powers Authority was held at Castaic Lake Water Agency, 27234 Bouquet Canyon Road, Santa Clarita, CA 91350, at 10:02 PM on Monday, November 20, 2017 in the Board Room. A copy of the Agenda is inserted in the Minute Book of the Authority preceding these minutes.

DIRECTORS PRESENT: Tom Campbell, William Cooper, Jerry Gladbach and R.J. Kelly were in attendance.

DIRECTORS ABSENT: None.

Also present: Matthew Stone, Executive Director; Joe Byrne, General Counsel for CLWA sitting in for the Authority's Special Counsel; April Jacobs, Board Secretary; Valerie Pryor, CLWA Assistant General Manager; Beverly Johnson, Treasurer; and members of the public.

President Campbell called the meeting to order at 10:02 PM. A quorum was present.

Upon motion of Director Kelly, seconded by Vice President Gladbach and carried, the Authority approved the amended Agenda by the following voice votes (Item 1.4):

President Campbell	Yes	Director Cooper	Yes
Vice President Gladbach	Yes	Director Kelly	Yes

Upon motion of Director Cooper, seconded by Vice President Gladbach and carried, the Authority approved the October 25, 2017 regular Authority meeting minutes by the following voice votes (Item 2.1):

President Campbell	Yes	Director Cooper	Yes
Vice President Gladbach	Yes	Director Kelly	Yes

Upon motion of Vice President Gladbach, seconded by Director Kelly and carried, the Board received and filed the Upper Santa Clara Valley Joint Powers Authority Fiscal Year 2016/17 Annual Financial Report and Auditors Management Report by the following voice votes (Item 2.2):

President Campbell	Yes	Director Cooper	Yes
Vice President Gladbach	Yes	Director Kelly	Yes

Upon motion of Director Cooper, seconded by Vice President Gladbach and carried, the Authority approved Resolution No. 2017-04 appointing Beverly Johnson as Treasurer for the Upper Santa Clara Valley Joint Powers Authority by the following voice votes (Item 2.3):

President Campbell	Yes	Director Cooper	Yes
Vice President Gladbach	Yes	Director Kelly	Yes

RESOLUTION NO. 2017-04

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
FOR THE APPOINTMENT OF TREASURER**

WHEREAS, it is beneficial for the Upper Santa Clara Valley Joint Powers Authority to, by resolution, appoint individuals to the officer of Treasurer of the Authority; and

WHEREAS, Beverly Johnson is well qualified to hold the office of Treasurer.

NOW, THEREFORE, BE IT RESOLVED that Beverly Johnson is hereby appointed by the required resolution to hold the office of Treasurer of the Authority.

Upon motion of Director Cooper, seconded by Vice President Gladbach and carried, the Authority approved Resolution No. 2017-05 establishing banking authority with Wells Fargo and Resolution No. 2017-06 authorizing the investments of monies in the local Agency Investment Fund (LAIF) by the following voice votes (Item 2.4):

President Campbell	Yes	Director Cooper	Yes
Vice President Gladbach	Yes	Director Kelly	Yes

RESOLUTION NO. 2017-05

**RESOLUTION OF THE
UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
ESTABLISHING BANKING AUTHORITY WITH
WELLS FARGO**

WHEREAS, the Upper Santa Clara Valley Joint Powers Authority (the "Authority"), wishes to enter into a banking relationship with Wells Fargo with respect to issuing Refunding Revenue Bonds, Series 2011A; and

WHEREAS, said Bank requests that the Authority define Authority officials authorized to make withdrawals from and perform other business details concerning said account; and

WHEREAS, consistent with the terms of this resolution, the Authority's Board finds it to be in the Authority's best interest to establish authorized Authority officials to participate in the above banking relationships.

NOW, THEREFORE BE IT RESOLVED that **Thomas Campbell**, President; **Jerry Gladbach**, Vice President; **Matthew G. Stone**, Executive Director; and **Beverly Johnson**, Treasurer, are authorized to sign or countersign withdrawal orders, and Wells Fargo is authorized to honor and pay all withdrawal orders – including those drawn to the order of the President, Vice President, Executive Director and Treasurer signed in the manner required by this resolution.

RESOLVED FURTHER that **Matthew G. Stone**, Executive Director or **Beverly Johnson**, Treasurer, is authorized to order withdrawals from said account up to a maximum of \$50,000

per order on his or her signature only, and either said Executive Director or Treasurer is authorized to order withdrawals from said accounts exceeding the sum of \$50,000 but not exceeding \$1,000,000 per order on his or her signature when the order is countersigned by one of the authorized signatures of the President or Vice President, Executive Director or Treasurer; and

RESOLVED FURTHER that **Thomas Campbell**, President; or **Jerry Gladbach**, Vice President; or **Matthew G. Stone**, Executive Director or **Beverly Johnson**, Treasurer, is authorized to order withdrawals from the account without limit when countersigned by one of the authorized signatures of the President or the Vice President; and

RESOLVED FURTHER that any and all of the foregoing four named Authority Officers are hereby authorized to execute on behalf of the Authority all Bank forms and agreements which, in their absolute discretion, are consistent with this resolution.

RESOLUTION NO. 2017-06

**RESOLUTION OF THE
UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
AUTHORIZING THE INVESTMENT OF MONIES IN THE LOCAL AGENCY
INVESTMENT FUND**

WHEREAS, Pursuant to Chapter 730 of the statutes of 1976 Section 16429.1 was added to the California Government Code to create a Local Agency Investment Fund in the State Treasury for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Board of Directors does hereby find that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein as in the best interests of the Upper Santa Clara Valley Joint Powers Authority.

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors does hereby authorize the deposit and withdrawal of Upper Santa Clara Valley Joint Powers Authority monies in the Local Agency Investment Fund in the State Treasury in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein, and verification by the State Treasurer's Office of all banking information provided in that regard.

BE IT FURTHER RESOLVED, that the following Upper Santa Clara Valley Joint Powers Authority officers or their successors in office shall be authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund:

Thomas Campbell, President

Jerry Gladbach, Vice President

Matthew G. Stone, Executive Director

Beverly Johnson, Treasurer

Upon motion of Director Kelly, seconded by Director Cooper and carried, the Board received and filed the First Quarter FY 2017/18 Investment Report by the following voice votes (Item 2.5):

President Campbell	Yes	Director Cooper	Yes
Vice President Gladbach	Yes	Director Kelly	Yes

Upon motion of Director Cooper, seconded by Director Kelly and carried, the Board approved delegating Vice President Jerry Gladbach as the voting delegate for the Upper Santa Clara Valley Joint Powers Authority at the 2017 ACWA Fall Conference by the following voice votes (Item 2.6):

President Campbell	Yes	Director Cooper	Yes
Vice President Gladbach	Yes	Director Kelly	Yes

Upon motion of Vice President Gladbach, seconded by Director Kelly and carried, the meeting was adjourned at 10:15 PM by the following voice votes (Item 3):

President Campbell	Yes	Director Cooper	Yes
Vice President Gladbach	Yes	Director Kelly	Yes

April Jacobs, Board Secretary


ATTEST:

President

UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY

Date: January 2, 2018

To: Upper Santa Clara Valley Joint Powers Authority Board of Directors

From: Valerie L. Pryor
Treasurer 

Subject: Approve a Resolution Approving Certain Portions of an Official Statement in Connection with the Issuance of Refunding Bonds and Authorizing Certain Acts in Connection Therewith

SUMMARY AND DISCUSSION

During its January 9, 2018 Board meeting, the Santa Clarita Valley Water Agency (Agency) Board of Directors will consider a proposed resolution for the issuance of revenue refunding bonds for the refinancing of existing Valencia Water Company (VWC) obligations pursuant to SB 634. To issue the bonds, the Upper Santa Clara Valley Joint Powers Authority (Authority) must approve the attached resolution approving certain portions of an Official Statement. The proposed bond issuance is consistent with the Authority's Debt Management Policy.

Agency staff and its financing team reviewed the need to refinance the VWC loans and recommended the most cost efficient way to refinance the loans would be through the issuance of bonds by the Agency through the Authority with the debt service fully paid by the Valencia Water Division. On October 25, 2017, the Authority Board of Directors approved Resolution No. 2017-03 which approved various legal documents associated with the refunding transaction. Since that time, the financing team has prepared a Preliminary Official Statement (POS) and has prepared for the issuance of bonds during the month of January. The estimated principal amount of the proposed bonds is \$26,595,000, of which, approximately \$26,280,811 will be available to refinance the VWC loans. The true interest cost of the bonds is estimated at 4.26% and the cost of issuance including underwriter's discount and all other fees and charges paid to third parties is estimated at \$314,189. The total payment amount including all debt service payments and projected fees and charges paid to third parties to the final maturity of the bonds in 2048 is estimated at \$49,601,139. The foregoing are estimates and the final costs will depend on market conditions and can be expected to vary from the estimated amounts set forth above. The bonds will be sold on January 16, 2018 with the closing and refunding of the existing loans on January 31, 2018.

The attached resolution approves the POS. The POS is the Authority's disclosure document and it is important that Management and the Board of Directors carefully review this document prior to approval. The POS discloses material information on the offering of the refunding revenue bonds and this information is used by potential investors to evaluate the credit quality of and potential risks associated with the Authority's bonds. The POS includes information on the Agency's finances and how the bonds would be repaid, as well as general information on the financial and economic characteristics of the Agency and its service area, the Agency's water supply situation, the Agency's long-term capital improvement program and litigation. If any Director has questions or comments about any of the information contained in the POS or with respect to information that would be material and should be included in the POS, please contact the Treasurer before or after the meeting. The Valencia Water Company Board of Directors approved its portion of the POS on December 28, 2018.

FINANCIAL CONSIDERATIONS

None to the Authority. The Valencia Water Division of the Santa Clarita Valley Water Agency will pay an amount equal to the installment payments due to the Authority, and equal to the debt service on the bonds.

RECOMMENDATION

That the Board of Directors approve a resolution of the Upper Santa Clara Valley Joint Powers Authority approving certain portions of an Official Statement in connection with the issuance of refunding revenue bonds and authorizing certain acts in connection therewith.

Attachments

MBS

RESOLUTION NO.

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

WHEREAS, the Upper Santa Clara Valley Joint Powers Authority (the “Authority”), a joint exercise of powers authority duly organized and existing under and pursuant to the Constitution and laws of the State of California, has been requested to assist the Castaic Lake Water Agency (the “Agency”) or its successor, the Santa Clarita Valley Water Agency (“SCVWA”), under and pursuant to Senate Bill 634 (“SB634”), to undertake the refunding of the Valencia Water Company’s Senior Secured Notes (the “Notes”) prior to or concurrently with the issuance of one or more series of Authority refunding revenue bonds;

WHEREAS, the Board of Directors of the Authority previously approved documents to refinance the Notes; and

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

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

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

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

2. This resolution shall take effect immediately.

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PRELIMINARY OFFICIAL STATEMENT DATED JANUARY __, 2018

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: See the caption “RATINGS”

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UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
REVENUE BONDS, TAXABLE SERIES 2018A

Dated: Date of Delivery

Due: August 1, as shown on the inside cover

The Upper Santa Clara Valley Joint Powers Authority Revenue Bonds, Taxable Series 2018A are being issued by the Authority pursuant to an Indenture of Trust, dated as of January 1, 2018, by and between the Authority and U.S. Bank National Association, as trustee, and will be payable from the sources described herein. The 2018 Bonds are being issued to (i) refinance certain notes previously issued by the Valencia Water Company and which will be obligations of the Valencia Water Division of the Santa Clarita Valley Water Agency upon the Valencia Water Company’s expected dissolution on or about January 29, 2018, and (ii) pay certain costs of issuance.

Interest due on the 2018 Bonds is payable semiannually on each February 1 and August 1, commencing on August 1, 2018. The 2018 Bonds are being issued in fully registered book-entry form and initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers will not receive certificates representing their interest in the 2018 Bonds. Individual purchases of the 2018 Bonds will be in principal amounts of \$5,000 and integral multiples thereof. Payments of principal of and interest on the 2018 Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the 2018 Bonds.

The 2018 Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity as described in this Official Statement.

The 2018 Bonds are limited obligations of the Authority. The 2018 Bonds are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues consist primarily of Series 2018A Installment Payments received by the Authority from the Santa Clarita Valley Water Agency pursuant to an Installment Purchase Agreement, dated as of January 1, 2018, by and between the Agency, as successor to the Castaic Lake Water Agency, and the Authority.

The obligation of the Agency to make the Series 2018A Installment Payments is a special obligation of the Agency payable solely from Net Revenues of the Santa Clarita Valley Water Agency’s Wholesale Water System. The obligation of the Agency to make the Series 2018A Installment Payments is subordinate to the obligation of the Agency to make approximately \$67,070,000 (adjusted for the accreted value of certain capital appreciation certificates as of January 1, 2018) aggregate principal amount of Installment Payments pursuant to the 1999 Installment Purchase Agreement, and on a parity with the obligation of the Agency to make or pay approximately \$191,565,000 aggregate principal amount of (a) Installment Payments pursuant to the 2008A Installment Purchase Agreement, the 2010A Installment Purchase Agreement, the 2015A Installment Purchase Agreement, the 2016A Installment Purchase Agreement and (b) principal of and interest on the 2014 Bonds.

No revenues of the Agency accounted for as revenues of the Santa Clarita Water Division, Newhall Water Division or the proposed Valencia Water Division, through which the Agency provides retail water service, nor any property taxes levied by the Agency to pay certain State Water Project costs, are included in Revenues of the Wholesale Water System pledged to the payment of the Series 2018A Installment Payments. While the Series 2018A Installment Payments are payable from Net Revenues of the Agency’s Wholesale Water System, the Agency expects to apply certain payments received from the Agency’s Valencia Water Division to the Wholesale Water System to pay the Series 2018A Installment Payments, as further described herein.

The Agency has covenanted not to incur additional obligations payable from Net Revenues senior to the Series 2018A Installment Payments. The Agency may incur additional obligations payable from Net Revenues of the Wholesale Water System on a parity with the Series 2018A Installment Payments, subject to the terms and conditions set forth in the Installment Purchase Agreement.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF OR ANY MEMBER OF THE AUTHORITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF, OR INTEREST ON, THE 2018 BONDS. THE AUTHORITY HAS NO TAXING POWERS. THE 2018 BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF (OTHER THAN THE AUTHORITY) OR ANY MEMBER OF THE AUTHORITY IN CONTRAVENTION OF ANY STATE OF CALIFORNIA CONSTITUTIONAL OR STATUTORY PROVISION.

MATURITY SCHEDULE
(See inside front cover)

THE OBLIGATION OF THE AGENCY TO MAKE THE SERIES 2018A INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE AGENCY PAYABLE SOLELY FROM NET REVENUES OF THE AGENCY’S WHOLESALE WATER SYSTEM AND OTHER FUNDS DESCRIBED IN THE INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE AN OBLIGATION OF THE AGENCY FOR WHICH THE AGENCY IS OBLIGATED TO PAY FROM ANY OTHER AGENCY REVENUES OR TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AGENCY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE AGENCY TO MAKE THE SERIES 2018A INSTALLMENT PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE A DEBT OF THE AGENCY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the 2018 Bonds is exempt from State of California personal income tax.

This cover page contains certain information for quick reference only. It is not a complete summary of the 2018 Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

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

The 2018 Bonds are offered when, as and if issued, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Underwriter by its counsel Gilmore & Bell, P.C., for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, for the Agency by Best Best & Krieger LLP, General Counsel to the Agency and for the Trustee by its counsel. It is anticipated that the 2018 Bonds will be available through the facilities of DTC on or about January [31], 2018.

Citigroup

Dated: January __, 2018

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**UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
REVENUE BONDS, TAXABLE SERIES 2018A**

MATURITY SCHEDULE

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
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\$ _____ % Term Bonds due August 1, 20____, Yield _____%, Price _____

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

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

Matthew Stone, Executive Director
April Jacobs, Secretary
Beverly Johnson, Treasurer

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

B.J. Atkins
Thomas P. Campbell
Edward A. Colley
Kathy Colley
William C. Cooper
Robert DiPrimio,
Dean D. Efstathiou
E.G. "Jerry" Gladbach
Maria Gutzeit
R. J. Kelly
Gary R. Martin,
Jacquelyn H. McMillan
Dan Mortensen
William Pecci
Lynne Plambeck

Matthew Stone, General Manager
April Jacobs, Secretary to the Board
Steven Cole, Assistant General Manager
Valerie Pryor, Assistant General Manager
Keith Abercrombie, Chief Operating Officer
Brian Folsom, Chief Engineer

SERVICES

General Counsel

Best Best & Krieger LLP
Riverside, California

Bond Counsel

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

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Trustee

U.S. Bank National Association
Los Angeles, California

Table of Contents

<p>INTRODUCTION 1</p> <p>THE REFUNDING PLAN 5</p> <p>ESTIMATED SOURCES AND USES OF FUNDS 6</p> <p>THE 2018 BONDS 6</p> <p style="padding-left: 20px;">Terms of the 2018 Bonds 6</p> <p style="padding-left: 20px;">Redemption of Bonds 7</p> <p style="padding-left: 20px;">Notice of Redemption 7</p> <p style="padding-left: 20px;">Selection of Bonds for Redemption 8</p> <p style="padding-left: 20px;">Partial Redemption of Bonds 8</p> <p style="padding-left: 20px;">Effect of Redemption of Bonds 8</p> <p style="padding-left: 20px;">Book-Entry Only System 8</p> <p style="padding-left: 20px;">Transfers and Exchanges Upon Termination of Book-Entry Only System 9</p> <p style="padding-left: 20px;">Debt Service Schedule 9</p> <p>SECURITY FOR THE 2018 BONDS 12</p> <p style="padding-left: 20px;">General 12</p> <p style="padding-left: 20px;">Wholesale Water System Revenue Pledge .. 12</p> <p style="padding-left: 20px;">Rate Stabilization Fund 13</p> <p style="padding-left: 20px;">Rate Covenant 14</p> <p style="padding-left: 20px;">Limitations on Parity and Superior Obligations; Subordinate Obligations 14</p> <p>THE SANTA CLARITA VALLEY WATER AGENCY 15</p> <p>CONSTITUTIONAL PROVISIONS 16</p> <p style="padding-left: 20px;">Article XIII B 16</p> <p style="padding-left: 20px;">Proposition 218 16</p> <p style="padding-left: 20px;">Proposition 26 18</p> <p style="padding-left: 20px;">Future Initiatives 18</p> <p>THE AUTHORITY 18</p> <p>TAX MATTERS 19</p> <p>CERTAIN LEGAL MATTERS 19</p> <p>LITIGATION 19</p> <p style="padding-left: 20px;">The Authority 19</p>	<p style="padding-left: 20px;">The Agency 19</p> <p>RATINGS 20</p> <p>MUNICIPAL ADVISOR 20</p> <p>UNDERWRITING 20</p> <p>CONTINUING DISCLOSURE UNDERTAKING 21</p> <p>MISCELLANEOUS 22</p> <p>APPENDIX A INFORMATION RELATING TO THE AGENCY AND THE WHOLESALE WATER SYSTEM A-1</p> <p>APPENDIX B INFORMATION RELATING TO THE VALENCIA WATER DIVISION B-1</p> <p>APPENDIX C INFORMATION RELATING TO SANTA CLARITA WATER DIVISION C-1</p> <p>APPENDIX D INFORMATION RELATING TO NEWHALL WATER DIVISION D-1</p> <p>APPENDIX E AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING JUNE 30, 2017 E-1</p> <p>APPENDIX F SUMMARY OF PRINCIPAL LEGAL DOCUMENTS F-1</p> <p>APPENDIX G FORM OF LEGAL OPINION G-1</p> <p>APPENDIX H DTC AND BOOK-ENTRY ONLY SYSTEM H-1</p> <p>APPENDIX I FORM OF CONTINUING DISCLOSURE CERTIFICATE I-1</p>
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NO DEALER, BROKER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFER OR SALE OF THE 2018 BONDS, OTHER THAN AS CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE AGENCY, THE AUTHORITY OR THE UNDERWRITER. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE DESCRIBED ON THE COVER PAGE OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BY ANY SALE OF THE 2018 BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE 2018 BONDS.

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

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

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

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

This Official Statement is submitted in connection with the sale of the 2018 Bonds and may not be reproduced or be used, as a whole or in part, for any other purpose.

In connection with the offering of the 2018 Bonds, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 2018 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. Under certain circumstances, the Underwriter may offer and sell the 2018 Bonds to certain dealers and dealer banks and banks acting as agent and others at prices lower than the public offering prices stated on the page immediately following the cover page of this Official Statement, and the Underwriter may change those public offering prices from time to time.

THE 2018 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), IN RELIANCE UPON AN EXEMPTION CONTAINED IN THE ACT. THE 2018 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The Agency maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2018 Bonds.

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\$ _____ *

**UPPER SANTA CLARA VALLEY JOINT POWERS AUTHORITY
REVENUE BONDS, TAXABLE SERIES 2018A**

INTRODUCTION

General. This Official Statement provides information concerning the issuance of the Upper Santa Clara Valley Joint Powers Authority Revenue Bonds, Taxable Series 2018A (the “2018 Bonds”) pursuant to an Indenture of Trust, dated as of January 1, 2018 (the “Indenture”), by and between the Upper Santa Clara Valley Joint Powers Authority (the “Authority”) and U.S. Bank National Association, as trustee (the “Trustee”). See the caption “THE 2018 BONDS.”

Purposes of the 2018 Bonds. The 2018 Bonds are being issued to (i) refinance certain notes previously issued by the Valencia Water Company (“VWC”) and which will be obligations of the Valencia Water Division (“VWD”) of the Santa Clarita Valley Water Agency (the “Agency”) upon the VWC’s expected dissolution on or about January 29, 2018, and (ii) pay certain costs of issuance.

Authority for Issuance. The 2018 Bonds are being issued under the Indenture and the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “State”).

In connection with the authorization of the 2018 Bonds, the Authority adopted a resolution on October 25, 2017 (the “Authorizing Resolution”) approving the 2018 Bonds and the execution and delivery of the Indenture. On October 25, 2017, Castaic Lake Water Agency (“CLWA”), to which the Agency is successor, adopted a resolution authorizing and approving certain documents in connection with the issuance of the 2018 Bonds. Such approvals of the Authority and CLWA were made in order to allow the 60 day statutory validation period to run pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part L of the Code of Civil Procedure of the State of California (the “Validation Statute”) prior to issuance of the 2018 Bonds. As of the date of this Official Statement, no action challenging the validity of the 2018 Bonds or the Indenture has been filed. However, there can be no assurance that an action will not be filed or that a court exercising equitable powers or judicial discretion would not hear an action challenging the validity of the 2018 Bonds, the Indenture or the Installment Purchase Agreement (as defined below) brought after the statutory validation period provided under the Validation Statute.

The Santa Clarita Valley Water Agency. As further described in Appendix A hereto, the Santa Clarita Valley Water Agency was formed through a statutory merger of the former Castaic Lake Water Agency and Newhall County Water District (“NCWD”) effected by Senate Bill 634 (referred to herein as the “Agency Law”). Pursuant to the terms of the Agency Law, CLWA and NCWD merged into a new agency called the “Santa Clarita Valley Water Agency” effective January 1, 2018. See Appendix A hereto. Pursuant to the Agency Law, the Agency succeeded to all of the rights, duties, obligations, contracts, responsibilities, assets, entitlements, and liabilities of CLWA and NCWD, including, but not limited to, the performance or payment of any outstanding indebtedness of CLWA and NCWD. The initial boundaries of the Agency are the boundaries of CLWA as they existed on December 31, 2017.

The Valencia Water Division. In December 2012, the former CLWA acquired 100% of the stock of VWC through the settlement of an eminent domain action. After such acquisition, VWC continued to operate as a separate company. Pursuant to the terms of the Agency Law, the Agency is required to take steps to dissolve VWC and transfer VWC’s assets, property, liabilities and indebtedness to the Agency. Such dissolution and transfer is required to be finalized by May 1, 2018 (with the ability to extend such deadline to July 1, 2018, if circumstances warrant additional time). On December 28, 2017, the VWC board of directors approved a plan of dissolution. On January 9, 2018, the Agency board of directors approved such plan of dissolution. The Agency currently expects that VWC will be dissolved on or about January 29, 2018.

The Agency will account for the revenues, expenses and debt of the former VWC as the revenues, expenses and debt of the Agency's VWD, as more particularly described under the caption "History and Background" in Appendix B hereto.

To facilitate the dissolution of VWC, as further described under the caption "THE REFUNDING PLAN," the Agency will apply a portion of the proceeds of the 2018 Bonds to prepay VWC's Senior Secured Notes outstanding in the principal amount \$24,000,000 (the "VWC Notes"). Pursuant to the Agency Law, the indebtedness attributable to VWC will continue to be borne by the customers in the area that was served by VWC prior to the dissolution of VWC. To effect such provisions of the Agency Law, the Agency has authorized an interfund loan (the "Refinancing Interfund Loan") from its wholesale water system (the "Wholesale Water System") pursuant to which rate payers served by the Agency through VWD will be allocated the responsibility to pay the principal of and interest on the Refinancing Interfund Loan, all in accordance with the Agency Law. The Refinancing Interfund Loan will become effective upon dissolution of VWC.

The 2018 Bonds are secured solely by the Series 2018A Installment Payments. While the Series 2018A Installment Payments are payable from Net Revenues of the Agency's Wholesale Water System, the Agency expects to apply repayments to the Wholesale Water System on the Refinancing Interfund Loan from VWD revenues to the payment of the Series 2018A Installment Payments (as defined below) which secure the 2018 Bonds.

Other Retail Divisions. As a result of the statutory merger of CLWA and NCWD pursuant to the Agency Law, the revenues, expenses and debt of the former NCWD are now accounted for as a retail division of the Agency designated as the Newhall Water Division ("NWD"). The Santa Clarita Water Division ("SCWD"), a retail water division of the former CLWA, continues to be accounted for as a retail division of the Agency. Pursuant to the terms of the Agency Law, the indebtedness of NCWD and SCWD which existed as of December 31, 2017, is required to be borne by retail divisions of the Agency that correspond with NCWD and SCWD, respectively. As described in appendices C and D hereto, the Agency accounts for the SCWD and the NWD (which corresponds to the service area of the former NCWD) as retail divisions of the Agency. Amounts which are accounted for by the Agency as revenues of SCWD and NWD are not pledged to and are not available to pay the Series 2018A Installment Payments. See the caption "SECURITY FOR THE 2018 BONDS."

Sources of Payment for the 2018 Bonds. The 2018 Bonds are limited obligations of the Authority. The 2018 Bonds are payable solely from "Revenues" (as defined in the Indenture) and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues consist primarily of payments (the "Series 2018A Installment Payments") received from the Agency pursuant to an Installment Purchase Agreement, dated as of January 1, 2018 (the "Installment Purchase Agreement"), by and between the Agency and the Authority. See the caption "SECURITY FOR THE 2018 BONDS."

The 2018 Bonds do not constitute a charge against the general credit of the Authority. The 2018 Bonds are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts except payments under the Installment Purchase Agreement and other moneys pledged by the Authority under the Indenture. Neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Authority is pledged to the payment of the principal amount or redemption price of, or interest on, the 2018 Bonds. The Authority has no taxing power. The 2018 Bonds do not constitute a debt, liability or obligation of the State or any public agency thereof (other than the Authority) or any member of the Authority in contravention of any State constitutional or statutory provision.

The obligation of the Agency to make the Series 2018A Installment Payments is a special obligation of the Agency payable solely from Net Revenues of the Wholesale Water System (as such terms are defined in the Installment Purchase Agreement) of the Agency and other funds described in the Installment Purchase Agreement, and does not constitute a debt of the Agency or of the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. Net

Revenues include Wholesale Water System Revenues remaining after payment of Operation and Maintenance Costs (as defined in the Installment Purchase Agreement) of the Agency's Wholesale Water System. See Appendix F—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

The Agency levies property taxes to pay certain costs under the Agency's State Water Project contract. Such State Water Project contract costs are not Operation and Maintenance Costs of the Wholesale Water System and such State Water Project property taxes are not included in Revenues of the Wholesale Water System pledged to the Series 2018A Installment Payments.

No Reserve Fund. No reserve fund has been created or will be funded with respect to the 2018 Bonds.

Redemption. The 2018 Bonds are subject to optional, mandatory and extraordinary redemption as described herein. See the caption "THE 2018 BONDS—Redemption."

Senior Obligations. The obligation of the Agency to make the Series 2018A Installment Payments from Net Revenues of the Wholesale Water System is subordinate to the obligation of the Agency to make installment payments under an outstanding Installment Purchase Agreement, dated as of June 1, 1999 (the "1999 Installment Purchase Agreement"), by and between the Agency and the Castaic Lake Water Agency Financing Corporation (the "Corporation"), securing the Castaic Lake Water Agency Revenue Certificates of Participation, Series 1999A (Water System Improvement Project) (the "1999 Certificates"), which are outstanding in the principal amount of approximately \$67,070,000 (adjusted for the accreted value of certain capital appreciation certificates as of January 1, 2018). See Appendix A—"INFORMATION RELATING TO THE AGENCY AND THE WHOLESALE WATER SYSTEM" under the caption "THE SANTA CLARITA VALLEY WATER AGENCY—Outstanding Obligations—Senior Obligations."

Parity Obligations. The obligation of the Agency to make the Series 2018A Installment Payments from Net Revenues of the Wholesale Water System is on a parity with the obligation of the Agency to make installment payments under certain installment purchase agreements and debt service for certain bonds which are currently outstanding in the approximate aggregate principal amount of \$191,565,000 (collectively, the "Parity Obligations") and a credit facility agreement entered into by CLWA and Wells Fargo Bank National Association (the "Wells Fargo Credit Facility Agreement"). See Appendix A—"INFORMATION RELATING TO THE AGENCY AND THE WHOLESALE WATER SYSTEM" under the caption "THE SANTA CLARITA VALLEY WATER AGENCY—Outstanding Obligations—Parity Obligations."

Additional Parity Obligations. The Agency has covenanted not to incur additional obligations payable from Net Revenues of the Wholesale Water System senior to the Series 2018A Installment Payments. The Agency may incur additional obligations payable from Net Revenues of the Wholesale Water System on a parity with the Series 2018A Installment Payments, subject to the terms and conditions described under the caption "SECURITY FOR THE 2018 BONDS—Limitations on Parity and Superior Obligations; Subordinate Obligations."

Retail Division Obligations. The Agency, as successor to CLWA, has one installment purchase agreement outstanding in the aggregate principal amount of \$50,745,000 secured by revenues of the SCWD and payable after payment of the SCWD operation and maintenance costs. The Agency, as successor to NCWD, has three installment purchase agreements outstanding in the aggregate principal amount of \$3,973,398 secured by revenues of the NWD and payable after payment of NWD operation and maintenance costs. No Revenues of the Wholesale Water System are pledged to payment of such SCWD or NWD installment purchase agreements.

As described under the caption "THE REFUNDING PLAN" below, the Agency has authorized an Refinancing Interfund Loan from the Wholesale Water System to the VWD in connection with the refinancing of the VWC Notes. Revenues of VWD will be allocated to pay the principal of and interest on the Refinancing Interfund Loan to comply with applicable provisions of the Agency Law. The Agency expects to

apply repayments on the Refinancing Interfund Loan from VWD revenues to the payment of the Series 2018A Installment Payments which secure the 2018 Bonds.

In addition, the Agency has authorized an interfund loan (the “Acquisition Loan”) in the principal amount of \$58,600,000 from the Wholesale Water System to the VWD to reimburse the Wholesale Water System for the acquisition price of VWC. Repayment of the Acquisition Loan will be payable from VWD revenues.

The Agency and the Service Area. The Agency is located in the northwestern portion of Los Angeles County (the “County”), approximately 35 miles from downtown Los Angeles. The wholesale service of the Agency (the “Wholesale Service Area”) has a population of approximately 273,000, and covers an area of approximately 195 square miles. The majority of the Wholesale Service Area is located in the County, and includes the City of Santa Clarita (the “City”) and other nearby communities. Approximately 20 square miles of the Wholesale Service Area extend into unincorporated rural portions of Ventura County. See Appendix A—“INFORMATION RELATING TO THE AGENCY AND THE WHOLESALE WATER SYSTEM” under the caption “THE SANTA CLARITA VALLEY WATER AGENCY.”

The Wholesale Water System of the Agency is supplied through a contract with the State Department of Water Resources (“DWR”), which obtains water from the State Water Project. The Agency, as successor to CLWA, became the party to such contract with DWR. The Wholesale Water System facilities of the Agency consist of intake piping, the Earl Schmidt Intake Pump Station, the Earl Schmidt Filtration Plant, the Rio Vista Water Treatment Plant, the Rio Vista Intake Pump Station, the Sand Canyon Pump Station, pipeline and reservoir, the Castaic Conduit and other pipelines and facilities. The maximum annual contract amount of the Agency from the State Water Project (i.e., Table A Amount) is 95,200 acre feet. See Appendix A—“INFORMATION RELATING TO THE AGENCY AND THE WHOLESALE WATER SYSTEM” under the caption “THE WHOLESALE WATER SYSTEM.” The Wholesale Water System is also supplied by other sources, including approximately 450 acre feet per year of recycled water, up to 11,000 acre feet per year acquired pursuant to an agreement with Buena Vista Water Storage District and Rosedale-Rio Bravo Water Storage District (the “BVWSD RRBWSD Acquisition Agreement”) and up to 850 acre feet per year pursuant to the Yuba Water Accord (as defined in Appendix A). See Appendix A—“INFORMATION RELATING TO THE AGENCY AND THE WHOLESALE WATER SYSTEM” under the caption “WATER SUPPLY—Sources of Supply.”

The Agency sells water from the Wholesale Water System to retail customers through SCWD and NWD and, upon the dissolution of VWC, VWD (together, the “Retail Divisions”), and to one smaller water retailer. See Appendix A—“INFORMATION RELATING TO THE AGENCY AND THE WHOLESALE WATER SYSTEM.”

The Authority. The Authority is a joint exercise of powers agency organized under the provisions of State law governing the joint exercise of powers, being Chapter 5, Division 7, Title 1 of the Government Code of the State (the “Act”) and a Joint Exercise of Powers Agreement, dated as of June 1, 2011 (the “Joint Powers Agreement”), by and between the Agency, as the successor to CLWA, and the Devil’s Den Water District, a California Water District (“DDWD”), to provide for the financing and refinancing of capital improvement projects of the CLWA or DDWD and to finance working capital for the CLWA or DDWD by exercising the powers referred to in the Joint Powers Agreement, and any other transaction authorized by law. Under the Act and the Joint Powers Agreement, the Authority has the power to issue bonds to pay the costs of public capital improvements and to refund outstanding debt. See the caption “THE AUTHORITY.” The Board of Directors of DDWD is elected by DDWD landowners based upon the assessed valuation of land within DDWD. The Agency owns land representing approximately 96% of the assessed valuation within DDWD.

Professionals Involved in the Offering. U.S. Bank National Association will act as Trustee with respect to the 2018 Bonds. The 2018 Bonds are offered when, as and if issued, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Underwriter by its

counsel, Gilmore & Bell, P.C., for the Authority by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, and for the Agency by Best Best & Krieger LLP, Riverside, California, General Counsel to the Agency, and for the Trustee by its counsel. See the caption “CERTAIN LEGAL MATTERS.”

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

Other Information About this Official Statement. There follows in this Official Statement (and attached appendices) a brief description of the 2018 Bonds, the security for the 2018 Bonds, the Agency, the Authority and certain other information material to the issuance of the 2018 Bonds. The descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document.

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

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

THE REFUNDING PLAN

VWC currently has outstanding \$24,000,000 aggregate principal amount of VWC Notes secured in part by the assets of VWC. The 2018 Bonds are being issued to provide the funds to prepay all of the outstanding VWC Notes. On the date of issuance of the 2018 Bonds, the Authority will cause the Trustee to transfer a portion of the proceeds of the 2018 Bonds in the amount of approximately \$_____ to Wells Fargo Bank, National Association, as paying agent (the “Paying Agent”) for the VWC Notes under the Paying Agent Agreement dated as of June 1, 2010, by and between the Paying Agent and VWC, to prepay the VWC Notes. Upon the prepayment in full of the VWC Notes, the Agency will cause such reconveyances and/or releases to be executed as necessary with respect to the assets securing the VWC Notes.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2018 Bonds are set forth below.

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

<u>Sources</u>	
Principal Amount of 2018 Bonds	\$
TOTAL	<u>\$</u>
<u>Uses</u>	
Repayment of VWC Notes	\$
Costs of Issuance ⁽¹⁾	
TOTAL	<u>\$</u>

⁽²⁾ Includes fees for the Trustee, Municipal Advisor's fees, legal fees, printing costs, rating agency fees, underwriter's discount and other costs of delivery.

THE 2018 BONDS

Terms of the 2018 Bonds

The 2018 Bonds will be issued in the aggregate principal amount of \$_____ * and will be dated as of the date of issuance. Interest on the 2018 Bonds is payable by check or draft of the Trustee mailed by first class mail on each February 1 and August 1, commencing on August 1, 2018 (each an "Interest Payment Date"). The principal of and premium, if any, and interest on the 2018 Bonds is payable in lawful money of the United States of America. Such amounts will be paid by the Trustee on the applicable payment dates by check mailed by the Trustee to the respective Owners thereof on the applicable Interest Payment Date at their addresses as they appear as of the close of business on the fifteenth day of the calendar month preceding the Interest Payment Date (the "Record Date") in the registration books kept by the Trustee, except that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of 2018 Bonds, upon the written request of such Owner to the Trustee at least two Business Days before the Record Date, specifying the account or accounts in the United States to which such payment will be made, such payments will be made by wire transfer of immediately available funds on the applicable payment date following such Record Date. Any request referred to in the preceding sentence will remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Trustee. When a Book-Entry System is in effect, interest may be paid by wire transfer in accordance with mutually satisfactory arrangements between the Trustee and the Securities Depository. Principal and interest will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfers payable in such money. Interest on the 2018 Bonds will accrue at the rates per annum and will mature on the dates set forth on the inside front cover page of this Official Statement. Interest on the 2018 Bonds will be computed based on a 360-day year based on twelve 30-day months. Individual purchases will be made in principal amounts of \$5,000 and integral multiples thereof.

Principal of the 2018 Bonds is payable in lawful money of the United States of America at the Principal Corporate Trust Office of the Trustee in St. Paul, Minnesota.

* Preliminary, subject to change.

Redemption of Bonds

Optional Redemption. In accordance with the Indenture, the 2018 Bonds maturing on or after August 1, 20__ are subject to optional redemption, in whole or in part, at any time on and after August 1, 20__ in the order directed by the Agency in a written request to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date and by lot within each maturity, in integral multiples of \$5,000 from any source of available funds provided to the Authority by or at the discretion of the Agency at a Redemption Price equal to the principal amount of the 2018 Bonds to be redeemed, together with accrued interest to the date of redemption, without premium.

Mandatory Redemption. The 2018 Bonds with stated a maturity on August 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on each August 1 on and after August 1, 20__, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest evidenced and represented thereby to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (August 1)</i>	<i>Principal Amount</i>
---------------------------------------	-----------------------------

\$

*

* Final Maturity.

Extraordinary Redemption from Insurance or Eminent Domain Proceeds. The 2018 Bonds are subject to redemption prior to their respective stated maturities, as a whole or in part, on any date in the order of maturity as directed by the Agency in a written request provided to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date and by lot within each maturity in integral multiples of \$5,000 from prepaid Installment Payments made by the Agency from Net Proceeds, upon the terms and conditions of, and as provided for in, the Installment Purchase Agreement, at a Redemption Price equal to the principal amount thereof and accrued interest thereon to the redemption date without premium.

Notice of Redemption

The Agency will notify the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee) prior to the redemption date for 2018 Bonds pursuant to the Indenture. Notice of redemption will be mailed by the Trustee, not less than 30 nor more than 60 days prior to the redemption date: (i) to the respective Owners of any 2018 Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee by first-class mail; (ii) to the Securities Depository by facsimile and by first-class mail; and (iii) to the Information Services by first-class mail. Notice of redemption will be given in the form and in accordance with the terms of the Indenture.

Each such notice of redemption will state the date of notice, the redemption date, the place or places of redemption and the redemption price, will designate the maturities, CUSIP numbers, if any, and, if less than all of any such maturity is to be redeemed, the serial numbers of the 2018 Bonds of such maturity to be redeemed by giving the individual number of each 2018 Bond or by stating that all 2018 Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2018 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said 2018 Bonds the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2018 Bond to be redeemed in part

only, together with interest accrued with respect thereto to the redemption date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such redemption date interest thereon ceases to accrue, and will require that such Bond be then surrendered to the Trustee. Any failure to receive such notice or any defect in the notice or the mailing will not affect the validity of the redemption of any 2018 Bond.

Selection of Bonds for Redemption

If any 2018 Bond is in a denomination larger than a minimum Authorized Denomination, a portion of such 2018 Bonds (the minimum Authorized Denomination or any integral multiple thereof) may be redeemed pursuant to the Indenture, in which case the Trustee will, without charge to the Owner, authenticate and issue a replacement 2018 Bond or 2018 Bonds for the unredeemed portion thereof. In the case of a partial redemption of 2018 Bonds, the Trustee will select the 2018 Bonds to be redeemed by lot at such times as directed by the Agency in writing at least 30 days prior to the redemption date and if such selection is more than 60 days before a redemption date, will appropriately identify the 2018 Bonds so called for redemption by stamping them at the time any 2018 Bonds so selected for redemption is presented to the Trustee for stamping or for transfer or exchange, or by such other method of identification as is deemed adequate by the Trustee, and any 2018 Bond or 2018 Bonds issued in exchange for, or to replace, any 2018 Bond so called for prior redemption will likewise be stamped or otherwise identified.

Partial Redemption of Bonds

Upon surrender of any 2018 Bond redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Agency, a new 2018 Bond of Authorized Denominations, and of the same Maturity Date and interest rate, equal in aggregate principal amount to the unredeemed portion of the 2018 Bond surrendered.

Effect of Redemption of Bonds

If notice of redemption has been duly given pursuant to the Indenture, and money for payment of the Redemption Price of, together with interest accrued to the redemption date on, the 2018 Bonds (or portions thereof) so called for redemption is held by the Trustee, on the redemption date designated in such notice, the 2018 Bonds (or portions thereof) so called for redemption will become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the date fixed for redemption, interest on the 2018 Bonds so called for redemption will cease to accrue, the 2018 Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of the 2018 Bonds will have no rights in respect thereof except to receive payment of the Redemption Price and accrued interest. Any defect as failure to receive notice will not affect the sufficiency of the proceedings of redemption. All 2018 Bonds redeemed pursuant to the provisions of the Indenture will be cancelled upon surrender thereof and destroyed.

Book-Entry Only System

One fully-registered 2018 Bond for each maturity will be issued in the principal amount of such 2018 Bond. Such 2018 Bonds will be registered in the name of Cede & Co. and will be deposited with DTC.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2018 Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

The Agency cannot and does not give any assurances that DTC participants or others will distribute payments with respect to the 2018 Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC

will service and act in the manner described in this Official Statement. See Appendix H hereto for additional information concerning DTC.

Transfers and Exchanges Upon Termination of Book-Entry Only System

Any 2018 Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Indenture, by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such 2018 Bond for cancellation at the Principal Corporate Trust Office of the Trustee, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee.

Whenever any 2018 Bond or 2018 Bonds are surrendered for transfer, the Trustee will authenticate and deliver a new 2018 Bond or 2018 Bonds of the same series and maturity, for a like aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new 2018 Bond authenticated and delivered upon any transfer. The Trustee may require the payment by any 2018 Bond Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2018 Bonds the Trustee will cancel and destroy the 2018 Bonds it has received.

The 2018 Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for a like aggregate principal amount of 2018 Bonds of other authorized denominations of the same series and maturity. The Trustee may charge a sum for each new 2018 Bond authenticated and delivered upon any exchange except in the case of any exchange of temporary 2018 Bonds for definitive 2018 Bonds. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2018 Bonds, the Trustee will cancel and destroy the 2018 Bonds it has received.

The Trustee is not required to register the exchange or transfer pursuant to the Indenture, of any 2018 Bond: (i) within 15 days preceding selection of 2018 Bonds for redemption; or (ii) selected for redemption.

Debt Service Schedule

Set forth below is a table of the annual Series 2018A Installment Payments and the debt service evidenced by the Parity Obligations and the Senior Obligations.

Table 2
SANTA CLARITA VALLEY WATER AGENCY
Installment Payment Schedule

<i>Fiscal Year</i>	<i>Senior Obligations⁽¹⁾</i>	<i>Series 2018A Installment Payments</i>			<i>Other Parity Obligations⁽²⁾</i>	<i>Total Parity Debt Service</i>
		<i>Principal</i>	<i>Interest</i>	<i>Total</i>		
2018	--	\$	\$	\$	\$ 23,694,340	\$
2019	--				23,873,723	
2020	--				23,977,434	
2021	--				24,024,815	
2022	\$10,455,000				14,757,681	
2023	10,455,000				14,742,681	
2024	10,455,000				14,728,806	
2025	10,455,000				14,743,056	
2026	10,455,000				14,711,656	
2027	10,455,000				14,726,725	
2028	10,455,000				14,710,772	
2029	10,455,000				14,689,750	
2030	10,455,000				14,681,200	
2031	10,455,000				14,653,750	
2032	--				6,937,500	
2033	--				6,927,500	
2034	--				6,920,125	
2035	--				6,919,500	
2036	--				6,910,000	
2037	--				1,967,625	
2038	--				1,967,875	
2039	--				1,965,125	
2040	--				1,964,250	
2041	--				1,965,000	
2042	--				1,967,125	
2043	--				1,965,500	
2044	--				1,965,000	
2045	--				1,965,375	
2046	--				1,966,375	
2047	--				1,962,875	
TOTAL	\$104,450,000	\$	\$	\$	\$298,953,139	\$

(footnotes on next page)

- (1) Includes Installment Payments under the 1999 Installment Purchase Agreement representing the accreted value of the 1999 Certificates.
- (2) Includes the principal of the 2008A Installment Payments and interest with respect to the 2008A Installment Payments projected at average interest rate of 3.0% in Fiscal Year 2019, 3.0% in Fiscal Year 2020, 3.0% in Fiscal Year 2021 and 3.0% in Fiscal Year 2022. Includes principal and interest payments due under the 2008A Installment Purchase Agreement, the 2015A Installment Purchase Agreement, the 2016A Installment Purchase Agreement and the Refunding Bonds (the "2014 Bonds"). Excludes any contingent obligations under the Wells Fargo Credit Facility Agreement. See Appendix A—"INFORMATION ON THE SANTA CLARITA VALLEY WATER AGENCY AND THE WHOLESALE WATER SYSTEM" under the caption "THE SANTA CLARITA VALLEY WATER AGENCY—Outstanding Debt".

SECURITY FOR THE 2018 BONDS

General

Pursuant to the Indenture, the Authority, for good and valuable consideration, has unconditionally granted, transferred and assigned to the Trustee without recourse all its rights to receive the Revenues (as defined in the Indenture) and to enforce the Installment Purchase Agreement, upon an event of default thereunder for the benefit of the Owners of the 2018 Bonds, for the purpose of securing: (a) the payment of all sums due and owing to the Owners of the 2018 Bonds under the terms of the Indenture; and (b) the observance, performance and discharge of each agreement, condition, covenant and term of the Agency contained in the Installment Purchase Agreement.

The 2018 Bonds are limited obligations of the Authority. The 2018 Bonds are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues consist primarily of Series 2018A Installment Payments received from the Agency pursuant to the Installment Purchase Agreement.

The 2018 Bonds do not constitute a charge against the general credit of the Authority. The 2018 Bonds are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts except payments under the Installment Purchase Agreement and other moneys pledged by the Authority under the Indenture. Neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Authority is pledged to the payment of the principal amount or redemption price of, or interest on, the 2018 Bonds. The Authority has no taxing power. The 2018 Bonds do not constitute a debt, liability or obligation of the State or any public agency thereof (other than the Authority) or any member of the Authority in contravention of any State constitutional or statutory provision.

Wholesale Water System Revenue Pledge

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

The obligation of the Agency to make the Series 2018A Installment Payments is a special obligation of the Agency payable solely from Net Revenues (as described below) of the Wholesale Water System, and does not constitute a debt of the Agency or of the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

The obligation of the Agency to make the Series 2018A Installment Payments is absolute and unconditional, and until such time as the Purchase Price has been paid in full (or provision for the payment thereof has been made pursuant to the Installment Purchase Agreement), the Agency will not discontinue or suspend any Series 2018A Installment Payments required to be made by it under the Installment Purchase Agreement when due, whether or not the Project or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and

such payments are not subject to reduction whether by offset or otherwise and are not conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Net Revenues of the Wholesale Water System means, for any fiscal year of the Agency (currently, the Agency's Fiscal Year begins July 1) ("Fiscal Year"), Wholesale Water System Revenues remaining after payment of Operation and Maintenance Costs (as defined in the Installment Purchase Agreement) of the Wholesale Water System. Net Revenues of the Agency DO NOT include property taxes levied by the Agency to pay costs under the State Water Contract or the amounts accounted for as revenues of VWD, SCWD and NWD which are generated from the sale of water through such Retail Divisions to retail customers. See Appendix D—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" under the caption "INSTALLMENT PURCHASE AGREEMENT—Definitions; Rules of Construction; Contents of Certificates and Opinions."

The obligation of the Agency to make the Series 2018A Installment Payments from Net Revenues of the Wholesale Water System is subordinate to the obligation of the Agency to make Installment Payments pursuant to the 1999 Installment Purchase Agreement, and on a parity with the obligation of the Agency to make Installment Payments pursuant to the 2008A Installment Purchase Agreement, the 2010A Installment Purchase Agreement, the 2015A Installment Purchase Agreement, the 2016A Installment Purchase Agreement, principal of and interest on the 2014 Bonds, and the Wells Fargo Credit Facility Agreement, as such terms are defined under the caption "THE SANTA CLARITA VALLEY WATER AGENCY—Outstanding Obligations" in Appendix A attached hereto. See Appendix A—"INFORMATION RELATING TO THE AGENCY AND THE WHOLESALE WATER SYSTEM" under the caption "THE SANTA CLARITA VALLEY WATER AGENCY—Outstanding Obligations."

THE OBLIGATION OF THE AGENCY TO MAKE THE SERIES 2018A INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE AGENCY PAYABLE SOLELY FROM NET REVENUES OF THE AGENCY'S WHOLESALE WATER SYSTEM AND OTHER FUNDS DESCRIBED IN THE INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE AN OBLIGATION OF THE AGENCY FOR WHICH THE AGENCY IS OBLIGATED TO PAY FROM ANY OTHER AGENCY REVENUES OR TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AGENCY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE AGENCY TO MAKE THE SERIES 2018A INSTALLMENT PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE A DEBT OF THE AGENCY OR OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Rate Stabilization Fund

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

The Agency may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with the Installment Purchase Agreement or, in the event that all or a portion of the Series 2018A Installment Payments are discharged in accordance with the Installment Purchase Agreement, transfer all or any portion of such amounts for application to the payment of the Series 2018A Installment Payments in accordance with the Installment Purchase Agreement.

Under certain circumstances, moneys received in one Fiscal Year may be required or permitted by generally accepted accounting principles applicable to governmental agencies such as the Agency to be recorded as revenue in a subsequent Fiscal Year, regardless of whether such moneys have been deposited in

the Rate Stabilization Fund. See “Appendix C – AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING JUNE 30, 2017.”

Rate Covenant

The Agency has covenanted in the Installment Purchase Agreement that in any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is less than Debt Service payable in such Fiscal Year, the Agency will fix and prescribe rates and charges for Water Service of the Agency’s Wholesale Water System which are reasonably expect to be sufficient to yield during such Fiscal Year Net Revenues of the Wholesale Water System (not including amounts transferred from the Rate Stabilization Fund pursuant to the Installment Purchase Agreement in excess of twenty percent (20%) of Debt Service for such Fiscal Year) which will equal one hundred twenty percent (120%) of the Debt Service for such Fiscal Year.

The Agency has also covenanted that in any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is at least equal to the Debt Service payable in such Fiscal Year, the Agency will fix and prescribe such Revenues of the Wholesale Water System, other than the Facility Capacity Fees or any other connection fees, that are reasonably expected to be sufficient to yield during such Fiscal Year such Revenues (not including amounts transferred from the Rate Stabilization Fund to the Revenue Fund) equal to 120% of Operation and Maintenance Costs during such Fiscal Year.

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

Failure to produce Net Revenues of the Wholesale Water System to equal one hundred twenty percent (120%) of Debt Service at the end of a Fiscal Year is not an Event of Default under the Installment Purchase Agreement so long as the Agency complies with the covenant described above. Such failure may, however, affect the ability of the Agency to issue Bonds or incur Contracts payable from Net Revenues of the Wholesale Water System on a parity with the Series 2018A Installment Payments.

Limitations on Parity and Superior Obligations; Subordinate Obligations

Additional Obligations Superior to Series 2018A Installment Payments. The Agency has covenanted in the Installment Purchase Agreement that the Agency will not issue any additional evidences of indebtedness or incur other additional obligations that are payable from or secured by a pledge of and lien on Revenues of the Wholesale Water System, any money in the Revenue Fund or any money in the Rate Stabilization Fund superior to the pledge securing the Series 2018A Installment Payments.

Additional Obligations on a Parity with Series 2018A Installment Payments. The Agency may issue evidences of indebtedness or incur other obligations that are payable from or secured by a pledge of and lien on Revenues of the Wholesale Water System, and any money in the Revenue Fund and the Rate Stabilization Fund on a parity with the pledge securing the Series 2018A Installment Payments pursuant to the following terms and conditions:

(1) The Net Revenues (not including amounts transferred from the Rate Stabilization Fund pursuant to the Installment Purchase Agreement to the Revenue Fund in excess of twenty percent (20%) of Debt Service for such Fiscal Year) for the most recent audited Fiscal Year preceding the date of adoption by the Board of Directors of the Agency of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by the Agency and a special report prepared by an Independent Certified Public Accountant or an Independent Municipal Advisor on such calculation on file with the Agency, shall have produced a sum equal to at least one hundred twenty percent (120%) of the Debt Service for such Fiscal Year; and

(2) The Net Revenues (not including amounts transferred from the Rate Stabilization Fund pursuant to the Installment Purchase Agreement in excess of twenty percent (20%) of Debt Service for such Fiscal Year) for the most recent audited Fiscal Year preceding the date of the execution of such Contract or the date of adoption by the Board of Directors of the Agency of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year to increases or decreases in income, rents, fees, rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by both a calculation prepared by the Agency and a special report prepared by an Independent Certified Public Accountant or an Independent Municipal Advisor on such calculation on file with the Agency, shall demonstrate a sum equal to at least one hundred twenty percent (120%) of the Debt Service for such Fiscal Year plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year plus the Debt Service which would have accrued had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year; and

(3) The estimated Net Revenues (not including amounts transferred from the Rate Stabilization Fund pursuant to the Installment Purchase Agreement in excess of twenty percent (20%) of Debt Service for such Fiscal Year) for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest date of operation of any uncompleted Parity Project financed from proceeds of such Contract or Bonds, as evidenced by a certificate on file with the Agency, including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Revenues (not including amounts transferred from the Rate Stabilization Fund pursuant to the Installment Purchase Agreement in excess of twenty percent (20%) of Debt Service for such Fiscal Year) for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed and prescribed for the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the Manager on file with the Agency, shall produce a sum equal to at least one hundred twenty percent (120%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects.

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or Contracts may be delivered without satisfying the conditions set forth above if Debt Service in each Fiscal Year after the Fiscal Year in which such Bonds are issued or Contracts executed is not greater than Debt Service would have been in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts.

Subordinate Obligations. The Agency may at any time issue evidence of indebtedness or incur other obligations for any lawful purpose that are payable from and secured by a lien on Revenues or moneys in the Revenue Fund or the Rate Stabilization Fund as may from time to time be deposited therein subordinate to the Series 2018A Installment Payments.

Retail Obligations. The Agency may at any time issue evidence of indebtedness or incur other obligations for any lawful purpose that are payable from and secured by a lien on revenues of its Retail Divisions, subject to certain provisions relating outstanding obligations payable from revenues of the Retail Divisions.

THE SANTA CLARITA VALLEY WATER AGENCY

Appendix A hereto presents information relating to the Agency, its predecessor agencies and the Wholesale Water System. Appendices B through D hereto present information relating to the VWD and its predecessor company, NWD and its predecessor entity and SCWD, and the revenues and expenses of such Retail Divisions. The Series 2018A Installment Payments are payable solely from Net Revenues of the

Wholesale Water System. No revenues of the Agency's Retail Divisions are pledged to the payment of the Series 2018A Installment Payments and no Net Revenues of the Wholesale Water System are pledged to the payment of obligations of the Agency's Retail Divisions.

CONSTITUTIONAL PROVISIONS

Article XIII B

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

In general terms, Article XIII B provides that the appropriations limit will be based on certain 1978-79 expenditures and will be adjusted annually to reflect changes in cost of living, population and transfer of financial responsibility of providing services from one governmental unit to another. Article XIII B also provides that if an agency's revenues in any year exceed the amount which is appropriated by such agency in compliance with the provisions of Article XIII B, the excess must be returned during the next two fiscal years by revising tax rates or fee schedules. The Agency's revenues do not exceed any applicable appropriations limit.

Proposition 218

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

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

Article XIII D requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water or wastewater service is ultimately determined to be a "fee" or "charge" as defined in Article XIII D, the local government's ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIII D includes a number of limitations applicable to existing fees and charges including provisions to the effect that: (i) revenues derived from the fee or charge shall not exceed the funds

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

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

Article XIIC. Article XIIC provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIIC does not define the terms "local tax," "assignment," "fee" or "charge." On July 24, 2006, the Supreme Court held in *Bighorn-Desert View Water Agency v. Verjil* that the provisions of Article XIIC included rates and fees charged for domestic water use. The Supreme Court noted, however, that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations of the public agency involved in the litigation. The Agency and its general counsel do not believe that Article XIIC grants to the voters within the jurisdiction of the Agency the power to repeal or reduce its wholesale rates and charges or retail fees and charges in a manner which would be inconsistent with the statutory or contractual obligations of the legislative body of the Agency. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the 2018 Bonds. Remedies available to beneficial owners of the 2018 Bonds in the event of a default by the Agency are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the right and obligation with respect to the 2018 Bonds is subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate

cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix G), will be similarly qualified.

Proposition 26

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

Future Initiatives

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

THE AUTHORITY

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

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

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 2018 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code but interest on the 2018 Bonds is exempt from State of California personal income tax.

The State of California personal income tax discussion set forth above with respect to the 2018 Bonds is included for general information only and may not be applicable depending upon a 2018 Bond Owner's particular situation. The ownership and disposal of a 2018 Bond and the accrual or receipt of interest with respect to the 2018 Bond may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences.

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

CERTAIN LEGAL MATTERS

The validity of the 2018 Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Stradling"), acting as Bond Counsel. The form of such legal opinion is attached hereto as Appendix G and such legal opinion will be attached to each 2018 Bond. Bond Counsel expresses no opinion as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the 2018 Bonds and expressly disclaims any duty to advise the Owners of the 2018 Bonds as to matters related to this Official Statement.

Stradling has served as bond counsel to CLWA, the predecessor to the Agency, from time-to-time. In addition, Stradling advised CLWA on certain matters with respect to the acquisition of VWC and the dissolution of VWC. Stradling has advised CLWA with respect to certain matters relating to the issuance of the 2018 Bonds.

Certain legal matters will be passed on for the Underwriter by its counsel Gilmore & Bell, P.C. ("Underwriter's Counsel"), for the Authority by Stradling, for the Agency by Best Best & Krieger LLP, Riverside, California, and for the Trustee by its counsel.

Payment of the fees of Bond Counsel and Underwriter's Counsel is contingent upon issuance of the 2018 Bonds.

LITIGATION

The Authority

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Authority, threatened against the Authority affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the 2018 Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the action of the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Authority or its authority with respect to the 2018 Bonds or any action of the Authority contemplated by any of said documents.

The Agency

See Appendix A—"INFORMATION RELATING TO THE AGENCY AND THE WHOLESALE WATER SYSTEM" under the caption "Litigation" for information with respect to litigation affecting the Agency.

RATINGS

The Agency expects that S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") will assign the 2018 Bonds the rating of "___" (___ outlook) and that Fitch Ratings, Inc., ("Fitch") will assign the 2018 Bonds the rating of "___" (___ outlook). There is no assurance that any credit rating given to the 2018 Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P or Fitch if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2018 Bonds. Such ratings reflects only the views of S&P and Fitch, as the case may be, and an explanation of the significance of such ratings may be obtained from S&P and Fitch, as the case may be.

The Agency has covenanted in a Continuing Disclosure Certificate to file on EMMA, notices of any ratings changes on the 2018 Bonds. See the caption "CONTINUING DISCLOSURE UNDERTAKING" below and Appendix I—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." Notwithstanding such covenant, information relating to ratings changes on the 2018 Bonds may be publicly available from the rating agencies prior to such information being provided to the Agency and prior to the date the Agency is obligated to file a notice of rating change on EMMA. Purchasers of the 2018 Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the 2018 Bonds after the initial issuance of the 2018 Bonds.

MUNICIPAL ADVISOR

The Authority has retained Fieldman, Rolapp & Associates, Inc., Irvine, California (the "Municipal Advisor") as municipal advisor in connection with the issuance of the 2018 Bonds. The Municipal Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The fees being paid to the Municipal Advisor are contingent upon the issuance of the 2018 Bonds. Fieldman, Rolapp & Associates, Inc. has served as municipal advisor to CLWA from time-to-time.

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

UNDERWRITING

The 2018 Bonds are being purchased by Citigroup Global Markets Inc. (the "Underwriter") pursuant to a Purchase Contract, dated January __, 2018, by and among the Underwriter, the Authority and the Agency (the "Purchase Contract"). The purchase price of the 2018 Bonds is equal to \$_____, being the aggregate principal amount of the 2018 Bonds of \$_____, less an underwriter's discount of \$_____. The Purchase Contract provides that the Underwriter will purchase all of the 2018 Bonds, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel, and certain other conditions. A significant condition to closing is the dissolution of VWC on or prior to the date of closing. While both the VWC and the Agency have approved the VWC plan of dissolution, there can be no assurance as to the timing of the dissolution. In the event that VWC is not dissolved prior to the currently scheduled closing date, there can be no assurance that the 2018 Bonds will be delivered in the timeframe described herein.

The initial public offering prices stated on the inside front cover of this Official Statement may, under certain circumstances, be changed from time to time by the Underwriter. The Underwriter may offer and sell the 2018 Bonds to certain dealers (including dealers depositing 2018 Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

The Underwriter has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, the Underwriter may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the

electronic primary offering platform of TMC. As part of this arrangement, the Underwriter may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the 2018 Bonds.

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

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

CONTINUING DISCLOSURE UNDERTAKING

The Agency has covenanted in a Continuing Disclosure Certificate dated the date of issuance of the 2018 Bonds (the “Continuing Disclosure Certificate”) to provide annually certain financial information and operating data relating to the Agency by not later than 270 days following the end of its Fiscal Year (commencing with Fiscal Year 2018) including the audited Financial Statements of the Agency for each such Fiscal Year (together, the “Annual Report”), and to provide notices of the occurrence of certain other enumerated events.

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

In the past five years, CLWA, as the predecessor to the Agency, has been subject to continuing disclosure certificates previously entered into with respect to obligations of the Wholesale Water System (the “Wholesale System Obligations”) and the SCWD retail system (each a “Prior Continuing Disclosure Undertaking”). Pursuant to the Prior Continuing Disclosure Undertakings, CLWA agreed to file its audited financial reports, certain operating data relevant to the respective obligations, notices of certain enumerated events and notices of the occurrence of certain other enumerated events, if material.

On August 31, 2017, CLWA filed a supplement to its annual report for its 1999 Certificates to include water production amounts on a fiscal year basis. Such amounts were previously presented in CLWA’s annual reports on a calendar year basis.

CLWA filed its Fiscal Year 2014 audited financial statements on EMMA on December 9, 2014, however, such audited financial statements were not successfully linked to the CUSIPs for the 2014 Bonds. On May 19, 2015, CLWA linked the Fiscal Year 2014 audited financial statements on EMMA to the CUSIPs for the 2014 Bonds.

On May 13, 2014 and May 28, 2014, CLWA filed supplements to its continuing disclosure reports for the last five fiscal years with respect to the 1999 Certificates and other Wholesale System Obligations (certain of which are no longer outstanding) to include information relating to facility capacity fee rates, revenue information for water sold to the Retail Divisions and Los Angeles County Waterworks District No. 36 (with respect to the 1999 Certificates only), and with respect to the 1999 Certificates and the Castaic Lake Water

Agency Revenue Certificates of Participation, Series 2004A (1994 Refunding Project) (which are no longer outstanding), information regarding the debt surety reserve surety policies on deposit in the reserve funds created with respect thereto.

On May 13, 2014, CLWA filed a supplement to its continuing disclosure reports with respect to the then outstanding SCWD retail system obligations to include information showing the largest customers of SCWD, required by the prior continuing disclosure undertakings for the SCWD retail system obligations.

The Agency cannot assure potential investors in the 2018 Bonds that, in the last five years, notices of changes in the ratings of the obligations of the Agency's predecessor agencies resulting from each change in the rating of a bond insurer insuring such obligations were filed with EMMA. The Agency can confirm that the current ratings of its predecessor agencies' obligations insured by bond insurers are on file with EMMA. Other than such ratings change notices described above, the Agency is not aware of any events in the last five years which may have required the filing of significant event notices under the Prior Continuing Disclosure Undertakings that were not filed.

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

In order to ensure compliance by CLWA with its continuing disclosure undertakings in the future, CLWA approved disclosure procedures on March 26, 2014 and updated such procedures on February 22, 2017 (as updated, the "Disclosure Procedures"). On January 9, 2018, the Agency's Board confirmed that the Disclosure Procedures will be applicable to the Agency with respect to the 2018 Bonds. Pursuant to the Disclosure Procedures, the Treasurer is required to take steps to ensure that continuing disclosure filings are prepared and filed in a timely manner.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2018 Bonds.

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

UPPER SANTA CLARA VALLEY JOINT POWERS
AUTHORITY

President

Secretary

APPENDIX A

INFORMATION RELATING TO THE AGENCY AND THE WHOLESALE WATER SYSTEM

The following information relates to the Agency, one of its predecessors, CLWA, and the Wholesale Water System. Such information is presented for general purposes only. The Series 2018A Installment Payments are payable solely from Net Revenues of the Wholesale Water System. No revenues of the Agency's retail divisions are pledged to the payment of the Series 2018A Installment Payments and no Net Revenues are pledged to the payment of the Agency's retail divisions' obligations. A substantial portion of the Wholesale Water System Revenues, however, is derived from sales of water through the retail divisions. For information with respect to the retail divisions, see Appendices B through D of the Official Statement. Capitalized terms used in this Appendix A and not defined shall have the meanings set forth in the Official Statement.

THE SANTA CLARITA VALLEY WATER AGENCY

History and Background

Castaic Lake Water Agency. The Castaic Lake Water Agency ("CLWA") was organized on April 20, 1962 under Assembly Bill No. 26, Chapter 28, California Statutes of 1962, the Castaic Lake Water Agency Law (the "CLWA Law"), enacted by the State Legislature. CLWA was initially called the Upper Santa Clara Valley Water Agency until the State Legislature changed the Agency's name to the Castaic Lake Water Agency. CLWA was formed to provide its wholesale service area with a supplemental water supply from the State Water Project and provide the necessary treatment and conveyance facilities to deliver this water. CLWA originally entered into an agreement to receive State Water Project water supplies in 1963, and today, such contract amount (as assumed by the Santa Clarita Valley Water Agency, as described below) is for 95,200 acre-feet per year.

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

In December 2012, CLWA acquired 100% of the stock of the Valencia Water Company ("VWC") in accordance with a settlement of an eminent domain action. After such acquisition, VWC continued to operate as a separate company, with a board of directors composed of the general manager of CLWA, the assistant general manager of CLWA, the retail manager of the SCWD and an officer of the VWC. The current board of directors of VWC is composed of the former general manager of CLWA, the former assistant general manager of CLWA, the former retail manager of the SCWD, the former administrative services manager of CLWA and the vice president of operations of the VWC.

Merger with Newhall County Water District. In 2014, the Newhall County Water District ("NCWD") filed an action in the Los Angeles County Superior Court challenging CLWA's acquisition of VWC (the "NCWD Action"). The NCWD Action was one of a number of actions filed by various parties challenging the acquisition of VWC by CLWA. During the course of the settlement discussions of the NCWD Action, the negotiation of a potential merger of CLWA and NCWD arose. In December 2016, CLWA approved a settlement agreement which dismissed the NCWD Action and CLWA and NCWD agreed to jointly pursue legislation to combine the two entities into a new water agency as the successor to both. In furtherance of such settlement agreement, Senate Bill 634 was introduced in the State Senate to merge CLWA and NCWD into one water agency. On May 31, 2017, the State Senate approved Senate Bill 634 and on September 13, 2017, the State Assembly approved Senate Bill 634 with certain amendments. On September 15, 2017, Senate Bill 634, as amended by the State Assembly, was approved by the State Senate. On October 15, 2017, Governor Edmund G. Brown, Jr. signed Senate Bill 634 into law, which repealed the CLWA Law and merged CLWA and NCWD into a new agency called the "Santa Clarita Valley Water Agency" (the "Agency") effective January 1, 2018.

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

The Agency Law requires that the Agency take steps to dissolve VWC and includes certain timing requirements related thereto. Pursuant to the Agency Law, on January 9, 2018 the Agency approved the plan of dissolution of VWC. Such plan of dissolution had previously been approved by VWC on December 28, 2017. Dissolution of VWC is currently expected to occur on or about January 29, 2018. Upon dissolution of VWC, the Agency will succeed to the assets and liabilities of VWC. The Agency will account for the revenues, expenses and debt allocable to retail service within the boundaries of VWC through a newly formed Valencia Water Division (“VWD”). See Appendix B attached to the Official Statement.

VWC currently has outstanding \$24,000,000 aggregate principal amount of VWC Notes secured in part by the assets of VWC. In connection with the refinancing of the VWC Notes as described in the Official Statement under the caption “THE REFUNDING PLAN,” the Agency will provide an interfund loan to the VWD (the “Interfund Loan”), pursuant to which rate payers served by the VWD will be allocated the responsibility to pay the principal of and interest on the Refinancing Interfund Loan. See the Official Statement under the caption “SECURITY FOR THE 2018 BONDS.” The 2018 Bonds are secured solely by the Series 2018A Installment Payments. While the Series 2018A Installment Payments are payable from Net Revenues of the Agency’s Wholesale Water System, the Agency expects to apply repayments on the Refinancing Interfund Loan from VWD revenues to the payment of the Series 2018A Installment Payments which secure the 2018 Bonds. See the caption “SECURITY FOR THE 2018 BONDS” in the Official Statement.

In addition, the Agency has authorized an interfund loan (the “Acquisition Loan”) in the principal amount of \$58,600,000 from the Wholesale Water System to the VWD to reimburse the Wholesale Water System for the acquisition price of VWC. Repayment of the Acquisition Loan will be payable from VWD revenues.

Pursuant to the terms of the Agency Law, the indebtedness of NCWD and SCWD which existed as of December 31, 2017, is required to be borne by retail divisions of the Agency that correspond with NCWD and SCWD, respectively. As described in appendices C and D to the Official Statement, the Agency accounts for financial activities related to SCWD retail service and retail service in the service area of the former NCWD, as retail divisions of the Agency. As of January 1, 2018, the Agency, as successor to NCWD, had outstanding obligations payable from net revenues of NWD in the principal amount of \$3,973,398. As of January 1, 2018, the Agency, as successor to CLWA, had outstanding obligations payable from net revenues of SCWD in the principal amount of \$50,745,000. Amounts which are accounted for by the Agency as revenues of SCWD and NWD are not pledged to and are not available to pay the Series 2018A Installment Payments. See Appendices C and D attached to the Official Statement.

VWD, SCWD and NWD are referred to collectively herein as the “Retail Divisions.”

The Agency

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

Under the Agency Law, the Agency is authorized to acquire, hold, and utilize water and water rights, including, but not limited to, water available from the State, and to provide, sell, manage, and deliver surface water, groundwater, and recycled water for municipal, industrial, domestic, and other purposes at retail and wholesale throughout the territory of the Agency. The Agency may continue to levy, impose, or fix and collect

any previously authorized charge, fee, assessment, or tax approved, imposed, and levied by CLWA or NCWD, or both, including, but not limited to, any rates, fees, and charges for the provision of water. Any charge, fee, assessment, or tax authorized and in effect for CLWA or NCWD will remain in effect until otherwise modified, increased, or terminated by the board of directors of the Agency. The Agency Law also authorizes the Agency to levy and collect taxes; to fix, revise and collect rates or other charges for the delivery of water, use of facilities or property or provisions for service; to borrow money, incur indebtedness and issue bonds; and to construct, operate and maintain works for the development of hydroelectric power for use by the Agency in the operation of its works.

The Agency is the successor in interest to CLWA's agreement with the Department of Water Resources to receive State Water Project water supplies, which was entered into in 1963. Currently, the Agency's contract amount is for 95,200 acre-feet per year. The Wholesale Water System is also supplied by other sources, including up to 11,000 acre-feet per year acquired pursuant to the BVWSD-RRBWSD Acquisition Agreement (as defined below), up to 850 acre-feet per year pursuant to the Yuba Water Accord (as defined below) and approximately 400 acre-feet per year of recycled water. See the caption "WATER SUPPLY—Sources of Supply."

The Agency sells water of its Wholesale Water System to approximately 71,000 retail customers through its Retail Divisions and to Los Angeles County Waterworks District No. 36, Val Verde ("District No. 36"), a retail purveyor served by the Agency.

The Wholesale Service Area

The Agency is located in the northwestern portion of the County of Los Angeles (the "County"), approximately 35 miles from downtown Los Angeles. The wholesale service area of the Agency (the "Wholesale Service Area") has a population of approximately 273,000, and covers an area of approximately 195 square miles. The majority of the Wholesale Service Area is located in the County, and includes the City of Santa Clarita (the "City") and other nearby communities. Approximately 20 square miles of the Wholesale Service Area extend into unincorporated rural portions of Ventura County.

Agency Organization and Management

The initial board of directors of the Agency (the "Board") consists of 15 members as follows: (i) the five members of the NCWD board of directors in office as of December 31, 2017; (ii) the nine members of the CLWA board of directors in office as of December 31, 2017; and (iii) the appointed member representing District No. 36. The initial terms of directors whose respective terms as a member of the CLWA or NCWD board of directors would have expired following the 2018 general election or the 2020 general election will expire following the 2020 general election and the 2022 general election, respectively. The initial term of the appointed director of District No. 36 will expire on January 1, 2019.

The Wholesale Service Area is divided into three divisions for electoral purposes, with two directors elected by the voters of each division to serve four year terms. Following the initial term of the appointed director, the appointed director thereafter shall serve four year terms. The names of the current members of the Agency Board are set forth below, together with brief biographical information regarding each member.

**Table 3
CASTAIC LAKE WATER AGENCY
Board of Directors**

<i>Name</i>	<i>Expiration of Term (January)</i>	<i>Occupation</i>	<i>Prior Office</i>
B.J. Atkins	Jan. 2020	Business Owner	CLWA
Thomas P. Campbell	Jan. 2020	Interim Capital Program Unit Manager, Metropolitan Water District	CLWA
Edward A. Colley	Jan. 2020	Teacher	CLWA
Kathy Colley	Jan. 2020	Nurse	NCWD
William C. Cooper	Jan. 2022	Retired Special Projects Manager – Water System Operations, Metropolitan Water District	CLWA
Robert J. DiPrimio	Jan. 2020	Vice President, San Gabriel Valley Water Company	CLWA
Dean D. Efstathiou	Jan. 2019	Retired Chief Deputy Director of Public Works, Los Angeles County	District No. 36
E.G. “Jerry” Gladbach	Jan. 2022	Retired Engineer	CLWA
Maria Gutzeit	Jan. 2020	Engineer	NCWD
R. J. Kelly	Jan. 2022	Business Owner	CLWA
Gary Martin	Jan. 2020	Retired Engineer	CLWA
Jacquelyn H. McMillan	Jan. 2020	Principal Governmental Affairs and Regional Representative Metropolitan Water District	CLWA
Dan Mortensen	Jan. 2022	Attorney	NCWD
William Pecsí	Jan. 2022	Retired Engineer	CLWA
Lynne Plambeck	Jan. 2022	Business Owner	NCWD

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

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

April Jacobs is the Secretary of the Agency and had served as secretary to the CLWA board since August 2005. Ms. Jacobs began her employment with CLWA in January 2004. Prior to employment by CLWA, Ms. Jacobs was employed at VWC.

Stephen Cole is the Assistant General Manager of the Agency and was the general manager of the former NCWD, acting as the chief executive officer responsible for the operations and management of NCWD for the past thirteen years. Mr. Cole has over twenty years of experience dealing with a variety of issues in the water

field and actively participates in the Association of California Water Agencies serving as the Region 8 Chair. He has served as chairman of the College of the Canyons Water Systems Technology Committee and as chair for the Santa Clarita Valley Water Committee. Mr. Cole is certified by the State as a Grade V Water Distribution Operator, a Grade 3 Water Treatment Operator and as a Registered Environmental Health Specialist. He received his Bachelor of Science degree in Environmental Science from California State University, Fresno and his Master of Science degree in Environmental Science degree from California State University Northridge.

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

Brian Folsom is the Chief Engineer of the Agency and was CLWA's Engineering and Operations Manager since 2007. Prior to joining CLWA, Mr. Folsom worked for the Metropolitan Water District of Southern California for seventeen years and for the City of Los Angeles Department of Water and Power for three years, working on numerous projects in various capacities including Project Engineer, Senior Engineer, Project Manager and Team Manager. Mr. Folsom received his Bachelor of Science and Master of Science degrees in Civil Engineering from Brigham Young University. Mr. Folsom is a registered Civil Engineer within the State and is a member of the America Society of Civil Engineers.

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

Employee Relations; Retirement Benefits

As of December 31, 2017, CLWA (including those assigned to SCWD), NCWD and VWC had 145, 30 and 48 employees, respectively. As of January 1, 2018, the Agency had 216 employees, eight of which are part-time employees. No Agency employees are represented by a labor union. Neither CLWA nor NCWD had experienced any strike or other labor actions in the ten most recent calendar years.

Pension Plan. CLWA and NCWD maintained cost-sharing multi-employer defined benefit pension plans administered by the California Public Employees Retirement System (CalPERS). Pursuant to the Agency Law, the Agency is the successor to CLWA and NCWD for the purpose of providing continuation of membership and will succeed to the assets and liabilities with respect to their pension plans administered by CalPERS. Information with respect to the former CLWA's CalPERS pension plans are described below. See Appendix D for information with respect to the former NCWD's pension plan administered by CalPERS.

All qualified permanent and probationary employees of the Agency, including employees of the former VWC and NCWD who became Agency employees, are eligible to participate in the Agency's separate Miscellaneous Employee Pension Plans (the "Plans"), cost-sharing multi-employer defined benefit pension plans administered by CalPERS. Benefit provisions under the Plans are established by State statute and Agency

resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

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

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

The Plan groups are as follows:

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

New Members - in accordance with the PEPRA, employees hired on or after January 1, 2013, are enrolled in the CalPERS Local Miscellaneous 2.0% at 62 Plan.

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follow:

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

Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of change in the rate. Funding contributions for both Plans are determined annually on actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For Fiscal Year 2017, CLWA recognized

\$1,140,043 in contributions as part of its pension expense. For Fiscal Year 2018, CLWA budgeted \$1,303,200 for its pension expense.

Net Pension Liabilities. As of June 30, 2017, CLWA reported \$8,559,161 in net pension liabilities for its proportionate share of the net pension liability of the Plans.

CLWA's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2016 and 2015 (the measurement dates), and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and 2014 (the valuation dates), rolled forward to June 30, 2016 and 2015, using standard update procedures. CLWA's proportion of the net pension liability was based on a projection of CLWA's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

CLWA's proportionate share of the net pension liability for the Plans as of the measurement dates of June 30, 2016 and 2015, were 0.09891% and 0.09014%, respectively.

Pension Expenses and Deferred Outflow/Inflow of Resources. For the year ended June 30, 2017 and June 30, 2016, CLWA recognized pension (credit) expenses of \$(373,943) and \$1,145,764, respectively. At June 30, 2017, CLWA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflow of Resources</i>	<i>Deferred Inflow of Resources</i>
Pension contribution subsequent to measurement date	\$ 1,256,199	--
Difference between actual and expected experience	30,895	--
Change of assumptions	--	\$ 379,178
Net differences between projected and actual earnings on plan investments	1,973,498	--
Difference between actual contribution and proportionate share of contribution	--	45,108
Net adjustments due to differences in proportions of net pension liability	<u>174,624</u>	<u>--</u>
Total	\$ 3,435,216	\$424,286

At June 30, 2016, CLWA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflow of Resources</i>	<i>Deferred Inflow of Resources</i>
Pension contribution subsequent to measurement date	\$ 1,140,043	--
Difference between actual and expected experience	75,542	--
Change of assumptions	--	\$ 686,314
Net differences between projected and actual earnings on plan investments	--	344,058
Difference between actual contribution and proportionate share of contribution	20,294	--
Net adjustments due to differences in proportions of net pension liability	<u>62,426</u>	<u>--</u>
Total	\$ 1,295,305	\$1,030,372

As of June 30, 2017 and June 30, 2016, \$1,256,199 and \$1,140,043, respectively, were reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal years ended June 30, 2018 and June 30, 2017, respectively.

At June 30, 2017, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions were recognized as pension expense as follows:

<i>Fiscal Year</i>	<i>Deferred Outflows/(Inflows) of Resources</i>
2018	\$ 147,556
2019	239,365
2020	841,294
2021	526,516

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

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

Actuarial Assumptions. The total pension liabilities in the June 30, 2016 actuarial valuation report were determined using the following actuarial assumptions:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry Age Normal in accordance with GASB No. 68
Actuarial assumptions:	
Discount rate	7.50% net of administrative expenses for 2015 and 2014
Inflation rate	2.75%
Salary Increases	Varies by entry age and service
Investment rate of return	7.50% net of pension plan investment and administrative expenses; includes inflation
Mortality*	Derived using CalPERS membership data for all funds
Post-Retirement Benefit	Protection allowance floor on purchasing power applies, 2.75% thereafter

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

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

At June 30, 2017, the discount rate comparison was as follows:

	<i>Discount Rate – 1%</i> <i>6.65%</i>	<i>Then-Current</i> <i>Discount Rate 7.65%</i>	<i>Discount Rate + 1%</i> <i>8.65%</i>
Plan Net Pension Liability/(Assets)	\$12,891,300	\$8,559,161	\$4,458,764

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

	<i>Discount Rate – 1%</i> <i>6.50%</i>	<i>Then-Current</i> <i>Discount Rate 7.50%</i>	<i>Discount Rate + 1%</i> <i>8.50%</i>
Plan Net Pension Liability/(Assets)	\$10,004,555	\$6,187,106	\$2,630,786

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

On November 18, 2015, the CalPERS Board adopted a Funding Risk Mitigation Policy (the "Mitigation Policy") that seeks to reduce funding risk over time. The Mitigation Policy establishes a mechanism whereby CalPERS investment performance that significantly outperforms the discount rate triggers adjustments to the discount rate, expected investment return, and strategic asset allocation targets. Reducing the volatility of investment returns is expected to increase the long-term sustainability of CalPERS pension benefits for members. In February 2017, the CalPERS Board revised the Mitigation Policy. The revisions include suspension of the

policy until fiscal year 2020-21, and a decrease of the required first excess investment return threshold from 4 to 2 percent.

For additional information with respect to CLWA's pension plans as of June 30, 2017, see Note 14 of the CLWA's Comprehensive Annual Financial Report attached to the Official Statement as Appendix E.

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

CLWA and NCWD offered post-employment healthcare benefits (medical and dental) ("OPEB") to qualified employees. The Agency offers OPEB benefits to qualified employees, who retire from the Agency and meet the Agency's vesting requirements, including the employees of the former VWC and NCWD who became Agency employees. Information with respect to the former CLWA's OPEB plan is described below. See Appendix D for information with respect to the former NCWD's OPEB plans. The Agency will be the successor to the former CLWA and NCWD's CalPERS California Employer's Retiree Benefit Trust Program ("CERBT"), a prefunding plan trust fund.

Beginning with the Fiscal Year ended June 30, 2009, CLWA partially pre-funded the CERBT plan and maintained reserves (and records a liability) for the difference between the funded amount and the actuarially determined Annual Required Contribution ("ARC") cost. In Fiscal Year 2017, CLWA contributed \$1,218,547 to the CERBT trust fund and \$438,212 in age adjusted contributions for current retiree OPEB premiums. As of June 30, 2017, there were 40 CLWA retirees and beneficiaries receiving benefits under the OPEB program.

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

The annual amount required to be paid to amortize the former CLWA's UAAL over 30 years and to accumulate an appropriate amount for current employers so that the UAAL does not increase the ARC is \$1,016,000. CLWA's net OPEB assets were \$4,120,734, \$4,498,947 and \$5,069,859 for Fiscal Years 2015, 2016 and 2017, respectively. CLWA's ARC was \$631,795, \$631,790 and \$1,016,310 for Fiscal Years 2015, 2016, and 2017 respectively. CLWA had budgeted to fully pre-fund the ARC in Fiscal Year 2018. Pre-funding moneys are deposited in the California Employers' Retiree Benefit Trust Fund through CalPERS. The Agency does not expect that any increased funding of post-employment benefits will have a material adverse effect on the ability of the Agency to make the Series 2018A Installment Payments. The Agency projects that its Fiscal Year 2018 OPEB costs allocable to the Wholesale Water System will be approximately \$726,000.

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

Budget Process

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

CLWA's budget for Fiscal Year 2018, which includes the Wholesale Water System, was approved on May 24, 2017.

Insurance

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

As of January 1, 2018, the Agency limits and deductibles for liability, property, and workers compensation programs of the JPIA, which are applicable to Agency facilities, including facilities of the former CLWA (including SCWD) and, upon dissolution of VWC, VWD are described below. The NWD facilities will be covered under the insurance policies purchased by NCWD prior to January 1, 2018, through their expiration in 2018. After such expiration, insurance for the NWD facilities, is expected to be included in the insurance coverage maintained by the Agency.

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$1,000,000, combined single limit per occurrence. The JPIA purchased additional excess coverage layers of \$59,000,000 for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

- Property losses are paid at the replacement cost for buildings, fixed equipment and personal property on file, if replaced within two years after the loss, otherwise such losses are paid on an actual cash value basis, subject to a \$5,000 deductible per loss, and actual cash value for mobile equipment, subject to a \$1,000 deductible per loss, and licensed vehicles, subject to a \$500 deductible per loss. The JPIA purchased excess coverage for a combined total of \$100,000,000 per occurrence.

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

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

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

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

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

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

Outstanding Obligations

General. CLWA's outstanding Wholesale Water System obligations as they existed as of December 31, 2017 are described below. Pursuant to the Agency Law, the Agency is the successor to CLWA with respect such outstanding obligations.

Senior Wholesale Water System Obligations. In connection with the execution and delivery of the 1999 Certificates, currently outstanding in the principal amount of \$67,070,060.70 (adjusted for the accreted value of certain capital appreciation certificates as of January 1, 2018), CLWA entered into the Installment Purchase Agreement, dated as of June 1, 1999 (the “1999 Installment Purchase Agreement”), with the Castaic Lake Water Agency Financing Corporation (the “Corporation”), which is secured by Revenues of the Agency and payable from Net Revenues of the Agency on a basis prior to the Series 2018A Installment Payments. The Agency has covenanted in the Installment Purchase Agreement not to incur additional obligations payable from Net Revenues senior to the Series 2018A Installment Payments.

Parity Wholesale Water System Obligations. In connection with the execution and delivery of the Adjustable Rate Refunding Revenue Certificates of Participation, Series 2008A (the “2008A Certificates”), currently outstanding in an aggregate principal amount of \$17,450,000, CLWA entered into the Installment Purchase Agreement, dated as of February 1, 2008, with the Corporation, which is secured by Revenues of the Agency and payable from Net Revenues of the Agency on a parity with the Series 2018A Installment Payments. The 2008A Certificates currently bear interest at a variable interest rate, reset weekly.

CLWA entered into an amended and restated interest rate swap transaction with Citibank in connection with the execution and delivery of the 2008A Certificates (the “Amended 2004B Swap Agreement”). In August 2014, CLWA exercised its right to terminate the Amended 2004B Swap Agreement at the notional amount thereof.

In connection with the execution and delivery of the 2008A Certificates, CLWA entered into a Reimbursement Agreement dated as of April 1, 2008 with Wells Fargo Bank, National Association, as amended by that Third Amendment to Reimbursement Agreement dated July 12, 2016 (the “Wells Fargo Credit Facility Agreement”). The term of the Wells Fargo Credit Facility Agreement expires on August 30, 2019, unless extended in accordance with its terms. Certain payments under the Wells Fargo Credit Facility Agreement are payable from Net Revenues on a parity with the Series 2018A Installment Payments.

In connection with the execution and delivery of the Refunding Revenue Certificates of Participation, Series 2010A (2001 Refunding Project) (the “2010A Certificates”), currently outstanding in an aggregate principal amount of \$51,450,000, CLWA entered into the Installment Purchase Agreement, dated as of May 1, 2006 (the “2010A Installment Purchase Agreement”), with the Corporation, which is secured by Revenues of the Agency and payable from Net Revenues of the Agency on a parity with the Series 2018A Installment Payments.

In June 2014, CLWA issued the Refunding Revenue Bonds, Series 2014A pursuant to an Indenture of Trust dated as of March 1, 2014 (the “2014 Bonds”). The 2014 Bonds are currently outstanding in an aggregate principal amount of \$8,770,000. Debt service payments on the 2014 Bonds are secured by Revenues of the Agency and are payable from Net Revenues of the Agency on a parity with the Series 2018A Installment Payments.

In connection with the execution and delivery of the Authority’s Revenue Bonds, Series 2015A (the “2015A Bonds”), currently outstanding in an aggregate principal amount of \$59,355,000, CLWA entered into the Installment Purchase Agreement, dated as of November 1, 2011, with the Authority, which is secured by Revenues of the Agency and payable from Net Revenues of the Agency on a parity with the Series 2018A Installment Payments.

In connection with the execution and delivery of the Authority’s Revenue Bonds, Series 2016A (the “2016A Bonds”), currently outstanding in the aggregate principal amount of \$54,540,000, the Agency entered into the Installment Purchase Agreement, dated as of January 1, 2016, with the Authority, which is secured by Revenues of the Agency and payable from Net Revenue of the Agency on a parity with the Series 2018A Installment Payments.

The Agency may issue from time to time tax revenue anticipation notes. Tax revenue anticipation notes are a general obligation of the Agency payable from taxes, income, revenue, cash receipts and other moneys

received by the Agency which are lawfully available for the payment of current expenses and other obligations of the Agency. The Agency does not currently expect to issue tax revenue anticipation notes. However, no assurance can be made that the Agency will not issue tax revenue anticipation notes in the future which are secured by Revenues of the Wholesale Water System on a parity with the Series 2018A Installment Payments and other Contracts and Bonds.

Future Obligations. The Agency currently expects to issue additional obligations payable from Net Revenues of the Wholesale Water System on a parity with the Series 2018A Installment Payments in Fiscal Year 2019 (the “2019 Bonds”) and in Fiscal Year 2021 (the “2021 Bonds”). The Agency expects to use the proceeds of the 2019 Bonds and 2021 Bonds to finance the cost of capital improvements to the Agency’s Wholesale Water System. The estimated aggregate principal amount of the 2019 Bonds and 2021 Bonds is \$68,885,000. The 2020 Bonds may be issued earlier or later than the times currently projected or in amounts other than as currently projected. The timing and amounts of such issuance will depend on market conditions.

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

SCWD and NCWD Obligations. Pursuant to the Agency Law, the obligations of SCWD and NCWD which existed as of December 31, 2017, will be borne by ratepayers within the boundaries of SCWD and the former NCWD, respectively. Revenues of the Agency’s Wholesale Water System are not pledged to and are not available to make payments on the obligations payable from revenues of SCWD and NWD. After the prepayment of the VWC Notes as described under the caption “THE REFUNDING PLAN” in the Official Statement, the Refinancing Interfund Loan and the Acquisition Loan will be the only outstanding debt payable from revenues of VWD. See Appendices B through D attached to the Official Statement.

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

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

Based on current case law, CLWA has historically levied, and the Agency expects to continue to levy, property taxes to pay amounts due under the State Water Project Contract. The Agency has covenanted in the Installment Purchase Agreement to comply with the provision of the State Water Project Contract, which requires the levying of property taxes to the extent necessary.

The Agency, together with other State Water Project contractors, is negotiating an extension of the State Water Project Contract beyond its current expiration date of June 30, 2038. The Agency cannot predict if or when such extension may occur or what the exact terms and conditions such extension may include. The Agency has covenanted in the Installment Purchase Agreement that it will neither take nor omit to take any action under any contract, including the State Water Project Contract, if the effect of such act or failure to act would in any manner impair or adversely affect the ability of the Agency to make the Series 2018A Installment Payments. See the caption in Appendix F, “PARTICULAR COVENANTS—Compliance with Contracts.”

On May 22, 2007, CLWA entered into the BVWSD-RRBWSD Acquisition Agreement for the acquisition of up to 11,000 acre-feet of water supply per year for a 30-year period. The Agency is CLWA’s successor to the BVWSD-RRBWSD Acquisition Agreement. CLWA treated, and the Agency expects to continue to treat, the BVWSD-RRBWSD Acquisition Agreement as a Wholesale Water System obligation. See the caption “WATER SUPPLY” for further discussion of this program.

WATER SUPPLY

Sources of Supply

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

The State Water Project Contract expires by its terms on June 30, 2038, but contains a provision granting the Agency the right to renew. DWR and the State Water Project contractors held a series of 23 public negotiating sessions between May 2013 and June 2014. Such negotiating sessions resulted in an “Agreement in Principle” to amend the existing State Water Project contracts to extend them through December 31, 2085 and to make certain changes relating to the billing process under such contracts. The Agency, other State Water Project contractors and DWR are parties to the Agreement in Principle as a means to start the environmental review process required under the California Environmental Quality Act (“CEQA”). The Agreement in Principle does not represent a commitment by the Agency, other State Water Project contractors or DWR to extend the State Water Project contracts but to analyze the proposed extensions through the preparation of an environmental impact report under CEQA. The notice of preparation of the environmental impact report relating to the proposed extension was issued on September 12, 2014. The Agency currently expects to renew the State Water Project Contract on or prior to the end of the current term upon substantially similar financial terms, however, the Agency cannot predict if or when such extension may occur or what the exact terms and conditions such extension may include. The Agency cannot predict the effect of the failure to renew the State Water Project Contract on substantially similar terms and conditions on the ability of the Agency to pay the Series 2018A Installment Payments, however, such effect could be material and adverse.

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

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

The Monterey Agreement provides opportunities for the Agency (through its contract with DWR) to increase its water supply, water management activities and future supply reliability.

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

The Court of Appeal remanded the case to the trial court to oversee DWR’s preparation of a new EIR and to consider whether the Monterey Amendments may continue to be implemented while the new EIR is being prepared. The Court of Appeal also reinstated a cause of action challenging the validity of the transfer of the Kern Water Bank to Kern County Water Agency. On October 25, 2000, DWR and Central Coast Water Authority filed a petition asking the California Supreme Court to review the appellate court decision. The California Supreme Court denied this petition on December 13, 2000.

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

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

The court entered the final judgment and signed the writ of mandate on November 24, 2014 and DWR filed an initial return to the writ on December 30, 2014. However, the Central Delta I petitioners also filed a notice of appeal on December 30, 2014; the Rosedale-Rio Bravo petitioners did not file an appeal. Roll International Corporation, Paramount Farming Company, LLC, and Westside Mutual Water Company, filed a cross-appeal appealing all those portions of the trial court’s judgment adverse to them concerning the first cause of action (CEQA cause of action), as well as all “judgments, orders, rulings, and findings” that were adverse to them

in the remainder of the action (including discovery motions). The petitioners also filed a separate appeal challenging the trial court's denial of attorneys' fees to the Central Delta I petitioners under Code of Civil Procedure section 1021.5. Both appeals are now fully briefed and have been consolidated, though the Court of Appeal has not yet scheduled oral argument. The Agency can make no assurances as to the timeframe that it will take to complete the appeal process.

In the meantime, DWR completed further CEQA review pursuant to the trial court's judgment and writ petition. DWR filed a return to the 2014 writ on September 28, 2016. The return includes a Revised EIR addressing the deficiencies identified in trial court's 2014 ruling. DWR's Revised EIR did not identify any new changes or impacts caused by the prior transfer of the Kern Fan Element. Consequently, the focus of the Revised EIR is the Kern Water Bank's development and its continued use and operation as a locally owned and operated groundwater banking and recovery project. Following certification of the Revised EIR, DWR determined to continue the use and operation of the Kern Water Bank by the Kern Water Bank Authority. The petitioners again objected to the Revised EIR and filed another action in October 2016 (*Center for Food Safety, et al. v. California Department of Water Resources, et al.*, Sacramento Superior Court, Case No. 34-2016-80002469). This action is proceeding in the trial court and a hearing on the merits took place on August 18, 2017. On October 20, 2017, the trial court issued its ruling denying the petition and discharging the writ of mandate. [The petitioners have until December 26, 2017 to file an appeal of the trial court's October 20, 2017 ruling.] Any impact of the outcome of this litigation on the Agency's State Water Project supplies cannot be determined at this time.

Groundwater Banking Programs. The Agency currently has four groundwater banking accounts in three separate programs that were entered into by CLWA.

In January 2016 the former CLWA's Stored Water Recovery Program within the Semitropic Water Storage District's Groundwater Banking Program (the "Semitropic Banking Program") became operational. Under this agreement two short-term ten-year accounts containing 36,112 acre-feet were transferred into this new program. Under this agreement the Agency can store an additional 15,000 acre-feet. The term of the Semitropic Banking Program extends through 2035 with the option of a 10 year renewal. The Agency may withdraw up to 5,000 acre-feet annually from its accounts in the Semitropic Banking Program.

In September 2005, the former CLWA initiated participation in the Rosedale-Rio Bravo Water Storage District Groundwater Banking Program (the "Rosedale-Rio Bravo Banking Program"). This program allows the storage of 20,000 acre-feet annually of the Agency's State Water Project Table A Amount or other State Water Project supplies, and has a contract term through 2035, renewable according to the terms of the Agency's water supply contract with DWR. As of January 1, 2018, the Agency had available 100,157 acre-feet stored in the Rosedale-Rio Bravo Banking Program.

In 2015 CLWA exercised an option under the Rosedale-Rio Bravo Banking Program agreement to construct additional extraction wells and conveyance facilities that are anticipated to increase the reliable quantities that can be withdrawn by approximately 7,500 acre-feet annually. These facilities are currently being constructed with completion anticipated in 2018. In calendar year 2014 and 2015 approximately 2,800 and 3,000 acre-feet, respectively were withdrawn from the Rosedale-Rio Bravo Banking Program account. In 2014, approximately 4,950 acre-feet was withdrawn from one of the Semitropic short-term accounts under an agreement with another Semitropic Banking Program participant, Newhall Land and Farming.

In 2011, the former CLWA implemented a two-for-one exchange program with Rosedale-Rio Bravo Water Storage District pursuant to which the Agency recovers one acre-feet of water for each two acre-feet stored. This program has a maximum of 19,000 acre-feet, or 9,500 acre-feet of recoverable water. In 2011 and 2012, the former CLWA delivered water to the account such that after losses, 9,440 acre-feet of recoverable water is currently available. CLWA also implemented a two-for-one banking program with the West Kern Water District in Kern County and delivered 5,000 acre-feet in 2011, resulting in a recoverable total of 2,500 acre-feet. Both the total stored and total recoverable are the maximums under the exchange programs. In calendar year 2014, CLWA withdrew approximately 2,000 acre-feet from the West Kern Water District exchange program for use in the Wholesale Service Area, leaving a balance of 500 acre-feet.

Recycled Water. Starting in September 2003, the former CLWA began adding recycled water to its supply. The Agency is currently serving about 450 acre-feet per year of recycled water. In future years, the Agency may be capable of delivering as much as 17,000 acre-feet per year of recycled water, based on a report entitled “Reclaimed Water System Master Plan” dated September 1993 and a draft report entitled “Recycled Water Master Plan” dated May 2002, both prepared by Kennedy/Jenks Consultants. The environmental impact report for the 2002 draft Recycled Water Master Plan was approved by the former CLWA’s board in March 2007.

A draft 2016 Recycled Water Master Plan has been completed which targets a production capacity of 17,100 acre-feet per year of recycled water. The Agency plans to undertake the expansion of the recycled water program through multiple phases of capital improvements over a number of years. The Agency is currently in the planning and design phase of four recycled water projects. The four projects under design are considered the most cost-effective to implement and are aimed at converting large turf/non-potable users to recycled water, resulting in the conversion of approximately 2,400 acre-feet per year of potable to recycled water. The Santa Clarita Valley Sanitation District (SCVSD) is performing additional studies and analyses in response to legal challenge to its Chloride Compliance Project’s environmental impact report. SCVSD’s schedule for preparation and adoption of a revised environmental impact report is unknown at this time. Certain aspects of SCVSD’s Chloride Compliance Project will impact the Agency’s recycled water program activities, including the finalization and adoption the Agency’s Recycled Water Master Plan.

See the caption “THE WHOLESALE WATER SYSTEM—Capital Improvement Plan” for further information with respect to the Agency’s recycled water program, most of which are expected to be completed by calendar year 2022.

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

Other Water Supply Agreements. In 2009, the former CLWA entered into an agreement with DWR to participate in the Yuba Water Accord program (the “Yuba Water Accord”). This non-State Water Project water supply is available to the Agency in critically dry years as a result of DWR agreements with Yuba County Water Agency and the United States Bureau of Reclamation relating to settlement of water rights issues on the Lower Yuba River in northern California. Additional supplies may be available in wetter years. The quantity of water varies depending on hydrology, and the extent of participation by other State Water Project contractors. While the Agency may receive up to 850 acre-feet per year pursuant to the Yuba Water Accord, Fiscal Year 2018 operating plans assume that the Agency will not receive any water pursuant to the Yuba Water Accord.

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

State Water Project Allocations. Based on a November 29, 2017 announcement by DWR, the Agency’s SWP contractors’ Table A allocations for 2018 is 15 percent, which is approximately 14,280 acre-feet. The allocation for 2018 is subject to revision by DWR.

Recent California Drought and Response

State Water Project Allocations. Hydrological conditions in California can vary widely from year to year. In 2013, much of California experienced one of the driest years on record and such dry conditions continued through January 2014. Due to these record-dry conditions, Governor Edmund G. Brown, Jr. (the “Governor”) proclaimed a drought emergency on January 17, 2014.

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

On May 9, 2016, the Governor issued an executive order directing the SWRCB to adjust and extend the SWRCB’s emergency water conservation regulations through the end of January 2017 (the “2016 Executive Order”). On May 18, 2016 and in accordance with the 2016 Executive Order, the SWRCB adopted an emergency water conservation regulation (the “2016 SWRCB Regulation”) that replaced its February 2, 2016 emergency regulation and extends through January 31, 2017. The 2016 SWRCB Regulation requires urban water suppliers, including retail water agencies such as NCWD, VWC and CLWA with respect to SCWD, to develop conservation standards based upon each urban water supplier’s specific circumstances and replaces the prior percentage reduction-based standard described above. On February 8, 2017, the SWRCB modified and extended the emergency water conservation regulation for another 270 days.

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

The 2015 Executive Order as implemented by the SWRCB did not require CLWA, as a wholesaler, to reduce wholesale water sales. See appendices B through D for information with respect to actions taken by CLWA with respect to SCWD, and actions taken by VWC and NCWD relating to the drought regulations described above. The Agency does not currently believe that further reductions in water use within the service areas of the Retail Divisions and District No. 36, as described in appendices B through D, will have a material adverse effect on the Agency’s ability to pay the Series 2018A Installment Payments which secure the 2018 Bonds. The Agency is obligated under the Installment Purchase Agreement to set rates and charges sufficient to provide Net Revenues equal to 120% of Debt Service due in each Fiscal Year as more particularly described under the caption “SECURITY FOR THE 2018 BONDS—Rate Covenant.

Agency Drought Response Actions and Impact. The Agency projects that it will be able to meet existing demands for imported water in Fiscal Years 2019 and 2020 even if dry conditions return. In addition to water purchased pursuant to the BVWSD-RRBWS Acquisition Agreement, the Agency will meet imported water demands from previously unused State Water Project water and other supplies stored in State Water Project surface reservoirs, and the Agency’s groundwater banking and exchange programs described above.

Water Supply Limitations

Factors beyond the control of the Agency could impair the ability of the Agency to supply water to the Retail Divisions for ultimate sale to its retail customers in an amount sufficient to yield Net Revenues of the Wholesale Water System sufficient to pay the Series 2018A Installment Payments when due. Such factors could include, without limitation, the following:

Weather Patterns. The Agency's existing sources of water could become limited due to changes in Statewide weather patterns caused by climate changes and other factors. The Santa Clarita Valley was not adversely affected during the Statewide drought from 1987 through 1992 nor the recent drought from 2012 to 2017 because the combination of State Water Project deliveries and banked water deliveries to the Agency and locally supplied groundwater were sufficient to meet demand. However, there can be no assurance that currently available water supplies would be sufficient to meet demand under current and future conditions in the event of long-term climate changes that could alter snowpack levels or precipitation patterns. In its most recent California Water Plan (Update 2013), DWR assessed the possible impacts of climate changes on the State's future water supplies and the State Water Project. DWR is currently developing the California Water Plan (Update 2018) and the final draft is expected to be released toward the end of 2018. The Agency, as a State Water Project contractor, will receive updated information from DWR on any impacts to its State Water Project allocations and will update its water supply planning accordingly.

Challenges to Department of Water Resources Water Supplies. DWR faces various challenges in continuing to supply imported water to its respective member agencies. The ability of the Agency provide water through its Retail Divisions and District No. 36 is significantly dependent upon its receipt of imported water from DWR. No assurance can be given that additional water supplies will be secured, or that the Agency will receive its full Table A Amount pursuant to its contract with DWR. A description of the challenges DWR faces in continuing to supply imported water as well as a variety of other operating information with respect to DWR is included in detail under the caption "STATE WATER PROJECT WATER SUPPLY" in DWR'S Official Statement dated December 6, 2017, relating to its Central Valley Project Water System Revenue Bonds Series AX and Series AY (Federally Taxable) ("DWR's Water Supply Disclosure"). The Agency incorporates DWR's Water Supply Disclosure by specific reference in this Official Statement. DWR's Water Supply Disclosure is the disclosure of DWR and, accordingly, the Agency does not make any representations as to the accuracy or completeness of DWR's Water Supply Disclosure or as to the absence of material adverse changes in DWR's Water Supply Disclosure after the date hereof. See the caption "—Projected Water Sources."

DWR has entered into certain continuing disclosure agreements pursuant to which it is contractually obligated for the benefit of owners of certain outstanding obligations to file with certain information repositories annual reports, notices of certain material events as defined under Rule 15c2-12 of the Exchange Act ("Rule 15c2-12") and annual audited financial statements (the "Department of Water Resources Information"). This information is to be filed by DWR with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>. DWR disclosure documents and annual reports should be reviewed for information pertaining to water supply matters. *DWR has not entered into any contractual commitment with the Agency, the Trustee or the Owners of the 2018 Bonds to provide Department of Water Resources Information to the Agency or the Owners of the 2018 Bonds. The Agency has not incorporated by reference the information filed by DWR described above and neither the Agency nor the Underwriter assume any responsibility for the accuracy of DWR Information.*

Water Quality Compliance

Water Treatment and Monitoring. The Agency, as the operator of facilities which treats water on behalf of public water systems for the purpose of rendering it safe for human consumption, is subject to the California Safe Drinking Water Act and the Drinking Water Regulatory Program of the SWRCB's Division of Drinking Water in implementation of amendments to that act which were added in 1989 and 1996, as well as other state and federal statutes and regulations concerning water quality. To comply with the SWRCB Regulations for Primary and Secondary Drinking Water Standards outlined under the California Administrative Code Title 22, the Agency has a water quality laboratory at the Rio Vista Water Treatment Plant ("Rio Vista Plant"). This laboratory is fully accredited by the SWRCB. Continuous water quality monitoring and daily testing are performed at the Schmidt Plant (defined below) and at the Rio Vista Plant.

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

Perchlorate Contamination in Certain Production Wells. In 1997, four production wells in the Saugus Formation were found to be contaminated with perchlorate (a chemical used in the manufacture of solid rocket propellants, munitions and fireworks). The Saugus Formation provides the Santa Clarita Valley with firming supplies of water during dry years, and all of the affected wells are operated by the Agency and District No. 36. Two additional production wells in the alluvial aquifer tested positive for perchlorate in 2002 and 2005. Through the merger of NCWD and CLWA, the Agency now owns four wells and two wells are owned by VWC (which will be transferred to the Agency upon the dissolution of VWC). All six wells were temporarily closed after the detection of perchlorate. VWC has since abandoned one impacted well and replaced it with a new well drilled in an uncontaminated portion of the Saugus Formation. In addition, VWC's Q-2 well was temporarily closed and outfitted with wellhead treatment in 2005, but was restored to service without wellhead treatment in 2007. The total production capacity of the three remaining closed wells is 7,200 gallons per minute, which represents about 10% of the total production capacity of the Retail Divisions and District No. 36.

In late 2010, perchlorate was detected in VWC's V-201 well at levels above the maximum allowable amount and the well was taken out of service by VWC. Engineering and permitting efforts were undertaken by VWC to allow for installation of wellhead treatment at the V-201 well which is scheduled to be returned to service in 2018. Low levels of perchlorate have also been detected in VWC's V-205 well and it has been taken out of service by VWC as a precautionary measure.

CLWA, District No. 36 and the former NCWD and VWC filed suit in November 2000 against the current and prior owners of the Whittaker-Bermite industrial site, a 996 acre site upon which a munitions manufacturing facility that is the suspected source of the perchlorate contamination was located, seeking restoration of the lost production capacity and other specified damages. The litigation was filed in federal court pursuant to the Comprehensive Environmental Response, Compensation & Liability Act of 1980 (42 USC Section 9601 et seq. or "CERCLA"). The defendants to the litigation served CLWA with counterclaims alleging that CLWA and the affected retail purveyors contributed to the migration of the perchlorate contamination from the manufacturing facility through the pumping of groundwater from the affected wells.

In May 2007, a comprehensive settlement was executed by CLWA, the retail purveyors, and the defendants (the "Perchlorate Contamination Settlement"), which involves estimated potential payment of up to \$100,000,000 by the defendants. Funds have been deposited in escrow which will be disbursed to the Agency and the retail purveyors to pay for the costs of restoration of wells and contamination removal. The cleanup program is now underway. CLWA completed construction of the perchlorate treatment facility and related distribution system and the Saugus 1 and 2 wells (two of the four wells that were shut down in 1997) returned to service in January 2011. The perchlorate treatment facility includes an ion exchange process located at the Rio Vista Intake Pump Station. The Perchlorate Contamination Settlement also provides funds to assist in the payment of operation and maintenance costs for such system for up to 30 years, which the agencies estimate to cost as much as \$50,000,000.

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

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

Volatile organic compounds (VOCs) exist in groundwater pumped from the Agency's Saugus 1 and 2 wells. The Agency currently addresses the VOCs by blending the groundwater with treated imported water. The Agency plans to construct a treatment facility to remove VOCs to non-detectable levels, consistent with the

Saugus Perchlorate Treatment Facility’s permit operational goal. The Agency is currently considering the source of funds for the construction and operation of such treatment facility.

VWC has detections of VOCs just above the testing detection limit in V-201 and V-205 but they are well below the MCL for drinking water. Since the wells are near the Whittaker-Bermite property described above that has caused the perchlorate contamination, the State of California Department of Water Resources Division of Drinking Water (DDW) may include treatment requirements for VOCs. If required, engineering and installation of well head treatment for VOC removal will also be necessary.

Wholesale Service Area Water Production

Table 4 below sets forth the sources of total water that was supplied by CLWA through calendar year 2016, which includes both groundwater pumped from wells by NCWD, VWC and District No. 36, and State Water Project water acquired and treated by CLWA but does not include groundwater that is pumped directly by the region’s agricultural and certain private interests not served by such retail purveyors. The fluctuations in groundwater production and consumption of imported water supplied are the result of several factors, including shifts in water consumption patterns by the retail purveyors between groundwater and Agency-supplied water, including increased purchases by SCWD; population growth; dry or wet weather conditions locally and in Northern California; the temporary shutdown of certain production wells operated by the retail purveyors due to perchlorate contamination; and other factors. The Agency anticipates that future water production will be impacted by such factors, as in the past.

**Table 4
CASTAIC LAKE WATER AGENCY
Historic Water Production
(Acre-feet)⁽¹⁾**

<i>Calendar Years</i>	<i>Local Production⁽²⁾</i>	<i>Agency Supplied⁽³⁾</i>	<i>Agency Recycled Water</i>	<i>Agency Saugus 1&2 Wells</i>	<i>Total</i>	<i>Increase/ (Decrease)</i>
2016	29,600	25,800	455	3,100	58,955	6.60%
2015	26,932	24,009	450	3,100	54,491 ⁽⁴⁾	(20.08)
2014	32,109	33,092	474	2,503	68,178 ⁽⁴⁾	(7.19)
2013	26,671	43,281	400	3,108	73,460	5.38
2012	30,770	35,558	428	2,956	69,712	7.57

⁽¹⁾ Certain water production numbers set forth above reflect adjustments made subsequent to the relevant calendar year.
⁽²⁾ Represents groundwater that could be supplied by SCWD, NCWD, VWC or District No. 36. Groundwater pumping by such entities generated revenue for such entities, but not for the Agency’s Wholesale Water System.
⁽³⁾ Represents State Water Project water supplied by CLWA from DWR under the State Water Project Contract as well as water from the BVWSD-RRBWS Acquisition Agreement and the Yuba Water Accord.
⁽⁴⁾ Decrease in 2014 and 2015 is a result of conservation by water users in response to the current drought in California and increase in groundwater production by SCWD, NCWD, VWC or District No. 36. See “WATER SUPPLY – Recent California Drought and Response.”
Source: Agency; 2016 Santa Clarita Valley Water Report.

Projected Water Sources

CLWA adopted the 2015 Urban Water Management Plan which includes projected water supply and demand figures from those set forth in the 2010 Urban Water Management Plan. The Agency does not expect the projections in the 2015 Urban Water Management Plan to affect the Agency’s operations in a manner that would have a material adverse effect on its ability to make the Series 2018A Installment Payments.

The table below sets forth the estimated potential sources of supply in calendar years 2020 and 2025 based on the 2015 Urban Water Management Plan. These figures reflect estimates assuming average weather

conditions, groundwater pumping by the Agency and District No. 36 based on the groundwater operating plan, and the use of recycled water and other sources under development by the Agency.

Table 5
SANTA CLARITA VALLEY WATER AGENCY
Projected Water Sources
(Acre-feet)

<i>Calendar Year</i>	<i>Local Groundwater Production⁽¹⁾</i>	<i>Agency Supplied Imported Water⁽²⁾⁽³⁾</i>	<i>Agency Supplied Recycled Water⁽²⁾⁽⁴⁾</i>	<i>Total Anticipated Sources</i>	<i>Estimated Demand⁽⁵⁾</i>
2025	31,545	95,004	450	126,999	74,600
2030	31,545	92,424	450	124,419	80,800

⁽¹⁾ Represents groundwater provided by the Agency and District No. 36.

⁽²⁾ Sources of revenue for the Agency’s Wholesale Water System.

⁽³⁾ Represents: (i) the amount of State Water Project water (78,167 acre-feet in 2025 and 75,587 in 2030) estimated to be available to the Agency as presented in the 2015 Urban Water Management Plan as revised by the most recent State Water Project Delivery Reliability Report from DWR for existing conditions; (ii) up to 11,000 acre-feet of water from the BVWSD-RRBWSD Acquisition Agreement; (iii) approximately 1,607 acre-feet of water from the Nickel Ranch Program; (iv) up to 1,000 acre-feet of water from the Yuba Water Accord; and (v) 3,230 acre-feet of water from Saugus 1 and 2 wells.

⁽⁴⁾ Reflects current recycled water use plus projected addition of the Vista Canyon project supply by 2020.

⁽⁵⁾ Demand is as provided in the 2015 Urban Water Management Plan.

Source: Agency.

THE WHOLESALE WATER SYSTEM

Water Conveyance and Treatment Facilities

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

The Agency’s Wholesale Water System facilities are described below.

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

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

Earl Schmidt Filtration Plant. The Earl Schmidt Filtration Plant (the “Schmidt Plant”), located at the southern end of the Castaic Reservoir, treats State Water Project water for domestic uses. The Schmidt Plant was completed in 1980 with an original capacity of 12.5 mgd and was expanded to a capacity of 25 mgd in 1988. In 2001, the Schmidt Plant was re-rated at 33.6 mgd. In 2005, the Schmidt Plant was expanded to 56 mgd. The

treatment process includes ozonation, coagulation, contact clarification, and filtration through anthracite filters. Chloramination occurs after treatment. Wash water is recovered, treated and returned to the headworks. The Schmidt Plant also includes sludge drying facilities, an air-water filter backwash system, and facilities for chemical application of coagulants, disinfectants, pH control, and taste and odor control. Two steel tanks provide a total of ten million gallons of treated water storage.

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

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

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

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

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

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

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

The Agency delivers water to customers through its retail water facilities and District No. 36 through twenty-six turnouts.

Historic Water Sales and Wholesale Water Sales Revenues

The following table presents a summary of historic water sales of imported water from CLWA in acre-feet and wholesale water sales revenues received by CLWA.

**Table 6
CASTAIC LAKE WATER AGENCY
Historic Water Sales By Agency
(Acre-feet)
and
Historic Wholesale Water Sales Revenues⁽¹⁾**

<i>Fiscal Year</i>	<i>Water Sales (Acre-Feet)</i>	<i>Increase/(Decrease)</i>	<i>Water Sales Revenues</i>	<i>Increase/ (Decrease)</i>
2017	40,081	71.87% ⁽⁴⁾	\$22,945,290 ⁽⁶⁾	29.92%
2016	23,320	(11.90) ⁽²⁾	17,660,872 ⁽⁶⁾	8.11
2015	26,471	(35.13) ⁽²⁾	16,336,483 ⁽⁶⁾⁽⁷⁾	(5.74)
2014	40,806	8.91	17,325,234 ⁽⁶⁾⁽⁷⁾	(4.82)
2013	37,469	15.91 ⁽³⁾	18,203,490 ⁽⁵⁾⁽⁶⁾	20.61

- ⁽¹⁾ Includes revenues from the sale of imported water and does not include sale of recycled water or groundwater.
- ⁽²⁾ Decrease attributable to mandatory conservation measures implemented by SCWD, NCWD, VWC and District No. 36.
- ⁽³⁾ Increase attributable to dry hydrological conditions in CLWA’s service territory.
- ⁽⁴⁾ Increase attributable to increased use of imported water within the CLWA’s service territory as a result of higher SWP water allocations.
- ⁽⁵⁾ Increase attributable to rate increases approved by CLWA.
- ⁽⁶⁾ Amounts do not include charge of \$20 per acre-foot designated for operating reserves. CLWA discontinued the \$20 per acre-foot charge when it adopted a new rate structure in February 2013, which went into effect on July 1, 2013. See the caption “—Water Rates and Charges” below for a discussion on the Agency’s current rate structure.
- ⁽⁷⁾ Decrease attributable to a new rate structure, which was adopted by the CLWA’s board in February 2013 and went into effect on July 1, 2013. See the caption “—Water Rates and Charges” below for a discussion on the Agency’s current rate structure.

Source: Agency.

Projected Water Sales and Wholesale Water Sales Revenues

The following table projects annual water sales of State Water Project and other imported water from the Agency and wholesale water sales revenues received by the Agency based on current demand and water sales estimates derived from the 2017 Facility Capacity Fee Study and the 2015 Urban Water Management Plan and reflects Fiscal Years 2018 water sales through 2022.

Table 7
SANTA CLARITA VALLEY WATER AGENCY
Projected Water Sales By Agency
(Acre-feet)

<i>Fiscal Year</i>	<i>Water Sales⁽¹⁾</i>	<i>Increase/ (Decrease)</i>	<i>Wholesale Water Sales Revenues⁽²⁾</i>	<i>Increase/ (Decrease)</i>
2018	32,993	(17.37)%	\$22,549,900	(1.72)%
2019	31,025	(5.96)	22,561,168	0.04
2020	30,931	(0.03)	22,788,671	1.00
2021	31,860	3.00	23,358,459	2.50
2022	32,300	1.38	24,526,382	5.00

⁽¹⁾ Projected Water Sales are based on projected retail demand by customers served through the Retail Divisions and District No. 36 through Fiscal Year 2021 and retail customer demand derived from the 2015 Urban Water Management Plan for Fiscal Year 2022. See the caption “—Water Rates and Charges” below for a discussion on the Agency’s wholesale rate structure.

⁽²⁾ Projected wholesale water sales revenues reflect the rates adopted by the CLWA’s board in November 2017 as described under the caption “—Water Rates and Charges” below and does not include sale of recycled water or groundwater.

Source: Agency.

Water Rates and Charges

Wholesale rates and charges are charged by the Wholesale Water System to the Retail Divisions and District No. 36 to pay for the capital expenditures and Operation and Maintenance Costs of the Wholesale Water System and are set on an annual basis by action of the Agency Board. Such wholesale rates and charges are not subject to the approval of the voters or other governmental entities. See the Official Statement under the caption “CONSTITUTIONAL PROVISIONS.”

The Agency adopted a new, revised wholesale water rate structure in 2016 designed to recover operating costs. The new rate structure includes both fixed and variable components as follows: (i) a fixed charge designed to recover 80 percent of the fixed costs of the Agency directly related to supply and delivery of water that is determined on the basis of a ten-year rolling average of the imported water demand of each Retail Purveyor; and (ii) a variable charge that is based on a per acre-foot charge for the treatment and distribution of imported water within the Agency’s service area and also 20 percent of the fixed costs incurred by the Agency. In November 2017, CLWA adopted wholesale water rates for calendar year 2019, which reflects a total of \$15,300,947 for the fixed rate component. The fixed rate component will be allocated to the Retail Divisions and District No. 36, based upon the most recent imported water demand information available for each Retail Division and District No. 36, as set forth in the Santa Clarita Valley Water Report. The variable rate for calendar year 2019 is set at \$228.98 per acre-foot. The foregoing fixed and variable rates will increase each calendar year by an amount not to exceed the Los Angeles consumer price index until the Agency’s Board adopts new rates. There can be no assurance, however, that the Agency Board will not alter such rates and rate structures prior to their effective date.

The Agency transfers amounts for water served from the Retail Divisions to the Wholesale Water System on a monthly basis. The Agency bills District No. 36 on a monthly basis and payment must be remitted to the Agency within 30 days of billing to remain eligible to receive future water deliveries.

The Agency Law requires on or before January 1, 2019, the Agency to develop a rate setting process that includes an independent ratepayer advocate (the “Ratepayer Advocate”) to advise the Board and provide information to the public before the adoption of new wholesale rates and retail water service rates and charges. The Agency Law requires that the Ratepayer Advocate be selected by and report directly to the Board and be independent from Agency staff. The Agency Law provides that the Ratepayer Advocate will advocate on behalf of customers within the Agency’s boundaries to the Board. The Agency Law also requires that the Board develop and adopt any necessary rules and procedures to further define the role of the Ratepayer Advocate. The Board is not authorized to eliminate the Ratepayer Advocate before January 1, 2023. On and after January 1, 2023, the

Board may eliminate the Ratepayer Advocate by four-fifths vote. The Agency expects to comply with such requirements of the Agency Law on or prior to January 1, 2019.

In recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. There is no assurance that the electorate or the State legislature will not at some future time approve additional limitations that could affect the ability of the Agency to implement rate increases, which could reduce Net Revenues and adversely affect the security for the Series 2018A Installment Payments. See the Official Statement under the caption “CONSTITUTIONAL PROVISIONS.”

Agency Revenue Derived from Property Taxes

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

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

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

Under Assembly Bill 454 (Statutes of 1987, Chapter 921) (“AB 454”), the State reports to each county auditor-controller only the county-wide unitary taxable value of State-assessed utility property, without an indication of the distribution of the value among tax rate areas. The provisions of AB 454 apply to all State-assessed property except railroads and non-unitary properties, and do not constitute an elimination of a revision of the method of assessing utilities by the State Board of Equalization. AB 454 allows generally valuation growth or decline of State-assessed unitary property to be shared by all jurisdictions within a county.

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

On November 2, 2004, California voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State may not, among other things: (i) shift property taxes from local governments to schools or community

colleges; or (ii) change how 1% *ad valorem* property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature. Beginning in Fiscal Year 2010, the State is allowed to shift to schools and community colleges a limited amount of local government property tax revenues if certain conditions are met, including: (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State; and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. In the event of a severe financial hardship, it is possible that the State may propose legislation to shift additional local property tax revenue, including tax revenue of the Agency.

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

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

The table below sets forth the total amount of Revenues received by CLWA from CLWA’s share of the 1% *ad valorem* property taxes levied in the County and Ventura County through Fiscal Year 2017.

Table 8
CASTAIC LAKE WATER AGENCY
Share of 1% Property Tax Levy

<i>Fiscal Year</i>	<i>Agency Share of 1% Levy</i>	<i>Increase/ (Decrease)</i>
2017	\$ 23,678,437	4.55%
2016	22,648,707	4.77
2015	21,618,468	8.10
2014	19,998,202	2.63
2013	19,485,514	(0.13)

Source: Agency.

Further information with respect to assessed valuations in the County and Ventura County and the Agency’s share of 1% *ad valorem* property taxes is set forth on pages 89 through 91 of the CLWA’s Fiscal Year 2017 Comprehensive Annual Financial Report attached hereto as Appendix E.

Property taxes levied by the Agency to pay State Water Project contract costs are not pledged to the Series 2018A Installment Payments and are not included in the amounts shown above.

Service Area Growth and Development Entitlements

Based on current development activity, the Agency currently expects moderate growth within its Wholesale Service Area in the current and next few Fiscal Years. The Agency's capital improvement program is based on projected water demands at final build-out of the Agency's service area. Although it is uncertain when specific development(s) will occur, for purposes of planning the Agency has assumed all of these developments will occur over the next 35 years.

As reported in the Agency's 2015 Urban Water Management Plan, VWC, NCWD and District No. 36 provided projected water demands through the year 2050 based on development projects that were under evaluation, were in the planning process, or the result of their own water planning efforts within their service area. The total projected water demand by within the area served through the Retail Divisions and District No. 36 (which excludes groundwater pumping by individuals and local agriculture) within the Agency's service area is estimated to increase from 68,900 acre-feet in 2020 to 93,900 acre-feet in 2050, representing an average annual increase of 1.3%. These projections were compared with population projections prepared by the City and County and were found to be reasonable and consistent with long term planning assumptions for the Agency's service area. The timing of future development is dependent on a number of factors, including but not limited to litigation, general economic conditions and real estate market conditions.

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

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

Facility Capacity Fees

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

Facility Capacity Fees are paid to the Agency directly by developers or property owners within the Wholesale Service Area shortly before the issuance of a building permit by the County or the City. If a connection is not ultimately made to the property that is the subject of the permit, the Facility Capacity Fees are refunded. Although the City and County direct building permit applicants to the Agency for the payment of the Facility Capacity Fees, there is no formal contractual arrangement between the Agency and the County or the City. The Agency monitors the issuance of building permits by the County and City to determine whether Facility Capacity Fees have been paid.

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

address of the person responsible for those fees. Facility Capacity Fees were updated in 2017 with the preparation and adoption of a 2017 Facility Capacity Fee Study (formerly called the Data Document).

The following table sets forth the CLWA’s revenue from Facility Capacity Fees for all Water Service Areas for Fiscal Years 2013 through 2017. The current Facility Capacity Fees went into effect on January 1, 2018. Facility Capacity Fees charged in the Agency’s four Water Service Areas range from \$9,745 for connections sizes of 1” or less to \$836,840 for connection sizes of 10”, depending on the Agency’s Water Service Area.

Table 9
CASTAIC LAKE WATER AGENCY
Total Facility Capacity Fee Income
(Fiscal Years ending June 30)

<i>Fiscal Year</i>	<i>Facility Capacity Fee Income</i>
2017	\$9,594,164
2016	6,747,047
2015	8,193,540
2014	8,695,534
2013	7,914,110

Source: Agency

The following table summarizes the Agency’s projected Facility Capacity Fee income for the current and next four Fiscal Years. The Fiscal Year 2018 figure reflects the Agency’s current estimate of Facility Capacity Fees to be collected in Fiscal Year 2018. Failure of development activity to increase as projected would have a material adverse impact upon collection of Facility Capacity Fees. The Agency does not believe that lower than currently projected development activity would have a material adverse impact on the ability of the Agency to pay the Series 2018A Installment Payments given the Agency’s other sources of Wholesale Water System Revenues.

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

<i>Fiscal Year</i>	<i>Projected Facility Capacity Fee Income</i>
2018 ⁽¹⁾	\$8,000,000
2019	8,007,600
2020	7,763,800
2021	8,094,700
2022	8,328,900

⁽¹⁾ Reflects budgeted amount.
Source: Agency.

Capital Improvement Program

The Agency’s engineering staff annually updates the Agency’s projections of future water demand and capital improvement projects. Such evaluation has identified several near-term projects that are necessary to serve the needs of the Retail Divisions and District No. 36. These projects will extend the Agency’s water transmission system, expand its recycled water system, expand its water treatment capacity, provide improved reliability to its State Water Project supply, develop groundwater supplies within or outside the Wholesale Service Area of the Agency, and replace the groundwater extraction capacity lost due to perchlorate contamination. The Agency’s

engineering staff has identified projects which may be undertaken over the next seven Fiscal Years with total estimated costs (in Fiscal Year 2018 dollars) of approximately \$220,000,000.

The Agency anticipates financing the cost of these capital improvements from Agency revenues and existing reserves, State or federal loans and grants, cost recovery from the parties liable for the perchlorate contamination of groundwater as well as future financings. The actual timing of these expenditures will depend upon development activity within the Agency, increases in 1% ad valorem property tax revenues available to the Agency and other factors. The Agency is currently projecting additional financings contributing approximately \$177,000,000 (in Fiscal Year 2018 dollars) toward the costs of these projects. For planning purposes the Agency is projecting that such financings will be undertaken in Fiscal Years 2019 and 2021. There can be no assurance that such financings will be undertaken in the amounts or at the times currently projected.

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

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

Future State Water Project Obligation

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

The Delta Habitat Conservation and Conveyance Program (DHCCP) and the BDCP are programs consisting of joint efforts by agencies of the federal government and the State and local agencies to fund and plan habitat conservation and water supply activities in the Delta, including certain water conveyance options with respect to certain water conservation and conveyance facilities. In 2016, the State separated the focus of the BDCP into two efforts: the California EcoRestore (“EcoRestore”) Project and the California Water Fix. California EcoRestore aims to accelerate and implement a comprehensive suite of habitat restoration actions to support the long-term health of the Bay-Delta’s native fish and wildlife. California Water Fix focuses on protecting the State’s water supplies from climate change through water system upgrades that protect against the impacts of sea level rise and earthquakes while improving river flows and reducing entrainment for threatened fish species. The Bay-Delta diversion facilities previously proposed in the BDCP are now captured within the California Water Fix effort and are referred to as “Cal Water Fix.”

The State released the Recirculated Draft Environmental Impact Report (“RDEIR”)/Supplemental Draft Environmental Impact Statement (“SDEIS”) for the Cal Water Fix on July 10, 2015, with comments due by August 31, 2015. On July 22, 2015, the comment period was extended to October 30, 2015. The RDEIR/SDEIS

addresses the environmental impacts of the diversion facilities. The final Environmental Impact Report/Environmental Impact Statement for California Water Fix was released in late December 2016. In June 2017, the U.S. Fish and Wildlife Service and National Marine Fisheries Service each issued biological opinions under the Federal Endangered Species Act and determined that Cal Water Fix is not likely to jeopardize the continued existence of any of the listed species at issue, nor destroy or adversely modify those species' designated critical habitat. On July 21, 2017, DWR signed a Notice of Determination, certified the Final EIR, and approved Cal Water Fix pursuant to the California Environmental Quality Act. The Agency does not believe that the Bureau of Reclamation has certified the Environmental Impact Statement under the National Environmental Policy Act or issued any federal approvals.

Cal Water Fix is currently facing legal challenges. The Agency is aware of two lawsuits that have been filed in federal court seeking judicial review of the biological opinions issued for the Cal Water Fix under the federal Endangered Species Act. In addition, numerous lawsuits have been filed in State courts seeking judicial review of the final EIR under the California Environmental Quality Act. To the extent these challenges are successful, it is possible that the federal and/or State courts could issue a remedy directing the preparation of new biological opinions, the preparation of an EIR, and/or the potential set-aside in whole or in part of Cal Water Fix approvals. Finally, DWR filed a validation action in State court with respect to its issuance of bonds to finance Cal Water Fix. A number of public agencies and other entities filed responses to the validation action on and prior to September 15, 2017. In addition, DWR entered into a stipulation with a variety of entities to extend the time to file responses to the validation action to November 15, 2017 and entered into an agreement with CLWA and certain other State Water Project contractors to extend the time to file responses to the validation action to October 2, 2017. Such lawsuits are in their infancy, and the Agency cannot determine the likely outcome at this time.

DWR and the Bureau of Reclamation are also actively involved in proceedings before the State Water Resources Control Board to change the point of diversion for the state and federal water projects to allow for the Cal Water Fix project. A decision on this is expected in early 2018.

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

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

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

DWR, State Water Project contractors, the SLDMWA and certain Central Valley Project (CVP) contractors are currently considering their participation in Cal Water Fix and how to finance the next phase of Cal Water Fix which involves the cost of design, engineering and certain other pre-construction costs ("Pre-Construction Phase"). The cost of the Pre-Construction Phase is estimated to be \$1,200,000,000, with 55% of such costs expected to be allocated to DWR. The Agency's share of the Pre-Construction Phase costs would be approximately \$15,000,000. The Agency does not anticipate any pay-as-you-go contributions or contributions

toward debt service for the Pre-Construction Phase payable from Wholesale Water System revenues. There can be no assurance that the Pre-Construction Phase will be undertaken.

Pursuant to existing contractual arrangements, CLWA's pay-as-you-go contribution already paid is expected to be refunded to the Agency if and when DWR issues revenue bonds for construction of the Cal Water Fix. Until such date, the Agency expects to pay its share of the costs to finance Pre-Construction Phase costs through the levy of ad valorem taxes pursuant to the Agency Law.

Design and construction of the Cal Water Fix is anticipated to take 17 years, if commenced in 2018 as currently projected, and would not be completed until at least 2035. There can be no assurance that projected costs of the Cal Water Fix referred to above will not increase as a result of revisions to the project, increases in construction or other costs related thereto or otherwise, including the final allocation of costs among the parties. Any changes could be material. In addition, there can be no assurance that the Cal Water Fix, if undertaken, would be completed within the timeframe currently projected. Any such delay in completion could be material. Any costs incurred by the Agency with respect to the Cal Water Fix are expected to be paid from *ad valorem* property taxes levied pursuant to the Agency Law and not from revenues of the Agency's Wholesale Water System or the Retail Divisions. See the caption "SANTA CLARITA VALLEY WATER AGENCY—Outstanding Obligations—Other Long-Term Obligations."

WHOLESALE WATER SYSTEM FINANCIAL INFORMATION

Historical Financial Operations

A copy of the most recent audited financial statements of CLWA prepared by Fedak & Brown, LLP, Certified Public Accountants, Cypress, California (the "Auditor") are included as Appendix E to the Official Statement. The Agency's contract with the Auditor does not require consent of the Auditor for the use of the financial statements in the Official Statement. The Auditor's letter concludes that the CLWA's financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of CLWA as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. The Auditor has not reviewed the Official Statement.

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

The water enterprise fund which relates to the activities of the Wholesale Water System is accounted for as a proprietary fund. The accrual basis of accounting is followed by a proprietary fund. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Unbilled water and utility services receivables are recorded at year end. Proprietary funds distinguish operating revenues and expenses from non-operating items. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place. Operating revenues, such as water sales, result from exchange transactions associated with the principal activity of the Wholesale Water System. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as grant funding and investment income, result from non-exchange transactions, in which, the Agency gives (receives) value without directly receiving (giving) value in exchange.

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

The Agency accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to governmental agencies such as the Agency (“GAAP”). In certain cases GAAP requires or permits moneys collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses paid or incurred in one Fiscal Year to be recognized in a subsequent Fiscal Year. See “APPENDIX E— AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING JUNE 30, 2017” Except as otherwise expressly noted herein, all financial information derived from the Agency’s audited financial statement reflect the application of GAAP.

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

Historical Operating Results and Debt Service Coverage

The table below is a summary of the operating results of the Wholesale Water System for the last five Fiscal Years. These results have been derived from the audited financial statements of CLWA but exclude certain noncash items and include certain other adjustments.

Table 11
CASTAIC LAKE WATER AGENCY
WHOLESALE WATER SYSTEM
Historic Operating Results and Debt Service Coverage
(Fiscal Years ending June 30)⁽¹⁾

	2013	2014	2015 ⁽²⁾	2016	2017
Revenues					
Facility Capacity Fees	\$ 7,914,110	\$ 8,695,534	\$ 8,193,540	\$ 6,747,047	\$ 9,594,164
Share of 1% Property Taxes	19,485,514	19,998,202	21,618,468	22,648,707	23,678,437
Water Sales ⁽²⁾	19,474,884	17,973,853	17,148,629	17,660,871	22,945,290
Interest Income ⁽³⁾	770,133	1,452,751	1,466,273	1,504,135	1,670,950
Other Revenues	540,825	219,705	384,468	330,214	851,347
Perchlorate Contamination Settlement (CIP) ⁽⁴⁾	4,941	1,378,477	1,084,367	53,639	47,554
Perchlorate Contamination Settlement (O&M) ⁽⁵⁾	1,375,575	338,852	386,050	1,217,150	1,225,452
One-Time Water Sales ⁽⁶⁾	4,125,000	7,848,218	--	--	--
Grants and Reimbursements	1,203,264	245,749	2,645,953	2,057,876	1,081,241
Reimbursements from Annexing Parties ⁽⁷⁾	--	2,601,138	295,206	283,050	401,770
Miscellaneous ⁽⁸⁾	<u>34,494</u>	<u>11,584</u>	<u>46,819</u>	<u>90,520</u>	<u>--</u>
Total Revenues	\$ 54,928,740	\$ 60,764,063	\$ 53,269,773	\$ 52,593,210	\$ 61,496,205
Operation and Maintenance Costs ⁽⁹⁾	\$ 16,598,347	\$ 18,328,631	\$ 20,508,624	\$ 20,916,667	\$ 22,852,326
Revenues Available for Senior Debt Service	\$ 38,330,393	\$ 42,435,432	\$ 32,761,149	\$ 31,676,550	\$ 38,643,879
Senior Debt Service					
1994 Installment Payments	6,681,500	6,685,400	--	--	--
1999 Installment Payments ⁽¹⁰⁾	--	--	--	--	--
2001A Installment Payments ⁽¹¹⁾	--	--	--	--	--
2004A Installment Payments ⁽¹²⁾	<u>1,088,350</u>	<u>1,085,950</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Senior Debt Service	\$ 7,769,850	\$ 7,771,350	\$ --	\$ --	\$ --
Senior Debt Service Coverage ⁽¹³⁾	4.93	5.46	--	--	--
Net Revenues	\$ 30,560,543	\$ 34,664,082	\$ 32,761,149	\$ 31,676,550	\$ 38,643,879
Parity Debt Service					
2006A Installment Payments ⁽¹⁴⁾	\$ 3,307,175	\$ 3,308,775	\$ 3,307,975	\$ 3,304,776	--
2006C Installment Payments ⁽¹⁵⁾	5,863,369	5,865,400	5,868,375	--	--
2008A Installment Payments ⁽¹⁶⁾	2,008,735	1,898,414	5,217,814	5,197,192	\$5,501,141
2010A Installment Payments	5,308,406	5,297,606	5,294,606	5,285,781	5,282,606
2014A Bonds	--	--	583,537	3,168,975	3,152,025
2015A Installment Payments	--	--	--	2,755,943	5,048,950
2016A Installment Payments	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,908,614</u>
Total Parity Debt Service	\$ 16,487,685	\$ 16,370,195	\$ 20,272,307	\$ 19,712,667	\$ 20,893,336
Parity Debt Service Coverage ⁽¹⁷⁾	1.85	2.12	1.62	1.61	1.85
Total Debt Service Coverage ⁽¹⁸⁾	1.58	1.76	1.62	1.61	1.85
Revenues Available for Other Purposes	\$ 14,072,858	\$ 18,293,887	\$ 12,488,842	\$ 11,963,883	\$ 17,750,543

⁽¹⁾ May not match amounts in the CLWA's audited financial statements due to rounding.

⁽²⁾ Includes sale of SWP water, recycled water, groundwater and certain other water. In certain years, includes sale of water by CLWA to Devil Den Water District.

⁽³⁾ Excludes interest earned on debt service reserve funds and financing proceeds funds and unrealized gains on investments. Fiscal Years 2014 through 2017 amounts include dividends received from VWC by CLWA as the owner of 100% of the common stock of VWC. After the dissolution of VWC in accordance with the Agency Law, the former VWC will be accounted for as the VWD retail division of the Agency. See the caption "THE SANTA CLARITA VALLEY WATER AGENCY—History and Background."

(Footnotes continued on following page)

(Continued from previous page)

- (4) Amounts received from various sources for capital projects relating to the Perchlorate Contamination Settlement. See the caption “WATER SUPPLY—Water Quality Compliance” above.
 - (5) Amounts received by CLWA for operations and maintenance costs relating to the Perchlorate Contamination Settlement. See the caption “WATER SUPPLY—Water Quality Compliance” above.
 - (6) Sale of surplus water to certain Kern County Water Agency member units. Excludes reimbursement to Newhall Land for Newhall Land’s deposit for BVWSD-RRBWSA Acquisition Agreement water.
 - (7) Reimbursements from annexing parties are based on the Tesoro service area annexation currently underway.
 - (8) Excludes certain unrealized losses on investments in certain years.
 - (9) Excludes all amounts (including operation and maintenance costs) paid to DWR under the State Water Project Contract which have been paid from taxes levied by CLWA and which CLWA levied in accordance with covenants in connection with certain Parity Obligations and administrative costs attributable to capital improvement program. See Note 1 of the CLWA’s audited financial statements for Fiscal Year 2017.
 - (10) CLWA executed and delivered the 1999 Certificates in the currently outstanding principal amount of approximately \$67,070,000 (adjusted for the accreted value of capital appreciation certificates as of January 1, 2018). The first payment of principal and interest on the outstanding 1999 Certificates, which are capital appreciation certificates, is due in Fiscal Year 2022.
 - (11) In 2010, CLWA refunded all of the then-outstanding 2001A Certificates with a portion of the proceeds of the 2010A Certificates.
 - (12) In 2014, CLWA refunded all of the then-outstanding 2004A Certificates with a portion of the proceeds of the 2014 Bonds. Excludes prepayment of scheduled principal and interest with respect to the 2004A Installment Payments due in Fiscal Year 2015 in connection with the refunding of the 2004A Certificates in Fiscal Year 2014.
 - (13) Coverage calculated as “Revenues” (as defined in the Indenture) Available for Senior Debt Service divided by Senior Debt Service.
 - (14) In 2016, CLWA refunded all of the then-outstanding 2006A Certificates with a portion of the proceeds of the 2016A Bonds.
 - (15) In 2015, CLWA refunded all of the then-outstanding 2006C Certificates with a portion of the proceeds of the 2015A Bonds.
 - (16) Net of payments received by CLWA from the Amended 2004B Swap Agreement. In August 2014, CLWA terminated the Amended 2004B Swap Agreement. See the caption “THE SANTA CLARITA VALLEY WATER AGENCY—Outstanding Obligations.”
 - (17) Coverage calculated as Net Revenues divided by Parity Debt Service.
 - (18) Coverage calculated as Revenues available for Senior Debt Service divided by the sum of Senior Debt Service and Parity Debt Service.
 - (19) The audited financial statements for Fiscal Year 2015 include a prior period adjustment to reflect the implementation of GASB Statements No. 68 and 71, which were non-cash adjustments. See Note 12 of the CLWA’s Comprehensive Annual Financial Report for Fiscal Year 2015.
- Source: Agency.

Agency Reserve Policy. In addition to the Debt Service coverage shown above, the practice of the Agency has been to keep significant general reserves. These Agency reserves are not pledged to the payment of the Series 2018A Installment Payments or the 2018 Bonds, but they are anticipated to be available to pay Agency expenses if necessary. The Agency’s reserve policies include Operating Reserves of three months of operating expenditures, Debt Service Reserves of annual debt service less restricted debt service reserve funds, Capital Reserves of one year of the current pay-as-you-go capital improvement program and Reserves for Economic Uncertainties and Catastrophic Situations, equal to 500 days of operating expenditures less the Operating Reserves. There can be no assurance that the Agency Board will not revise the reserve policy in the future.

Projected Revenues, Operation and Maintenance Costs and Coverage

The table below provides a projection of the operating results of the Agency for the Wholesale Water System for Fiscal Years 2018 through 2022, reflecting the Agency’s estimate of projected financial results based on certain significant assumptions concerning future events and circumstances, and based on the assumptions set forth in the footnotes to the table. Such assumptions are material in the development of the financial projections of the Agency, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations could be material.

Table 12
SANTA CLARITA VALLEY WATER AGENCY
WHOLESALE WATER SYSTEM
Projected Net Revenues and Coverage
(Fiscal Years ending June 30)

	<i>2018⁽¹⁾</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Revenues					
Facility Capacity Fees ⁽²⁾	\$ 8,000,000	\$ 8,007,600	\$ 7,763,800	\$ 8,094,700	\$ 8,328,900
Share of 1% Property Taxes ⁽³⁾	24,412,700	25,511,272	26,659,279	27,858,946	29,112,599
Wholesale Water - Fixed Charges ⁽⁴⁾	14,549,900	15,107,077	15,499,860	15,902,857	16,698,000
Wholesale Water Sales - Variable Charges ⁽⁴⁾	8,000,000	7,454,091	7,288,811	7,455,602	7,828,382
Water Sales - Recycled and Saugus Wells ⁽⁵⁾	892,800	910,656	928,869	947,447	966,395
Interest Income ⁽⁶⁾	1,720,600	1,041,350	2,334,013	2,427,778	2,570,826
Other Revenues ⁽⁷⁾	295,100	281,520	287,150	292,893	298,751
Perchlorate Contamination Settlement (CIP) ⁽⁸⁾	380,000	-	2,000,000	6,335,000	-
Perchlorate Contamination Settlement (O&M) ⁽⁸⁾	1,546,400	1,200,000	1,224,000	1,248,480	1,273,450
Grants and Reimbursements ⁽⁹⁾	207,500	-	-	-	-
Reimbursement from Annexing Parties ⁽¹⁰⁾	4,275,000	771,300	809,900	850,400	892,900
One-time Water Sales ⁽¹¹⁾	1,650,000	-	-	-	-
VWD Interfund Loan Repayment (2018 Bonds) ⁽¹²⁾	-	985,000	967,000	967,000	967,000
VWD Acquisition Loan Repayment ⁽¹³⁾	-	4,717,595	4,717,595	4,717,595	4,717,595
Total Revenues	<u>\$ 65,930,500</u>	<u>\$ 65,987,460</u>	<u>\$ 70,480,278</u>	<u>\$ 77,098,698</u>	<u>\$ 73,654,798</u>
Operation and Maintenance Costs ⁽¹⁴⁾	\$ 24,546,700	\$ 25,042,969	\$ 27,137,407	\$ 27,207,006	\$ 29,270,222
Revenues Available for Senior Debt Service	\$ 41,383,800	\$ 40,944,491	\$ 43,342,871	\$ 49,891,692	\$ 44,384,577
Senior Debt Service					
1999 Installment Payments ⁽¹⁵⁾	--	--	--	--	<u>\$ 10,445,000</u>
Total Senior Debt Service	--	--	--	--	<u>\$ 10,445,000</u>
Senior Debt Service Coverage	N/A	N/A	N/A	N/A	4.25
Net Revenues	\$ 41,383,800	\$ 40,944,491	\$ 43,342,871	\$ 49,891,692	\$ 33,939,577
Parity Debt Service					
2008A Installment Payments ⁽¹⁶⁾	\$ 5,739,958	\$ 5,945,417	\$ 6,049,303	\$ 6,098,284	\$ -
2010A Installment Payments	5,278,906	5,284,056	5,273,681	5,274,506	5,265,681
2014A Bonds	3,149,400	3,135,100	3,146,500	3,146,750	-
2015A Installment Payments	5,036,725	5,021,850	5,018,550	5,021,650	5,008,750
2016A Installment Payments	4,489,350	4,487,300	4,489,400	4,485,625	4,483,250
2018A Installment Payments ⁽¹⁷⁾	-	985,000	967,000	967,000	967,000
2019 Revenue Bonds ⁽¹⁸⁾	-	863,683	1,940,950	1,939,175	1,942,150
2021 Revenue Bonds ⁽¹⁹⁾	-	-	-	1,107,663	2,487,900
Total Parity Debt Service	<u>\$ 23,694,339</u>	<u>\$ 25,722,406</u>	<u>\$ 26,885,384</u>	<u>\$ 28,040,653</u>	<u>\$ 20,154,731</u>
Parity Debt Service Coverage ⁽²⁰⁾	1.75	1.59	1.61	1.78	1.68
Total Debt Service Coverage ⁽²¹⁾	1.75	1.59	1.61	1.78	1.45
Revenues Available for Other Purposes	\$ 17,689,491	\$ 15,222,084	\$ 16,457,487	\$ 21,851,040	\$ 13,784,846

⁽¹⁾ Reflects budgeted amounts.

⁽²⁾ Reflects projected Agency Facility Capacity Fee revenues summarized in Table 10. See the caption "THE WHOLESALE WATER SYSTEM—Facility Capacity Fees."

(Footnotes continued on following page)

(Continued from previous page)

- (3) Reflects projected Agency share of revenues from the 1% *ad valorem* property tax levy. See the caption “THE WHOLESale WATER SYSTEM—Agency Revenue Derived From Property Taxes.” Property tax revenues are projected to increase approximately 4.5% per annum from Fiscal Year 2018 amount.
- (4) Includes sale of SWP water and certain other imported water. Reflects water rates approved in November 2017 and discussed under the caption “THE WHOLESale WATER SYSTEM—Water Rates and Charges.” See the caption “THE WHOLESale WATER SYSTEM—Projected Water Sales and Wholesale Water Sales Revenues.” Projected revenues for the fixed rate charge is based on a budgeted cost of \$15,300,947 in calendar 2019, increasing at the projected consumer price index thereafter. Projected revenues for the variable rate charge is based on the calendar year 2019 variable rate of \$228.98 per acre-foot, increasing at the projected consumer price index thereafter.
- (5) Reflects increases of approximately 2.0% per annum.
- (6) Assumes earnings at 0.94% for Fiscal Year 2018 and 1.5% per annum thereafter on each Fiscal Year’s estimated average cash balance, which is assumed to equal to reserve fund balances in conformance with Agency policy.
- (7) Includes laboratory, lease, and other revenues projected to decrease as a result of expiring cellular tower leases.
- (8) Amounts for capital projects and operations and maintenance costs reimbursed pursuant to the Perchlorate Contamination Settlement. See the caption “WATER SUPPLY—Water Quality Compliance.” Reimbursements for capital projects in Fiscal Years 2020 and 2021 reflect amounts for replacement wells. Reimbursements for operations and maintenance costs projected to increase at 2.0% per annum from Fiscal Year 2019 amount.
- (9) Includes grants and reimbursements for the Upper Santa Clara River Integrated Regional Water Management grant program, generally to fund conservation programs, provided by DWR Proposition 84.
- (10) Reimbursements from annexing parties are based on the Tesoro and Tapia service area annexations currently underway. Fiscal Year 2018 amount includes a one-time payment of approximately \$4 million with respect to such annexation. Reimbursements are based on estimated costs for 961 acre-feet of Buena Vista Water Storage District and Rosedale-Rio Bravo Water Storage District water. See the caption “WATER SUPPLY—Sources of Supply.”
- (11) Projected sale of surplus water to four Kern County Water Agency member units.
- (12) Reflects projected amounts to be repaid on the Refinancing Interfund Loan from VWD revenues. The Agency expects to apply repayments on the Refinancing Interfund Loan to the payment of the Series 2018A Installment Payments. See the caption “THE SANTA CLARITA VALLEY WATER AGENCY—History and Background—*Merger with Newhall County Water District.*”
- (13) Reflects the amounts to be repaid on an interfund loan from the Wholesale Water System to the VWD to reimburse the Wholesale Water System for the acquisition price of VWC.
- (14) General operations and maintenance costs projected to increase approximately 2.2% in Fiscal Year 2019 from Fiscal Year 2018 budgeted amount and increases by approximately 8.3%, 2.5% and 7.6% in Fiscal Years 2020, 2021 and 2022, respectively. Excludes all amounts (including operation and maintenance costs) paid to DWR under the State Water Project Contract which have historically been paid from taxes levied by the Agency and which the Agency has covenanted under the Installment Purchase Agreement to continue to levy in the future, and administrative costs attributable to capital improvement program.
- (15) The Agency executed and delivered the 1999 Certificates in the currently outstanding principal amount of approximately \$67,070,060 (adjusted for the accreted value of capital appreciation certificates as of January 1, 2018). The first payment of principal and interest on the outstanding 1999 Certificates, which are capital appreciation certificates, is due in Fiscal Year 2022. See the Official Statement under the caption “SECURITY FOR THE 2018 BONDS—Limitations on Parity and Superior Obligations; Subordinate Obligations.”
- (16) The 2008A Certificates bear interest at a variable interest rate, reset weekly. The projected interest payments assume average interest rates of 1.5% in Fiscal Year 2018, 2.5% in Fiscal Year 2019, 3.0% in Fiscal Year 2020, 3.0% in Fiscal Year 2021, 3.0% and in Fiscal Year 2022.
- (17) Projected at an all in true interest cost of _____% and an aggregate principal amount of \$_____.
- (18) Projected at an all-in true interest cost of 4.48% and a principal amount of \$27,205,000. Projected financing is based on capital improvement project funding needs that are subject to change. See the captions “THE SANTA CLARITA VALLEY WATER AGENCY—Outstanding Obligations—Future Obligations” and “THE WHOLESale WATER SYSTEM—Capital Improvement Program.”
- (19) Projected at an all-in true interest cost of 3.96% and a principal amount of \$30,180,000. Projected financing is based on capital improvement project funding needs that are subject to change. See the captions “THE SANTA CLARITA VALLEY WATER AGENCY—Outstanding Obligations—Future Obligations” and “THE WHOLESale WATER SYSTEM—Capital Improvement Program.”
- (20) Coverage calculated as Net Revenues divided by Parity Debt Service.
- (21) Coverage calculated as Revenues available for Senior Debt Service divided by the sum of Senior Debt Service and Parity Debt Service. Source: Agency.

Litigation

Except as otherwise described in this Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Agency, threatened against the Agency affecting the existence of the Agency or the titles of its officers to their respective offices or seeking to restrain or to enjoin the sale or issuance of the 2018 Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the action of the Agency contemplated by any of said documents, or in any way contesting the completeness or

accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Agency or its authority with respect to the 2018 Bonds or any action of the Agency contemplated by any of said documents. As described below, there are lawsuits and claims against the Agency, as the successor to CLWA and NCWD, which are incidental to the ordinary course of operations of the Wholesale Water System.

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

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

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

The CD for Delta smelt, however, is based upon the December 2008 Operating Criteria and Plan (“OCAP”) BO (the “2008 BO”) issued by the United States Fish and Wildlife Service (“FWS”) to the Bureau. If the litigation challenging the 2008 BO is successful and the 2008 BO is ruled invalid, this may, in turn, render the CD issued by DFG to DWR invalid absent a court order allowing the CD to remain in effect until FWS issues a new BO. SWC has filed a challenge in Kern County Superior Court, subsequently transferred to Sacramento Superior Court, to DFG’s CD to provide a judicial remedy to continue SWP operations in the event that the 2008 BO is ruled invalid. This case is currently stayed.

Delta Smelt OCAP Litigation. In 2005, a coalition of environmental and sportfishing organizations challenged the no jeopardy and no adverse modification findings in a 2005 OCAP BO in the United States District Court for the Eastern District of California. In May 2007, Judge Wanger ruled that the 2005 OCAP BO was unlawful and inadequate. Following a subsequent remedies hearing, the court determined that the water supply to the SWP and CVP would have to be reduced by up to one-third (approximately 2,000,000 acre-feet per year) to

mitigate for impacts to the declining population of Delta smelt, and based on that determination issued an interim injunction, which was to remain in effect until a new BO for Delta smelt was prepared.

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

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

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

On May 25, 2010, the court granted the plaintiffs' request for preliminary injunction in the Consolidated Salmon Cases, restraining enforcement of two requirements under the salmon biological opinion that limit exported water during the spring months based on San Joaquin River flows into the Bay-Delta and reverse flows on the Old and Middle Rivers. Hearings on motions for summary judgment in the Consolidated Salmon Cases were held on December 16, 2010. On September 20, 2011, Judge Wanger issued a decision on summary judgment, finding that the salmon biological opinion was flawed, and that some but not all of the project restrictions in the biological opinion were arbitrary and capricious. On December 12, 2011, Judge O'Neill (who was assigned to this case following Judge Wanger's retirement) issued a final judgment in the Consolidated Salmon Cases. The final judgment remands the 2009 salmon biological opinion to the National Marine Fisheries Service, and directs that a new draft salmon biological opinion be issued by October 1, 2014, and that a final biological opinion be issued by February 1, 2016, after completion of environmental impact review under NEPA. On January 19, 2012, Judge O'Neill approved a joint stipulation of the parties that specifies how to comply with one of the salmon biological opinion restrictions that applies to water project operations in April and May of 2012.

In January and February 2012, the federal defendants and environmental intervenors filed appeals of the final judgment in the Consolidated Salmon Cases, and the SWP and CVP contractors filed cross-appeals, but the NEPA holding was not appealed and thus stands. A hearing before the Ninth Circuit on the appeals was held in September 2014, however, no decision has been issued.

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

The Agency cannot predict the outcome of these Delta-related cases. However, the Agency believes that any new decision or order by a State or Federal court related to one or more of the above-described BOs and leading to adverse decisions reducing SWP supplies would not have a material impact on the Agency's ability to make the Series 2018A Installment Payments (and to pay debt service on other Contracts and Bonds).

DWR disclosure documents and annual reports filed by DWR pursuant to Rule 15c2-12 with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>, should be reviewed for information pertaining to the above described Delta-related cases. DWR has not entered into any contractual commitment with the Agency, the Trustee or the Owners of the 2018 Bonds to provide such information to the Agency or the Owners of the 2018 Bonds. Neither the Agency nor the Underwriter assume any responsibility for the accuracy of such disclosures.

The Agency's Retail Divisions are SCWD, VWD (upon the dissolution of VWC) and NCWD. Information with respect to the Retail Divisions is set forth in appendices B through D of the Official Statement. The Agency has not pledged the revenues of the Retail Divisions to the Series 2018A Installment Payments.

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

Amounts transferred from the Retail Divisions to the Wholesale Water System and from District No. 36 to the Agency for water purchases from the Wholesale Water System are included in Agency Revenues pledged to payment of the Series 2018A Installment Payments. Other revenues received from the Agency from customers of the Retail Divisions and revenues received by District No. 36 from its retail customers do not constitute Revenues of the Wholesale Water System and the Retail Divisions and District No. 36's operation and maintenance costs do not constitute Operation and Maintenance Costs of the Wholesale Water System.

Appendices B through D hereto present information relating to the VWD and its predecessor company, NWD and its predecessor entity, and SCWD.

The information set forth below has been obtained from publicly available sources that the Agency believes to be reliable. The Agency has not independently verified any such information.

Los Angeles County Waterworks District No. 36

Los Angeles County Waterworks District No. 36 was established in April 1963 and currently serves approximately 7,635 acres in the Hasley Canyon area and the unincorporated community of Val Verde through 30.5 miles of water mains and about 1,300 connections. Originally, District No. 36 supplied water to these areas from wells located along Castaic Creek. However, since August 1991, District No. 36 has obtained virtually all of

its water supply from a connection to the Agency’s Castaic Conduit. Since 2012, District No. 36 has continued to use water supplied by the Agency, along with water from a new well drilled into the Saugus Formation.

The Agency may continue to provide wholesale water service to District No. 36. Pursuant to the Agency Law, the Agency may not provide retail water service within the boundaries of District No. 36 without District No. 36’s consent or the annexation or consolidation of District No. 36 to the Agency. District No. 36, may, upon mutual agreement with the Agency, be annexed or consolidated into the Agency in accordance with State law. The Agency has not initiated any annexation or consolidation discussion with District No. 36.

District No. 36’s historical water production and service connections are summarized in the table below.

Table 15
LOS ANGELES COUNTY WATERWORKS DISTRICT NO. 36
Historical Water Production and Service Connections

<i>Calendar Year</i>	<i>Service Connections</i>	<i>Groundwater (acre-feet)</i>	<i>Agency Water (acre-feet)</i>	<i>Total (acre-feet)</i>
2016	1,350	1,047	3	1,050
2015	1,350	973	3	976
2014	1,350	1,237	3	1,240
2013	1,350	811	485	1,296
2012	1,343	794	471	1,265

Source: District No. 36.

District No. 36 water rates and rate increases are approved by the County Board of Supervisors, at the conclusion of the annual budgeting process. District No. 36 bills customers every two months. The average bimonthly billing is approximately \$142.

APPENDIX B

INFORMATION RELATING TO THE VALENCIA WATER DIVISION

The obligation to make the Series 2018A Installment Payments is an obligation of the Agency payable from Revenues of the Agency's Wholesale Water System. The Series 2018A Installment Payments are not payable from revenues of the VWD, although payments by VWD to the Wholesale Water System for water purchases from the Wholesale Water System and payments by VWD to the Wholesale Water System with respect to the Refinancing Interfund Loan are part of Wholesale Water System Revenues. See "SECURITY FOR THE BONDS" in the Official Statement. Capitalized terms used and not defined in this Appendix B shall have the meanings set forth in the Official Statement and Appendix A to the Official Statement.

History and Background

In December 2012, the Castaic Lake Water Agency ("CLWA") acquired 100% of the stock of the Valencia Water Company ("VWC") through the settlement of an eminent domain action. After such acquisition, VWC continued to operate as a separate company. The current board of directors of VWC is composed of the former general manager of CLWA, the former assistant general manager of CLWA, the former retail manager of the SCWD, the former administrative services manager of CLWA and the vice president of operations of the VWC. As described in Appendix A under the caption "THE SANTA CLARITA VALLEY WATER AGENCY—History and Background—Merger of Castaic Lake Water Agency and Newhall County Water District," on October 15, 2017, Governor Edmund G. Brown, Jr. signed Senate Bill 634 into law (the "Agency Law") which merged CLWA and Newhall County Water District ("NCWD") into a new agency called the "Santa Clarita Valley Water District" (the "Agency") effective January 1, 2018.

Pursuant to the terms of the Agency Law, the Agency is required to take steps to dissolve VWC and transfer VWC's assets, property, liabilities and indebtedness to the Agency. Such dissolution and transfer is required to be finalized by May 1, 2018 (with the ability to extend such deadline to July 1, 2018, if circumstances warrant additional time). On December 28, 2017, the VWC board of directors approved a plan of dissolution. On January 9, 2018, the Agency board of directors approved such plan of dissolution. The Agency currently expects that VWC will be dissolved on or about January 29, 2018. The Agency will designate the former VWC as the Valencia Water Division ("VWD") of the Agency. Upon dissolution of VWC, the Agency will succeed to the assets and liabilities of VWC and will allocate such assets and liabilities to VWD. The dissolution of VWC and the transfer of title and certain legal rights, including, without limitation, easements and rights of way, to the Agency will occur after the issuance of the 2018 Bonds. The Agency can make no assurance as to the timing of such transfers. VWC expects that a tax liability will be payable to the United States Treasury upon dissolution. The Agency currently expects that such liability will be paid from VWC reserves.

The VWC currently has Senior Secured Notes (the "VWC Notes") outstanding in a principal amount of \$24,000,000. In connection with the refinancing of the VWC Notes as described in the Official Statement under the caption "THE REFUNDING PLAN," the Agency's Wholesale Water System will provide an interfund loan to the VWD (the "Interfund Loan"), pursuant to which rate payers served by VWD will be allocated the responsibility to pay the principal of and interest on the Refinancing Interfund Loan. See the Official Statement under the caption "SECURITY FOR THE 2018 BONDS." The 2018 Bonds are secured solely by the Series 2018A Installment Payments. While the Series 2018A Installment Payments are payable from Net Revenues of the Agency's Wholesale Water System, the Agency expects to apply repayments to the Wholesale Water System on the Refinancing Interfund Loan from VWD revenues to the payment of the Series 2018A Installment Payments. See the caption "SECURITY FOR THE 2018 BONDS" in the Official Statement.

Valencia Water Division Management and Operation

Management. Upon the dissolution of VWC, oversight of VWD will be by the Board of Directors of the Agency (the “Board”). The daily operations of VWD are administered by Agency staff. See the caption “THE SANTA CLARITA VALLEY WATER AGENCY—Agency Organization and Management” in Appendix A to the Official Statement.

Insurance. Insurance for the Agency, which will VWD facilities, will be provided through the Association of California Water Agencies Joint Powers Insurance Authority, a self-insured insurance pool. See Appendix A under the caption “Insurance.”

Valencia Water Division Service Area

The original service area of VWC granted by the California Public Utilities Commission was approximately 1,500 acres in the master-planned community of Valencia, a development of Newhall Land. VWC’s service area was increased from time-to-time to serve portions of the City of Santa Clarita (the “City”) and the unincorporated communities of Castaic and Stevenson Ranch. Substantially all of such VWC service territory is within the boundaries of the Agency.

Upon dissolution, customers of the former VWC will be served by the Agency through VWD. Customers to be served by the VWD currently are located within an approximately 31 square mile area located in the northern portion of the County of Ventura (the “County”), including portions of the City and certain unincorporated areas of the County including the communities of Castaic, Newhall, Saugus, Stevenson Ranch, and Valencia.

Water Deliveries and Service Connections

The Agency expects to provide retail water service through the VWD to approximately 31,500 connections. As of January 1, 2018, approximately 90% of the retail customers served which will be served through the VWD upon dissolution of VWC were residential users (based on active accounts) and 10% were commercial, industrial, public authority and irrigation users. Approximately 7,327 acres are currently undeveloped. Of such acreage, approximately 3,260 acres are within the Newhall Ranch development area.

The facilities that serve the customers within the VWC service area consists of 365 miles of pipeline, 22 wells, current groundwater capacity of 32,850 gpm, 7 wholesale connections to the Agency with a design capacity of 37,000 gpm and 54.88 million gallons of storage. All of the VWC’s system facilities are contiguous and interconnected.

The following table sets forth the ten largest customers of VWC for calendar year 2016, the latest date for which such information is available, as determined by the amount of their respective annual payments.

Table 4
VALENCIA WATER COMPANY
Largest Customers by Annual Payments
(as of December 31, 2016)

<i>Customer</i>	<i>Annual Payments</i>	<i>% of Total Water Sales</i>
City of Santa Clarita	\$1,460,002.29	5.3%
Los Angeles County Public Works	735,027.90	2.7
Six Flags	480,760.57	1.7
TPC at Valencia LLC	314,895.66	1.1
Equity Residential	203,850.69	0.7
Hasley Hills HOA #8228	191,552.38	0.7
West Creek/West Hills	180,443.21	0.7
William S. Hart Union High School District	169,400.47	0.6
Bridgeport Community Association	167,773.28	0.6
Westridge Valencia	<u>159,767.14</u>	<u>0.6</u>
Total	<u>\$4,063,473.59</u>	<u>14.8%</u>

Source: VWC.

Upon dissolution of the VWC, all of such customers will be customers of the Agency served through VWD.

The following table details a five-year history of water deliveries and service connections for VWC.

Table 5
VALENCIA WATER COMPANY
Historical Water Deliveries and Service Connections

<i>Calendar Year</i>	<i>Service Connections</i>	<i>Groundwater (acre-feet)⁽¹⁾</i>	<i>Agency Water (acre-feet)⁽¹⁾⁽²⁾</i>	<i>Recycled Water (acre-feet)</i>	<i>Total (acre-feet)⁽¹⁾</i>
2017 ⁽³⁾	31,580	9,302	17,448	602	27,352
2016	31,485	13,922	10,308	507	24,737
2015	31,353	16,534	6,648	450	23,632
2014	31,101	21,419	7,668	474	29,561
2013	30,796	13,358	18,249	238	31,845

⁽¹⁾ Fluctuation due to weather conditions. Decrease in 2015 reflects mandatory conservation measures. See the caption “—Recent California Drought and Response”

⁽²⁾ Supplied to VWC by the Agency.

⁽³⁾ Reflects unaudited actual amounts through September 30, 2017 and projected amounts through December 31, 2017.

Source: Agency.

Upon dissolution of the VWC, all of such service connections will be service connections of the Agency served through VWD.

As of November 30, 2017, VWC had collected approximately \$3 million in deposits from developers for property to be served through VWC which are subject to refund. Such deposits are not available to pay amounts due on the Refinancing Interfund Loan.

The following table sets forth the projected number of service connections and water supply through the VWD for the current and next four calendar years. The Agency projects that long-term service connections will

increase by an average of 350 per year over the next five years. Failure of development activity to increase as projected would have a material adverse impact upon the number of new service connections.

Table 6
VALENCIA WATER DIVISION
Projected Water Deliveries and Service Connections

<i>Calendar Year</i>	<i>Average Service Connections</i>	<i>Groundwater (acre-feet)</i>	<i>Agency Water (acre-feet)</i>	<i>Recycled Water (acre-feet)</i>	<i>Total (acre-feet)</i>
2018	31,625	13,230	13,230	611	27,071
2019	31,824	13,307	13,307	613	27,227
2020	32,124	13,482	13,482	617	27,581
2021	32,334	13,682	13,681	615	27,978
2022	33,051	13,976	13,976	622	28,574

Source: VWC.

Newhall Ranch, a proposed development of approximately 21,500 units in the Santa Clarita Valley, could be expected to add Agency accounts to be served through the VWD.

Retail Water Rate Structure and Billing

Rate Structure. In anticipation of the effectiveness of the Agency Law and the dissolution of VWC, a cost of service study was initiated by VWC in 2017. The cost of service study complied with the substantive requirements under Proposition 218. See the caption “CONSTITUTIONAL PROVISIONS—Proposition 218” in the Official Statement. On November 14, 2017, the VWC approved rates for the next 3 calendar years. VWC complied with the procedural requirements of Proposition 218 in approving such rates.

As of January 1, 2018, the retail water rates for the Agency to be customers served through the VWD are a single quantity rate of \$1.744 per 100 cubic feet of water (“HCF”). In addition, a service charge is added to residential customer bills which charge is based on meter size, varying from \$11.46 per month (for a 5/8-inch residential metered account) to \$2,579.06 per month (for a 14-inch meter). A temporary revenue adjustment surcharge of \$0.412 per 100 cubic feet of water is also currently in place. The average monthly residential billing is \$54.69 based on current water rates and average monthly usage of 17 HCF.

See the caption “THE WHOLESALE WATER SYSTEM—Water Rates and Charges” in Appendix A to the Official Statement for a discussion of the appointment of a ratepayer advocate pursuant to the Agency Law.

Billing Procedures. Water charges are billed to customers monthly with a due date of 19 days from presentation date (date mailed). Bills not paid after 19 days are considered past due, and if unpaid at the time the next monthly bill is generated, the past due amount will be reflected on the next regular bill. If payment is not received by the payment due date specified on bill, termination notices are placed at the customers’ premises notifying the customers that their water will be turned off in 2 days if payment is not received. The cost to the customer of reconnecting water service is based on the outstanding balance of the water bill plus a reconnect fee. If the customer is shut off repeatedly, a deposit may be required in addition to the bill payment and reconnect fee. The Agency will charge penalties for late payments of \$10 and termination notice fee of \$25. New customers are required to provide proof of identity in order to open a new account.

Write-off expenses as the result of delinquent accounts of less than 0.10% of total billings over the past five years.

Recent California Drought and Response

General. As described in Appendix A to the Official Statement under the caption “Recent California Drought and Response—*Governor’s Executive Orders*,” various executive orders by the Governor and SWRCB regulations went into effect between 2014 and 2017 in response to Statewide drought conditions. In response to the various drought executive orders and SWRCB regulations described above, VWC adopted a water conservation plan, outdoor watering restrictions and penalties for noncompliance.

Outstanding Obligations

After the prepayment of the VWC Notes as described in the Official Statement under the caption “THE REFUNDING PLAN,” the Agency will have no outstanding bonds, notes or other obligations payable from revenues collected from customers of VWD. The Agency will, however, pay from revenues of VWD to the Wholesale Water System, amounts due under the Refinancing Interfund Loan. See the captions “—History and Background” above and “SECURITY FOR THE BONDS” in the Official Statement.

In addition, the Agency has authorized an interfund loan (the “Acquisition Loan”) in the principal amount of \$58,600,000 from the Wholesale Water System to the VWD to reimburse the Wholesale Water System for the acquisition price of VWC. Repayment of the Acquisition Loan will be payable from VWD revenues.

VWC expects that a tax liability will be payable to the United States Treasury upon dissolution. The Agency currently expects that such liability will be paid from VWC reserves. See the caption “—History and Background” above.

Future Obligations. While the Agency currently projects entering into obligations payable from net revenues of the Wholesale Water System in the next five Fiscal Years, the Agency does not expect to issue additional indebtedness in the next five fiscal years to finance any additional improvements allocable to the Retail Divisions, including VWD. See the caption “—Outstanding Obligations” in Appendix A to the Official Statement for information with respect to the Agency’s outstanding and projected future indebtedness.

Historic Financial Results of the VWC and Projected Financial Results of the VWD

General. A copy of the most recent audited financial statements of VWC prepared by Deloitte & Touche LLP, San Diego, California (the “VWC Auditor”) are included as Exhibit 1 to this Appendix B to the Official Statement. VWC’s contract with the VWC Auditor does not require consent of the VWC Auditor for the use of the financial statements in the Official Statement. The VWC Auditor’s letter concludes that VWC’s financial statements referred to above present fairly, in all material respects, the financial position of VWC as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. The VWC Auditor has not reviewed the Official Statement.

For Fiscal Year 2018 and thereafter, VWD’s financial information will be presented in the Agency’s comprehensive audited financial reports as an enterprise fund of the Agency. See the caption “WATER SYSTEM FINANCIAL INFORMATION” in Appendix A for additional information with respect to accounting principles applicable to the Agency.

Historic Valencia Water Company Operating Results. The table below is a summary of the operating results of VWC for Fiscal Years 2013 through 2017. These results exclude depreciation and other non-cash items.

Table 7
VALENCIA WATER DIVISION
Historic Operating Results
(Fiscal Years ending December 31)

	2013	2014	2015	2016	2017 ⁽¹⁾
Revenues					
Water Utility Revenues	\$ 26,819,000	\$ 26,131,000	\$ 23,006,000	\$ 27,535,000	\$ 30,731,000
Other ⁽²⁾	<u>7,000</u>	<u>104,000</u>	<u>186,000</u>	<u>45,000</u>	<u>73,000</u>
Total Operating Revenues	\$ 26,826,000	\$ 26,235,000	\$ 23,192,000	\$ 27,580,000	\$ 30,804,000
Operating Expenses					
Purchased Water ⁽³⁾	\$ 7,952,000	\$ 6,705,000	\$ 6,815,000	\$ 7,462,000	\$ 9,207,000
Purchased Power	1,797,000	2,480,000	2,115,000	1,823,000	1,737,000
Operations and Maintenance ⁽⁴⁾	4,581,000	5,190,000	4,980,000	5,661,000	5,405,000
General and Administrative ⁽⁵⁾	4,754,000	4,915,000	4,638,000	4,419,000	4,431,000
Property Taxes	378,000	147,000	203,000	193,000	192,000
Other ⁽⁶⁾	<u>211,000</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Operation and Maintenance Costs	\$ 19,673,000	\$ 19,437,000	\$ 18,751,000	\$ 19,558,000	\$ 20,972,000
Income Before Taxes	\$ 7,153,000	\$ 6,798,000	\$ 4,441,000	\$ 8,022,000	\$ 9,832,000
Income Taxes	\$ 1,340,000	\$ 2,190,000	\$ 183,000	\$ 1,527,000	\$ 2,380,000
Net Revenues	\$ 5,813,000	\$ 4,608,000	\$ 4,258,000	\$ 6,495,000	\$ 7,452,000
Refunds of Advances for Construction ⁽⁷⁾	\$ 700,000	\$ 699,000	\$ 698,000	\$ 696,000	\$ 693,000
Debt Service					
Senior Secured Notes ⁽⁸⁾	\$ <u>1,161,000</u>	\$ <u>1,161,000</u>	\$ <u>1,161,000</u>	\$ <u>1,161,000</u>	\$ <u>1,161,000</u>
Total Debt Service	\$ 1,161,000	\$ 1,161,000	\$ 1,161,000	\$ 1,161,000	\$ 1,161,000
Revenues Available for Other Purposes	\$ 3,952,000	\$ 2,748,000	\$ 2,399,000	\$ 4,638,000	\$ 5,598,000

(1) Reflects estimated results.

(2) Includes interest income and investment income.

(3) Represents cost of water purchased from the Agency's Wholesale Water System.

(4) Includes the cost of water quality testing services and associated expenses provided by CLWA.

(5) Includes the cost of human resources services and associated expenses provided by CLWA.

(6) Includes interest expense.

(7) Represents refunds of cash deposits advanced by developers for new development within the VWC service area.

(8) To be prepaid from the Refinancing Interfund Loan.

Sources: Derived from VWC's audited financial statements.

Projected VWD Revenues and VWD Operation and Maintenance Costs. The following table provides a projection of the operating results of VWD for Fiscal Years 2018 through 2022, reflecting the Agency's estimate of projected financial results based on significant assumptions concerning future events and circumstances, and based on the assumptions set forth in the footnotes to the table. Such assumptions are material in the development of the financial projections of the Agency for VWD and variations in the assumptions may produce substantially different fiscal results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations could be material. These projected results exclude depreciation and other non-cash items.

Table 8
VALENCIA WATER DIVISION
Projected VWD Retail Division Revenues and Retail System Operation
and Maintenance Costs
(Fiscal Years ending December 31)

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Revenues					
Water Utility Revenues ⁽¹⁾	\$ 30,286,000	\$ 30,488,000	\$ 32,043,000	\$ 35,526,000	\$ 36,567,000
Other ⁽²⁾	<u>0</u>	<u>0</u>	<u>0</u>	<u>50,000</u>	<u>50,000</u>
Total Operating Revenues	\$ 30,286,000	\$ 30,488,000	\$ 32,043,000	\$ 35,576,000	\$ 36,617,000
Operating Expenses					
Purchased Water ⁽³⁾	\$ 8,494,000	\$ 8,512,000	\$ 8,552,000	\$ 9,620,000	\$ 9,978,000
Purchased Power	2,056,000	2,130,000	2,222,000	2,581,000	2,716,000
Operations and Maintenance	5,105,000	5,252,000	5,373,000	6,853,000	7,061,000
General and Administrative	<u>5,220,000</u>	<u>5,115,000</u>	<u>5,300,000</u>	<u>3,653,000</u>	<u>3,759,000</u>
Total Operation and Maintenance Costs	\$ 20,875,000	\$ 21,009,000	\$ 21,447,000	\$ 22,707,000	\$ 23,514,000
Net Revenues	\$ 9,411,000	\$ 9,479,000	\$ 10,596,000	\$ 12,869,000	\$ 13,103,000
Refunds of Advances for Construction ⁽⁴⁾	\$ 693,000	\$ 690,000	\$ 687,000	\$ 684,000	\$ 681,000
Debt Service					
Refinancing Interfund Loan ⁽⁵⁾	\$ 500,000	\$ 985,000	\$ 967,000	\$ 967,000	\$ 967,000
Acquisition Loan ⁽⁶⁾	<u>2,358,798</u>	<u>4,717,595</u>	<u>4,717,595</u>	<u>4,717,595</u>	<u>4,717,595</u>
Total Debt Service	\$ 2,858,798	\$ 5,684,595	\$ 5,684,595	\$ 5,684,595	\$ 5,684,595
Revenues Available for Other Purposes	\$ 5,859,202	\$ 3,104,405	\$ 4,224,405	\$ 6,500,405	\$ 6,737,405

⁽¹⁾ Represents sale of water to the Agency's retail customers served through VWD. Projected to increase at a rate of 6.2% per annum in 2018-2020, and 3% per year in 2021-22.

⁽²⁾ Includes interest income and investment income.

⁽³⁾ Represents projected payments for water to be provided through the Agency's Wholesale Water System.

⁽⁴⁾ Represents projected refunds of cash deposits previously advanced by developers in connection with new development within the VWC service area.

⁽⁵⁾ Represents amounts due under the Refinancing Interfund Loan.

⁽⁶⁾ Represents amounts due under the Acquisition Loan.

Source: VWD.

Litigation

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

APPENDIX C

INFORMATION RELATING TO SCWD RETAIL WATER DIVISION

The obligation to make the Series 2018A Installment Payments is an obligation of the Agency payable from Revenues of the Agency's Wholesale Water System. The Series 2018A Installment Payments are not payable from revenues of the SCWD, although payments by SCWD to the Wholesale Water System for water purchases from the Wholesale Water System are part of Wholesale Water System Revenues. See "SECURITY FOR THE 2018 BONDS" in the Official Statement. Capitalized terms used and not defined in this Appendix C shall have the meanings set forth in the Official Statement and Appendix A to the Official Statement.

Acquisition by the Agency

The Agency acquired the stock of SCWC in September 1999, and subsequently changed the corporate status of SCWC to a not-for-profit corporation. The assets of SCWC were subsequently transferred to CLWA and was operated by CLWA as the SCWD retail water system. The Agency provides retail water service within the SCWD retail service area.

As described in Appendix A under the caption "THE SANTA CLARITA VALLEY WATER AGENCY—History and Background—Merger of Castaic Lake Water Agency and Newhall County Water District," on October 15, 2017, Governor Edmund G. Brown, Jr. signed Senate Bill 634 into law (the "Agency Law") which merged CLWA and Newhall County Water District ("NCWD") into a new agency called the "Santa Clarita Valley Water District" effective January 1, 2018. The Agency accounts for the revenues, expenses and debt of SCWD as a retail water division.

Santa Clarita Water Division Management and Operation

Management. Oversight of SCWD is by the Board of Directors of the Agency (the "Board"). The daily operations of SCWD are administered by Agency staff. See the caption "THE SANTA CLARITA VALLEY WATER AGENCY—Agency Organization and Management" in Appendix A to the Official Statement.

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

Santa Clarita Water Division Service Area

The customers served through the Agency's SCWD are generally located within an approximately 55 square mile area, or approximately 35,200 acres, in the northern portion of the County of Los Angeles (the "County"), including portions of the City of Santa Clarita and certain unincorporated areas of the County including the communities of Saugus, Canyon Country and a portion of West Newhall. Such area has a population of approximately 124,489.

Water Deliveries and Service Connections

The Agency currently provides retail water service through SCWD to approximately 31,000 connections. As of December 31, 2016, approximately 95% of the Agency's retail customers served through SCWD were connections residential users (based on active accounts), 3% were commercial users and 2% were other users (including public authorities, irrigators, government, industrial, institutional and fire service).

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

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

<i>Customer</i>	<i>Annual Payments</i>	<i>% of Total Water Sales</i>
G. H. Palmer Properties (HOA)	\$1,696,639	5.4%
City of Santa Clarita	1,421,312	4.5
Friendly Village	566,918	1.8
American Beauty	349,608	1.1
William S. Hart Union High School District	268,449	0.8
American Beauty (HOA)	252,300	0.8
Mariposa & Plum Canyon (HOA)	247,463	0.8
Pacific Crest HOA	222,797	0.7
Saugus Union School District	183,703	0.6
The Ranch at Fair Oaks	<u>173,151</u>	<u>0.5</u>
Total	<u>\$5,382,340</u>	<u>17.0%</u>

Source: Agency.

The following table details a five-year history of water deliveries and service connections served through the SCWD.

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

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

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

⁽²⁾ Supplied to SCWD by the Agency.

Source: Agency.

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

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

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

- ⁽¹⁾ Projected increase in groundwater deliveries in Fiscal Year 2019 reflect a return to historical levels of groundwater production, which were lower in recent years as a result of greater availability of State Water Project water. Projected decrease in total water deliveries as a result of conclusion of grading project which resulted increased total water deliveries in Fiscal Year 2018.
- ⁽²⁾ Projected increase in total water deliveries in Fiscal Year 2020 as a result of projected 2% growth in service connections and increased water use as result of the termination of certain State-mandated conservation measures. See the caption “—Recent California Drought and Response” below.

Source: Agency.

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

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

- ⁽¹⁾ Based on engineering deposits received by the Agency from developers.
- ⁽²⁾ Based on inquiries from developers.
- ⁽³⁾ Represents all proposed tract map units expected to be developed in the future. Only a portion of such units are expected to be developed in the next five years. The Agency can make no assurance that any such development will occur and if such development occurs, the pace of such development.

Source: Agency.

Retail Water Rate Structure and Billing

Rate Structure. The Agency’s current water rate structure for the SCWD consists of a flat rate service charge based on meter size, which varies from \$19.98 per month to \$853.19 per month (effective January 1, 2017), plus a three-tiered commodity charge for water for single family dwelling residential customers based on hundreds of cubic feet (“HCF”). As further described below, in November 2017, the Agency replaced the tiered commodity charge with a uniform flat rate commodity charge. The Agency estimates the average monthly bill at \$63.47 (18 HCF) for single family dwelling residential customers under the current water rate structure. There can be no assurance that actual monthly bills will reflect such estimate.

As described in Appendix A under the caption “THE SANTA CLARITA VALLEY WATER AGENCY—Wholesale Water Rates and Charges,” CLWA adopted a new, revised wholesale water rate structure for calendar years 2016 through 2018, effective April 1, 2016, designed to recover operating costs. In November 2019, the Agency adopted wholesale rates through calendar year 2019. See the caption “the caption “THE SANTA CLARITA VALLEY WATER AGENCY—Wholesale Water Rates and Charges.”

In Fiscal Year 2016, the former CLWA engaged a financial consultant to complete a cost of service rate study. Such rate study was completed in September, 2017. In November 2017, CLWA adopted a revised rate structure for SCWD which consists of a uniform flat rate commodity charge (\$1.91 per CCF for calendar year 2018) for water delivered to all classes of customers. In addition, CLWA authorized: (i) an automatic increase in the SCWD commodity charge in calendar years 2019 and 2020 (by no more than 10% each calendar year) to account for any increase in costs of water delivered by the Wholesale Water System to SCWD and (ii) increases, to be determined by the Board, in the SCWD commodity charge through December 31, 2020 (not to exceed 5% each calendar year), to account for any increases in costs of electricity delivered by Southern California Edison. In adopting such rate increases, the CLWA board complied with the procedural and substantive requirements described in the Official Statement under the caption “CONSTITUTIONAL PROVISIONS.”

The Agency Law requires on or before January 1, 2019, the Agency to develop a rate setting process that includes an independent ratepayer advocate to advise the Agency Board and provide information to the public before the adoption of new wholesale rates and retail water service rates and charges. See the caption “WATER SUPPLY—Water Rates and Charges” in Appendix A to the Official Statement.

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

CLWA averaged write-off expenses as the result of delinquent accounts of less than 0.23% of total billings over the past five years for customers served through SCWD.

Property Developer Fees

In Fiscal Year 2017, CLWA collected approximately \$3 million in deposits from developers for property to be served through SCWD for water facilities under construction. As of June 30, 2017, CLWA held approximately \$2.8 million in unexpended deposits with respect to approximately 23 residential subdivisions at various stages of development and various smaller residential, commercial and industrial development projects. Such deposits are refundable to the extent that the design or construction of such development projects is halted.

Capacity Fees

New developments within the area served by the Agency through SCWD pay an Offsite Improvement Costs charge for storage and production based on meter size. On July 13, 2016, the former CLWA Board approved an increase in the existing Capacity Fees effective January 1, 2017 and annual increases for each January 1 thereafter until otherwise modified by the Agency Board. The Capacity Fees will be adjusted for inflation using the Los Angeles specific Engineering News Records (ENR) Construction Cost Index (CCI). Developers must also submit a deposit to cover the initial planning phase of a project. Before the Agency commences construction of improvements, developers will sign an agreement to contribute the amount required to cover the cost of the facilities to be developed by the Agency, which will provide for the developer’s application for a water main extension, including the installation of a distribution plant or other special facilities, for furnishing public utility water service (including but not limited to fire flow) to properties under development. Capacity Fees are refundable or partially refundable to the extent that the construction of development projects is not commenced or such projects are reduced in scope.

Recent California Drought and Response

As described in Appendix A to the Official Statement under the caption “Recent California Drought and Response—*Governor’s Executive Orders*,” various executive orders by the Governor and SWRCB regulations went into effect between 2014 and 2017 in response to Statewide drought conditions.

In response to the various drought executive orders and SWRCB regulations described above, the former CLWA adopted ordinances with respect to customers served through SCWD to outline a water conservation plan, outdoor watering restrictions and penalties for noncompliance. In July 2016, the former CLWA’s Board adopted Ordinance No. 44, which provided for penalties for violations of State-mandated watering restrictions. The restricted watering schedules have been lifted; however, the penalties for violations of State-mandated watering restrictions remain in effect. The former CLWA also implemented conservation efforts such as distribution of free low-flow shower heads and hose nozzles and lawn replacement programs funded by CLWA. To complement these programs, the former CLWA also initiated programs to assist commercial and smaller homeowner associations to reduce landscape irrigation usage and to assist residential customers in reducing indoor water use. In 2015, The Santa Clarita Valley Family of Water Supplier’s Water Use Efficiency Plan was completed and adopted by the former CLWA. The former CLWA adopted an addendum to this plan on June 29, 2017 to provide updated information based on the 2015 Urban Water Management Plan. This includes a model which guides the Agency’s conservation efforts in meeting the water use reduction goals under Senate Bill X7-7 (the Water Conservation Act of 2009) as well as future water demands.

Additionally, the Agency recognizes that recycled water is an important source of supply. The Agency currently provides recycled water service through SCWD but efforts are currently in the planning and design phase for a recycled water system in a new community within the area served through SCWD. The recycled water system may provide excess recycled water beyond the needs of the new community, which could enable the Agency to distribute recycled water through SCWD to neighboring irrigation customers.

Litigation

As described in Appendix A hereto, there are a series of lawsuits and proceedings which may affect the Agency’s Wholesale Water System operation and its water supply. Additionally, there exist other lawsuits and claims against the Agency which are incidental to the ordinary course of operations of the Agency.

APPENDIX D

INFORMATION RELATING TO THE NEWHALL WATER DIVISION

The obligation to make the Series 2018A Installment Payments is an obligation of the Agency payable from Revenues of the Agency's Wholesale Water System. The Series 2018A Installment Payments are not payable from revenues of NWD, although payments by NWD to the Wholesale Water System for water purchases from the Wholesale Water System are part of Wholesale Water System Revenues. See "SECURITY FOR THE 2018 BONDS" in the Official Statement. Capitalized terms used and not defined in this Appendix D shall have the meanings set forth in the Official Statement and Appendix A to the Official Statement.

History and Background

As described in Appendix A under the caption "THE SANTA CLARITA VALLEY WATER AGENCY—History and Background—Merger of Castaic Lake Water Agency and Newhall County Water District," on October 15, 2017, Governor Edmund G. Brown, Jr. signed Senate Bill 634 into law (the "Agency Law") which merged Castaic Lake Water Agency ("CLWA") and Newhall County Water District ("NCWD") into a new agency called the "Santa Clarita Valley Water District" (the "Agency") effective January 1, 2018. Upon such merger, the Agency began accounting for the former NCWD as a retail water division of the Agency called the Newhall Water Division ("NWD"). The Agency provides retail water service through the NWD.

Newhall Water Division Management and Operation

Management. Oversight of NWD is by the Board of Directors of the Agency (the "Board"). The daily operations of NWD are administered by the Agency staff. See the caption "THE SANTA CLARITA VALLEY WATER AGENCY—Agency Organization and Management" in Appendix A to the Official Statement.

Insurance. The NWD facilities will be covered under the insurance policies purchased by NCWD prior to January 1, 2018, through their expiration in 2018. After such expiration, insurance for the NWD facilities, is expected to be maintained by the Agency through the Association of California Water Agencies Joint Powers Insurance Authority, a self-insured insurance pool. See Appendix A under the caption "Insurance."

Employee Relations

Pension Plan. As described in Appendix A under the caption "Employee Relations—Pension Plan," prior to their merger, CLWA and NCWD maintained cost-sharing multi-employer defined benefit pension plans administered by the California Public Employees Retirement System (CalPERS). Pursuant to the Agency Law, the Agency is the successor to CLWA and NCWD for the purpose of providing continuation of membership in such pension plans and will succeed to the assets and liabilities with respect to their pension plans administered by CalPERS.

As of June 30, 2017, NWD reported \$2,740,718 in net pension liabilities for its proportionate share of the net pension liability of its pension plan. As of June 30, 2017 \$268,414, was reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018.

Other Post-Employment Benefits. As described in Appendix A under the caption "Employee Relations—Other Post-Employment Benefits," CLWA and NCWD offered post-employment healthcare benefits (medical and dental) ("OPEB") to qualified employees. Information with respect to the former NCWD's OPEB plan is described below. The Agency will be the successor to the former CLWA and NCWD's CalPERS California Employer's Retiree Benefit Trust Program ("CERBT"), a prefunding plan trust fund. As of June 30, 2017, there were five NCWD retirees and beneficiaries receiving benefits under the OPEB program.

NCWD engaged an actuarial consultant to calculate the CLWA’s post-employment benefits liability. Results of this study indicate that as of July 1, 2015, that NCWD’s OPEB plan was overfunded by \$336,050. The covered payroll for Fiscal Year 2017 was \$2,581,137 (based on a June 30, 2016 measurement date). The following table sets forth the schedule of funding progress in connection with NCWD’s OPEB plan.

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability</i>	<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>	<i>UAAL as a Percentage of Covered Payroll</i>
1/1/08	\$--	\$1,247,569	\$1,247,569	0.0%	\$1,640,370	76.1%
1/1/10	1,474,977	1,241,311	(260,666)	121.5	1,983,006	(13.1)
7/1/11	1,678,959	1,574,774	(104,185)	106.6	1,916,197	(5.4)
7/1/13	1,851,284	2,029,498	178,214	91.2	2,057,758	8.7
7/1/15	2,403,627	2,067,577	(336,050)	116.3	2,121,526	(15.8)

Source: NCWD OPEB Actuarial Valuation Report as of July 1, 2015.

The following table shows NCWD’s annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for the last five fiscal years.

<i>Fiscal Year Ended</i>	<i>Annual OPEB Cost</i>	<i>Percentage of Annual OPEB Cost Contributed</i>	<i>Net OPEB Obligation</i>
6/30/2013	\$51,900	100%	\$--
6/30/2014	53,669	100	--
6/30/2015	72,322	100	--
6/30/2016	74,458	100	--
6/30/2017	70,528	100	--

Source: NCWD OPEB Actuarial Valuation Report as of July 1, 2015 and NCWD Audited Financial Statements for Fiscal Year 2017.

Newhall Water Division’s Service Area

Upon the merger of CLWA and NCWD, customers of NCWD are now served by the Agency through NWD. The area served by the Agency through NWD is approximately 28,400 acres and includes portions of the City of Santa Clarita and unincorporated portions of Los Angeles County in the communities of Newhall, Canyon Country, Valencia, Tesoro and Castaic with approximately 9,750 service connections. The Agency supplies water through NWD to retail customers from both groundwater and water purchased through the Wholesale Water System (with groundwater historically being the more predominant source of supply). In 2017 groundwater accounted for approximately 57 percent of NCWD’s supply.

The Agency presently serves four separate communities through NWD in distinctly different geographical areas of the Santa Clarita Valley spread over a 34 square mile area. In each water service area (except Tesoro), groundwater is pumped from wells and supplemented by water supplied from the Agency’s Wholesale Water System. The Tesoro service area receives 100% water purchased from the Agency’s Wholesale Water System.

Water Deliveries and Service Connections

In 2017, NCWD supplied a population of approximately 45,000 with approximately 9,772 service connections. The following table provides a summary of NCWD water production and service connections for 2013 through 2017.

Table 1
NEWHALL COUNTY WATER DISTRICT
Historical Water Production and Service Connections⁽¹⁾

<i>Calendar Year</i>	<i>Service Connections</i>	<i>Groundwater (acre-feet)</i>	<i>Agency Water (acre-feet)⁽²⁾</i>	<i>Saugus 1 & 2 Wells (acre-feet)</i>	<i>Total (acre-feet)⁽³⁾</i>
2017	9,772	4,008	3,311	1,100	8,419
2016	9,754	4,481	2,181	1,100	7,762
2015	9,746	5,359	2,730	794	8,883
2014	9,740	4,811	4,722	1,100	10,633
2013	9,708	5,909	3,819	833	10,561

⁽¹⁾ Certain water production numbers set forth above reflect adjustments made subsequent to the relevant calendar year .

⁽²⁾ Supplied to NWCD by the Agency.

⁽³⁾ Fluctuation due to weather conditions, conservation and other factors.

Source: Agency.

All such service connections are now service connections of the Agency being served through NWD.

Table 2
NEWHALL COUNTY WATER DISTRICT
Largest Customers by Annual Payments
(as of June 30, 2017)

<i>Customer</i>	<i>Annual Payments</i>	<i>% of Total Water Sales</i>
Stonegate Castaic HOA	\$202,559	2.13%
The Village	192,268	2.03
Wm S Hart High School	102,923	1.08
Polynesian MHP	77,049	0.81
Peachland Owners Assoc.	59,067	0.62
The Master's College	57,454	0.61
CalMark-Bell Development	45,550	0.48
Cimarron Oaks HOA	39,053	0.41
Newhall School District	38,263	0.40
CIII - Asset Management	<u>36,566</u>	<u>0.39</u>
Total	<u>\$850,752</u>	<u>8.96%</u>

Source: Agency.

All such customers are now customers of the Agency being served through NWD.

The following table sets forth the projected number of service connections and water supply for the Agency’s NWD for the current and next four calendar years. The Agency projects that its long-term service connections are estimated to increase by an average of less than 1 percent per year over the next five years. Failure of development activity to increase as projected would have a material adverse impact upon the number of new service connections.

Table 3
NEWHALL WATER DIVISION
Projected Water Deliveries and Service Connections

<i>Calendar Year</i>	<i>Service Connections</i>	<i>Groundwater (acre-feet)⁽¹⁾</i>	<i>Agency Water (acre-feet)</i>	<i>Saugus 1 & 2 Wells (acre-feet)</i>	<i>Total (acre-feet)⁽¹⁾</i>
2018	9,774	3,700	3,240	1,100	8,040
2019	9,833	4,400	2,615	1,100	8,115
2020 ⁽²⁾	9,945	4,400	2,715	1,100	8,215
2021	10,057	4,400	2,815	1,100	8,315
2022	10,169	4,400	2,915	1,100	8,415

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

⁽²⁾ Projected increase in total water deliveries in Fiscal Year 2020 as a result of projected 1% growth in service connections and increased water use as result of the termination of certain State-mandated conservation measures. See the caption “—Recent California Drought and Response” below.

Source: Agency.

Retail Water Rate Structure and Billing

Rate Structure. In June 2015, the NCWD approved rates through June 2020. NCWD complied with the procedural requirements of Proposition 218 in approving such rates. The Agency’s current water rates for NWD consists of a flat rate service charge based on meter size, which varies from \$15.96 per month to \$1,223.78 per month, plus a commodity charge for water for single family dwelling residential customers of \$2.969 per unit served (one unit equates to 748 gallons of water).

The Agency Law requires on or before January 1, 2019, the Agency to develop a rate setting process that includes an independent ratepayer advocate (the “Ratepayer Advocate”) to advise the Agency Board and provide information to the public before the adoption of new wholesale rates and retail water service rates and charges. See the caption “WATER SUPPLY—Water Rates and Charges” in Appendix A to the Official Statement.

Billing Procedures. Water charges are billed to customers monthly with a due date of 19 days from presentation date (date mailed). Bills not paid after 19 days are considered past due, at which time a reminder notice is sent. The due date of the reminder notice is 15 days from presentation date. If payment is not received by the payment due date specified on the reminder notice, termination notices are mailed and automated telephone calls are made notifying the customers that their water will be turned off in 2 days if payment is not received. The cost to the customer of reconnecting water service is based on the outstanding balance of the water bill plus a reconnect fee. If the customer is shut off 3 times in a 12-month period, a deposit in the amount of 2 months’ billing may be required in addition to the bill payment and reconnect fee. The Agency charges penalties for late payments of \$10 and termination due to non-payments of \$45. New customers are required to provide proof of identity in order to open a new account.

Write-off expenses as the result of delinquent accounts of less than 0.062% of total billings over the past five years.

Recent California Drought and Response

As described in Appendix A to the Official Statement under the caption “Recent California Drought and Response—*Governor’s Executive Orders*,” various executive orders by the Governor and SWRCB regulations went into effect between 2014 and 2017 in response to Statewide drought conditions. In response to the various drought executive orders and SWRCB regulations described above, NCWD adopted a water conservation plan, outdoor watering restrictions and penalties for noncompliance.

Litigation

As described in Appendix A hereto, there is a series of lawsuits and proceedings which may affect the Agency’s Wholesale Water System operation and its water supply. Additionally, there exist other lawsuits and claims against the Agency which are incidental to the ordinary course of operations of the Agency.

APPENDIX E

**AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR
FISCAL YEAR ENDING JUNE 30, 2017**

APPENDIX F

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

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

[TO COME FROM BOND COUNSEL]

APPENDIX G

FORM OF LEGAL OPINION

Upon issuance of the 2018 Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

_____, 2018

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

Re: \$_____ Upper Santa Clara Valley Joint Powers Authority
Revenue Bonds, Series 2018A

Members of the Board of Directors:

We have acted as Bond Counsel to the Upper Santa Clara Valley Joint Powers Authority (the "Authority") in connection with the issuance of \$_____ aggregate principal amount of Refunding Revenue Bonds, Series 2018A (the "2018 Bonds"). The 2018 Bonds have been issued by the Authority pursuant to the terms of the Indenture of Trust, dated as of January 1, 2018 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

The 2018 Bonds are limited obligations of the Authority payable solely from Revenues (as such term is defined in the Indenture), consisting of payments (the "Series 2018A Installment Payments") to be made by the Castaic Lake Water Agency (the "Agency") to the Authority pursuant to an Installment Purchase Agreement, dated as of January 1, 2018, by and between the Agency and the Authority.

In connection with our representation we have examined a certified copy of the proceedings relating to the 2018 Bonds. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigations.

Based upon the foregoing and after examination of such questions of law as we have deemed relevant in the circumstances, but subject to the limitations set forth herein, we are of the opinion that:

1. The proceedings of the Authority show lawful authority for the issuance and sale by the Authority of the 2018 Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery by the Trustee, as appropriate, the 2018 Bonds and the Indenture are valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms.

2. The obligation of the Authority to make the payments of principal and interest on the 2018 Bonds from Revenues (as such term is defined in the Indenture) is an enforceable obligation of the Authority and does not constitute an indebtedness of the Authority in contravention of any constitutional or statutory debt limit or restriction.

3. Interest on the 2018 Bonds is exempt from State of California personal income tax.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the 2018 Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and similar laws affecting creditors' rights, to the

application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX H

DTC AND BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority, the Agency and the Underwriter believe to be reliable, but neither the Authority, the Agency nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2018 Bonds, payment of principal, premium, if any, accreted value, if any, and interest with respect to the 2018 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2018 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2018 Bonds. The Bonds will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be executed and delivered for each annual maturity of the 2018 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2018 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the 2018 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose

accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2018 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 2018 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2018 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2018 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bond by causing the Direct Participant to transfer the Participant's interest in the 2018 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2018 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2018 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX I

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the 2018 Bonds, the Agency proposes to enter into a Continuing Disclosure Certificate in substantially the following form: