

Established in 2018
Serving Santa Clarita Valley

**BIENNIAL
BUDGET**
FY 2021/22
FY 2022/23



"Providing responsible water stewardship to ensure the Santa Clarita Valley has reliable supplies of high quality water at a reasonable cost."

Focusing on the Future:

Key Initiatives and Activities

As we head towards completion of our fourth year as an integrated water agency, SCV Water continues to find the opportunities that accompany the challenges we face as the regional voice of stewardship for our water – and financial – resources. In year one, we focused on the logistics of merging four agencies into one. With our newfound collaboration, we were able to tackle widespread PFAS (per- and polyfluoroalkyl substances) contamination in year two, then the impacts of COVID in year three and beyond. Yet all the while, we have continued to increase operating efficiencies to better serve our customers now, and well into the future.

Over the next two years, SCV Water will advance our strategic approach to regional watershed management, address groundwater contamination, and comply with new and ongoing state mandates.

Key initiatives and activities under this budget include:

- **Sustainable Groundwater Management Act (SGMA)** – Per the state mandate, SCV Water will invest about \$1 million of the \$3.1 million total project cost to finalize the Groundwater Sustainability Plan (GSP) that must be completed by January 31, 2022.
- **Water Resiliency Initiative** – SCV Water will invest \$2.5 million in projects that will expand our knowledge, develop analytical tools and prepare studies to inform how we investment in water supply programs.
- **PFAS Treatment Facilities** – SCV Water will invest \$25.5 million in water treatment facilities dedicated to the removal of PFAS and restoration of our groundwater supplies. *(PFAS is a group of man-made chemicals that have been found in trace amounts in our water supply.)*
- **Technology Improvements.** SCV Water continues to move towards fully integrated systems, with standard technology throughout our locations. Investments will improve productivity and service, as well as manage security concerns and further protect the Agency against cyber threats.

With this, our second Biennial Budget (FY 2021/22 and FY 2022/23), the Board of Directors renews the link between planning and budgeting, as we continue to focus on our 5-Year Strategic Plan in refining goals and allocating the Budget to accomplish them. This Budget reflects the objectives needed to help SCV Water become a best-in-class water service provider for our community.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Santa Clarita Valley Water Agency
California**

For the Fiscal Year Beginning

July 1, 2019

Christopher P. Morill

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Santa Clarita Valley Water Agency, California for its annual budget for the fiscal year beginning July 1, 2019. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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California Society of Municipal Finance Officers

Certificate of Award

***Operating Budget Excellence Award
Fiscal Years 2019-20 & 2020-21***

Presented to the

Santa Clarita Valley Water Agency

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

January 31, 2020



Steve Heide

**Steve Heide
CSMFO President**

Yolanda Rodriguez

**Yolanda Rodriguez, Chair
Recognition Committee**

Dedicated Excellence in Municipal Financial Reporting

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Pictured: Aerial view of Castaic Lake. This V-shaped reservoir is the final storage place for “imported” water procured as part of the California State Water Project after making its hundreds of miles journey along the California Aqueduct from Northern California’s Sierra Nevada watershed. Once SCV Water’s share of water leaves this space (Castaic Lake also holds other water agencies’ water), it is pumped to SCV Water’s treatment plants where it becomes mixed with other water from local groundwater sources before being distributed to Santa Clarita Valley homes and businesses.





June 1, 2021

Santa Clarita Valley Water Agency
Honorable Board of Directors

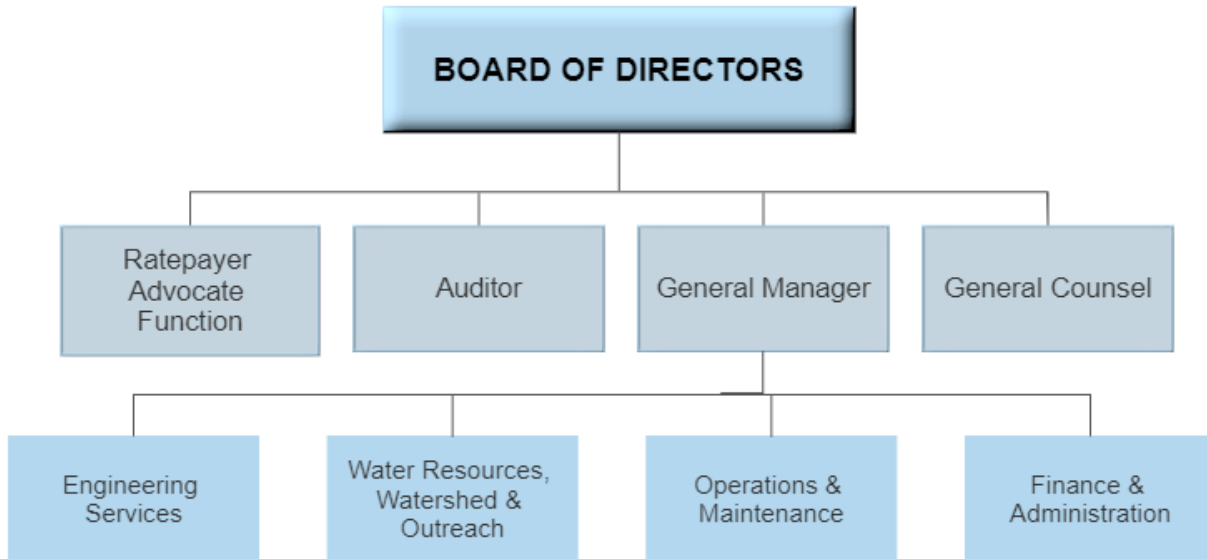
Management is pleased to present the Biennial Budget (Budget) for FY 2021/22 and FY 2022/23. The budget document is the result of one of the most important processes the Santa Clarita Valley Water Agency (SCV Water/Agency) undertakes. In the course of building a budget, the Agency makes policy decisions, sets priorities, allocates resources, and provides the framework for SCV Water operations.

ORGANIZATION – PAST, PRESENT & FUTURE

SCV Water was created by SB 634 (Act), which went into effect on January 1, 2018. The goal of SB 634 was to create a new agency that can capitalize on economies of scale and reduce costs of operations, maintenance and capital investment, while enhancing integrated resource management, thereby saving customers money while at the same time improving service delivery. As articulated in the Act, the purpose of SCV Water is 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 throughout SCV Water, and to do so in a manner that promotes the sustainable stewardship of natural resources in the Santa Clarita Valley.

To unify three retail divisions (Newhall, Santa Clarita and Valencia) and one Regional (wholesale) water division, management looked to create a new organization. That process considered both the current starting point as well as the idea of what an organization would look like, had it not evolved as separate entities. A key goal was to align functions previously organized across the three separate entities to support water services of a single organization.

This budget is the first unified budget document for SCV Water. It reflects the reorganization that has taken place since 2018 and the continued effort from every department in the organization. On July 1, 2021, all divisions of SCV Water will be financially combined. This activity coincides with the rate design study and the implementation of the new financial system. Operational integration continues on a daily basis. SCV Water looks forward to the unification of retail water service rates and the customer utility billing system upgrade and conversion.



Proposed FY 2021/22 & FY 2022/23 Biennial Budget

The proposed FY 2021/22 & FY 2022/23 Budget reflects planned activities to abide by SCV Water’s mission statement and the strategic plan fundamental decisions developed by the Board of Directors. This Budget document combines the financial presentations for all operations of SCV Water and represents the spending plan for the fiscal years beginning July 1, 2021 and July 1, 2022 with the revenues and resources available to fund the plan. The Agency continues to exercise fiscal prudence in managing its budget and maintaining financial stability. The Budget reflects our commitment to providing an affordable, reliable supply of high-quality water to our customers. It also serves as a financial plan and operations guide for the period.

Organizational staffing and strategic planning information is presented by the functional areas of SCV Water (Management; Water Resources, Watersheds and Outreach; Operations and Maintenance; Engineering Services; and Finance and Administration).

Maintaining existing levels of service: The budget maintains service levels, even though the cost of providing existing levels of service continues to grow. A 1.5% Cost of Living Adjustment (COLA) is built into the budget for FY 2021/22 and assumed a 2% adjustment in FY 2022/23. We have managed to adopt a balanced budget for FY 2021/22 and FY 2022/23, which is consistent with the Agency’s Cost of Service and Rate Study (received and filed by the Board of Directors in April 2021).

STRATEGIC PLAN

SCV Water adopted its first Strategic Plan in June 2019 that will become the Agency’s roadmap for a five-year look into the future. Agency staff is continuously trying to improve the linkage between planning and budgeting. SCV Water’s Strategic Plan will be revised or updated periodically and the Capital Improvement Plan revised annually; therefore, they are “living” documents.

This process of revision helps to guide and inform the development of the Agency’s Budget. The Agency’s Board of Directors provides direction for development of the Strategic Plan, collaborates with Agency staff and provides guidance and oversight. Each of our functional

section directors were involved in the development of their section work plan, and these plans help to build our Budget and operationalize the Strategic Plan.

In any organization, competing needs and priorities always determine a budget; there simply are not enough resources to meet every need or to fund every good idea. But every line item in the Agency's Budget supports the Board's strategic intent. The Budget is the primary tool for funding the goals of SCV Water, and a primary means by which the Agency exercises good stewardship of its natural resources.

NEW STATE MANDATES, KEY INITIATIVES AND ACTIVITIES

New projects and programs are undertaken either due to state mandates or to achieve strategic objectives. SCV Water will comply with the new state water mandates, integrate technology throughout the new Agency and lay the groundwork for water resiliency to increase the opportunity for recycled water usage. This Budget enables these important activities while maintaining the financial health of the Agency.

Unfunded State Mandate – Sustainable Groundwater Management Act (FY 2021/22 - \$1,015,000, FY 2022/23 - \$450,000)

2014 saw the passage of the Sustainable Groundwater Management Act (SGMA), authored by State Senator Fran Pavley and State Assemblyman Roger Dickinson. The newly formed Santa Clarita Valley Groundwater Sustainability Agency (SCV GSA) is composed of SCV Water, LA County Waterworks District #36, the County of Los Angeles and the City of Santa Clarita. It is required by law to develop a Groundwater Sustainability Plan. The legislation, and subsequent administrative guidance developed by the State, will drive large new state-mandated expenditures to meet the new requirements for technical studies, governance, stakeholder engagement, and preparation of the plan itself. Plan development will be a multi-year effort taking between three and four years, requiring significant expenditures for consultant services, as well as staff time. Refinement of estimated consultant costs and staff costs was done in FY 2018/19 following development of a scope of work for consultant services and review of consultant proposals.

The current FY 2021/22 estimated cost is \$1,015,000. It includes technical study, groundwater modeling, facilitation services, legal services and staff time. In FY 2021/22, we estimate up to eight SCV Water staff will be involved, and in total, require approximately 2,500 staff hours. At this stage, we estimate some grant revenue of approximately \$275,000 in FY 2021/22 and \$210,000 in FY 2022/23. The SCV GSA, as part of developing a Joint Powers Agreement, is evaluating available options to reimburse other costs. The FY 2021/22 and FY 2022/23 Biennial Budget includes all SGMA and SCV GSA costs.

Environmental Spending – Water Resiliency Initiative (FY 2021/22 - \$1,210,000, FY 2022/23 - \$1,320,000)

SCV Water's supplies will be subject to a wide variety of known and unknown risks in the coming years. To ensure a sustainable water supply for its customers, SCV Water will need to respond to more extreme droughts, floods, rising temperatures, and changing regulatory requirements. Staff proposes to undertake a multi-year Water Resiliency Initiative with the objective of taking actions that will ensure safe and resilient water supplies and healthy water ways for our community, economy, and the environment. The Santa Clara River's environmental resources and water supplies are interdependent, and an integrated approach is required. Further, SCV Water will face financially significant investment decisions related to

water supplies in upcoming years. The Water Resiliency Initiative seeks to expand our knowledge, develop necessary analytic tools, and prepare associated studies and other activities (as identified below) to inform SCV Water’s investment strategies:

Environmental – Groundwater supplies are tied to the Santa Clara River’s environmental health. Greater understanding of the ecosystems, their conditions, the factors that influence sustainability will be required as SCV Water advances water management programs in the upcoming years.

Water Resource Integration – SCV Water has a complex array of interdependent water supply programs; however, its current modeling tools cannot fully integrate the operation of these programs, nor are they able to fully analyze the integration of alternative new water supplies. Investing in analytic tools will be important to selecting cost-effective investments in new water reliability programs.

Surface Water and Groundwater – Understanding the interconnection between surface water, groundwater and environmental resources will be vital to the Agency developing local groundwater resources. Aquifer monitoring and testing, along with integrated modeling, will afford SCV Water the capability to update the current operating plan which is based on work done in 2003.

Stakeholder Engagement – A lesson learned through implementation of the Sustainable Groundwater Management Act is the importance of involving a diverse set of stakeholders from the outset of an initiative. Staff proposes to build on that experience in the Water Resiliency Initiative by incorporating a robust public outreach component into this effort.

Planning and Strategic Integration – Management of the Water Resiliency Initiative to assure alignment with the Agency’s Planning and other policy initiatives utilizing strategic and legal services will be employed to produce a masterplan and its accompanying CEQA document..

The FY 2021/22 budget includes \$1,210,000 and \$1,320,000 in FY 2022/23 in the Capital Planning, Studies and Administration Budget.

Technology Initiative – Technology Improvements (FY 2021/22 - \$2,832,500, FY 2022/23 - \$1,445,000)

A comprehensive initiative like Technology Improvements includes gathering necessary tools and implementing specific processes that monitor, manage and mitigate both internal and external threats. Paired with a barrage of potential threats, yet brimming with productive potential, technology plays an intimate role in the routines of everyday business.

The Agency is continuing to integrate four locations into one and the goal is to upgrade and standardize our technology throughout. Hardware and software improvements need to be made to keep pace with technology and equipment, and the rapid adoption of internet connectivity, security and communication.

The project list consists of an asset management pilot program, funds to create an application for water production management, CAT6 cabling at the Rio Vista and Rockefeller locations, mobile technology, network hardware replacements, an improved phone system and a unified security camera system for an estimated total of \$2.8 million in FY 2021/22 and \$1.45 million in FY 2022/23.

PFAS Treatment – Water Treatment Facilities (FY 2021/22 - \$11,535,000, FY 2022/23 - \$13,947,000)

Like many communities throughout the nation, trace amounts of PFAS have been found in our water supply. PFAS (Per- and polyfluoroalkyl substances) are a group of man-made chemicals which have been manufactured and used in a variety of industries worldwide for more than 70 years.

These chemicals are found in thousands of commonly used products, such as non-stick cookware, shampoo, food wrappers, firefighting foam, clothing, paints and cleaning products. Additionally, these chemicals exist in the environment due to manufacturing, product use and discharge of treated wastewater. Most people have measurable amounts of PFAS in their blood and are typically exposed to PFAS through eating food grown in contaminated water/soil or consuming food from packaging that contains PFAS; breathing air with dust particles from contaminated soil, upholstery, clothing; inhaling fabric sprays containing PFAS; or drinking contaminated water.

The Agency quickly responds to changing guidelines and regulations from the State Water Resources Control Board – Division of Drinking Water. Under the current response levels, last lowered in February 2020, 17 of the 42 active agency wells have been removed from service. This accounts for approximately 45 percent of the Agency’s groundwater supply. In 2019, groundwater accounted for 28% of the total water used in the SCV Water service area. The Agency has taken immediate steps to address PFAS in our groundwater, including proactive quarterly sampling of water from all of our wells to ensure they are in line with state and federal standards. The water-resistant properties of PFAS make them difficult to remove from water; however, there are proven treatment options.

Our new PFAS water treatment facility opened in fall 2020. It is an investment in our long-term water supply and will restore use of a substantial portion of our groundwater that has been impacted due to PFAS chemicals and will provide enough water to serve 5,000 families for a year. Additional projects are in the planning phases and are set to go online in 2021 and 2022. The Agency has estimated the cost of this work in FY 2021/22 to be \$11,535,000 and \$13,947,000 in FY 2022/23.

ECONOMIC CONDITIONS

We are now beginning to see the first indications of recovery since the Governor of California issued his first COVID-19 pandemic executive order, closing business and schools as well as the loss of more than 12,000 area jobs. According to the Santa Clarita Valley Economic Development Corporation, most of the decline in employment was due to the closures of, or restriction on hotels, travel, restaurants, other food services, personal services, and the closure of the area’s largest employer, Six Flags Magic Mountain. As Los Angeles County advanced into the Red Tier in March 2021 we are seeing marked improvements and recovery is underway.

We are also moving away from an era in which water was commonly thought of as a single-use product – something plentiful and that could be counted on. There is no way of knowing if we are at the beginning of another six-year drought, which is why the Agency will continue to reach out and educate its customers regarding efficient use of water. This Budget assumes that customers will continue their water saving efforts. The recent drought recovery was short lived, and we are seeing evidence that the next drought is just around the corner. Water-use efficiency

must remain a way of life. The aftereffects of the statewide drought continue to drive water consumption projections.

The local economy continues to rebound as employment has returned to at least 97% of pre-pandemic levels and sees strength in the housing market. The existing home sales rose to their highest level since the spring of 2006. Economic stability will allow for businesses in the Santa Clarita Valley to continue to grow and succeed, although millions of U.S. households are still facing heavy past-due utility bills, which have escalated in the year since the COVID-19 pandemic. The Governor's Executive Order (N-42-20), signed on April 2, 2020, suspended the termination of accounts due to nonpayment. As result, approximately 6% of the Agency's customer accounts are past due. Though the economy has achieved considerable gains in recent months, the Agency is mindful that some customers are still struggling to pay their utility bills. The Agency has been actively seeking grants and other programs to assist customers in paying their bills to avoid termination, as well as offering installment payments and waiving late fees. As the positive trend in employment recovery continues, we are hopeful and anticipate that we will see a positive movement in past due bills.

The Agency places a tremendous effort on capital improvement planning. Utilizing master planning documents, projects are evaluated, prioritized, and scheduled. FY 2021/22 and FY 2022/23 major capital projects will be funded in accordance with the Agency's Debt Management Policy.

The proposed rates and assumptions have been used by the Agency in the preparation of its water revenue projections. Further pressure comes from the uncertainty of the direction the State regarding future water conservation goals and how Agency customers will respond. The Budget emphasizes short and long-term planning, recognizing growth and associated costs within the Agency's fiscal constraints. It is the responsibility of the Agency to make sure expenses (outflows) do not exceed revenues (inflows) to ensure a balanced budget.

Looking ahead, the Agency will continue to monitor and make appropriate adjustments to ensure the organization's financial integrity is maintained, while continuing to meet its obligation to provide a safe and reliable water supply.

Planning Documents

SCV Water understands the importance of aligning the Budget process with its financial policies and its planning documents. Key planning documents that have guided this Budget process include the 2019 Strategic Plan, the 2015 Urban Water Management Plan (UWMP), the Integrated Regional Water Management Plan (IRWMP), the Castaic Lake Water Agency Reliability Plan, the Communications Strategic Plan, 2019 Facility Capacity Fee Study, the Santa Clarita Valley Water Use Efficiency Strategic Plan (SCVWUESP), the Santa Clarita Water Division Organizational Assessment and Asset Management Program Gap Analysis Report and finally, the retail division Water Master Plans. The FY 2021/22 and FY 2022/23 Budget also provides for continued development of an Asset Management Plan, updating the UWMP, IRWMP and monitoring and participating in the development and implementation of Sacramento-San Joaquin Delta improvements, including the Delta Conveyance.

Conclusion

We are pleased to present you with this unified Budget that demonstrates our continued commitment to providing quality water services to protect public health and the environment at the most economical cost. Despite continued growth in the customer base within our service

area, rising costs of labor and materials, aging infrastructure, and new environmental regulations, we have assembled a Budget that allows SCV Water to meet our customers' expectations, supports economic development, and preserve and enhance the environment. While this Budget does reflect upward cost pressures, we at SCV Water believe we are meeting our ratepayers and governing body's expectations. We stand committed to "Service, Community, Value" and the prudent use of public funds and look forward to serving our community these coming fiscal years and forward into the future.

Our success as an organization is vastly enhanced by the practices and policies put in place by the Board of Directors to ensure the strength and stability of the Agency. We are fully confident that with these policies and practices, supported by dedicated and talented staff, we will achieve continued success as an organization and thus assure the well-being of the people we serve.

The efforts invested by Agency staff in bringing together the information and working through the Budget decision process demonstrate the high level of competence and commitment of our employees and their dedication to the customers of the Santa Clarita Valley Water Agency. This document represents the expertise and resourcefulness of the section managers, supervisors, and staff. The Budget team is a testament to our continuous effort to improve the way the Agency does business and to assure we continue to show that the Santa Clarita Valley Water Agency is a leader in the community.

The Biennial Budget is not only a financial document but also a planning tool for the upcoming years. The Budget provides a financial plan to address current needs and to focus on future needs while being fiscally responsible. The FY 2021/22 and FY 2022/23 Budget reflects our commitment to providing an affordable, reliable supply of high-quality water to our customers and to supporting the priorities and policies articulated by the Board of Directors.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Matthew Stone", with a stylized flourish at the end.

Matthew G. Stone
General Manager



PFAS Treatment Project

Pictured: The Agency's signage clearly informs and offers further information to the SCV community about the current PFAS Water Treatment Project and timeline. Community outreach and education are cornerstones of the Agency's outreach program.



BUDGET FOREWORD

USER'S GUIDE

This FY 2021/22 and FY 2022/23 biennial budget establishes a plan to provide for SCV Water's current customers, our community, and the goals of SCV Water. In order to provide an effective foundation for the development of the biennial budget, SCV Water staff coordinated budget-preparation workshops with key staff, in its new Oracle Fusion software, to review SCV Water's overall financial condition/revenue projections.

As part of the strategic planning process, SCV Water has established goals to help ensure SCV Water's overall mission is achieved. This budget provides the resources for accomplishing the goals of the planning documents.

The budget presents the general budget, organization, goals, and objectives by five functional areas: Management, Engineering Services, Finance and Administration, Operations and Maintenance and Water Resources, Watersheds and Outreach. Included in the document are funds presented by enterprise accounting for the operating budget, capital fund, State Water Contract fund and the facility capacity/connection fee fund.

Budget Foreword

The Budget Foreword is a "getting to know" section of SCV Water's biennial budget and contains general information about SCV Water, its Strategic Plan, Core Values, Functional Area Performance Measures and Accomplishments, the Budget Profile, Calendar, and Budget Process.

Policies

This section includes a summary of SCV Water's Financial Policies: the Reserve Policy, Investment Policy, Debt Management Policy, the Disclosure Procedures Policy, Derivatives Policy, Purchasing Policy, Capitalization for Fixed Assets Policy, and the Wire Transfer Policy.

Financial Summaries

This section includes an overview of SCV Water's revenues and expenditures by fund for the current fiscal year and the preceding year projected amounts. The section includes a detailed description of each of the revenue and expense categories with associated graphs.

Forecast

SCV Water completes a rate adequacy analysis study each year based on revenues, expenditures, debt, capital improvement plan (CIP), capacity/connection fees and reserves. SCV Water also estimates each of these categories for increases/decreases for the current budget year, plus nine additional years.

Revenues and Expenditures

This section presents calculations for the estimated total revenues and expenditures for FY 2021/22 and FY 2022/23. Estimates are based on historical trend, current position, and the economic forecasts. Revenue projections are calculated using the proposed rates and charges for water sales.

Capital Budget

This section contains a detailed list of capital projects identified for FY 2021/22 and FY 2022/23 to be funded from the operating fund, capital fund, capacity/connection fee fund or reserves. This section also includes the CIP schedule, funding source and justification.

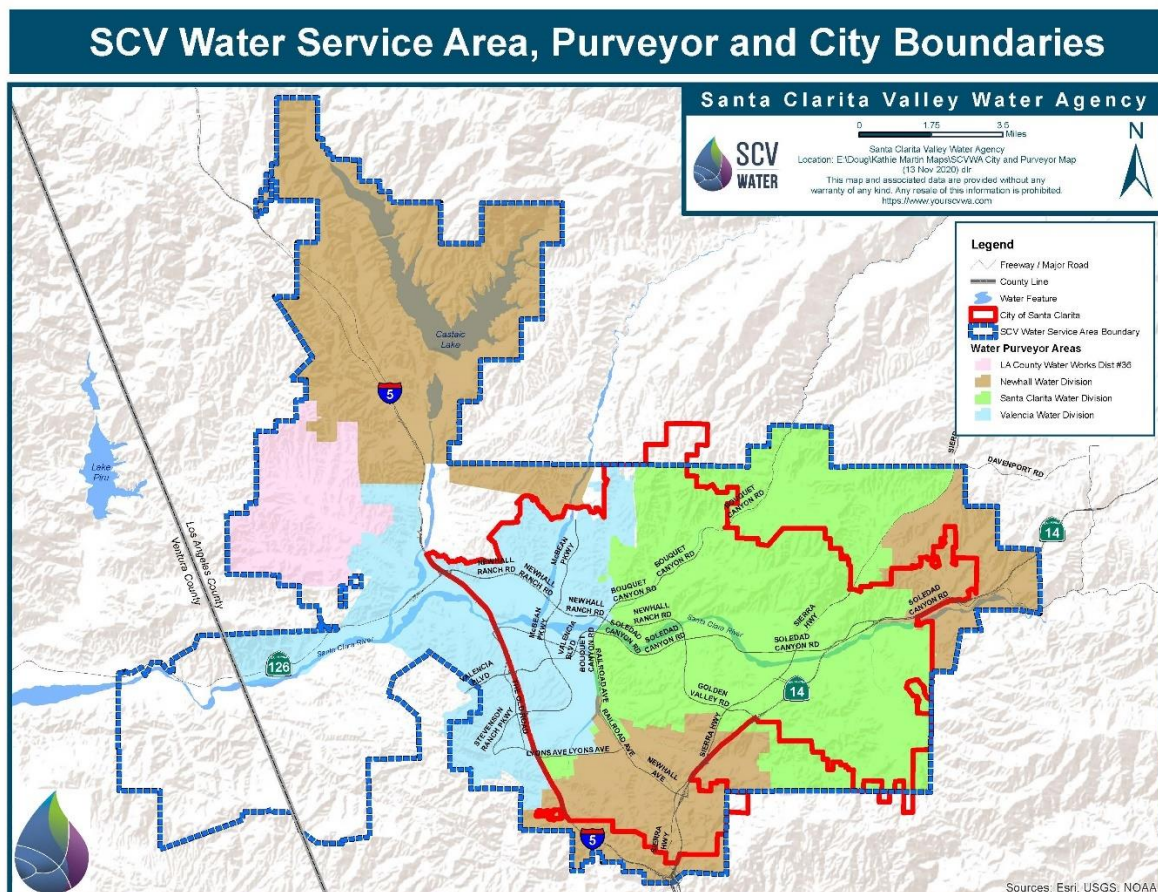
Appendix

This section includes a Glossary of budget and financial terms and a List of Acronyms used in this budget.

BUDGET FOREWORD

About SCV Water

The Santa Clarita Valley Water Agency (SCV Water) was created January 1, 2018 by an act of the State Legislature (SB 634) through the merger of the three water agencies in the Santa Clarita Valley and serves a population of 286,300 (as projected in the 2015 Urban Water Management Plan for 2021) through nearly 75,000 retail water connections. The merger included Castaic Lake Water Agency and its Santa Clarita Water Division, Newhall County Water District and the Valencia Water Company. The Castaic Lake Water Agency was formed as a wholesale water agency to acquire, treat, and deliver State Water Project water supply throughout the Santa Clarita Valley. The Santa Clarita Water Division, Newhall County Water District and the Valencia Water Company were the retail water purveyors. The SCV Water service area covers approximately 195 square miles or 124,000 acres. Population at build-out is estimated to be 420,000. SCV Water also provides wholesale water to Los Angeles County Waterworks District #36.



On April 30, 1963, the Agency entered into an agreement with the State acting by and through its Department of Water Resources (DWR) for an original contract amount of 41,500 acre-feet (AF) of water per year (AFY) from the system. The Agency increased the contract amount by 12,700 AFY in 1991 by acquiring the Devil's Den Water District (see additional discussion in this section). It also purchased an additional 41,000 AFY of contract amount from the Kern County Water Agency and the Wheeler Ridge-Maricopa Water Storage District in March 1999. The Agency's current contract amount is 95,200 AFY. The Agency began delivering SWP water in 1980.

On May 22, 2007, the Agency entered into a 30-year agreement with the Buena Vista Water Storage District and the Rosedale-Rio Bravo Water Storage District for the acquisition of 11,000 acre-feet (AF) of water supply per year for a 30-year period.

The reporting entity "Santa Clarita Valley Water Agency" also includes the accounts of the Santa Clarita Water Agency Financing Corporation (the Corporation). Although legally separate, the Agency exercises oversight responsibility over the Corporation. The Corporation was formed in 1990 to issue Certificates of Participation (COPs).

On October 25, 1988, the Agency purchased land and equipment owned by Producers Cotton Oil Company. Of the 8,459 acres of land purchased in Kern and Kings Counties, approximately 7,759 acres are within the Devil's Den Water District. The District encompasses 8,676 acres. The land is being leased to an outside party by the Agency under terms of an operating lease agreement.

History

Historically, residents and businesses of the Santa Clarita Valley were served by several separate water suppliers. It was an inherently fragmented structure that from time-to-time resulted in redundancies, interagency conflict and barriers to integrated regional water management. While the region's water suppliers provided reliable and cost-effective water service, there was strong consensus that even greater efficiencies, effectiveness and enhanced regional water management could be achieved on behalf of the Santa Clarita Valley's residents and thousands of businesses. This fundamental truth was the basis for pursuing Senate Bill 634 (Wilk) which created a new public water agency for the region now known as SCV Water.

Newhall County Water District was originally formed on January 13, 1953 as a County Water District. Five Directors, elected by voters to serve staggered four-year terms on its governing board, set the District's ordinances, policies, taxes, and rates for service. The District boundaries encompassed approximately 37-square miles in portions of the City of Santa Clarita and unincorporated Los Angeles County. The District provided treated water to a population of 45,000 through nearly 10,000 water service connections to areas of Newhall, Canyon Country (Pinetree), Saugus (Tesoro) and Castaic.

Santa Clarita Water Division (SCWD) began as Bouquet Canyon Water Company in 1949. In 1973, a merger of Bouquet Canyon Water Company and Solemint Water Company was approved by the CPUC and renamed the Santa Clarita Water Company (SCWC). In 1999, Castaic Lake Water Agency purchased SCWC and changed its name to Santa Clarita Water, a Division of Castaic Lake Water Agency (SCWD). The SCWD service area covers an area of approximately 55 square miles, including the unincorporated communities of Canyon Country, Saugus, Newhall and portions of the City of Santa Clarita. SCWD serves approximately 31,300 service connections.

Valencia Water Company was incorporated on April 7, 1954 in the State of California and was granted a Certificate of Public Convenience and Necessity by the CPUC in Decision No. 69744

dated October 5, 1965. Amongst other authorities, the CPUC had the authority, after conducting hearings, to set rates that are deemed just and reasonable for all utilities under its jurisdiction. Valencia Water's service area is approximately 31 square miles. Valencia Water Company currently serves approximately 31,500 connections of which 90% are residential customers, both within the incorporated City of Santa Clarita and portions of Castaic, Newhall, Saugus, Stevenson Ranch and Valencia in the unincorporated portions of Los Angeles County.

Mission Statement

Providing responsible water stewardship to ensure the Santa Clarita Valley has reliable supplies of high-quality water at a reasonable cost.

Vision Statement

Exemplary water management for a high quality of life in the Santa Clarita Valley.

Core Values

- Integrity
 - We commit to the highest ethical standards of honesty, transparency and respect in our interactions with each other, the customers we serve and the entire community.
- Trust
 - We are dedicated to partnering with community stakeholders to pursue responsible long-term management of water resources that effectively enhance quality of life and further the agency's mission and duty to be stewards of the water supply.
- Professionalism
 - We maintain a diverse team of highly skilled employees who are devoted to honest, courteous and accountable business practices and take their role as stewards of our resources seriously and with humility.
- Excellence
 - We strive to exceed customer expectations and deliver extraordinary service while providing a reliable, safe water supply at an affordable cost.
- Safety
 - We prioritize creating and maintaining healthy, secure conditions at our facilities and in the community by adhering to safety policies and procedures and by offering technical and preventative training to our workforce.
- Innovation
 - We are industry leaders who embrace change by finding sustainable, pioneering solutions to challenges and continuing to learn and grow in all we do.

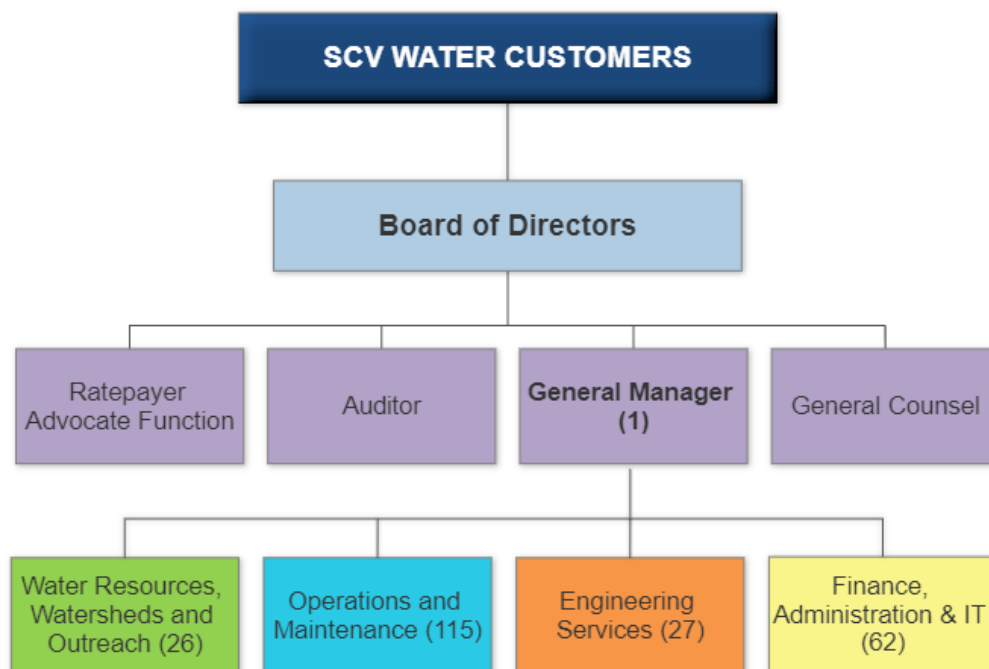
Governance

SCV Water has a three electoral division system with equal-population per division. The initial board consisted of 15 members, 5 of whom were directors of NCWD on December 31, 2017 and 10 of whom were of CLWA on December 31, 2017. In March 2018, the Board was reduced to 14 Directors and in February 2019 was reduced to 13 Directors after two Directors retired and moved out of the area. The initial terms of directors whose respective terms as a member of NCWD or CLWA Board of Directors would have expired following the 2018 general election now expired following the 2020 general election, and terms of members that would have expired following the 2020 general election now expire following the 2022 general election. Two directors were elected for each electoral division at the 2020 general election (reducing the

number of Directors to 12), and at every election on that four-year election cycle thereafter. One director will be elected for each electoral division at the 2022 general election (reducing the number of Directors to 9) and at every election on that four-year election cycle thereafter. There will be no appointed director position after January 1, 2023.

DIRECTOR	DIVISION	TERM EXPIRES
Gary R. Martin, President	1	January 2025
E.G. "Jerry" Gladbach, Vice President	2	January 2023
Daniel Mortensen, Vice President	3	January 2023
Kathye Armitage	3	January 2025
B.J. Atkins	3	January 2025
Beth Braunstein	1	January 2025
Ed Colley	2	January 2025
William Cooper	1	January 2023
Jeff Ford	L.A. County WWD #36	January 2023
R.J. Kelly	1	January 2023
Piotr Orzechowski	2	January 2025
Lynne Plambeck	3	January 2023

Organization



SCV WATER FACILITIES

SCV Water’s Regional Water facilities include two water treatment plants, two pump stations, the Sand Canyon System and the recycled water system.

ESFP – The Earl Schmidt Filtration Plant, located at the southern end of the Castaic Reservoir, treats State Water Project and other imported water for domestic uses. The ESFP 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 ESFP was re-rated at 33.6 mgd. In 2005, the ESFP 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 ESFP 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.

RVWTP – The Rio Vista Water Treatment Plant (“RVWTP”) is located in the City of Santa Clarita and treats State Water Project for domestic uses. The RVWTP was originally permitted to operate in 1999 with an original capacity of 30 mgd and was expanded to a capacity of 66 mgd in 2011. The treatment process includes ozonation, coagulation, contact clarification and filtration through anthracite filters. Chloramination occurs after treatment. Wash water is recovered and returned to the headworks. The RVWTP 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 clear well reservoirs provide a total of 30 million gallons of treated water storage.

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

Rio Vista Intake Pump Station – The Rio Vista Intake Pump Station pumps water from The Metropolitan Water District of Southern California (“MWD”) Foothill Feeder to the Rio Vista 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 water facilities and District No. 36 through a series of turnouts and laterals.

The portion of the Castaic Conduit between the State outlets 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 Agency’s service area and eventually transitions to a 39-inch diameter pipeline with a design capacity of 27 mgd, where it connects with the Honby and Newhall Laterals which in turn provide water to the retail water facilities and District No. 36. Approximately two miles of 84-inch diameter pipeline with a nominal capacity of 124 mgd connects the Rio Vista Plant to the 39-inch diameter pipeline.

The agency 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, the Agency 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 Agency’s service area.

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

Sand Canyon Pipeline 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 million gallons of treated water.

Groundwater Wells – The Agency has historically had 41 operational groundwater wells within the alluvial aquifer and the Saugus Formation aquifer, the two groundwater aquifer systems in the Santa Clarita Valley. The 41 wells have a combined capacity of 74,000 gallons per minute (“gpm”). Recently, the Agency has taken a number of the wells out of service due to the detection of PFOS and PFOA, resulting in 22 operational groundwater wells as of April 14, 2020.

In fall 2020 our new PFAS water treatment facility opened. It is an investment in our long-term water supply and will restore use of a substantial portion of our groundwater that has been impacted due to PFAS chemicals and will provide enough water to serve 5,000 families for a year. Additional projects are in the planning phases and are set to go online in 2021.

The Agency has sufficient pumping capacity with the wells which have not been taken out of service to provide water service to all customers within the service area. The Agency has an ongoing well replacement and rehabilitation program to ensure that its groundwater facilities operate in an efficient and reliable manner.

Turnouts – Turnouts are locations where imported water is delivered to the distribution system. Some turnouts are located where they require pumps to supply water to a higher elevation grade. Other turnout locations supply water through gravity without the need for pumping. SCV Water provides treatment of the imported supplies through two surface water treatment plants (Earl Schmidt and Rio Vista). SCV Water has 24 turnouts with total capacity of 108,800 gpm and 40 pumps.

Storage Facilities – SCV Water has 99 storage facilities ranging in size from 0.05 MG to 15 MG with total storage of 204 million gallons.

Booster Facilities – Due to the topography of the Santa Clarita Valley, there are 64 pumping facilities that are needed to provide service. These facilities have a flow rate range of 60 to 10,400 gpm, total capacity of 266,654 GPM and 168 pumps.

Pipelines – SCV Water has 879 miles of pipelines ranging from 2 to 102 inches in diameter. There is a mixture of pipeline materials including steel, asbestos cement, PVC and ductile iron.

Sewer Facilities – Sewer facilities are located in a portion of Canyon Country. The facilities include the Shadow Pines Lift Station (Lift Station) and sections of transmission force and gravity mainline. The plan is to upgrade the remaining sections of mainline and the Lift Station to current County design standards and then transfer the sewer system ownership to the City of Santa Clarita. This process is required as the County is responsible for the maintenance of the City owned sewer system.

PERCHLORATE and BANKING

Perchlorate Treatment and Distributions Systems – 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). Three additional production wells in the alluvial aquifer tested positive for perchlorate in 2002, 2005 and 2010. Beginning in

2007 the Agency rehabilitated Saugus 1 and 2 wells and constructed a perchlorate treatment facility and distribution pipelines. The Saugus Perchlorate Treatment Facility (SPTF), which includes an ion exchange process located at the RVIPS, was placed into service in early 2010. Returning the Saugus 1 and 2 wells to service restored lost capacity and helps contain migration of groundwater contamination in the Saugus Formation emanating from the contaminated sites.

Groundwater Banking and Exchange Programs – The Agency currently has two groundwater banking programs and two water exchange programs. In May 2015, the former Castaic Lake Water Agency's (CLWA) Stored Water Recovery Program within the Semitropic Water Storage District's Groundwater Banking Program (Semitropic Banking Program) became operational. Under this agreement two short-term ten-year accounts containing 35,970 acre-feet were transferred into this new program. Under this agreement the Agency can store an additional 15,000 acre-feet. The term of the Semitropic Banking Program extends through 2035 with the option of two 10-year renewals. The Agency may withdraw up to 5,000 acre-feet annually from its accounts in the Semitropic Banking Program. As of January 1, 2021, the Agency's banking accounts totaled 40,278 acre-feet. In light of the March 23, 2021 announcement that the Agency's State Water Protect Contractor's Table A allocation is 5% for 2021, the Agency expects to recover approximately 5,000 acre-feet of water from the Semitropic Banking Program.

In September 2005, the former CLWA initiated participation in the Rosedale-Rio Bravo Water Storage District Groundwater Banking Program (Rosedale-Rio Bravo Banking Program). This program allows the storage of 20,000 acre-feet annually of the Agency's State Water Project Table A Amount or other State Water Project supplies, up to a maximum of 100,000 acre-feet, and has a contract term through 2035, renewable according to the terms of the Agency's water supply contract with DWR. In 2015, the former 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 were completed in the fall of 2019 and are available to recover the Agency's banked water or water from the banking program. Since 2020, the Agency has withdrawn approximately 6,400 acre-feet of water from Rosedale-Rio Bravo Banking Program account. As of January 1, 2021, the Agency had available approximately 98,810 acre-feet stored in the Rosedale-Rio Bravo Banking Program. In light of the March 23, 2021 announcement that the Agency's State Water Protect Contractor's Table A allocation is 5% for 2021, the Agency anticipates recovery of approximately 16,000 acre-feet of water from the Rosedale-Rio Bravo Banking Program.

In addition to its program with the Semitropic, the Agency has in past years gained access to additional extraction capacity from Semitropic's Banking Program through an agreement with another Semitropic Banking Program participant, Newhall Land and Farming Company (Newhall Land). In 2010 and again in 2014, the Agency withdrew approximately 4,950 acre-feet from Newhall Land's Semitropic short-term account under an agreement with Newhall Land.

In 2019, the Agency entered into a two-for-one exchange program with Antelope Valley-East Kern Water Agency and delivered 7,500 acre-feet, resulting in 3,750 acre-feet of recoverable water. In 2020 the Agency recovered 1,406 acre-feet from this program. As of January 2021, the Agency has 2,344 acre-feet of recoverable water remaining.

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

EMPLOYEE COMPENSATION

Salaries – General wage increases are established by a program of cost-of-living adjustments (COLAs) and periodic market surveys. For cost-of-living adjustments, the Board of Directors reviews Consumer Price Index (CPI) and other relevant information and, where appropriate, grants COLA in July.

SCV Water uses other water districts as a comparison for benchmark staffing positions and compensation, but it does not compare its financial status to these entities, such as nearby Metropolitan Water District who serves 26 public water agencies, for example, because SCV Water is the only water provider in the area and its operations are unique and unlike other “local” jurisdictions.

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

Health Insurance – SCV Water provides a range of medical insurance plans through PERS. Recent increases in medical insurance costs have been relatively modest because PERS converted from statewide rates to zone rates and rates in southern California tend to be less than in northern California. The biennial budget conservatively assumes an increase of 5% effective January 1, 2022 and January 1, 2023. Dental and vision insurance are provided through the Joint Powers Insurance Authority (JPIA). The biennial budget assumes no change for the Delta Dental PPO dental plan and no change for the VSP vision plan.

Retiree Benefits/Other Post-Employment Benefits (OPEB) – SCV Water offers full medical and dental insurance to eligible retirees and their dependents. The Agency has funded the Unfunded Actuarial Accrued Liability (UAAL) and will continue to fund the ARC (annually required contribution) on an annual basis. During FY 2020/21, SCV Water obtained a new actuarial study that provides an analysis for the consolidated SCV Water.

Workers' Compensation Insurance – SCV Water receives Workers' Compensation insurance from JPIA. SCV Water is a member of the Association of California Water Agencies Joint Power Insurance Authority (JPIA), an intergovernmental risk-sharing joint powers authority created to provide self-insurance programs for California water agencies. Premiums are based on the Agency's size and experience ratings. JPIA uses the same formula developed by the Workers' Compensation Insurance Rating Bureau to generate an experience modification factor, which will reflect the Agency's loss experience in comparison with other employers in the same classifications. Premiums are paid quarterly based on actual payroll for the previous quarter. The rates vary by employee classification.

RISK MANAGEMENT

The Agency recognizes that losses have a negative financial impact on the Agency. Minimizing the exposure to loss is a goal of the Agency. The Agency strives to minimize losses through its safety and training programs and through its risk transfer program. The Agency has adopted a Risk Transfer Manual, which recognizes that a critical step in minimizing the exposure to loss is

to execute effective risk transfer. The Agency uses a set of standard contracts to minimize potential liability exposures by transferring the legal and financial responsibility for losses to the party best able to control them.

Insurance – JPIA arranges and administers programs of insurance for the pooling of self-insured losses and purchases excess insurance coverage for its members. JPIA began operations on October 1, 1979 and has continued without interruption since that time. As of June 30, 2020, Agency limits and deductibles for liability, property, and workers compensation programs of the JPIA are as follows:

- General and auto liability, public officials and employees' errors and omissions: total risk financing self-insurance limits of \$1,000,000, combined single limit per occurrence. JPIA has purchased additional excess coverage layers of \$59,000,000 for general, auto and public officials' liability, which increases the limits on the insurance coverage noted above.
- 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.
- Property losses are paid at the replacement cost for buildings, fixed equipment and personal property on file, if replaced within two years after the loss; otherwise such losses are paid on an actual cash value basis, subject to a \$5,000 deductible per loss, and actual cash value for mobile equipment, subject to a \$1,000 deductible per loss, and licensed vehicles, subject to a \$500 deductible per loss. JPIA has purchased excess coverage for a combined total of \$100,000,000 per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100,000,000 per occurrence, subject to various deductibles depending on the type of equipment.
- Workers compensation insurance up to State statutory limits for all work-related injuries/illnesses covered by State law, and employer's liability coverage up to \$4,000,000. JPIA is self-insured up to \$2,000,000 and excess coverage has been purchased.

In addition to the above, SCV Water 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.
- Earthquake and flood insurance coverage for the Saugus Perchlorate Treatment Facility, certain NWD and certain VWD facilities. Earthquake and flood insurance for the Saugus Perchlorate Treatment Facility has annual coverage limits of \$25,000,000 per occurrence and in the aggregate. Deductibles for the Saugus Perchlorate policy are 5% of value, subject to a \$25,000 minimum, per loss of earthquake and \$25,000 per loss for flood. Earthquake and flood insurance for the NWD facilities has coverage limits of \$10,000,000 per occurrence and in the annual aggregate, with an earthquake deductible of 15% per unit of insurance including time element business income, extra expense and

rental value. The minimum deductible for earthquake and flood insurance is \$50,000 and a \$25,000 deductible for all other perils. Earthquake and flood insurance for the VWD facilities has coverage limits of \$10,000,000 primary and \$25,000,000 excess, total of \$35,000,000 per occurrence and in the aggregate. Deductibles for the VWD facilities policy are \$100,000 or 5% per location, whichever is greater, for earthquake coverage and \$250,000 per occurrence for flood coverage. This coverage also includes business personal property, business income, extra expense and terrorism.

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

COMMUNITY PROFILE

The Agency is located in the northwestern portion of Los Angeles County approximately 35 miles from downtown Los Angeles. The Agency's service area has a population of approximately 286,000 and covers an area of approximately 195 square miles or 124,000 acres. The majority of the service area is located in Los Angeles County, encompassing most of the valley and adjacent hill country along the Upper Santa Clara River.

Approximately 20 square miles of the service area extends into unincorporated rural portions of Ventura County. The service area is a semi-arid region and includes the City of Santa Clarita (City), plus surrounding unincorporated portions of Los Angeles and Ventura Counties. Communities in the unincorporated areas include Castaic, Stevenson Ranch and Val Verde.

The Agency's service area, encompassing the City of Santa Clarita, is considered a premier community for raising families and building businesses. The area is known for its attractive residential neighborhoods, low crime rate and excellent schools. The City's estimated population on January 1, 2020 is reported at 221,932 and is the third-largest City in Los Angeles County.

The Santa Clarita Valley is part of a comprehensive transportation network, which includes three major freeways, a commuter rail that serves in a typical year over 2,100 passengers daily from the Antelope and Santa Clarita Valley and allows easy access to the ports of Los Angeles and Long Beach. The three Metrolink commuter rail stations in Santa Clarita have carried over 1,100 passengers a day to and from the San Fernando Valley and Downtown Los Angeles. Metrolink ridership has increased an average of 16% in Santa Clarita in the last year. The City also has nearly 110 miles of bicycle and pedestrian trails.

The Santa Clarita Valley housing market is very competitive. In March 2021, the median sale price of a home in Santa Clarita was \$640K, up 15.5% since 2020. The average sale price per square foot in Santa Clarita is \$372, up 13.9% since 2020.

The median household income in Santa Clarita Valley, last reported in 2019 was \$97,904, which was 17.8% greater than the median annual income of \$80,440 across the entire state of California. Compared to the median income of \$66,717 in 2000 this represents an increase of 31.9%. The per capita income in 2019 was \$41,073, which means an increase of 34.7% compared to 2000 when it was \$26,841.



4 William S. Hart Union School District high schools made U.S. News and World Report's list of 2017 Best High Schools.



Golden Valley High School
Diversity is our Strength. Unity is our Goal.

West Ranch High School



Hart High School



Academy Of The Canyons



80 MILES



of hiking/biking trails

30 MILES



of pedestrian paseos

4,000 ACRES



of protected open space

280 DAYS



of sunshine with avg. daily temperatures in the 70s and 80s

Source: SCV Economic Development Corporation (SCVEDC)

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

Also located in the Santa Clarita Valley are the COC Performing Arts Center; Canyon Theatre Guild, Disney Studios, Santa Clarita Repertory Theater, as well as the Friendly Valley, Valencia Country Club, Sand Canyon Country Club, The Oaks Club at Valencia and Vista Valencia golf courses.

The City of Santa Clarita's strong and diverse economy continues to expand, making Santa Clarita the ideal destination for Southern California businesses. Maintenance of a highly supportive environment for business development is achieved through the cooperation of the local Chamber of Commerce and the City government. In addition, companies benefit greatly from the area's land and leasing opportunities, as well as from the highly-skilled labor pool, variety of transportation choices, housing, quality of life, climate, and scenery. Santa Clarita's top employers are Six Flags Magic Mountain, Princess Cruises, Henry Mayo Newhall Memorial Hospital, College of the Canyons, William S. Hart and Saugus Union School Districts, U.S. Postal Service, Boston Scientific, Newhall School District and the City of Santa Clarita.

ECONOMY

The Agency is largely located in the northwestern portion of Los Angeles County approximately 35 miles from downtown Los Angeles, although approximately 20 square miles of the service area extends into unincorporated rural portions of Ventura County. The 2019 gross product of Los Angeles County is estimated at \$807 billion (LA County EDC). Due to the COVID-19 pandemic, many jobs have been lost. Los Angeles County unemployment rates have increased to 10.9% (April 2021) from low of 4.7% (February 2020), pre pandemic. State of California's unemployment rate was 8.2% in March 2021 (California Employment Development Department). The City of Santa Clarita lost 11,800 jobs from December 2019 to December 2020 and reported a high unemployment rate of 9.3%. The labor workforce has shrunk by over 8,000 workers, many electing to remain at home for child care and home-schooling duties. As Los Angeles County moves through the "Blueprint for a Safe Economy" tiers, more economic activity will resume, leading to more consumer spending and more hiring (SCVEDC).

Growth in the Community and Impacts to SCV Water

The Agency evaluates land-use data and housing construction in the service area in conjunction with the retail water purveyors and projections from the "One Valley One Vision" (OVOV), a joint planning effort by the City of Santa Clarita and the Los Angeles County Department of Regional Planning. The OVOV general plan amendments are the basis of the Agency's 2015 Urban Water Management Plan (UWMP). The 2015 UWMP indicates a 1.3 percent annual rate of growth in the service area.

The Agency's 2015 UWMP provides information on water use, water resources, recycled water, water quality, reliability planning, demand management measures and water shortage contingency planning. It projects future demands for residential, industrial, institutional, landscape, agricultural and other purposes, and lists available and planned supplies to meet that demand. The 2015 UWMP has found that, based on conservative water supply and demand assumptions over the next forty years in combination with conservation of non-essential demand during certain dry years, and additional investments in recycled water and water banking programs, the Agency's total projected water supplies will be sufficient to meet the Agency's projected water demands in the Agency's service area through the year 2050.

Top Ten Customers

FY 2019/20			
	Customer Name	Annual Revenues	% of Water Sales
1	City of Santa Clarita	\$ 3,400,034.56	4.14%
2	GH Palmer	\$ 1,496,072.77	1.82%
3	LA County Public Works	\$ 902,442.43	1.10%
4	Six Flags Magic Mountain	\$ 507,649.93	0.62%
5	Tesoro Del Valle HOA	\$ 400,017.21	0.49%
6	FivePoint	\$ 338,532.39	0.49%
7	CF Arcis X Holdings LLC	\$ 311,966.48	0.41%
8	The Terrace HOA	\$ 276,730.76	0.38%
9	West Creek/West Hills HOA	\$ 247,344.95	0.28%
10	Westridge Valencia	\$ 226,195.28	0.28%
	Total (10 Largest)	\$ 8,106,986.76	9.87%
	Others	\$ 74,070,256.24	90.13%
	Grand Total:	\$ 82,177,243.00	100%

Projected Availability and Reliability of State Water Project Supplies

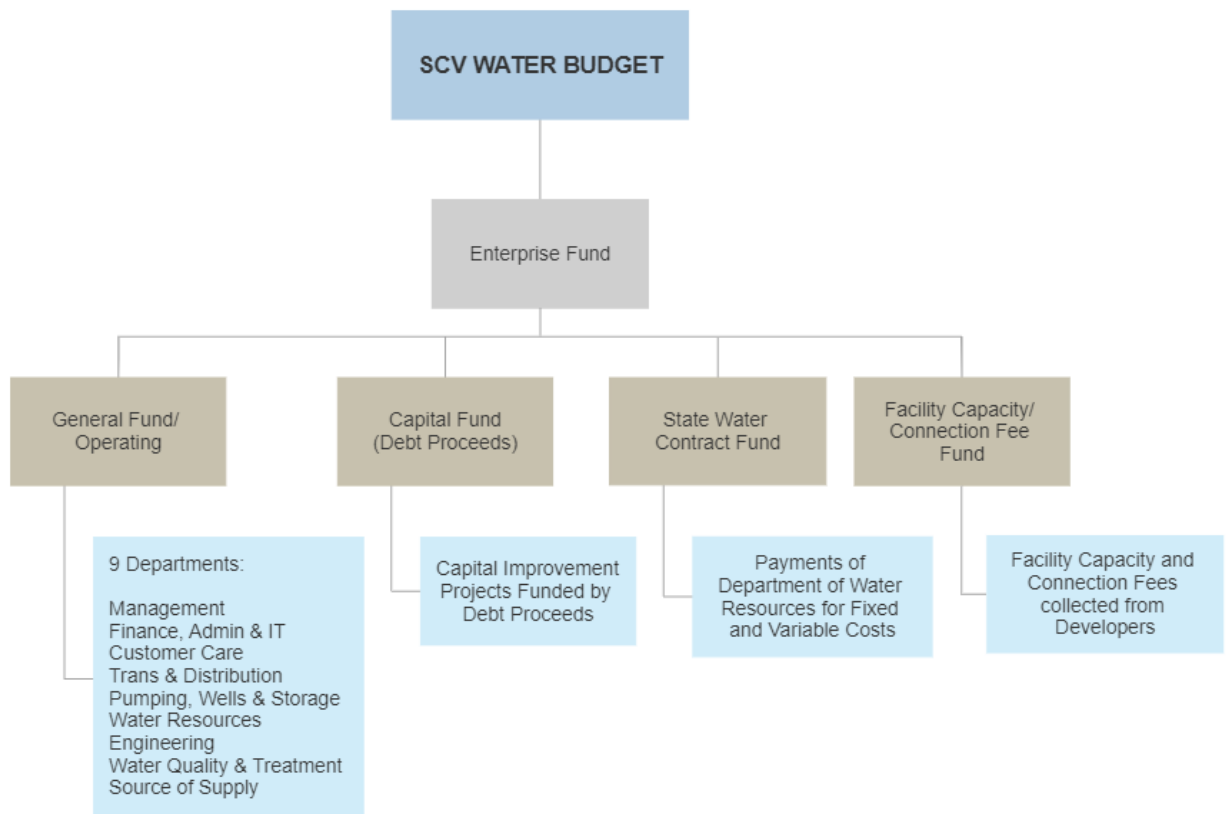
In 2020, DWR released its Final 2019 State Water Project Delivery Capability Report. This report incorporated updated regulatory requirements and operating constraints and indicates that under current climate conditions the average reliability for SCV Water would be 58%. The report also analyzes the impacts of future climate change and projects the average reliability would be reduced to 52% by 2040. This information was used in the Agency's 2020 UWMP and 2021 Water Supply Reliability Report Update. This report concluded that with implementation of planned water supply projects SCV Water would continue to achieve long-term water supply reliability.

BUDGETARY CONTROL

The Board of Directors annually adopts a balanced operating and capital budget prior to the new fiscal year. The Budget authorizes and provides the basis for reporting and control of financial operations and accountability for the Agency's operations and capital projects. The Board of Directors monitors the Budget and financial conditions through Monthly Financial Reports, Midyear and Yearend Budget reports and the Comprehensive Annual Financial Report. The Board of Directors must approve all supplemental appropriations to the Budget and transfers between major funds not identified in the Budget. The legal level of budgetary control is at the fund level. The General Manager is authorized to direct the Assistant General Manager and Chief Financial and Administrative Officer to transfer within individual fund budgets.

FUND STRUCTURE

A Fund Balance is fund equity in governmental funds. The difference between the assets and liabilities equal the fund balance. The current funds on hand, resulting from historical collection and use of monies. The difference between assets and liabilities reported in the Operating Fund, plus residual equities or balances or changes therein, from the results of operations.



General Fund – Fund used to account for and report all financial resources not accounted for and reported in another fund.

Capital Project Fund – Capital projects that are financed.

State Water Contract Fund – Funds received from ad valorem property taxes for payment of DWR fixed and variable costs.

Facility Capacity/Connection Fees – Funds that are collected from development or developers.

BUDGET BASIS

The Agency records budget and financial documents based on the accrual-basis of accounting generally accepted in the United States of America, which is consistent with the Agency’s independent audit report.

SCV Water uses the accrual basis of accounting, which means that revenues and expenses are recorded in the periods in which the transaction occur, regardless of the timing of cash flows.

Expenditures are recognized as encumbrances when a commitment is made, and revenues are recorded at the time they are earned.

The Annual Comprehensive Financial Report (ACFR) shows the status of the Agency’s finances in accordance with “generally accepted accounting principles” (GAAP). In most cases, this conforms to the way the Agency prepares its Budget. One exception is the compensated absence liabilities that are expected to be liquidated with expendable available financial resources that are accrued as earned by employees (GAAP) as opposed to being expended when paid (Budget).

The Agency’s Budget is balanced, when for a specified period of time, the total sum of money collected in a year is equal to the amount it spends on goods, services, capital and debt. The FY 2021/22 and FY 2022/23 Budget are balanced, with the exception of FY 2021/22 where carryover funds are utilized to offset costs of the capital program.

	FY 2021/22		FY 2022/23	
	Revenue	Expenses	Revenue	Expenses
Water Sales	\$ 86.9		\$ 92.4	
Property Tax	\$ 27.9		\$ 28.6	
Grants	\$ 1.4		\$ 2.8	
Reimbursements	\$ 8.4		\$ 3.4	
Misc Revenue	\$ 2.4		\$ 2.5	
Operating Expense		\$ 84.4		\$ 86.0
Capital (Pay-go)		\$ 47.2		\$ 49.0
Debt Service		\$ 33.0		\$ 33.2
Carryover	\$ 7.7			
Transfer In - FC/C Fee	\$ 16.8		\$ 8.7	
Transfer In - Reserves	\$ 13.1		\$ 29.8	
	\$ 164.6	\$ 164.6	\$ 168.2	\$ 168.2

BUDGET PROCESS

The SCV Water budget process starts in February of each year, and proceeds with a series of meetings involving section directors and/or managers. The budget planning and preparation process is an important Agency activity and provides an opportunity for the Board of Directors, management and staff to reassess goals and objectives for the upcoming and future years. The budget process is a comprehensive team effort from every level within the organization. The foundation of the budget process continues the goals and objectives as set in the Strategic Plan and related priorities established by the Board of Directors. The Budget is designed to support each of them. Each section's budget narrative discusses the ways in which the organization is furthering those goals and objectives.

The first phase in the budget process is for the section directors and managers to prepare new requests for capital equipment, construction projects and staff positions for the new fiscal year. The second phase consists of preparing department operating budgets, including payroll and related expenditures. Estimating payroll and related expenditures are based on current approved positions and factors based on historical adjustments throughout the year. The third phase involves department directors, managers and supervisors submitting their budgets to the Finance Department to justify expenditure requests. After all the departments' budgets have been reviewed by the Finance Department, the Budget is consolidated for the Agency and an initial proposed budget document is submitted to the Finance and Administration (F&A) Committee.

For expenses, each section has the ability to review historical trends, past year's budgeted and audited expenses, current year's transactions and projected balance. Significant changes from the previous year's Budget need to be accompanied by backup documents from each section to justify the increased or decreased expense. Inflation assumptions are added into the budget calculation to project expenses for future years. For some recurring expenditures (labor, benefits, power, chemicals), a 3%-4.38 inflation assumption is used for future years projections. By planning three to five years in advance, the Agency provides the opportunity to smooth future rate adjustments.

The method used to determine revenue projections takes into account significant factors such as projected growth, conservation and usage history. For FY 2021/22 and FY 2022/23 the projected water sales revenue was taken from the April 2021 Cost of Service and Rate Study. The Agency also has other revenue sources that are calculated for the fiscal year. The other revenues include property taxes, grants, reimbursements, communication site rentals and interest earnings.

Once all the components have been calculated, those numbers are presented to the F&A Committee and the Board of Directors from April through June. Typically, staff conducts a working session with the F&A Committee to review the proposed Budget in detail. The F&A Committee will recommend approval to the Board of Directors. The Budget is approved by motion and majority vote of the Board. If the Budget is not adopted in May, the Board may direct staff to revise and update the Budget and resubmit it in June for Board review and adoption. Any major changes in excess of the adopted policies are presented to the Board of Directors for future Budget amendments. A Budget amendment is defined as a procedure for increasing appropriations of a fund with the express intent of employing unbudgeted resources to carry out the purpose for the increased appropriations.

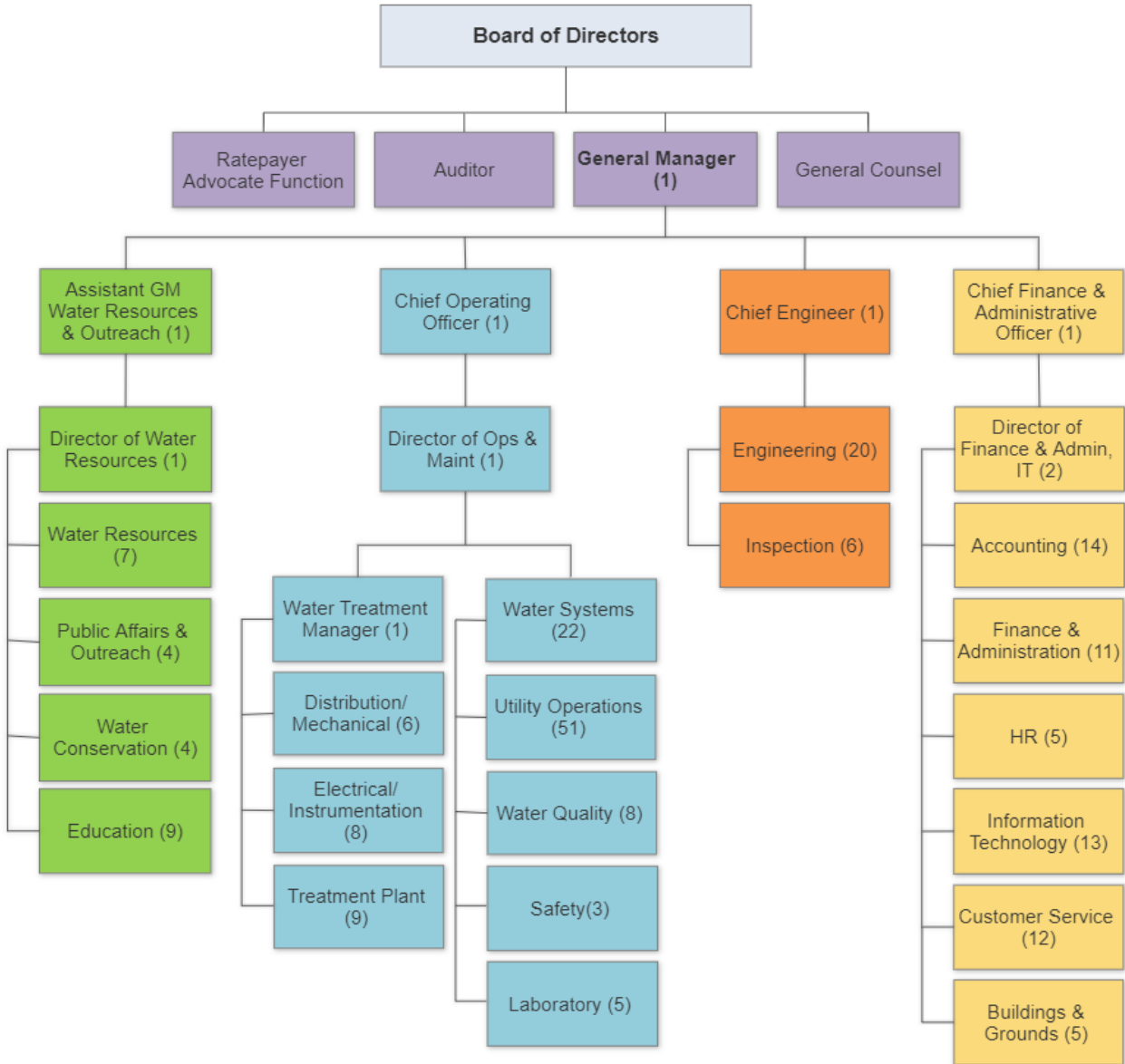
All of these meetings are posted for public participation. In addition, the Budget is posted on the Agency's website to allow for public review. The final Budget is also posted on the Agency's website after it is adopted.

Budget Calendar

FY 2021/22 and 2022/23	
Feb 24	Operating expense forms distributed to Departments
March 8	Department budgets due
March 15	Finance and Administration Committee Review Draft FY 2021/22 Budget Calendar
March 17	Capital Budgets due
March 23	Management reviews Operating and Capital Budget
April 1	<i>Engineering and Operations Committee</i> Review proposed major and significant Capital Improvement Projects (CIP)
April 19	<i>Finance and Administration Committee</i> Review Draft FY 2021/22 and FY 2022/23 Budget and Status of FY 2020/21
May 17	<i>Finance and Administration Committee</i> Recommend Approval of Final FY 2021/22 and FY 2022/23 Biennial Budget
June 1	<i>Board of Directors</i> Approve Final FY 2021/22 and FY 2022/23 Biennial Budget



ORGANIZATIONAL CHART



TOTAL POSITIONS	231
FULL-TIME	216
PART-TIME	10
LIMITED DURATION EMPLOYEES	5
FTE EQUIVALENTS	226

**SCV WATER
POSITION CONTROL FY 2021/22**

DEPARTMENT	POSITION	NO. OF POSITIONS
3	ADMINISTRATIVE TECHNICIAN	1
	BOARD SECRETARY/EXECUTIVE ASSISTANT	1
	GENERAL MANAGER	1
60	ACCOUNTANT	3
	ACCOUNTING MANAGER	1
	ACCOUNTING TECHNICIAN II	3
	ADMINISTRATIVE TECHNICIAN	4
	BUILDING & GROUNDS SUPERVISOR	1
	CHIEF FINANCIAL & ADMINISTRATIVE OFFICER	1
	CONTROLLER	1
	CUSTOMER SERVICE MANAGER	1
	CUSTOMER SERVICE REP I	3
	CUSTOMER SERVICE REP II	6
	CUSTOMER SERVICE SUPERVISOR	1
	DIRECTOR OF FINANCE & ADMINISTRATION	1
	DIRECTOR OF TECHNOLOGY SERVICES	1
	FACILITIES MAINTENANCE TECHNICIAN II	2
	FINANCIAL ANALYST	2
	GIS ANALYST	3
	GIS MANAGER	1
	GIS TECHNICIAN II	1
	HUMAN RESOURCES ANALYST	2
	HUMAN RESOURCES MANAGER	1
	HUMAN RESOURCES SPECIALIST	1
	INFORMATION TECHNOLOGY SUPERVISOR	1
	IT SPECIALIST	1
	IT TECHNICIAN I	1
	IT TECHNICIAN II	2
	LIMITED DURATION EMPLOYEE	4
	MANAGEMENT ANALYST I	1
	MANAGEMENT ANALYST II	1
	PAYROLL SPECIALIST	1
	SECURITY SPECIALIST	1
	SR ACCOUNTANT	2
	SR CUSTOMER SERVICE REP	1
	SR FACILITIES MAINTENANCE TECHNICIAN	1
SR IT TECHNICIAN	1	
SR MANAGEMENT ANALYST	2	

**SCV WATER
POSITION CONTROL FY 2021/22**

DEPARTMENT	POSITION	NO. OF POSITIONS
ENGINEERING	ADMINISTRATIVE TECHNICIAN	3
	ASSISTANT ENGINEER	2
	CHIEF ENGINEER	1
	ENGINEER	3
	ENGINEERING TECHNICIAN II	3
	EXECUTIVE ASSISTANT	1
	INSPECTOR I	1
	INSPECTOR II	2
	INSPECTOR SUPERVISOR	1
	LIMITED DURATION EMPLOYEE	1
	PRINCIPAL ENGINEER	3
	RIGHT OF WAY AGENT	1
	SR ADMINISTRATION TECHNICIAN	1
	SR ENGINEER	3
	SR INSPECTOR	1
27		
OPERATIONS	ADMINISTRATIVE TECHNICIAN	2
	CHIEF OPERATING OFFICER	1
	DIRECTOR OF OPERATIONS & MAINTENANCE	1
	EMERGENCY PREPAREDNESS & SAFETY COORDINATOR	1
	ENVIRONMENTAL HEALTH & SAFETY SUPERVISOR	1
	EXECUTIVE ASSISTANT	1
	FIELD SERVICES SUPERVISOR	1
	FIELD SERVICES WORKER I	4
	FIELD SERVICES WORKER II	5
	FLEET & WAREHOUSING SUPERVISOR	1
	LEAD UTILITY WORKER	2
	LEAD WATER SYSTEMS TECH	1
	PURCHASING & WAREHOUSE TECH	3
	SAFETY SPECIALIST II	1
	SR ADMINISTRATION TECHNICIAN	1
	SR FIELD SERVICES WORKER	2
	SR UTILITY WORKER	8
	SR WATER QUALITY SCIENTIST	1
	SR WATER SYSTEM TECHNICIAN	4
	UTILITY SUPERVISOR	2
	UTILITY WORKER I	9
	UTILITY WORKER II	13
	WATER QUALITY LABORATORY MANAGER	1
	WATER QUALITY SCIENTIST I	1
	WATER QUALITY SCIENTIST II	2
	WATER QUALITY SPECIALIST	2
	WATER QUALITY SUPERVISOR	1
	WATER QUALITY TECHNICIAN I	4
	WATER QUALITY TECHNICIAN II	1
	WATER SYSTEMS SUPERVISOR	2
WATER SYSTEMS TECH I	2	
WATER SYSTEMS TECH II	9	
90		

**SCV WATER
POSITION CONTROL FY 2021/22**

DEPARTMENT	POSITION	NO. OF POSITIONS
25	ADMINISTRATIVE TECHNICIAN	1
	ELECTRICAL/INSTRUMENTATION SUPERVISOR	1
	ELECTRICAL/INSTRUMENTATION TECH	3
	SCADA TECHNICIAN II	1
	SR ELECTRICAL TECHNICIAN	2
	SR INSTRUMENTATION TECH	2
	SR TREATMENT PLANT OPERATOR	4
	SR WATER SYSTEM TECHNICIAN	2
	TREATMENT PLANT OPERATOR I	1
	TREATMENT PLANT OPERATOR II	4
	WATER SYSTEMS TECH II	3
	WATER TREATMENT MANAGER	1
	26	ASSISTANT GENERAL MANAGER
COMMUNICATIONS MANAGER		1
DATA SCIENTIST		1
DIRECTOR OF WATER RESOURCES		1
EVENT COORDINATOR		1
EXECUTIVE ASSISTANT		1
MANAGEMENT ANALYST II		1
PRINCIPAL WATER RESOURCES PLANNER		4
PUBLIC AFFAIRS SPECIALIST I		1
SR PUBLIC AFFAIRS SPECIALIST		1
SUSTAINABILITY MANAGER		1
WATER CONSERVATION SPECIALIST I		1
WATER CONSERVATION SPECIALIST II		2
WATER EDUCATION INSTRUCTOR		8
WATER EDUCATION SUPERVISOR		1
TOTAL POSITIONS		228
FULL-TIME		213
PART-TIME		10
LIMITED DURATION EMPLOYEES		5
FTE EQUIVALENTS		226

Santa Clarita Valley (SCV)

Pictured (top left): View of the Santa Clarita Valley, Rio Vista Water Treatment Plant's clearwells and wash water recovery basins; (top right) solar power panels on the RVWTP upper mesa and (mid left) lower mesa; (center) Santa Clarita Valley location in the state of California; (lower left center) glorious sunrise at the RVWTP; and (bottom left) overlooking City of Santa Clarita's Central Park, which sits at the base of the RVWTP.



2019

SANTA CLARITA VALLEY WATER AGENCY

5-YEAR STRATEGIC PLAN

Unified. Integrated. Best in class. A new era in regional water resource management for a valley that shares one river, one watershed.



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For more information, contact:

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(661) 297-1600

EXECUTIVE SUMMARY

Santa Clarita Valley Water Agency (SCV Water) was created January 1, 2018 by an act of the State Legislature (SB 634) through the merger of the four water agencies in the Santa Clarita Valley. SCV Water provides water services to a population of approximately 273,000 in the Santa Clarita Valley through 72,000 water service connections.



Reliable, high quality water service is critical to an economically and environmentally vibrant community. Providing that service is increasingly complex as water utilities must manage numerous challenges. Some of these include finding and maintaining adequate water resources, treating water to ensure its health and safety, coping with the loss of skilled retirees, engaging the community and communicating the value of water, managing the maintenance and replacement of aging infrastructure, and ensuring adequate financial resources to meet these challenges.



The Board and staff of SCV Water have created this 5-Year Strategic Plan to guide the agency in the coming years. The Strategic Plan is designed to support their vision to provide *exemplary water management for a high quality of life in the Santa Clarita Valley*. This vision will be accomplished by fulfilling the mission of SCV Water: *Providing responsible water stewardship to ensure the Santa Clarita Valley has reliable supplies of high quality water at a reasonable cost*. Six goals have been established:

Goal A - Customer/Community - Implement and communicate policies supporting the social, quality of life, and environmental values of the community.

Goal B - Infrastructure Reliability – Implement, operate, and maintain water infrastructure to ensure sustainable water service provision.

Goal C - Water Supply and Resource Sustainability – Implement programs to ensure the service area has reliable and sustainable supplies of water.

Goal D - Water Quality and Environmental Compliance – Protect the quality of our water supplies and environment and ensure our drinking water quality is consistent and meets or surpasses all water quality requirements.

Goal E - Financial Resiliency – Maintain a long-range, transparent, stable and well-planned financial condition, resulting in current and future water users receiving fair and equitable rates and charges.

Goal F - High Performance Team – Grow a culture of continuous improvement that fosters SCV Water's values.

MESSAGE FROM THE BOARD PRESIDENT

On behalf of the Board of Directors of the Santa Clarita Valley Water Agency (SCV Water) welcome to our 2019-2024 Strategic Plan. SCV Water is the result of a collaborative response to the exhaustive “Economic, Efficiencies and Enhanced Water Management study” that identified the potential benefits of a new water agency in the Santa Clarita Valley. It was clear that a unified agency would be more effective in finances, governance, operational and infrastructure assessment, organizational analysis and regional water management. It was also clear we could streamline resources and increase efficiencies to better serve customers.



This Strategic Plan is the blueprint to help us deliver on the promises of SB 634, including:

- Providing a more effective, locally representative and regionally integrated voice for water governance,
- Improving on current customer service models and achieve efficiency through economy of scale,
- Creating a financial structure that accounts for existing debts, liabilities and assets and provides for a fully transparent and accountable system,
- Improving operations and infrastructure management by fully integrating distribution networks and resources, and
- Providing a single forum to debate and set policy to achieve the most effective way to develop and manage water resources.

Speaking of delivering on promises, the savings from efficiencies and economies of scale have already exceeded \$8.5 million. We are on track to reach \$14 million in savings by the end of year 3 (FY 2019/20), far ahead of the schedule of \$14 million in savings over 10 years.

There is much more to do. The Board has set 6 overarching goals for the coming 5 years related to serving our customers and community, providing reliable and sustainable water supplies and service, ensuring high quality drinking water, responsibly managing the financial resources the community has entrusted to us, and maintaining a high performance team to accomplish the above. With a dedicated Board, a professional staff, and a supportive community, we look forward to meeting the challenges of water service delivery to the Santa Clarita Valley.

William Cooper, President

MESSAGE FROM THE GENERAL MANAGER

It is an exciting time in the water community. Last year, four entities unified into SCV Water, coming together for a common purpose. Today, the promises of a new era in regional water resource management are coming to pass. To name just a few, we have enhanced transparency through the creation of a ratepayer advocate role and have increased efficiencies by standardizing many customer programs and processes across the Agency. Now, with this 5-year Strategic Plan, we will drive benefits even further.



The Board and staff have identified several additional important issues that will require our attention:

- **Elevate.** Advance the functions of the new agency while we continue to provide reliable and high-quality water service to the community. This will involve developing a common information technology strategy and platform that provides a uniform view across the organization.
- **Communicate.** Ensure our internal and external communications are transparent and informative, keeping all stakeholders informed, while also fostering real feedback.
- **Consolidate.** Optimize the facilities of multiple agencies to work as one; developing standardized operating procedures for a single organization.
- **Innovate.** Ensure water supply diversity and resiliency through innovative efforts, a visionary groundwater sustainability plan, and continuing to support the Delta Conveyance Project.
- **Create.** To maintain, replace, and construct new water infrastructure we will need to develop a long-range financial plan to ensure the required investments are paid for in a fair and equitable manner and that the agency can handle the variability of “Mother Nature” and water sales.
- **Anticipate.** We will be affected by the coming retirement wave in our workforce. It is critical that we anticipate the shifting workforce by hiring and training new generations and focus on succession plans.
- **Evaluate.** Finally, we must revisit the emergency preparedness program for the new agency to ensure we have plans and resources in place to respond to emergencies.

I am confident SCV Water is up to the task and am proud to have the opportunity to manage this organization to meet these challenges.

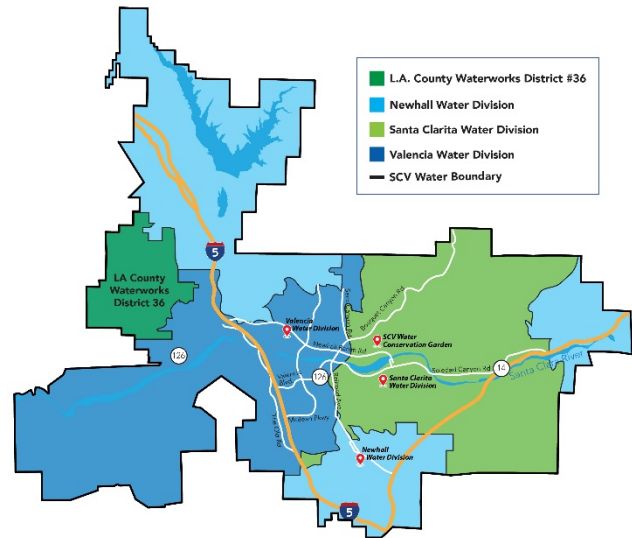
A handwritten signature in black ink that reads "Matthew Stone". The signature is written in a cursive, flowing style.

Matthew G. Stone PE, General Manager

INTRODUCTION

Welcome to the Santa Clarita Valley Water Agency's (SCV Water's) 5-year Strategic Plan. The purpose of SCV Water is 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 all uses, and to do so in a manner that promotes the sustainable stewardship of natural resources in the Santa Clarita Valley.

SCV Water was created January 1, 2018 by an act of the State Legislature (SB 634) through the merger of the four water entities in the Santa Clarita Valley. SCV Water serves a population of approximately 273,000 through 72,000 water service connections over 195 square miles. The merger included Castaic Lake Water Agency and its Santa Clarita Water Division, Newhall County Water District and the Valencia Water Company. The Castaic Lake Water Agency was formed as a wholesale water agency to acquire, treat, and deliver State Water Project water supply throughout the Santa Clarita Valley. The Santa Clarita Water Division, Newhall County Water District and the Valencia Water Company were the retail water purveyors. Population at build-out is estimated to be 420,000. SCV Water also provides wholesale water to Los Angeles County Waterworks District #36.



This Strategic Plan is the blueprint for how SCV Water will respond to current challenges and make the best of future opportunities for the benefit of our customers. It reaffirms SCV Water's vision and mission and succinctly defines six Goals related to: Customer and Community, Infrastructure Reliability, Water Supply and Resource Sustainability, Water Quality and Environmental Compliance, Financial Resiliency and High-Performance Team. It also outlines the specific strategies that we will pursue to achieve this plan.

SCV Water and the region face a number of challenges in the coming years. These include:

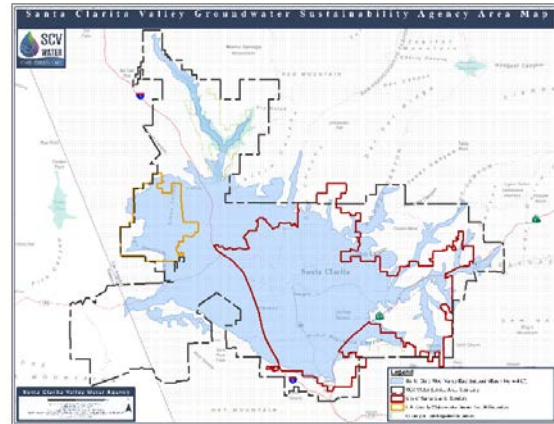
- **Implementing the new water agency.** The new agency presents significant opportunities to better serve the region. Seamlessly integrating the water provision functions and systems of these organizations into a single new agency will be a significant strategic challenge for the Board and staff in the coming years.
- **Ensuring sustainable water supplies.** The Santa Clarita Valley's water supply portfolio faces challenges. Primarily, the SCV



Water's State Water Project supply has experienced a number of regulatory-driven reliability reductions related to endangered species. The Delta Conveyance Project is one part of the California Water Action Plan to bolster local self-sufficiency, reduce consumption, improve water supply reliability, and reduce dependence on the Delta to meet future needs.

- **Optimizing the groundwater basin in the Santa Clarita Valley.** Optimizing this resource will be influenced by a number of factors including:

- The effect of long-term climate change on water supplies and demands,
- How the Sustainable Groundwater Management Act of 2014 is implemented in the Santa Clarita Valley,
- The availability and cost of recycled water, and
- The effect of endangered species on conjunctive use of water in the basin.



- **Developing a long-range financial plan.** Maintaining and replacing existing infrastructure as well as providing new infrastructure will require significant investment by the community. Developing a sustainable financial plan that equitably recovers the necessary money to support this service commitment will be critical.

The 5-year Strategic Plan is intended to establish the framework for addressing these challenges to maintain reliable and high quality water service to the Santa Clarita Valley.

THE STRATEGIC PLAN PROCESS

The Strategic Plan was developed through a collaborative process with the Board of Directors, management and staff. The planning consultant interviewed each of the 13 Board members regarding their perspectives on the future challenges for SCV Water. These interviews were followed by a management workshop. Eight workshop sessions with the employees and supervisors mined key strengths, weaknesses, opportunities, and threats facing the agency. The output from these interviews and workshops were shared with the Board at a Board Retreat in late January 2019. The Board discussed the strategic challenges facing SCV Water and refined a set of goals for the 5-Year Strategic Plan. The management team then developed strategies, objectives, and key performance indicators for each of these goals. The Strategic Plan will be funded through the budget process and progress tracked, reevaluating the plan regularly to adjust as conditions warrant.

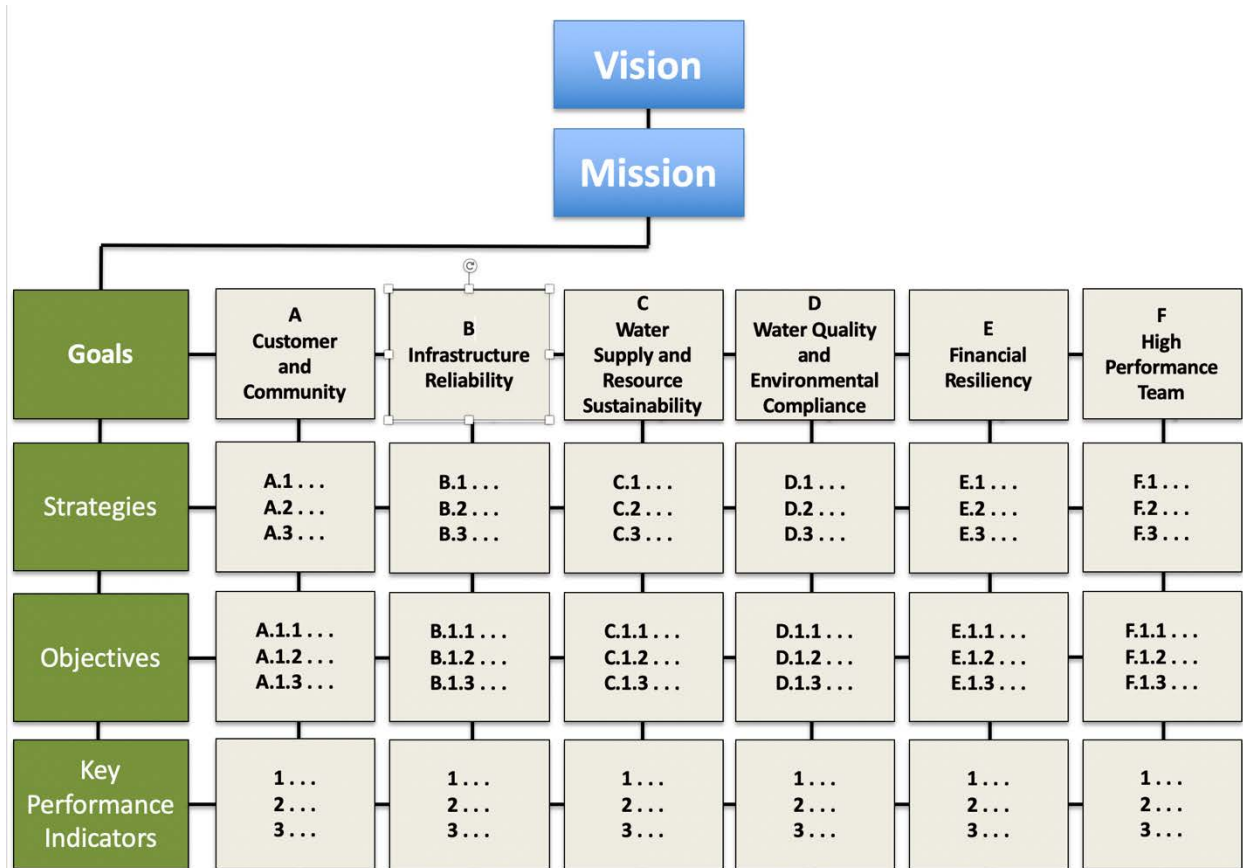
The Board of Directors reviewed and accepted the 2019-2024 Strategic Plan on June 18, 2019. The Strategic Plan is structured in a supporting fashion: the Key Performance Indicators (KPIs) track accomplishment of the Objectives, the Objectives support the Strategies and the Strategies support the Goals, which support the Mission and achievement of the Vision as depicted in Figure 1.

Figure 1: Hierarchy of Strategic Plan Elements



The nomenclature approach for goals, strategies, objectives and key performance indicators is depicted in Figure 2.

Figure 2: Goals/Strategies/Objectives Nomenclature



SCV WATER VISION AND MISSION



The Vision statement represents the aspirations of SCV Water as follows:

“Exemplary water management for a high quality of life in the Santa Clarita Valley.”

SCV Water has established the following mission statement to guide decision making on behalf of the customers and communities we serve:

“Providing responsible water stewardship to ensure the Santa Clarita Valley has reliable supplies of high quality water at a reasonable cost.”



SCV WATER VALUES

*“Our agency is built on a foundation of shared values. These values guide our every action.”
Matthew G. Stone, General Manager*



Integrity

We commit to the highest ethical standards of honesty, transparency and respect in our interactions with each other, the customers we serve and the entire community.



Safety

We prioritize creating and maintaining healthy, secure conditions at our facilities and in the community by adhering to safety policies and procedures and by offering technical and preventative training to our workforce.

Excellence

We strive to exceed customer expectations and deliver extraordinary service while providing a reliable, safe water supply at an affordable cost.



Innovation

We are industry leaders who embrace change by finding sustainable, pioneering solutions to challenges and continuing to learn and grow in all we do.



Professionalism

We maintain a diverse team of highly skilled employees who are devoted to honest, courteous and accountable business practices and take their role and stewards of our resources seriously and with humility.



Trust

We are dedicated to partnering with community stakeholders to pursue responsible long-term management of water resources that effectively enhance quality of life and further the agency’s mission and duty to be stewards of the water supply.

GOALS, STRATEGIES, AND OBJECTIVES

Goal A - Customer/Community - Implement and communicate policies supporting the social, quality of life, and environmental values of the community.

Goal B - Infrastructure Reliability – Implement, operate, and maintain water infrastructure to ensure sustainable water service provision.

Goal C - Water Supply and Resource Sustainability – Implement programs to ensure the service area has reliable and sustainable supplies of water.

Goal D - Water Quality and Environmental Compliance – Protect the quality of our water supplies and environment and ensure our drinking water quality is consistent and meets or surpasses all water quality requirements.

Goal E - Financial Resiliency – Maintain a long-range, transparent, stable and well-planned financial condition, resulting in current and future water users receiving fair and equitable rates and charges

Goal F - High Performance Team – Grow a culture of continuous improvement that fosters SCV Water's values.

SCV Water’s strategic planning focuses on six goal areas that provide direction for achieving the Agency’s vision and mission.



Key strategies and objectives to address each of these goals are described in the following section. In addition, Key Performance Indicators (KPIs) were also developed to make judgments about the effectiveness and efficiency of our operations as well as to drive improvements, which successfully translate our strategies into action. KPIs will be reported as part of our annual budget process. A measurement system serves many vital purposes, including focusing attention on key issues, clarifying expectations, facilitating decision-making, and most importantly, learning and improving. Finally, the Action Plan to implement the objectives is included as Appendix A.

GOAL A

Customer / Community

Implement policies supporting the social, quality of life, and environmental values of the community.

This goal establishes a commitment on the part of SCV Water to align with the values of the customers and the community in fulfilling the organization’s mission. The strategies below define the approach the organization will take to achieve the goal. Objectives are the measureable actions that track progress towards execution of the strategy.

Strategy A.1 *Provide “best in class” customer service.*

- A.1.1 Reassess delegation of authority to Customer Care Representatives for improving first call resolution
- A.1.2 Standardize customer service procedures across SCV Water
- A.1.3 Redesign bills with Customer Care Representative’s input

Strategy A.2 *Proactively communicate with and engage our community on water matters of importance to the region positioning SCV Water as a leading resource and reliable authority on water issues.*

- A.2.1 Implement the outreach plan
- A.2.2 Increase public understanding of water issues (e.g. water quality, emergency preparedness, value of water, regulatory challenges, etc.)
- A.2.3 Develop engagement tools to receive feedback from stakeholders (e.g. Customer Service Survey)
- A.2.4 Participate in vendor outreach programs
- A.2.5 Continue to participate in community events (COC Water Technology Board and Business Alliance, SCV Mayor’s Committee for Employment of Individuals with Disabilities, PIHRA, etc.)
- A.2.6 Raise awareness of and demand for conservation programs (e.g. water conservation campaign(s) and related media buys, public and school educational programs, participation at public events, SCV Water web site, e-newsletter and social media, self-guided landscape tour, conservatory garden, etc.)
- A.2.7 Build positive public perception of SCV Water as a leading resource and reliable authority on water issues engaging the Blue Ribbon Committee, Speakers’ Bureau and Water Academy
- A.2.8 Support SCV Water efforts to work with public agencies and industry associations to influence water policy
- A.2.9 Work with local media to ensure accurate reporting

Strategy A.3 *Work with local, regional, state and federal agencies, industry associations and organizations to influence water policy for the benefit of our service area customers.*

- A.3.1 Engage in local, state and federal activities to further the interests of water in the Santa Clarita Valley

- A.3.2 Maintain strong working relationships with local agencies (water agencies, special districts, city, and local governments)

Strategy A.4 Engage in statewide and federal water legislative and policy issues.

- A.4.1 Continue coordination with SCV Water legislative analysts in communications with local, state, and federal elected officials and their staffs
- A.4.2 Foster and continue effective working relationships with the Department of Water Resources and other State Water Project Contractors
- A.4.3 Coordinate legislative initiatives concerning Sacramento-San Joaquin Delta and water conservation with legislative analysts, Association of California Water Agencies, State Water Contractors and other necessary parties to enhance the reliability and cost effectiveness of the SCV Water's SWP water supply

Strategy A.5 Adopt environmentally sustainable business practices.

- A.5.1 Move to paperless processes

Strategy A.6 Develop and lead the community vision for the watershed.

- A.6.1 Lead the development of the groundwater sustainability plan for the watershed
- A.6.2 Work with NGOs to understand common goals within the community/watershed



GOAL A

Customer / Community

Implement policies supporting the social, quality of life, and environmental values of the community.

KEY PERFORMANCE INDICATORS

1. Complaint log statistics
2. The length of time it takes to resolve customer issues
3. Number of unscheduled emergency shut-offs and scheduled shut-offs
4. Stakeholder awareness of water issues affecting ratepayers and SCV Water
5. Level of public awareness of available water saving rebates and programs
6. Public awareness and opinion of SCV Water, the services it provides and its role in the community
7. Level of active participation in organizations by SCV Water Directors and staff
8. Diversity of organization memberships



GOAL B

Infrastructure Reliability

Implement, operate, and maintain water infrastructure to ensure sustainable water service provision.

Ensuring the availability of infrastructure and its reliable operations is fundamental to meeting the service obligations of SCV Water. The strategies below define the approach the organization will take to achieve the goal. Objectives are the measurable actions that track progress towards execution of the strategy.

Strategy B.1 *Plan, design and build facilities to meet demand including storage capacity and interconnections between regional and retail water systems.*

- B.1.1 Implement capital projects related to infrastructure reliability (see Action Plan)
- B.1.2 Implement next phase of the Graphical Information System
- B.1.3 Develop and configure water system hydraulic model for the SCV Water service area
- B.1.4 Develop recycled water policies and ordinances

Strategy B.2 *Plan and budget for long-term replacements and improvements.*

- B.2.1 Update and carryout capital projects related to water system reliability and sustainability
- B.2.2 Conduct facility optimization study
- B.2.3 Conduct an evaluation of water system security

Strategy B.3 *Implement improved planning tools.*

- B.3.1 Develop and implement a SCV Water-wide asset management program with end user/operations level asset management tools to enhance performance
- B.3.2 Assess current maintenance intervals on infrastructure and benchmark to industry best practice

Strategy B.4 *Develop standard designs, policies, and procedures.*

- B.4.1 Develop recycled water design standards and specifications
- B.4.2 Maintain as-built drawings

Strategy B.5 *Operate and maintain facilities.*

- B.5.1 Maintain all facilities and appurtenances in a consistent fashion to achieve operational efficiency and functionality
- B.5.2 Exercise / replace water system valves
- B.5.3 Evaluate opportunities to centralize staff to improve operating efficiency
- B.5.4 Set standards for leak repairs
- B.5.5 Continue providing effective wholesale water service to Los Angeles. County Waterworks District #36
- B.5.6 Implement asphalt maintenance program

Strategy B.6 Plan and prepare for catastrophic emergencies.

- B.6.1 Develop an Emergency Response Plan for SCV Water
- B.6.2 Evaluate materials needs for earthquake response
- B.6.3 Evaluate system interconnection opportunities
- B.6.4 Develop plan to convey local supplies within service area should a prolonged outage of imported water infrastructure occur
- B.6.5 Develop emergency power strategy to assure ability to respond to short-term and long-term power supply outages for key facilities
- B.6.6 Coordinate emergency response planning efforts with the regional water agencies, county, and cities
- B.6.7 Conduct emergency preparedness planning and training for all staff
- B.6.8 Conduct semiannual tests of SCV Water's disaster recovery plan
- B.6.9 Develop a network security plan including a cyber-security policy and threat response plan
- B.6.10 Evaluate installation of an alarm in the garden area for emergencies



GOAL B

Infrastructure Reliability

Implement, operate, and maintain water infrastructure to ensure sustainable water service provision.

KEY PERFORMANCE INDICATORS

1. Sufficient water storage and put-and-take capacity to ensure water banking program success in meeting annual demands (target: 95% confidence level)
2. Annual Major Capital Improvement Program (CIP) actual expenditures against planned
3. Progress of the Pipeline Inspection Program
4. Progress to develop and implement an Asset Management Program
5. Number and volume of service leaks and main breaks
6. Service line replacement progress
7. Number of valves exercised
8. Number of dead-end areas flushed
9. Number of meters replaced compared to planned



GOAL C

Water Supply and Resource Sustainability

Implement programs to ensure the service area has reliable and sustainable supplies of water.

Developing and protecting SCV Water's water resources provides the supply reliability and water quality the Santa Clarita Valley depends on. The strategies below define the approach the organization will take to achieve the goal. Objectives are the measurable actions that track progress towards execution of the strategy.

Strategy C.1 Conduct planning to ensure long-term water demands are met.

- C.1.1 Complete the 2020 Urban Water Management Plan
- C.1.2 Identify projects and initiate planning for projects to enhance long-term water supply reliability consistent with the updated Water Supply Reliability Report
- C.1.3 Respond to SB 610 Water Supply Assessments and SB 221 Water Supply Verifications
- C.1.4 Analyze the seismic resiliency of SCV Water's supply portfolio
- C.1.5 Monitor climate change science and public policy. Incorporate climate change impacts on water demand and supplies into long-term plans and programs to maintain reliable and sustainable water supplies

Strategy C.2 Protect the SCV Water interests in the State Water Project.

- C.2.1 Ensure that SCV Water has full access to water supplies available to it under its SWP contract and other water supply agreements that rely on SWP conveyance to meet customer water demands and store water for reliability enhancement and dry year use
- C.2.2 Participate in planning, financing, development and implementation of the Delta Conveyance Project.
- C.2.3 Collaborate with DWR and other State Water Contractors to improve the administration of the SWP in a manner that promotes long-term cost effectiveness, operational reliability and supply availability
- C.2.4 Engage with state water contractors and DWR on state water project facilities reliability and maintenance
- C.2.5 Support other's efforts to improve reliability of imported water infrastructure
- C.2.6 Educate and keep community stakeholders informed of the status and importance of the regional and state water infrastructure

Strategy C.3 Advance the integrated management of water resources.

- C.3.1 Lead the implementation of the Sustainable Groundwater Management Act for the Santa Clarita Valley
- C.3.2 Prepare the SCV Water Recycled Water Master Plan Update and California Environmental Quality Act document
- C.3.3 Work with agencies to develop foundation for a successful recycled water program
- C.3.4 Pursue grant funding for recycled water projects

- C.3.5 Coordinate and analyze performance of water banking and exchange programs, local groundwater production and water conservation measures
- C.3.6 Implement dry-year recovery project for the Rosedale-Rio Bravo Water Storage District Water Exchange and Banking Program
- C.3.7 Identify and secure access or ownership of suitable groundwater recharge areas in the watershed

Strategy C.4 *Advance demand management and achieve State mandated water use efficiency targets.*

- C.4.1 Continue to implement and assess programs identified in the updated Santa Clarita Valley Water Use Efficiency Strategic Plan (SCV WUE SP)
- C.4.2 Support local and statewide regulations consistent with the goals of the Water Use Efficiency Strategic Plan
- C.4.3 Monitor and provide input into Governor’s proposed new water efficiency targets (beyond 20% by 2020)
- C.4.4 Work with the Santa Clarita Valley Water Committee to further enhance retail purveyor, City and County drought and water conservation activities
- C.4.5 Reevaluate and prioritize outreach targets and methods to maximize rebates and incentive benefits to encourage additional conservation
- C.4.6 Develop equitable conservation/demand management programs to meet current and upcoming regulatory measures
- C.4.7 Evaluate infrastructure technology (AMI/AMR) and operational strategies to better manage demands
- C.4.8 Work with developers and/or permitting agencies to get the appropriate turf efficient landscapes in new development
- C.4.9 Promote drought tolerant and water efficient landscapes out into the community
- C.4.10 Communicate with customers the message that “conservation is a way of life”

Strategy C.5 *Respond to anticipated droughts through rate structure modification, conservation assistance, customer service and outreach.*

- C.5.1 Implement a system to respond to droughts

Strategy C.6 *Actively manage natural resource use.*

- C.6.1 Conduct organization-wide energy assessment to identify opportunities to reduce energy use
- C.6.2 Evaluate SCV Water’s solar power contracts and options to optimize the cost and value to SCV Water
- C.6.3 Optimize facility operations to minimize power, supplies, chemicals, and labor consumption
- C.6.4 Assess the carbon footprint of SCV Water
- C.6.5 Develop/implement appropriate emissions reductions

GOAL C

Water Supply and Resource Sustainability

Implement programs to ensure the service area has reliable and sustainable supplies of water.

KEY PERFORMANCE INDICATORS

1. Average year water supply exceeds ten-year projected water demand
2. Compliance with state requirements (SBX 7-7, SB 60 and AB 2668) to improve urban water use efficiency
3. Maintain use of groundwater supplies consistent with the groundwater basin operating plan and UWMP
4. SWP supply reliability consistent with the SWP Delivery Capability Report and the UWMP
5. Monthly monitoring of production and consumption compared to historic months
6. Monthly monitoring of water loss
7. Lead implementation of the Sustainable Groundwater Management Act including preparation of a groundwater sustainability plan
8. Percent change in recycled water use
9. Protect the availability of local water resources (capacity and quality)
10. Per capita water use



GOAL D

Water Quality and Environmental Compliance

Protect the quality of our water supplies and environment and ensure our drinking water quality is consistent and meets or surpasses all water quality requirements.

Ensuring the water is safe to drink and conducting our operations in a fashion that is sensitive to the environment and in compliance with environmental requirements is a key commitment of SCV Water to the community we serve. The strategies below define the approach the organization will take to achieve the goal. Objectives are the measureable actions that track progress towards execution of the strategy.

Strategy D.1 *Achieve 100% compliance with all environmental regulations and standards.*

- D.1.1 Meet all applicable water quality regulations
- D.1.2 Evaluate a long-term strategy to provide consistent water quality across the service area (evaluate blending, well head softening, versus point-of-use homeowner expense of water softening systems)
- D.1.3 Engage the public to understand and meet customer's water quality requirements/demands
- D.1.4 Communicate transparently regarding water quality trends and objectives
- D.1.5 Track and report water quality complaints

Strategy D.2 *Proactively install, operate, and maintain groundwater treatment infrastructure to avoid impacts on water supply reliability (e.g. VOCs, perchlorate, PFAS, etc.).*

- D.2.1 Regulatory agency coordination, communication and collaboration toward the aggressive pursuit of responsible parties.

Strategy D.3 *Anticipate and comply with regulatory and environmental changes.*

- D.3.1 Track regulatory and statutory changes at both the federal and state levels pertaining to the Safe Drinking Water Act, the Clean Water Act and the potable water community in general
- D.3.2 Maintain interagency water quality communication collaborations
- D.3.3 Evaluate environmental compliance tracking software
- D.3.4 Develop a contaminants of emerging concern (CEC) strategy

Strategy D.4 *Implement long-term salinity management/nutrient management plan.*

- D.4.1 Work through the Groundwater Sustainability Agency to protect the watershed
- D.4.2 Engage in watershed nutrient and salinity management activities

Strategy D.5 *Seek cost recovery from responsible parties.*

- D.5.1 Continue litigation to hold parties responsible for groundwater contamination

GOAL D

Water Quality and Environmental Compliance

Protect the quality of our water supplies and environment and ensure our drinking water quality is consistent and meets or surpasses all water quality requirements.

KEY PERFORMANCE INDICATORS

1. Completion of required Division of Drinking Water monitoring, sampling and analyses
2. Maintain compliance with Safe Drinking Water Act
3. Groundwater pumped from Saugus wells and treated at the Saugus Perchlorate Treatment Facility
4. Complete Consumer Confidence Report
5. Impacted well capacity



GOAL E

Financial Resiliency

Maintain a long-range, transparent, stable and well-planned financial condition, resulting in current and future water users receiving fair and equitable rates and charges.

Provision of SCV Water services is capital intensive. Managing the financial resources entrusted to SCV Water in a prudent manner ultimately reduces the cost of service to the community. The strategies below define the approach the organization will take to achieve the goal. Objectives are the measureable actions that track progress towards execution of the strategy.

Strategy E.1 *Increase focus on forward looking financial information.*

- E.1.1 Construct a financial model that can forecast financial requirements and results through the service area buildout
- E.1.2 Incorporate the use of stochastic analysis in the financial planning model to assess uncertainty and explore the sensitivity of sales volumes and costs to rates and cash flow
- E.1.3 Implement staff tracking and assessment of debt portfolio
- E.1.4 Develop a Long-Range Finance Plan that considers:
 - Policy for managing debt versus pay-go
 - Cash reserve requirements
 - OPEB funding
 - Rate management
 - Funding for carrying out the Strategic Plan

Strategy E.2 *Establish a path towards uniform retail rates.*

- E.2.1 Update cost of service models utilizing the long-term financial plan and enterprise cost allocations
- E.2.2 Update the recycled water rate
- E.2.3 Develop a multi-year rate implementation plan that will establish consistent levels of funding and cash reserves throughout the service area

Strategy E.3 *Improve treasury and cash management practices.*

- E.3.1 Consolidate the business process of managing the fund investment activities for SCV Water
- E.3.2 Establish the practice of preparing monthly cash flow reporting.
- E.3.3 Update financial policies to reflect gains in capabilities to manage and control cash management as new financial and customer billing systems go live and new payment alternatives are offered to our customers

Strategy E.4 *Expand Financial & Performance Reporting*

- E.4.1 Establish management dashboards that will communicate operational performance to management and staff
- E.4.2 Establish financial dashboards that will communicate financial performance and health of the Agency
- E.4.3 Build internal capabilities for rate, financial, and performance analysis and reporting through training and adding staff as necessary

Strategy E.5 *Improve financial risk management.*

- E.5.1 Evaluate opportunities to hedge financial risks with insurance
- E.5.2 Evaluate opportunities to improve the relationship between fixed costs and fixed revenues in rate and fee structures

Strategy E.6 *Improve cost accounting.*

- E. 6.1 Implement project costing functionality in the new accounting system
- E. 6.2 Standardize warehouse inventory practices and centralize purchasing for parts, meters, tools, and other maintenance and repair inventory items
- E. 6.3 Update the cost allocation methodology to reflect the new Agency organizational structure



GOAL E

Financial Resiliency

Maintain a long-range, transparent, stable and well-planned financial condition, resulting in current and future water users receiving fair and equitable rates and charges.

KEY PERFORMANCE INDICATORS

1. Maintain existing bond ratings
2. Meet debt service coverage ratio
3. Meet reserve fund targets
4. Actual costs compared to project budget
5. Actual costs compared to annual budget
6. Number and magnitude of change orders for major capital improvement program projects



GOAL F

High Performance Team

Grow a culture of continuous improvement that fosters SCV Water's values.

SCV Water's services depend on its trained and dedicated workforce. Maintaining a high-performance organization will achieve the goals, mission, and vision of the organization. The strategies below define the approach the organization will take to achieve the goal. Objectives are the measurable actions that track progress towards execution of the strategy.

Strategy F.1 *Implement post-merger integration of the new agency.*

- F.1.1 Reduce the number of customer service field offices, increase offsite payment locations
- F.1.2 Standardize operating procedures and business processes across the organization
- F.1.3 Update, develop, and maintain clear and comprehensive policies for SCV Water
- F.1.4 Remain in compliance with the requirements of SB 634
- F.1.5 Optimize use of SCV Water real estate

Strategy F.2 *Attract, train, and retain quality staff.*

- F.2.1 Complete an organizational design study that results in updated job requirements, job classifications, clear career paths, and appropriate pay levels
- F.2.2 Research compensation for licenses and certifications through a market survey
- F.2.3 Implement electronic benefits enrollment
- F.2.4 Provide supervisor training to enhance working knowledge and a general understanding of the SCV Water's recruitment, and performance evaluation and other human relations processes
- F.2.5 Update the SCV Water's Employee Handbook
- F.2.6 Conduct sexual harassment awareness and prevention training for all employees
- F.2.7 Implement an employee portal or intranet for posting various often-requested forms, documents, etc.
- F.2.8 Budget for sufficient staffing to meet adopted objectives (particularly in Water Resources, Operations, Engineering, Finance, and Communications)
- F.2.9 Examine practicality/benefits of establishing a mentoring program
- F.2.10 Review team building strategy to foster trust and shared values
- F.2.11 Develop / document employee and Director onboarding approach
- F.2.12 Document and optimize the delegation of authority to improve efficiency
- F.2.13 Evaluate the economics of providing benefits to part-time employees
- F.2.14 Develop a comprehensive training plan considering:
 - Providing facility tours for staff
 - Coaching/mentoring for staff
 - Improving training programs so all equal positions are trained to the same level

- Developing a cross training program
- Developing an internship program
- Providing training for teamwork and conflict management
- Supervisor and management training
- Encouragement of project management certification
- Uniform training standards across the divisions
- Safety training
- Heavy equipment operations certification
- Hostile interaction training
- Terrorism response

Strategy F.3 ***Implement integrated technology and applications across the organization.***

- F.3.1 Assess, select, and implement a single accounting and financial reporting system
- F.3.2 Assess, select, and implement a single customer service and billing system
- F.3.3 Consolidate telecommunication and network equipment
- F.3.4 Develop and implement a tiered end-user support system with scaled resources
- F.3.5 Deploy end-point management solution for mobile and stationed devices
- F.3.6 Improve integration of IT systems/platforms
- F.3.7 Improve breadth, depth, quality and timeliness of business planning information
- F.3.8 Implement integrated applications (Asset Management) across the organization
- F.3.9 Improve technology and data risk management processes
- F.3.10 Develop an Information Technology Strategic Plan
- F.3.11 Implement redundant gateway routing
- F.3.12 Consolidate and align the servers to efficiently meet the needs of the organization
- F.3.13 Standardize network access throughout the organization
- F.3.14 Standardize virtual server approach across the organization
- F.3.15 Add 10 to 20 more MBPS (megabits per second) on existing point-to-point backup line between the Rio Vista Water Treatment Plant and Summit Circle
- F.3.16 Conduct an analysis and evaluation of the network vulnerabilities
- F.3.17 Development, deployment and maintenance of an agency intranet
- F.3.18 Evaluate and implement mobile solutions for certain field job tasks
- F.3.19 Maintain regular and routine computer replacement program and management of technology through an asset management approach
- F.3.20 Evaluate need for computers in the education department
- F.3.21 Maintain regular and routine network appliance replacement schedule
- F.3.22 Update and modernize collaborative workspaces to meet the needs of the modern workforce

Strategy F.4 ***Promote an open and professional work environment.***

- F.4.1 Continue to provide employees with “bottom-up” communication through all employee meetings (All Hands, etc.)

- F.4.2 Continue to (1) provide General Manager-to-staff memos and quarterly employee newsletters and (2) hold employee meetings updating all employees of important events and news.
- F.4.3 Continue bi-weekly executive staff and periodic manager/supervisor meetings to enhance staff productivity and coordination work efforts
- F.4.4 Continue the new e-newsletter
- F.4.5 Develop a comprehensive staff engagement strategy considering:
 - Activities/accomplishments of the new agency
 - Implement internal / external communications improvements
 - Consistent communication processes
 - Enhance quality/consistency of email communication
 - Management-to-supervisors engagement
 - Supervisor-to-staff communication
 - Interagency communication
 - Teambuilding activities
- F.4.6 Include staff in key planning/implementing of policy changes
- F.4.7 Develop an innovation program to encourage, capture, and deploy new ideas/suggestions

Strategy F.5 ***Maintain a safe and secure work environment.***

- F.5.1 Continue to provide all required and recommended safety training
- F.5.2 Continue to emphasize safety through weekly tailgate and safety meetings
- F.5.3 Conduct live confined space entry and rescue drill
- F.5.4 Conduct a live chemical spill response drill with local fire department and/or emergency services contractor
- F.5.5 Improve Rio Vista Water Treatment Plant back gate and access road by adding safety and security signage and traffic striping
- F.5.6 Improve Earl Schmidt Filtration Plant road access gate
- F.5.7 Develop protocol for dealing with phone and in-person threats



GOAL F

High Performance Team

Grow a culture of continuous improvement that fosters SCV Water's values.

KEY PERFORMANCE INDICATORS

1. Number and percentage of Financial and Administrative policies that have been updated in the last five years
2. Pace of technology, tools and equipment maintenance relative to work-flow demand
3. Contact hours and continuing education units (average of total and by department)
4. Number and types of certified and licensed staff
5. On-time completion of annual performance evaluations and inclusion of employee input on career advancement plans
6. SCV Water use of education reimbursement program
7. Number of days lost to workplace personal injuries
8. Service desk time to resolution less than 24 hours.
9. Network availability - High availability sites uptime percentage.
10. IT service desk first contact resolution percentage.
11. IT service desk customer satisfaction.



GLOSSARY

The following key terms are used in this Strategic Plan:

Action Plan – A detailed set of tactical actions that will be developed in order for the strategies/objectives to be achieved.

Values – Non-negotiable standards that the staff and the Board believe in and embody how they will act individually and as an organization.

Goal – SCV Water’s commitment to the community it serves.

Key Performance Indicator – Selected measure to indicate performance against a Strategic Plan Goal.

Mission – The primary reason(s) for the existence of the organization.

Objective – Measurable work activity that, when accomplished, will directly lead to the success of the strategy.

Issue – A problem or opportunity facing SCV Water.

Strategy – How an issue is solved to achieve the goal.

Strategic Plan – A structured plan to drive SCV Water to achieve its goals.

SWOT Analysis – Description of strengths, weaknesses, opportunities and threats to identify areas of focus in the Strategic Plan.

Vision – What SCV Water aspires to become.

APPENDIX A – ACTION PLAN

Objectives = * Priorities, dates, and responsible Divisions are included in the Budget document.

Goal A: Implement and communicate policies supporting the social, quality of life, and environmental values of the community.		
Strategy	Objective	Time Frame
<i>A.1 - Provide “best in class” customer service.</i>		
A.1.1	Reassess delegation of authority to Customer Care Representatives for improving first call resolution	12/31/2019
A.1.2	Standardize customer service procedures across SCV Water	9/30/2019
A.1.3	Redesign bills, with Customer Care Representative’s input	1/31/2021
<i>A.2 - Proactively communicate with and engage our community on water matters of importance to the region positioning SCV Water as a leading resource and reliable authority on water issues.</i>		
A.2.1	Implement the outreach plan	Ongoing
A.2.2	Increase public understanding of water issues (e.g. water quality, emergency preparedness, value of water, regulatory challenges, etc.)	Ongoing
A.2.3	Develop engagement tools to receive feedback from stakeholders (e.g. Customer Service Survey)	2/28/2019
A.2.4	Participate in vendor outreach programs	Ongoing
A.2.5	Continue to participate in community events (COC Water Technology Board and Business Alliance, SCV Mayor’s Committee for Employment of Individuals with Disabilities, PIHRA, etc.)	Ongoing
A.2.6	Raise awareness of and demand for conservation programs (e.g. water conservation campaign(s) and related media buys, public and school educational programs, participation at public events, SCV Water web site, e-newsletter and social media, self-guided landscape tour, conservatory garden, etc.)	Ongoing
A.2.7	Build positive public perception of SCV Water as a leading resource and reliable authority on water issues engaging the Blue Ribbon Committee, Speakers’ Bureau and Water Academy	Ongoing
A.2.8	Support SCV Water efforts to work with public agencies and industry associations to influence water policy	Ongoing
A.2.9	Work with local media to ensure accurate reporting	Ongoing
<i>A.3 - Work with local, regional, state and federal agencies, industry associations and organizations to influence water policy for the benefit of our service area customers.</i>		
A.3.1	Engage in local, state and federal activities to further the interests of water in the Santa Clarita Valley	Ongoing

A.3.2	Maintain strong working relationships with local agencies (water agencies, special districts, city, and local governments)	Ongoing
A.4 - Engage in statewide and federal water legislative and policy issues.		
A.4.1	Continue coordination with SCV Water legislative analysts in communications with local, state, and federal elected officials and their staffs	Ongoing
A.4.2	Foster and continue effective working relationships with the Department of Water Resources and other State Water Project Contractors	Ongoing
A.4.3	Coordinate legislative initiatives concerning Sacramento-San Joaquin Delta and water conservation with legislative analysts, Association of California Water Agencies, State Water Contractors and other necessary parties to enhance the reliability and cost effectiveness of the SCV Water's SWP water supply	Ongoing
A.5 - Adopt environmentally sustainable business practices.		
A.5.1	Move to paperless processes	1/31/2025
A.6 - Develop and lead the community vision for the watershed.		
A.6.1	Lead the development of the groundwater sustainability plan for the watershed	1/31/2022
A.6.2	Work with NGOs to understand common goals within the community/watershed	Ongoing
Goal B: Infrastructure Reliability – Implement, operate, and maintain water infrastructure to ensure sustainable water service provision.		
Strategy	Objective	Time Frame
B.1 - Plan, design and build facilities to meet demand including storage capacity and interconnections between wholesale and retail water systems.		
B.1.1	Implement capital projects related to infrastructure reliability	Ongoing
B.1.1.1	Complete design and construction of Groundwater VOC Treatment Improvement Project	6/30/2021
B.1.1.2	Complete design and construction of the Replacement Wells Project	12/31/2020
B.1.1.3	Complete design and initiate construction of the Phase 2B Recycled Water backbone pipeline, distribution pipeline and tank	12/31/2019
B.1.1.4	Complete final design of the South End Recycled Water Project (Phase 2C)	9/30/2019
B.1.1.5	Complete final design and initiate construction of the West Ranch Recycled Water Project (Phase 2D)	12/31/2019
B.1.1.6	Complete land acquisition for Castaic Conduit Project	6/30/2020

B.1.1.7	Complete design and initiate construction of the Earl Schmidt Sludge Collection System Project	12/31/2019
B.1.1.8	Complete construction of Magic Mountain Pipeline Phase 4 project	9/30/2019
B.1.1.9	Complete construction of Magic Mountain Pipeline Phase 5 project	3/30/2020
B.1.1.10	Complete construction of Magic Mountain Pipeline Phase 6A project	6/30/2020
B.1.1.11	Complete design of Magic Mountain Pipeline Phase 6B project	12/31/2020
B.1.1.12	Complete planning phase of the Magic Mountain Reservoir Project	6/30/2021
B.1.1.13	Complete design and initiate construction of Deane Pump Station	3/30/2020
B.1.1.14	Complete design and initiate construction of first Deane Storage Tank	3/30/2020
B.1.1.15	Complete design and construction of Water Pipeline to LARC Ranch	6/30/2020
B.1.2	Implement next phase of the Graphical Information System	6/30/2021
B.1.3	Develop and configure water system hydraulic model for the SCV water service area	6/30/2020
B.1.4	Develop recycled water policies and ordinances	6/30/2020
<i>B.2 - Plan and budget for long-term replacements and improvements.</i>		
B.2.1	Update and carryout capital projects related to water system reliability and sustainability	Ongoing
B.2.1.1	Replace ammonia pumping system at Earl Schmidt Filtration Plant	6/30/2020
B.2.1.2	Inspect and Repair Earl Schmidt Filtration Plant clear wells interior coating	6/30/2020
B.2.1.3	Replace all valves on treatment vessels at Saugus Perchlorate Treatment Facility	6/30/2022
B.2.1.4	Replace sludge check valves at Earl Schmidt Filtration Plant	6/30/2020
B.2.1.5	Continue acquiring and entering asset information into Computer Maintenance Management System	Ongoing
B.2.1.6	Remove and replace one pressure reducing valve station at Rainbow Glen/Sierra Highway	6/30/2020
B.2.1.7	Conduct meter replacement program	Ongoing
B.2.1.8	Conduct annual tank inspection and maintenance program	Ongoing
B.2.1.9	Conduct annual well inspection	Ongoing
B.2.1.10	Complete Rainbow Glen pipeline (WMP PIPE #5)	6/30/2021
B.2.1.11	Complete West Newhall Alley pipeline upgrade	6/30/2020
B.2.1.12	Complete SCADA (Sensor/Equipment) Upgrade	Ongoing
B.2.1.13	Complete Well Mag meter upgrade program	Ongoing
B.2.1.14	Prepare and Implement formal Meter Testing Program / Schedule for Large Customer Meter and Production Meters	6/30/2020

B.2.1.15	Analyze and implement land use changes at Devil's Den that provide revenue and/or reduced operating costs, including potential development of solar facilities and land sales	12/31/2020
B.2.2	Conduct facility optimization study	6/30/2021
B.2.3	Conduct an evaluation of water system security	9/30/2020
B.3 - Implement improved planning tools.		
B.3.1	Develop and implement a SCV Water-wide asset management program with end user/operations level asset management tools to enhance performance	6/30/2022
B.3.2	Assess current maintenance intervals on infrastructure and benchmark to industry best practice	6/30/2023
B.4 - Develop standard designs, policies, and procedures.		
B.4.1	Develop recycled water design standards and specifications	6/30/2020
B.4.2	Maintain as-built drawings	Ongoing
B.5 - Operate and maintain facilities.		
B.5.1	Maintain all facilities and appurtenances in a consistent fashion to achieve operational efficiency and functionality	Ongoing
B.5.2	Exercise / replace water system valves	Ongoing
B.5.3	Evaluate opportunities to centralize staff to improve operating efficiency	Ongoing
B.5.4	Set standards for leak repairs	Ongoing
B.5.5	Continue providing effective wholesale water service to Los Angeles. County Waterworks District #36	Ongoing
B.5.6	Implement asphalt maintenance program	Ongoing
B.6 - Plan and prepare for catastrophic emergencies.		
B.6.1	Develop an Emergency Response Plan for SCV Water	6/30/2020
B.6.2	Evaluate materials needs for earthquake response	10/1/2019
B.6.3	Evaluate system interconnection opportunities	Ongoing
B.6.4	Develop plan to convey local supplies within service area should a prolonged outage of imported water infrastructure occur	Ongoing
B.6.5	Develop emergency power strategy to assure ability to respond to short term and long term power supply outages for key facilities	Ongoing
B.6.6	Coordinate emergency response planning efforts with the regional water agencies, county, and cities	Ongoing
B.6.7	Conduct emergency preparedness planning and training for all staff	Ongoing
B.6.8	Conduct semiannual tests of SCV Water's disaster recovery plan	Ongoing
B.6.9	Develop a network security plan including a cyber-security policy and threat response plan	6/30/2021

B.6.10	Evaluate installation of an alarm in the garden area for emergencies	6/30/2020
Goal C: Water Supply and Resource Sustainability – Implement programs to ensure the service area has reliable and sustainable supplies of water.		
Strategy	Objective	Time Frame
<i>C.1 - Conduct planning to ensure long-term water demands are met.</i>		
C.1.1	Complete the 2020 Urban Water Management Plan	6/30/2021
C.1.2	Identify projects and initiate planning for projects to enhance long-term water supply reliability consistent with the updated Water Supply Reliability Report	Ongoing
C.1.3	Respond to SB 610 Water Supply Assessments and SB 221 Water Supply Verifications	Ongoing
C.1.4	Analyze the seismic resiliency of SCV Water's supply portfolio	6/30/2021
C.1.5	Monitor climate change science and public policy. Incorporate climate change impacts on water demand and supplies into long-term plans and programs to maintain reliable and sustainable water supplies	Ongoing
<i>C.2 - Protect the SCV Water interests in the State Water Project.</i>		
C.2.1	Ensure that SCV Water has full access to water supplies available to it under its SWP contract and other water supply agreements that rely on SWP conveyance to meet customer water demands and store water for reliability enhancement and dry year use	Ongoing
C.2.2	Participate in planning, financing, development, and implementation of the Delta Conveyance Project	Ongoing
C.2.3	Collaborate with DWR and other SWP contractors to improve the administration of the SWP in a manner that promotes long-term cost effectiveness, operational reliability and supply availability	Ongoing
<i>C.3 - Advance the integrated management of water resources.</i>		
C.3.1	Lead the implementation of the Sustainable Groundwater Management Act for the Santa Clarita Valley	1/30/2022
C.3.2	Prepare the SCV Water Recycled Water Master Plan Update and California Environmental Quality Act document	5/31/2021
C.3.3	Work with agencies to develop foundation for a successful recycled water program	Ongoing
C.3.4	Pursue grant funding for recycled water projects	Ongoing
C.3.5	Coordinate and analyze performance of water banking and exchange programs, local groundwater production and water conservation measures	Ongoing
C.3.6	Implement dry-year recovery project for the Rosedale-Rio Bravo Water Storage District Water Exchange and Banking Program	12/31/2019

C.3.7	Identify and secure access or ownership of suitable groundwater recharge areas in the watershed	Ongoing
C.4 - Advance demand management and achieve state mandated water use efficiency targets.		
C.4.1	Continue to implement and assess programs identified in the updated Santa Clarita Valley Water Use Efficiency Strategic Plan (SCV WUE SP)	Ongoing
C.4.2	Support local and statewide regulations consistent with the goals of the Water Use Efficiency Strategic Plan	Ongoing
C.4.3	Monitor and provide input into Governor’s proposed new water efficiency targets (beyond 20% by 2020)	Ongoing
C.4.4	Work with the Santa Clarita Valley Water Committee to further enhance retail purveyor, City and County drought and water conservation activities	Ongoing
C.4.5	Reevaluate and prioritize outreach targets and methods to maximize rebates and incentive benefits to encourage additional conservation	Ongoing
C.4.6	Develop equitable conservation/demand management programs to meet current and upcoming regulatory measures	Ongoing
C.4.7	Evaluate infrastructure technology (AMI/AMR) and operational strategies to better manage demands	Ongoing
C.4.8	Work with developers and/or permitting agencies to get the appropriate turf efficient landscapes in new development	Ongoing
C.4.9	Promote drought tolerant and water efficient landscapes out into the community	Ongoing
C.4.10	Communicate with customers the message that “conservation is a way of life”	Ongoing
C.5 - Respond to anticipated near-term droughts through rate structure modification, conservation assistance, customer service and outreach.		
C.5.1	Implement a system to respond to droughts	Ongoing
C.6 - Actively manage natural resource use.		
C.6.1	Conduct organization-wide energy assessment to identify opportunities to reduce energy use	6/30/2023
C.6.2	Evaluate SCV Water’s solar power contracts and options to optimize the cost and value to SCV Water	12/31/2019
C.6.3	Optimize facility operations to minimize power, supplies, chemicals, and labor consumption	Ongoing
C.6.4	Assess the carbon footprint of SCV Water	12/31/2022
C.6.5	Develop/implement appropriate emissions reductions	12/31/2023

Goal D: Water Quality and Environmental Compliance – Protect the quality of our water supplies and environment and ensure our drinking water quality is consistent and meets or surpasses all water quality requirements.		
Strategy	Objective	Time Frame
<i>D.1 - Achieve 100% compliance with all environmental regulations and standards.</i>		
D 1.1	Meet all applicable water quality regulations	Ongoing
D.1.2	Evaluate a long-term strategy to provide consistent water quality across the service area (evaluate blending, well head softening, versus point-of-use homeowner expense of water softening systems)	Ongoing
D.1.3	Engage the public to understand and meet customer’s water quality requirements/demands	Ongoing
D.1.4	Communicate transparently regarding water quality trends and objectives	Ongoing
D.1.5	Track and report water quality complaints	Ongoing
<i>D.2 - Proactively install, operate, and maintain groundwater treatment infrastructure to avoid impacts on water supply reliability (e.g. VOCs, perchlorate, PFAS, etc.).</i>		
D.2.1	Regulatory agency coordination, communication and collaboration toward the aggressive pursuit of responsible parties.	Ongoing
<i>D.3 - Anticipate and comply with regulatory and environmental changes.</i>		
D.3.1	Track regulatory and statutory changes at both the federal and state levels pertaining to the Safe Drinking Water Act, the Clean Water Act and the potable water community in general	Ongoing
D.3.2	Maintain interagency water quality communication collaborations	Ongoing
D.3.3	Evaluate environmental compliance tracking software	12/31/2019
D.3.4	Develop a contaminants of emerging concern (CEC) strategy	12/31/2019
<i>D.4 - Implement long-term salinity management/nutrient management plan.</i>		
D.4.1	Work through the Groundwater Sustainability Agency to protect the watershed	Ongoing
D.4.2	Engage in watershed nutrient and salinity management activities	Ongoing
<i>D.5 - Seek cost recovery from responsible parties.</i>		
D.5.1	Continue litigation to hold parties responsible for groundwater contamination	Ongoing
Goal E: Financial Resiliency – Maintain a long-range, transparent, stable and well-planned financial condition, resulting in current and future water users receiving fair and equitable rates and charges		

Strategy	Objective	Time Frame
E.1 - Increase focus on forward looking financial information.		
E.1.1	Construct a financial model that can forecast financial requirements and results through the service area build out	3/31/2020
E.1.2	Incorporate the use of stochastic analysis in the financial planning model to assess uncertainty and explore the sensitivity of sales volumes and costs to rates and cash flow	3/31/2020
E.1.3	Implement staff tracking and assessment of debt portfolio	3/31/2020
E.1.4	Develop a Long-Range Finance Plan that considers:	1/31/2020
	<ul style="list-style-type: none"> • Policy for managing debt versus pay-go 	
	<ul style="list-style-type: none"> • Cash reserve requirements 	
	<ul style="list-style-type: none"> • OPEB funding 	
	<ul style="list-style-type: none"> • Rate management 	
	<ul style="list-style-type: none"> • Funding for carrying out the Strategic Plan 	
E.2 - Establish a path towards uniform retail rates.		
E.2.1	Update cost of service models utilizing the long-term financial plan and enterprise cost allocations	4/30/2020
E.2.2	Update the recycled water rate	8/31/2020
E.2.3	Develop a multi-year rate implementation plan that will establish consistent levels of funding and cash reserves throughout the service area	6/30/2020
E.3 - Improve treasury and cash management practices.		
E.3.1	Consolidate the business process of managing the fund investment activities for the SCV Water.	6/30/2020
E.3.2	Establish the practice of preparing monthly cash flow reporting.	9/30/2021
E.3.3	Update financial policies to reflect gains in capabilities to manage and control cash management as new financial and customer billing systems go live and new payment alternatives are offered to our customers	12/31/2021
E.4 - Expand Financial & Performance Reporting		
E.4.1	Establish management dashboards that will communicate operational performance to management and staff	1/31/2020
E.4.2	Establish financial dashboards that will communicate financial performance and health of the Agency	9/30/2021
E.4.3	Build internal capabilities for rate, financial, and performance analysis and reporting through training and adding staff as necessary	Ongoing
E.5 - Improve financial risk management.		
E.5.1	Evaluate opportunities to hedge financial risks with insurance	12/31/2019
E.5.2	Evaluate opportunities to improve the relationship between fixed costs and fixed revenues in rate and fee structures	6/30/2020

E.6 - Improve cost accounting.		
Strategy	Objective	Time Frame
E. 6.1	Implement project costing functionality in the new accounting system	12/31/2021
E. 6.2	Standardize warehouse inventory practices and centralize purchasing for parts, meters, tools, and other maintenance and repair inventory items	6/30/2020
E. 6.3	Update the cost allocation methodology to reflect the new Agency organizational structure	12/31/2019
Goal F: High Performance Team – Grow a culture of continuous improvement that fosters SCV Water's values.		
F.1 - Implement post-merger integration of the new agency.		
F.1.1	Reduce the number of customer service field offices, increase offsite payment locations.	12/31/2019
F.1.2	Standardize operating procedures and business processes across the organization	6/30/2024
F.1.3	Update, develop, and maintain clear and comprehensive policies for SCV Water	6/30/2024
F.1.4	Remain in compliance with the requirements of SB 634	6/30/2024
F.1.5	Optimize use of SCV Water real estate	6/30/2024
F.2 - Attract, train, and retain quality staff.		
F.2.1	Complete an organizational design study that results in updated job requirements, job classifications, clear career paths, and appropriate pay levels	7/31/2020
F.2.2	Research compensation for licenses and certifications through a market survey	7/31/2020
F.2.3	Implement electronic benefits enrollment	6/30/2024
F.2.4	Provide supervisor training to enhance working knowledge and a general understanding of the SCV Water's recruitment, and performance evaluation and other human relations processes	10/31/2020
F.2.5	Update the SCV Water's Employee Handbook	12/31/2019
F.2.6	Conduct sexual harassment awareness and prevention training for all employees	12/31/2020
F.2.7	Implement an employee portal or intranet for posting various often-requested forms, documents, etc.	11/30/2019
F.2.8	Budget for sufficient staffing to meet adopted objectives (particularly in Water Resources, Operations, Engineering, Finance, and Communications)	4/29/2024
F.2.9	Examine practicality/benefits of establishing a mentoring program	12/31/2019

F.2.10	Review team building strategy to foster trust and shared values	1/31/2020
F.2.11	Develop / document employee and Director onboarding approach	3/31/2020
F.2.12	Document and optimize the delegation of authority to improve efficiency	6/30/2022
F.2.13	Evaluate the economics of providing benefits to part-time employees	6/30/2021
F.2.14	Develop a comprehensive training plan considering:	6/30/2021
	<ul style="list-style-type: none"> • Providing facility tours for staff 	
	<ul style="list-style-type: none"> • Coaching/mentoring for staff 	
	<ul style="list-style-type: none"> • Improving training programs so all equal positions are trained to the same level 	
	<ul style="list-style-type: none"> • Developing a cross training program 	
	<ul style="list-style-type: none"> • Developing an internship program 	
	<ul style="list-style-type: none"> • Providing training for teamwork and conflict management 	
	<ul style="list-style-type: none"> • Supervisor and management training 	
	<ul style="list-style-type: none"> • Encouragement of project management certification 	
	<ul style="list-style-type: none"> • Uniform training standards across the divisions 	
	<ul style="list-style-type: none"> • Safety training 	
	<ul style="list-style-type: none"> • Heavy equipment operations certification 	
	<ul style="list-style-type: none"> • Hostile interaction training 	
	<ul style="list-style-type: none"> • Terrorism response 	
F.3 - Implement integrated technology and applications across the organization.		
F.3.1	Assess, select, and implement a single accounting and financial reporting system	3/31/2021
F.3.2	Assess, select, and implement a single customer service and billing system	6/30/2021
F.3.3	Consolidate telecommunication and network equipment	6/30/2020
F.3.4	Develop and implement a tiered end-user support system with scaled resources	3/31/2021
F.3.5	Deploy end-point management solution for mobile and stationed devices	3/31/2021
F.3.6	Improve integration of IT systems/platforms	6/30/2024
F.3.7	Improve breadth, depth, quality and timeliness of business planning information	6/30/2024
F.3.8	Implement integrated applications (Asset Management) across the organization	6/30/2023
F.3.9	Improve technology and data risk management processes	6/30/2024
F.3.10	Develop an Information Technology Strategic Plan	12/31/2019
F.3.11	Implement redundant gateway routing	12/31/2019

F.3.12	Consolidate and align the servers to efficiently meet the needs of the organization	6/30/2021
F.3.13	Standardize network access throughout the organization	4/30/2020
F.3.14	Standardize virtual server approach across the organization	2/28/2020
F.3.15	Add 10 to 20 more MBPS (megabits per second) on existing point-to-point backup line between the Rio Vista Water Treatment Plant and Summit Circle	1/31/2020
F.3.16	Conduct an analysis and evaluation of the network vulnerabilities	10/31/2019
F.3.17	Development, deployment and maintenance of an agency intranet	11/30/2019
F.3.18	Evaluate and implement mobile solutions for certain field job tasks	6/30/2022
F.3.19	Maintain regular and routine computer replacement program and management of technology through an asset management approach	6/30/2024
F.3.20	Evaluate need for computers in the education department	6/30/2021
F.3.21	Maintain regular and routine network appliance replacement schedule	6/30/2024
F.3.22	Update and modernize collaborative workspaces to meet the needs of the modern workforce	6/30/2020
<i>F.4 - Promote an open and professional work environment.</i>		
F.4.1	Continue to provide employees with “bottom-up” communication through all employee meetings (All Hands, etc.)	Ongoing
F.4.2	Continue to (1) provide General Manager-to-staff memos and quarterly employee newsletters and (2) hold employee meetings updating all employees of important events and news.	Ongoing
F.4.3	Continue bi-weekly executive staff and periodic manager/supervisor meetings to enhance staff productivity and coordination work efforts	Ongoing
F.4.4	Continue the new e-newsletter	Ongoing
F.4.5	Develop a comprehensive staff engagement strategy considering:	Ongoing
	<ul style="list-style-type: none"> • Activities/accomplishments of the new agency 	
	<ul style="list-style-type: none"> • Implement internal / external communications improvements 	
	<ul style="list-style-type: none"> • Consistent communication processes 	
	<ul style="list-style-type: none"> • Enhance quality/consistency of email communication 	
	<ul style="list-style-type: none"> • Management-to-supervisors engagement 	
	<ul style="list-style-type: none"> • Supervisor-to-staff communication 	
	<ul style="list-style-type: none"> • Interagency communication 	

	<ul style="list-style-type: none"> • Teambuilding activities 	
F.4.6	Include staff in key planning/implementing of policy changes	Ongoing
F.4.7	Develop an innovation program to encourage, capture, and deploy new ideas/suggestions	6/30/2021
<i>F.5 - Maintain a safe and secure work environment.</i>		
F.5.1	Continue to provide all required and recommended safety training	Ongoing
F.5.2	Continue to emphasize safety through weekly tailgate and safety meetings	Ongoing
F.5.3	Conduct live confined space entry and rescue drill	Ongoing
F.5.4	Conduct a live chemical spill response drill with local fire department and/or emergency services contractor	Ongoing
F.5.5	Improve Rio Vista Water Treatment Plant back gate and access road by adding safety and security signage and traffic striping	6/30/2022
F.5.6	Improve Earl Schmidt Filtration Plant road access gate	6/30/2022
F.5.7	Develop protocol for dealing with phone and in-person threats	6/30/2020

Board of Directors

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Kathy Colley

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Steve Cole, Assistant General Manager
Keith Abercrombie, Chief Operating Officer
Brian Folsom, Chief Engineer
Eric Campbell, Chief Finance and Administrative Officer
Dirk Marks, Director of Water Resources
Mike Alvord, Director of Maintenance and Operations
Rochelle Patterson, Director of Finance and Administration
Cris Perez, Director of Technology
Kathie Martin, Public Information Officer



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PERFORMANCE MEASURES

PERFORMANCE MEASURES

The Santa Clarita Valley Water Agency uses performance measures as a quantifiable indicator used to assess how well the Agency is achieving its desired objectives. The Agency will routinely review various performance measure types to assess such things as results, production, demand and operating efficiency in order to get a more objective sense of how the Agency is operating and whether improvement is required.

OBJECTIVES

Improvement in individual, group, or organizational performance cannot occur unless there is some way of getting performance feedback. Feedback is having the outcomes of work communicated to the employee or work group. For an individual employee, performance measures create a link between their own behavior and the organization's goals. For the organization or its work unit's performance measurement is the link between decisions and organizational goals.

It has been said that before you can improve something, you have to be able to measure it, which implies that what you want to improve can somehow be quantified. Additionally, it has also been said that improvement in performance can result just from measuring it. Whether or not this is true, measurement is the first step in improvement. While measuring is the process of quantification, its effect is to stimulate positive action.

TYPES OF PERFORMANCE MEASURES

Performance measures can be grouped into two basic types: those that relate to results (outputs or outcomes such as competitiveness or financial performance) and those that focus on the determinants of the results (inputs such as quality, flexibility, resource utilization, and innovation). This suggests that performance measurement frameworks can be built around the concepts of results and determinants.

MEASUREMENT APPROACH

Standard performance measures could be productivity measures, quality measures, inventory measures, lead-time measures, preventive maintenance, performance to schedule, and utilization. In determining the Agency's performance measures, several fundamental, but interlinking areas were identified:

- Fiscal responsibility
- Output/input relationships or productivity
- Customer emphasis such as quality
- Innovation and adaptation to change
- Human resources
- Cost of quality measured as budgeted versus actual
- Variances measured as cost versus actual expenses
- Period expenses measured as budgeted versus actual expenses
- Safety measured on some common scale such as number of hours without an accident

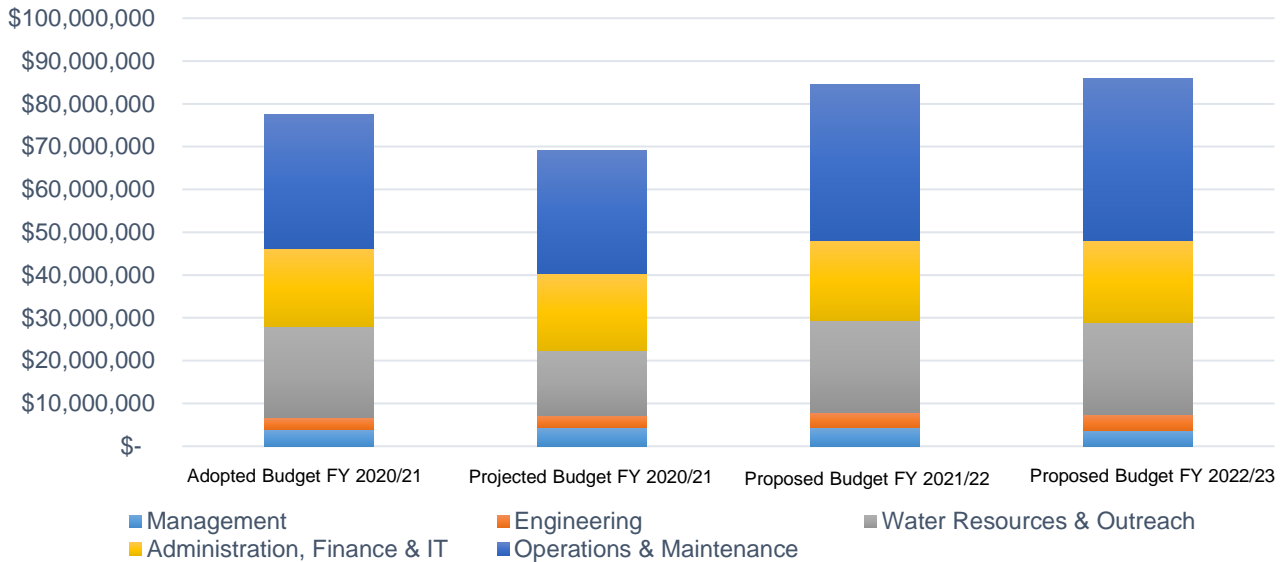
While financial measures of performance are often used to gauge Agency performance, some rely on traditional measures. It is good practice for the Agency to not rely on one set of measures, but to provide a clear performance target. To be effective, performance measures should continuously evolve in order to properly assess performance and focus resources on continuous improvement and motivating personnel.

Each section of the Agency has established their priorities, goals and strategies, and those desired outcomes were reviewed and considered. As a whole, objectives are dynamic and provide a living action plan for the section management team to identify, track and report on the progress toward identified goals.

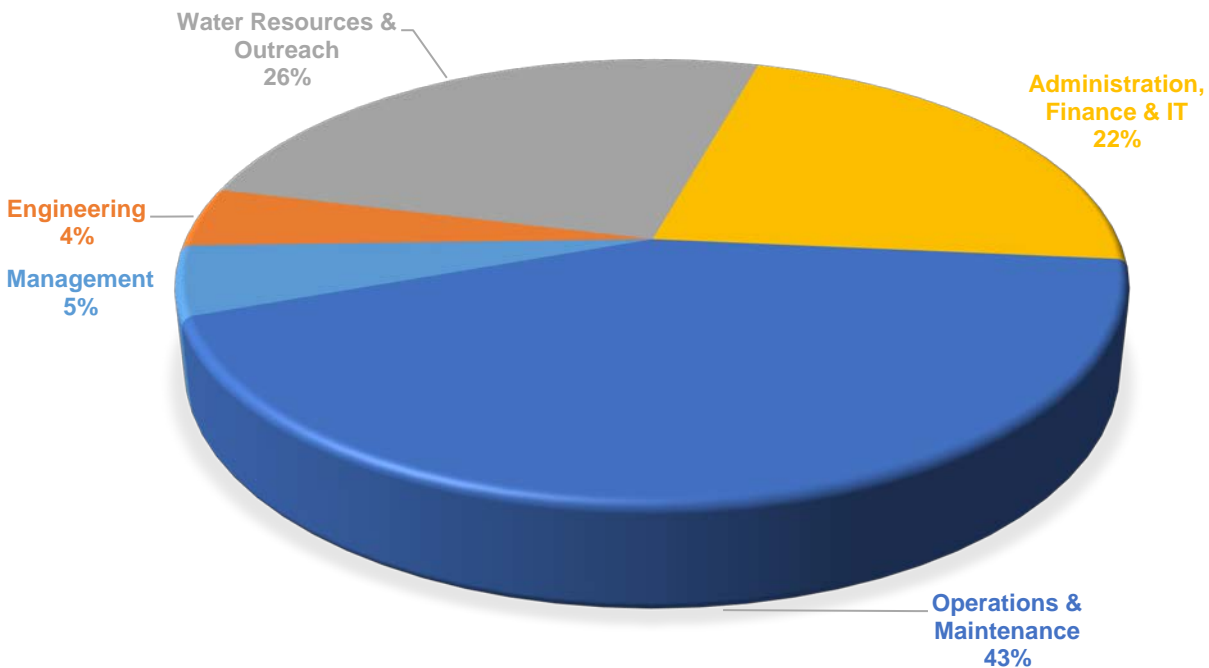
**SCV WATER - TOTAL OPERATING EXPENDITURES BY SECTION
FY 2021/22 and FY 2022/23**

	Adopted Budget FY 2020/21	Projected Budget FY 2020/21	Proposed Budget FY 2021/22	Proposed Budget FY 2022/23
Management	\$ 3,878,227	\$ 4,343,029	\$ 4,300,023	\$ 3,763,699
Engineering	2,816,500	2,899,609	3,661,019	3,695,368
Water Resources & Outreach	21,229,530	15,081,110	21,469,080	21,456,622
Administration, Finance & IT	18,233,523	18,040,461	18,697,248	19,049,847
Operations & Maintenance	31,268,918	28,745,312	36,281,231	37,954,028
Total Regional & Retail Op Expenditures	\$ 77,426,698	\$ 69,109,521	\$ 84,408,601	\$ 85,919,564

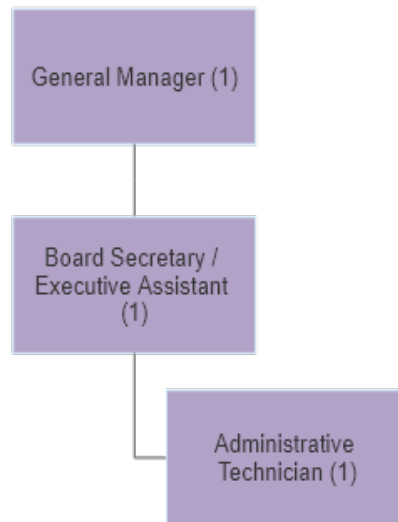
EXPENDITURES BY SECTION



OPERATING EXPENSES FY 2021/22



**SCV WATER - PERFORMANCE MEASUREMENT
MANAGEMENT SECTION
FY 2021/22 and FY 2022/23**










Management – Purpose Statement

Santa Clarita Valley Water Agency is committed to being a leader and a partner in providing high quality water at a reasonable cost. The mission of the management section is to provide strategic and innovative leadership to the organization, support the organization’s human capital and implement the Board of Directors' vision and goals in a professional, cost effective, and sustainable manner.

Management – Primary Services







- The Board of Directors is the governing body of the Santa Clarita Valley Water Agency. As elected officials for the Agency, the Board establishes the policies.
- In addition to general governance responsibilities, the Board of Directors guides the operations of the General Manager.
- The Board also holds public hearings at which official Agency business is conducted.
- Management strives to create a safe and healthy workplace environment that demonstrates the Agency's commitment to valuing and respecting employees.
- Management encourages participation through regional and local partnerships.

FY 2019/20 and FY 2020/21 ACCOMPLISHMENTS












-  Ensure Agency, Division/Department and capital budgets are appropriately expended by actively managing and controlling expenditures
-  Continue to look for ways to gain efficiency and economies of scale
-  Enter into a contract with a Rate Payer Advocate
-  Continue to provide detailed information to Board of Directors through Board, Committee, Department and General Counsel reports
-  Continue team-building workshops
-  Continue to provide employees with "bottom-up" communication through all employee meetings
-  Ensure the Agency is properly represented on all legal matters

**SCV WATER - PERFORMANCE MEASUREMENT
MANAGEMENT SECTION
FY 2021/22 and FY 2022/23**

FY 2019/20 and FY 2020/21 ACCOMPLISHMENTS - Cont'd

-  Continue succession planning efforts to ensure that employees are recruited and developed to fill key roles with the Agency
-  Provide education and training opportunities to all employees to develop them for future higher level and broader responsibilities
-  Continue planning, design, permitting and construction for additional PFAS treatment facilities
-  Purchase, installation, training and certification of in-house lab equipment for PFAS testing
-  Continue efforts to recover costs of Perchlorate, VOC, and PFAS water quality actions from responsible parties
-  Continue COVID-19-related operations and adjust to changing requirements, conditions, precautions and risk factors

FY 2021/22 and FY 2022/23 OBJECTIVES

-  Ensure Agency, Division/Department and capital budgets are appropriately expended by actively managing and controlling expenditures
-  Continue to look for ways to gain efficiency and economies of scale
-  Continue to provide detailed information to Board of Directors through Board, Committee, Department and General Counsel reports.
-  Continue to provide employees with "bottom-up" communication through all employee meetings
-  Ensure the Agency is properly represented on all legal matters
-  Continue planning, design, permitting and construction for additional PFAS treatment facilities
-  Continue efforts to recover costs of Perchlorate, VOC, and PFAS water quality actions from responsible parties
-  Continue COVID-19-related operations and adjust to changing requirements, conditions, precautions and risk factors
-  Review organizational needs for the next 3 to 5 years - including succession planning, changing needs and mandates, and asset management activities - and make appropriate staffing and organizational adjustments over time going forward
-  Evaluate, develop, pilot test and implement an internship program (COVID considerations may impact timing of full-scale implementation)
-  Conduct Strategic Plan update and refresh with Board and staff in FY 2022/23

**SCV WATER - PERFORMANCE MEASUREMENT
MANAGEMENT SECTION
FY 2021/22 and FY 2022/23**

	Adopted Budget FY 2020/21	Projected Budget FY 2020/21	Proposed Budget FY 2021/22	Proposed Budget FY 2022/23
MANAGEMENT SECTION				
Professional Services	\$ 1,491,904	\$ 1,370,884	\$ 2,996,000	\$ 1,878,500
Election	550,000	550,000	-	550,000
Salary and Benefits	1,019,428	1,871,044	723,950	746,357
Directors Compensation & Expenses	816,895	551,101	580,073	588,842
TOTAL MANAGEMENT	\$ 3,878,227	\$ 4,343,029	\$ 4,300,023	\$ 3,763,699

Personnel				
Position	FY 2020/21 FTE	FY 2021/22 FTE	FY 2022/23 FTE	Total Change*
General Manager	1	1	1	0
Assistant General Manager**	1	0	0	-1
Chief Financial & Administrative Officer**	1	0	0	-1
Board Secretary	1	1	1	0
Administrative Assistant	1	1	1	0
Total	5	3	3	-2

* Total Change from FY 2020/21 to FY 2022/23

** Change due to moving Assistant General Manager to Water Resources, and CFAO to Administration Section

**SCV WATER - PERFORMANCE MEASUREMENT
MANAGEMENT SECTION
FY 2021/22 and FY 2022/23**






Department Management Section
Service Area Management and Board of Directors




Cost Center Goal	Outcome Indicator
The Board of Directors defines the principles and approaches to determine Agency policies and plays a leading role in ensuring the transparency of the Agency's activities, coupled with timely and full disclosure of information by the Agency. Management seeks to, among other things, enhance the efficiency and transparency by developing sound business strategies and delivering strong leadership.	Improve communication processes, advance workflow and overall productivity in the organization.

Objective: To set proactive business goal and objectives.

	Input Indicators	Output Indicators	Efficiency Indicator	Service Quality Indicator	Outcome Indicator
Indicator	Budget and/or Projections	Actual Number/ Percentage	Cost/Service Improvement	Percent Service Improvement	Percent of Cost/Service Improvement
Indicator Calculation	Personnel Services + Operating Expenses and Equipment	Percentage	Percent of Improvement	Percent of Service Improvement	Percent of Service Improvement

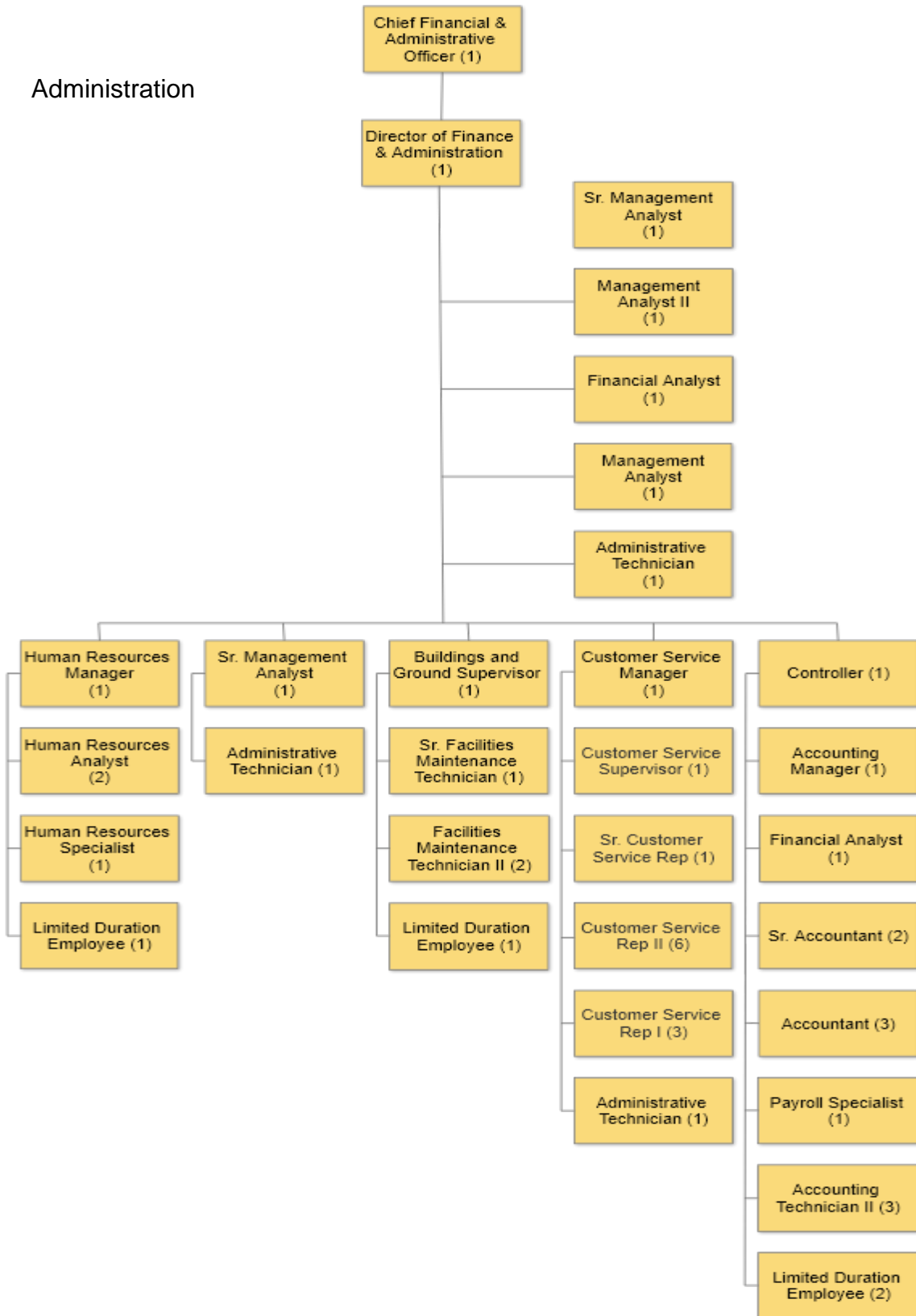
Performance Indicators

KPI	Indicator	Activity/Criteria	Target FY 2020/21	Target Met? FY 2020/21	Target FY 2021/22	Target FY 2022/23
A6	Input	Public awareness and opinion of the SCV Water, service and role in the community	Increase outreach campaigns		Increase outreach campaigns	Increase outreach campaigns
A7	Input	Maintain a level of active participation in organizations	Maintain current level		Maintain current level	Maintain current level
C8	Input	Lead implementation of the Sustainable Groundwater Management Act (SGMA)	Implemented SGMA		Continue SGMA	Continue SGMA
E1	Input	Continue to update Financial and Administrative Policies	Continue to update policies		Continue to update policies	Continue to update policies
F4	Input	Team Building and Strategic Planning Development	Complete plan		Continue plan	Continue plan

 Target Met  On Target, but not yet achieved  Target not met

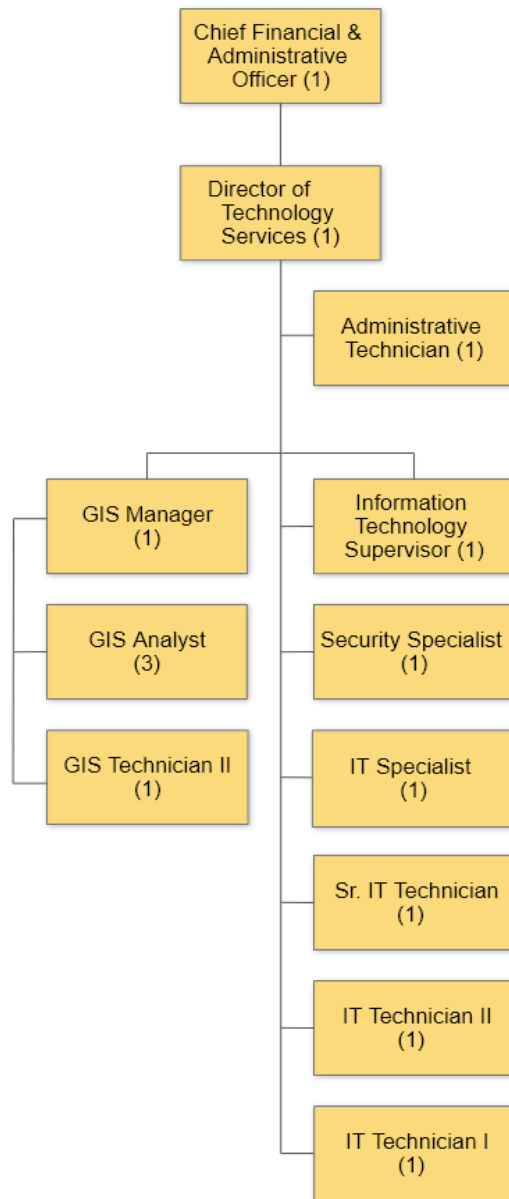
**SCV WATER - PERFORMANCE MEASUREMENT
FINANCE, ADMINISTRATION AND TECHNOLOGY SERVICES SECTION
FY 2021/22 and FY 2022/23**

Administration



**SCV WATER - PERFORMANCE MEASUREMENT
 FINANCE, ADMINISTRATION AND TECHNOLOGY SERVICES SECTION
 FY 2021/22 and FY 2022/23**

IT Services



Finance, Administration and Technology Services – Purpose Statement

















The mission of the Administration, Finance and Technology Services Section is to provide strategic and innovative leadership to the organization; support the organization's human capital and implement the Board of Directors' vision and goals in a professional, cost effective and sustainable manner; to provide transparent and accountable information that is presented in a professional manner and support the Agency with excellent customer service; and finally, to manage the development, maintenance and use of computer systems, software and networks for the processing and distribution of the Agency's data.

**SCV WATER - PERFORMANCE MEASUREMENT
FINANCE, ADMINISTRATION AND TECHNOLOGY SERVICES SECTION
FY 2021/22 and FY 2022/23**

Finance, Administration and Technology Services – Primary Services
























- Budget - To provide the highest quality financial planning, resource management and analytical services to support effective decision making and organization accountability throughout the Agency.
- Innovation and Sustainability - To provide sustainable, practical and innovative solutions through being proactive by engaging staff, improving processes and providing the resources needed to create measurable and meaningful results across the organization.
- Finance - This function provides the Agency with accurate financial services including governmental accounting, managing investments, handling special projects, debt issuance, grant analysis, annual audits and preparation of the Annual Comprehensive Financial Report (formerly known as the Comprehensive Annual Financial Report).
- Purchasing/Contract Administration - Manages the purchasing and contract administration of the Agency. Works with Agency operations and recommends, manages and ensures that the procurement policies, processes and procedures are followed to minimize risk and maximize value.
- Technology Services - Primary goals are to provide a stable, secure and user-centric computing environment while maintaining and improving support services and needs.
- Customer Service - To deliver an outstanding customer experience by providing accurate service data, timely billing and professionalism in resolving customer concerns.

FY 2019/20 and 2020/21 ACCOMPLISHMENTS

-  Completed bond issuance (2020A)
-  Submitted Biennial Budget for FY 2019/20 & FY 2020/21 to GFOA & CSMFO for award consideration (received awards)
-  Submitted the Agency's first ACFR to GFOA for FY 2019/20 for award consideration (received award)
-  Entered into a contract for a new Agency-wide accounting software, and completed integration
-  Continued to work with Operations, Engineering and Customer Service to develop a GIS for the Santa Clarita Water Division
-  Developed and implemented Agency cyber security policy and response plan
-  Developed and implemented an Agency-wide customer service policy
-  Migrated Newhall Division customers to a new third party payment platform
-  Implemented a new Point of Sale (POS) payment platform for all divisions
-  Consolidated Pine Street & Summit Circle customer service into the Rockefeller location
-  Migrated all bill print & presentment services to one vendor
-  Completed technology upgrades in conference rooms for improved collaboration and communication
-  Completed new telephone system selection and deployment
-  Completed deployment and adoption of new Agency intranet
-  Completed employee network security training and network penetration test
-  Completed deployment of advance threat analytic tools for network security

**SCV WATER - PERFORMANCE MEASUREMENT
FINANCE, ADMINISTRATION AND TECHNOLOGY SERVICES SECTION
FY 2021/22 and FY 2022/23**

FY 2021/22 and 2022/23 OBJECTIVES

-  Upgrade enQuesta Utility Billing System and integrate Santa Clarita customer records
-  Perform an organizational study for the Finance & Administration department
-  Develop interim financing plan for PFAS treatment facilities
-  Complete bond issuance (2023A)
-  Submit the Agency's FY 2021/22 & FY 2022/23 Biennial Budget to GFOA and CSMFO for award consideration
-  Submit the Agency's FY 2020/21 & FY 2021/22 ACFR to GFOA for award consideration
-  Update the Long-Term Financial Plan
-  Update the 2019 Facility Capacity Fee Report
-  Develop RFP to add Human Capital Management to Oracle Fusion software
-  Acquire and implement an Asset Management Pilot Program
-  Complete a review of the Agency's financial policies
-  Maintain as-builts, migrate to GIS, track, and distribute
-  Develop a network security plan including a cyber-security policy and threat response plan
-  Implement integrated applications across organization
-  Improve integration of tech systems/platforms
-  Develop an Information Technology Strategic Plan that supports the SCV Water plan
-  Evaluate and implement mobile solutions for certain field job tasks
-  Maintain regular and routine computer replacement program and management of technology through an asset management approach
-  Develop an innovation program to encourage, capture, and deploy new ideas/suggestions
-  Maintain, audit, test, and update network security plan to meet continual threat landscape
-  Develop and deploy a GIS-based pipeline system assessment and inspection program
-  Consolidate, upgrade, and deploy an Agency-wide cloud-based video surveillance system
-  Set up and configure new cloud-hosted backup for Azure Office 365 platform

**SCV WATER - PERFORMANCE MEASUREMENT
FINANCE, ADMINISTRATION AND TECHNOLOGY SERVICES SECTION
FY 2021/22 and FY 2022/23**

	Adopted Budget FY 2020/21	Projected Budget FY 2020/21	Proposed Budget FY 2021/22	Proposed Budget FY 2022/23
FINANCE, ADMINISTRATION AND IT SECTION				
Maintenance & Services	\$ 8,596,672	\$ 8,218,349	\$ 8,863,190	\$ 9,013,927
Insurance (non-employee related)	1,552,099	1,612,255	1,600,000	1,648,000
Salary and Benefits	8,084,752	8,209,857	8,234,058	8,387,920
TOTAL FINANCE, ADMINISTRATION AND IT	\$18,233,523	\$18,040,461	\$18,697,248	\$19,049,847

Personnel				
Position	FY 2020/21 FTE	FY 2021/22 FTE	FY 2022/23 FTE	Total Change*
Accountant	3	3	3	0
Accounting Manager	0	1	1	1
Accounting Technician I	2	0	0	-2
Accounting Technician II	3	3	3	0
Administrative Technician	2	4	4	2
Asset Management Coordinator***	1	0	0	-1
Assistant Customer Service Supervisor***	1	0	0	-1
Buildings & Grounds Supervisor**	0	1	1	1
Chief Financial & Administrative Officer	0	1	1	1
Controller	1	1	1	0
Customer Service Manager	1	1	1	0
Customer Service Representative I	4	3	3	-1
Customer Service Representative II	6	6	6	0
Customer Service Supervisor	1	1	1	0
Director of Finance and Administration	1	1	1	0
Director of Technology Services	1	1	1	0
Facilities Maintenance Technician II**	0	2	2	2
Financial Analyst	2	2	2	0
GIS Analyst***	0	3	3	3
GIS Manager***	0	1	1	1
GIS Supervisor/Planner***	1	0	0	-1
GIS Technician II***	0	1	1	1
GIS/CAD Technician I***	1	0	0	-1
GIS/CAD Technician II***	2	0	0	-2
Human Resources Analyst	2	2	2	0
Human Resources Manager	0	1	1	1
Human Resources Specialist***	0	1	1	1
Human Resources Supervisor***	1	0	0	-1
Information Technology Supervisor***	0	1	1	1
Information Technology Technician***	2	0	0	-2
IT Specialist***	0	1	1	1
IT Technician I***	0	1	1	1
IT Technician II***	0	2	2	2
Limited Duration Employee***	0	4	4	4
Management Analyst I***	2	1	1	-1
Management Analyst II***	0	1	1	1

**SCV WATER - PERFORMANCE MEASUREMENT
FINANCE, ADMINISTRATION AND TECHNOLOGY SERVICES SECTION
FY 2021/22 and FY 2022/23**

Personnel - cont'd				
Position	FY 2020/21 FTE	FY 2021/22 FTE	FY 2022/23 FTE	Total Change*
Office Assistant II	1	0	0	-1
Payroll Specialist	0	1	1	1
Purchasing Coordinator	1	0	0	-1
Retail Administrative Officer***	1	0	0	-1
Security Specialist	0	1	1	1
Senior Accountant	2	2	2	0
Senior Accounting Technician***	2	0	0	-2
Senior Customer Service Rep***	0	1	1	1
Senior Facilities Maintenance Technician***	0	1	1	1
Senior Information Technology Technician	2	1	1	-1
Senior Management Analyst	1	2	2	1
Total	50	60	60	10

* Total Change from FY 2020/21 to FY 2022/23

**Changes due to B&G Supervisor and Facilities employees moving from Operations to Administration Section

***Changes due to Class and Comp Study in which position was either added or eliminated.










**SCV WATER - PERFORMANCE MEASUREMENT
FINANCE, ADMINISTRATION AND TECHNOLOGY SERVICES SECTION
FY 2021/22 and FY 2022/23**




Department Finance, Administration & Technology Services

Service Area Finance, Accounting, Technology & Customer Service

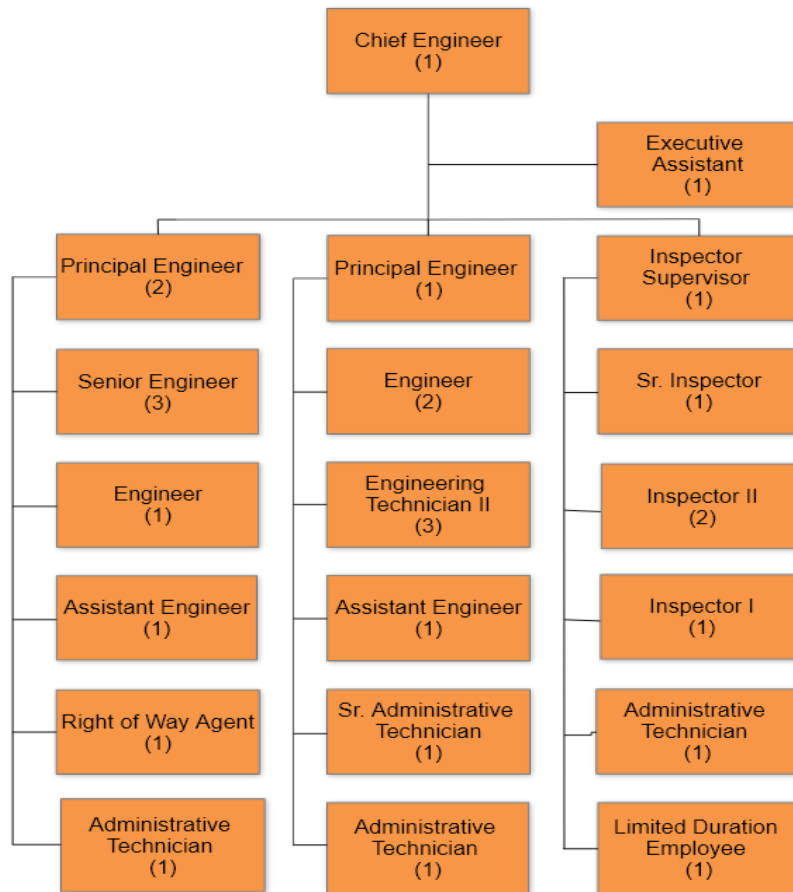
Cost Center Goal		Outcome Indicator			
To take the lead in setting policies and procedures that enhance the Agency's financial position, and to promote efficient use of water resources by adopting rate designs that are fair and reasonable. To also provide excellent and efficient customer service, respond to customer inquiries quickly, participate in community events and continue to find different programs to offset costs		To enhance policies and procedures that will secure the Agency's financial position and to gain service and cost improvements.			
Objective: To continue to improve financial reporting and to finds ways to reduce expenses by maximizing value to become a best-in-class Agency.					
	Input Indicators	Output Indicators	Efficiency Indicator	Service Quality Indicator	Outcome Indicator
Indicator	Budget and Projections	Budget and Acutal	Cost/Service Improvement	Percent of Service Improvement	Percent of Cost/Service Improvement
Indicator Calculation	Personnel Services + Operating Expenses and Equipment	Total costs	Percent of Budget	Percent of Service Improvement	Percent of Cost Improvement

Performance Indicators

KPI	Indicator	Activity/Criteria	Target FY 2020/21	Target Met? FY 2020/21	Target FY 2021/22	Target FY 2022/23
A2	Input	Length of time to resolve customer issues	< 24 hours		< 24 hours	< 24 hours
B4	Input	Develop and implement an asset management program	Develop plan		Develop and implement plan	Develop and implement plan
E1	Output	Maintain existing bond ratings (Fitch)	>= AA-		>= AA-	>= AA-
E2	Output	Maintain debt service coverage ratio	> 1.50%		> 1.50%	> 1.50%
E3	Output	Meet reserve fund targets	> 85%		> 85%	> 85%
E4	Outcome	Actual costs compared to projected budget	< 100%		< 100%	< 100%
F2	Service	Keep pace with technology, tools and equipment relative to work-flow demand	Improve stability & security		Improve stability & security	Improve stability & security
F5	Service	On-time completion of annual performance evaluations	Completion		Completion	Completion
F10	Service	Network availability - high availability	99%		99%	99%

 Target Met  On Target, but not yet achieved  Target not met

**SCV WATER - PERFORMANCE MEASUREMENT
ENGINEERING SERVICES SECTION
FY 2021/22 and FY 2022/23**



Engineering Services – Purpose Statement







The mission of the Engineering Services Section is to provide excellence in the field of engineering, construction inspection and related support services for a reliable and cost-effective water system. It is also responsible for the planning, design and construction of capital improvements necessary to meet water demands, comply with regulatory requirements, take advantage of technological advancements, ensure the integrity of the Agency's infrastructure and achieve operational efficiencies. These improvements include construction of new facilities, rehabilitation and replacement of existing infrastructure and incorporating needs identified through the planning process.

Engineering – Primary Services

- To prepare and review water plans for proposed development to ensure that they meet the Agency's construction standards and provide adequate pressures and fire flow.
- To manage the planning, design and construction phases of capital improvement projects.
- To provide construction inspection services.
- To provide cross-connection control protection services and ensure recycled water system compliance.
- To perform long-term capital improvement project planning and develop future project cost projections.
- To coordinate with the Operations and Maintenance section in providing design and construction services for many of the Agency's projects.







**SCV WATER - PERFORMANCE MEASUREMENT
ENGINEERING SERVICES SECTION
FY 2021/22 and FY 2022/23**

FY 2019/2020 AND FY 2020/21 ACCOMPLISHMENTS





















-  Completed design and initiated construction of the N Wells PFAS Groundwater Treatment Improvements Project
-  Completed design and initiated construction of the Well Q2 Perchlorate Treatment Improvements Project
-  Completed design and initiated construction of the Magic Mountain Pipeline, Phase 6A project
-  Completed design and initiated construction of the Magic Mountain Pipeline, Phase 6B Project
-  Completed design and initiated construction of the Commerce Center Drive Pipeline Project
-  Completed design and initiated construction of the Recycled Water Phase 2D West Ranch Project
-  Initiated planning of the E Wells PFAS Groundwater Treatment Improvements Project
-  Initiated planning of Well 205 Perchlorate Removal Facility Project
-  Completed purchase of a chlorine scrubber system for Rio Vista Water Treatment Plant
-  Continued development of system wide hydraulic model
-  Continued development of standard Engineering processes and documents (standard details standard drawings, master constructions specifications, standard development guidelines, etc.)
-  Tracked regulatory and statutory changes at both federal and state levels pertaining to the Safe Drinking Water Act, the Clean Water Act and the potable water community in general
-  Completed design and initiated construction for Recycled Water Phase 2B Vista Canyon Project
-  Purchased land at alternate site for Phase 2B Vista Canyon Recycled Tank
-  Initiated design of Deane Tank, Disinfection Facility and Pump Station at Skyline Ranch
-  Initiated planning of the Deane Tank at Sand Canyon Plaza
-  Completed construction of the N Wells PFAS Groundwater Treatment Improvements Project
-  Completed construction of the Well Q2 Perchlorate Treatment Improvements Project
-  Completed design and initiated construction of Phase 2B Vista Canyon Recycled Water Tank
-  Completed construction of the Recycled Water Phase 2D West Ranch Project
-  Completed construction of the Recycled Water Tank Potable Make-Up Pipeline Project
-  Completed construction of the RVWTP Chlorine Scrubber Replacement Project
-  Completed design and initiated construction of the Saugus Wells 3 & 4 (Replacement Wells) Project
-  Completed design and initiated construction of the Valley Center Well PFAS Groundwater Treatment Improvements Project
-  Completed preliminary design and initiated final design of the Santa Clara and Honby Wells PFAS Groundwater Treatment Improvements Project
-  Completed Mitigated Negative Declaration Addendum for the Phase 2C South End Recycled Water Main Extension Project
-  Completed Final Environmental Impact Report Addendum for the Honby Pipeline, Phase 2 Project

**SCV WATER - PERFORMANCE MEASUREMENT
ENGINEERING SERVICES SECTION
FY 2021/22 and FY 2022/23**

FY 2019/2020 AND FY 2020/21 ACCOMPLISHMENTS - Cont'd











-  Initiated design of the site improvements for the Saugus Wells 3 & 4 (Replacement Wells) Project
-  Initiated design of the ESFP Standby Generator Project
-  Initiated design of the ESFP Two 5 MG Tanks Improvements Project
-  Initiated planning of the Valencia Marketplace Pipeline Replacement Project
-  Developed draft recycled water policies and ordinances
-  Continued development of system wide hydraulic model

FY 2021/22 AND FY 2022/23 OBJECTIVES

-  Complete construction of the Recycled Water Phase 2B Vista Canyon Tank Project
-  Complete construction of the Recycled Water Phase 2B Vista Canyon Pipeline Project
-  Complete Grant Funding Agreement for Los Angeles Residential Community (LARC) and Lily of Valley (LOV) Pipeline
-  Initiate construction of Los Angeles Residential Community (LARC) and Lily of Valley (LOV) Pipeline
-  Complete design and initiate construction of Deane Pump Station at Sand Canyon Plaza
-  Complete design and initiate construction of first Deane Tank at Sand Canyon Plaza
-  Initiate design of Deane Pump Station and Soledad Pipeline at SC-6
-  Initiate design of Friendly Valley and Golden Valley Pipelines at Via Princessa (at Crossroads)
-  Initiate planning of Newhall Water Division Zone 4 Tank at Wiley Canyon
-  Initiate design of U4, U6 & T7 Wells (PFAS) and Saugus 1 & 2 Wells (VOCs)
-  Initiate design of S6, S7 & S8 Wells (PFAS)
-  Complete construction of the Magic Mountain Pipeline Phase 4 Project
-  Complete construction of the Magic Mountain Pipeline Phase 5 Project
-  Complete construction of the Magic Mountain Pipeline Phase 6A Project
-  Complete construction of the Magic Mountain Pipeline Phase 6B Project
-  Complete construction of the Valley Center Well PFAS Groundwater Treatment Improvements Project
-  Complete construction of the ESFP Standby Generator Project
-  Complete design and initiate construction of the Santa Clara and Honby Wells PFAS Groundwater Treatment Improvements Project
-  Complete design and initiate construction of the ESFP Washwater and Sludge System Improvement Project
-  Complete design and initiate construction of the Newhall Tanks 1 and 1A Stair Improvement Project

**SCV WATER - PERFORMANCE MEASUREMENT
ENGINEERING SERVICES SECTION
FY 2021/22 and FY 2022/23**

FY 2021/22 AND FY 2022/23 OBJECTIVES - Cont'd

-  Complete design and initiate construction of the ESFP Tank No. 1 Improvements Project
-  Complete design and initiate construction of the Valencia Marketplace Pipeline Replacement Project
-  Complete design and initiate construction of the RVWTP Underground Storage Tank Replacement Project
-  Complete design of the Recycled Water Phase 2C South End Project
-  Complete design of the Saugus Wells 1 & 2 VOC Groundwater Treatment Improvements Project
-  Complete planning and initiate design of the Well 205 Perchlorate Removal Facility Project
-  Complete planning phase of the Magic Mountain Reservoir Project
-  Complete planning phase of the Magic Mountain Pump Station Project
-  Initiate planning of the Saugus Wells 5 & 6 (Dry Year Reliability Wells) Project
-  Initiate Master Plan

**SCV WATER - PERFORMANCE MEASUREMENT
ENGINEERING SERVICES SECTION
FY 2021/22 and FY 2022/23**

	Adopted Budget FY 2020/21	Projected Budget FY 2020/21	Proposed Budget FY 2021/22	Proposed Budget FY 2022/23
ENGINEERING SERVICES SECTION				
Maintenance & Services	\$ 597,665	\$ 825,675	\$ 1,570,000	\$ 1,520,000
Salary and Benefits	2,218,835	2,073,934	2,091,019	2,175,368
TOTAL ENGINEERING SERVICES	\$ 2,816,500	\$ 2,899,609	\$ 3,661,019	\$ 3,695,368

Personnel				
Position	FY 2020/21 FTE	FY 2021/22 FTE	FY 2022/23 FTE	Total Change*
Administrative Analyst***	2	0	0	-2
Administrative Technician	3	3	3	0
Assistant Engineer***	0	2	2	2
Associate Engineer***	1	0	0	-1
Chief Engineer	1	1	1	0
Civil Engineer***	3	0	0	-3
Cross Connection Control Specialist**	1	0	0	-1
Engineer	0	3	3	3
Engineering Technician I***	2	0	0	-2
Engineering Technician II	3	3	3	0
Executive Assistant***	0	1	1	1
Inspector	3	0	0	-3
Inspector I***	0	1	1	1
Inspector II***	0	2	2	2
Inspector Supervisor	1	1	1	0
Laboratory/Regulatory Affairs Supervisor**	1	0	0	-1
Limited Duration Employee	0	1	1	1
Principal Engineer	2	3	3	1
Right of Way Agent	0	1	1	1
Senior Administration Technician***	0	1	1	1
Senior Engineer	2	3	3	1
Senior Inspector	1	1	1	0
Water Quality Scientist II**	3	0	0	-3
Water Quality Technician**	1	0	0	-1
Total	30	27	27	-3

* Total Change from FY 2020/21 to FY 2022/23

**Changes due to moving positions from Engineering to Operations Section

***Changes due to Class and Comp Study in which position was either added or eliminated.

**SCV WATER - PERFORMANCE MEASUREMENT
ENGINEERING SERVICES SECTION
FY 2021/22 and FY 2022/23**

Department Engineering Services





Service Area Engineering




Cost Center Goal	Outcome Indicator
The Engineering Services Section (ESS) will use their problem solving skills to discover new ways or alternate approaches to plan, design and construct facilities to meet the needs of the Agency and the general public. ESS goals and objectives revolve around successful project implementation, creating efficient processes and designs, as well as maintenance of necessary skills in a variety of different disciplines.	Efficient implementation of capital improvement projects, oversee new development-related infrastructure and development of best-in-class Engineering policies and procedures.

Objective: Successfully plan, design and construct capital improvement and developer-related projects.

	Input Indicators	Output Indicators	Efficiency Indicator	Service Quality Indicator	Outcome Indicator
Indicator	Budget and Projections	Budget and Actual	Cost/Service Improvements	Percent of Service Improvement	Percent of Cost/Service Improvement
Indicator Calculation	Personnel Services + Operating Expenses and Equipment	Total costs	Percent of Budget	Percent of Service Improvement	Percent of Cost Improvement

Performance Indicators

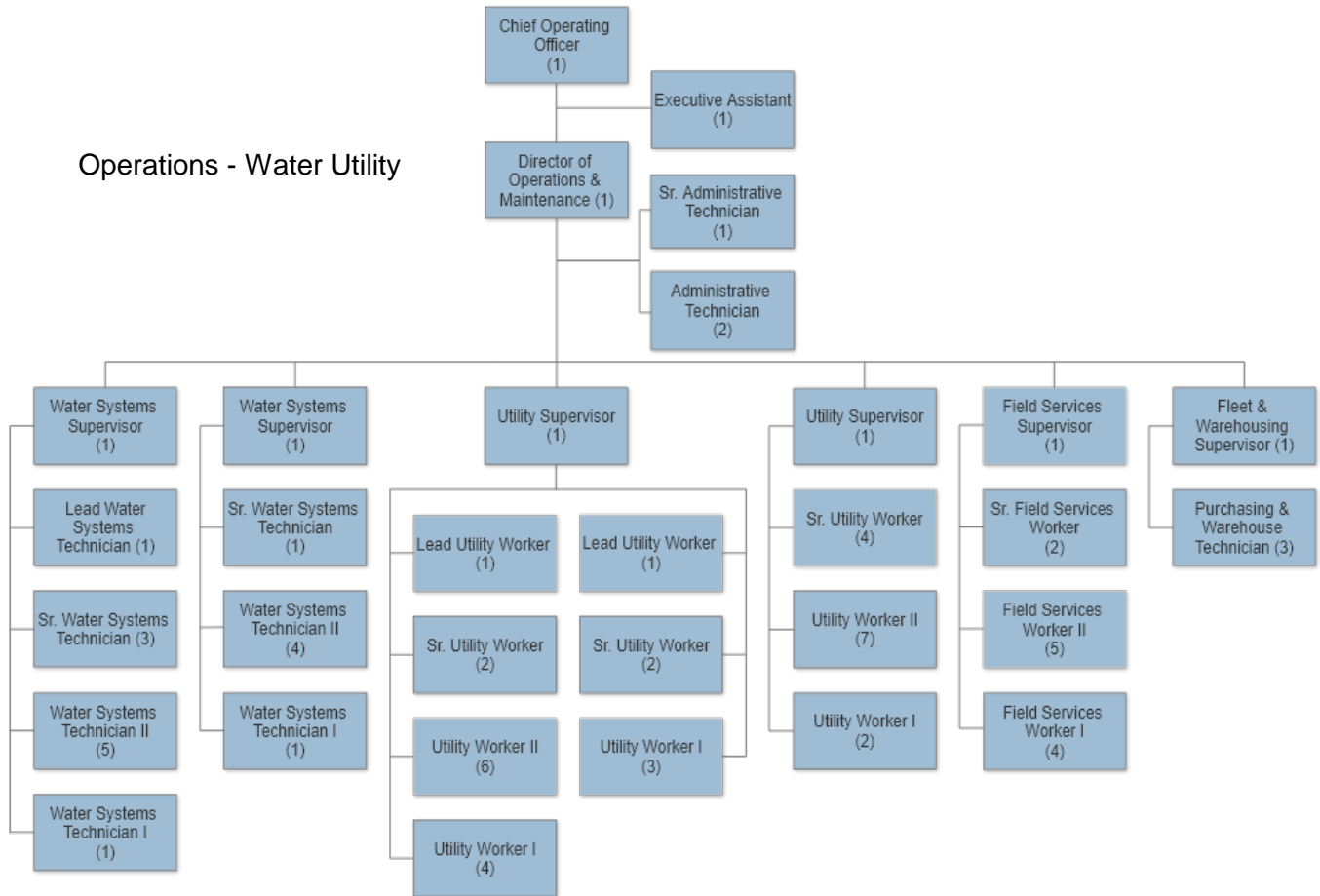
KPI	Indicator	Activity/Criteria	Target FY 2020/21	Target Met? FY 2020/21	Target FY 2021/22	Target FY 2022/23
B2	Outcome	Annual Major Capital Improvement Program (CIP) actual expenditures against planned****	> 75%		> 75%	> 75%
D7	Outcome	Impacted Well Capacity	Return wells to service and/or design or construct new wells		Continued advancement	Continued advancement
E6	Outcome	Magnitude of change orders for major CIP projects	< 10% of contracts		< 10% of contracts	< 10% of contracts
B2	Input	Develop and maintain a long-term Capital Improvement Program	Develop program		Maintain program	Maintain program

 Target Met  On Target, but not yet achieved  Target not met

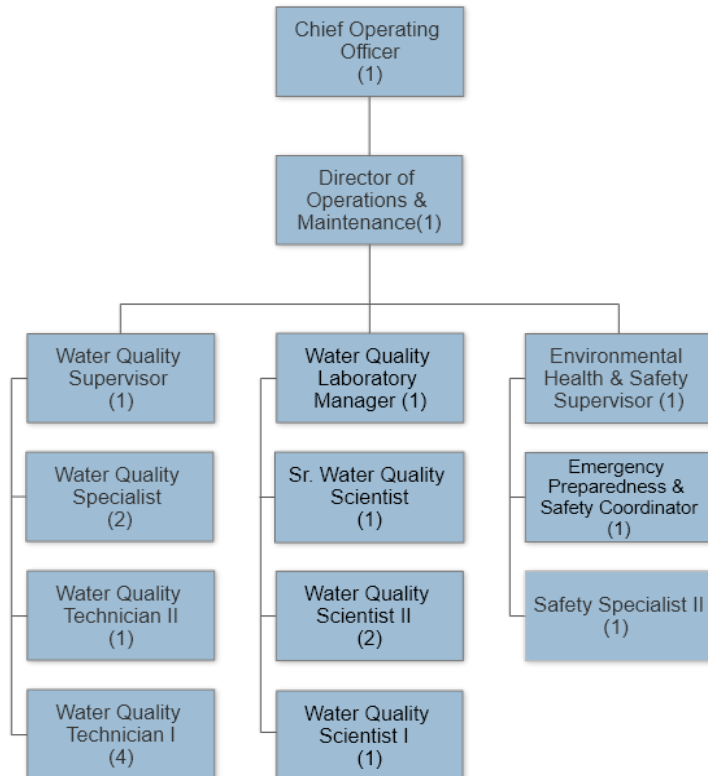
****Target not met due to Covid-19 lockdown restrictions

**SCV WATER - PERFORMANCE MEASUREMENT
OPERATIONS AND MAINTENANCE SECTION
FY 2021/22 and FY 2022/23**

Operations - Water Utility

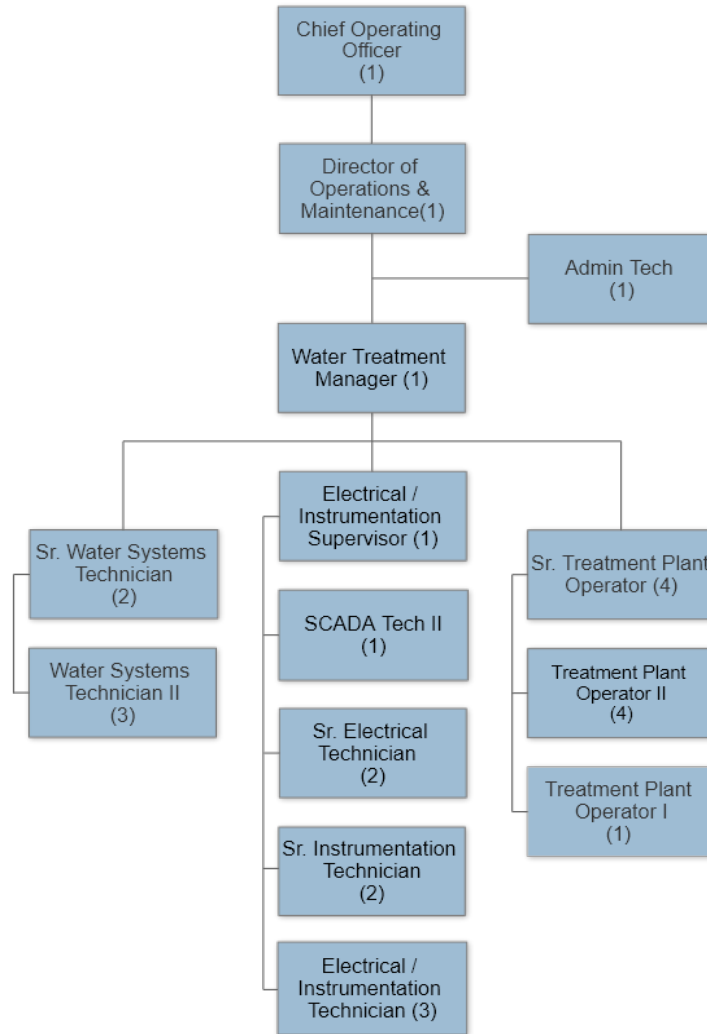


Operations - Safety & Lab



**SCV WATER - PERFORMANCE MEASUREMENT
OPERATIONS AND MAINTENANCE SECTION
FY 2021/22 and FY 2022/23**

Operations - Water Treatment and Maintenance



Treatment, Distribution, Operations and Maintenance – Purpose Statement




















The mission of the Treatment, Distribution, Operations and Maintenance Section is to provide a safe and reliable water supply through well-maintained facilities to meet the needs of our customers by providing this service in a responsible, efficient and cost-conscious manner. The section empowers a well-trained, experienced and self-directed team that employs advanced technology and innovative thinking to operate and maintain the water distribution systems which deliver water to over 70,000 residents and businesses.

**SCV WATER - PERFORMANCE MEASUREMENT
OPERATIONS AND MAINTENANCE SECTION
FY 2021/22 and FY 2022/23**

Treatment, Distribution, Operations and Maintenance – Primary Services


























- Distribution System - responsible for the day-to-day maintenance and successful operation of all Agency distribution facilities. The Agency employs a highly skilled team of individuals committed to excellence and customer satisfaction.
- Treatment System - responsible for the operation and maintenance of two surface water treatment facilities: Rio Vista Treatment Plant and Earl Schmidt Filtration Plant, and two groundwater treatment systems. Combined, they have a design treatment capacity of 127 million gallons per day.
- Facility Maintenance - ensure the continued effective operation of all division facilities with an aggressive asset management program and scheduled preventative maintenance.
- Water Quality - oversee and perform a variety of activities to ensure that the Agency's water system meets current and future regulations regarding water quality, treatment and other regulatory matters.
- Safety - ensure organizational compliance with all applicable statutes; maintain the safety and security of our employees and facilities while fostering a high performance environmental, health and safety culture; development of strategies and programs to eliminate or mitigate risk and financial exposure.

FY 2019/20 and FY 2020/21 ACCOMPLISHMENTS

-  Relocated pipeline in Ridge Route Rd
-  Converted SC-2 to Gravity Flow to Station
-  Replaced pipeline in West Newhall Alley
-  Recoated and repaired Tank N2
-  Recoated Princess Tanks 1 & 2
-  Constructed Sierra Hwy Pressure Regulating Station
-  Constructed Rainbow Glen Pressure Regulating Station
-  Rebuilt Tamarack Pressure Regulating Station
-  Began Well Dedicated Discharge to Waste Piping Project
-  Began Storage Tank Overflow Retrofit Project
-  Began Systematic Storage Tank Mixing/Disinfecting Project
-  Upgraded Presely Booster Station
-  Completed construction and started up Well E17
-  Began obtaining operating permit from DDW for Well 201
-  Evaluated options for V205 Perchlorate Removal
-  Replaced pipeline in The Old Rd
-  Began strategic large PVC pipeline replacement
-  Relocated Avignon Pressure Regulating Station
-  Expanded AMI Project

**SCV WATER - PERFORMANCE MEASUREMENT
OPERATIONS AND MAINTENANCE SECTION
FY 2021/22 and FY 2022/23**

FY 2021/22 AND FY 2022/23 OBJECTIVES

-  Replace Valencia Market Place PVC Pipeline ESS
-  Rehabilitate Well 160
-  Obtain perchlorate treatment operating permit from DDW for Well 201
-  Rehabilitate Saugus 2 Well
-  Recoat Westridge RW Tank
-  Continue expanding AMI meters and infrastructure
-  Dickason Dr PVC pipeline replacement
-  Smyth Dr PVC pipeline replacement
-  Construct Well C1 drain line
-  Vasquez Cyn Rd pipeline improvements
-  Begin Abdale St, Maplebay Ct, and Beachgrove Ct pipeline replacement
-  Beneda Ln pipeline improvements
-  Replace Ferric Chloride Storage Tank
-  Continue rehabilitation of Well 160
-  Rehabilitate Saugus 1 Well
-  Rehabilitate Guida Well
-  Rehabilitate RW Pump Station
-  Recoat Stevenson Ranch Tank
-  Complete Abdale St, Maplebay Ct, and Beachgrove Ct Pipeline Replacement
-  Newhall Ranch Rd at Ave Tibbitts PVC pipeline replacement
-  Begin Honby Zone Bottlenck pipeline improvements
-  Warmspring Dr pipeline improvements
-  Simay Ln pipeline improvements
-  Begin Sewer Relocation Project
-  Replacement Polymer Storage Tank

**SCV WATER - PERFORMANCE MEASUREMENT
OPERATIONS AND MAINTENANCE SECTION
FY 2021/22 and FY 2022/23**

	Adopted Budget FY 2020/21	Projected Budget FY 2020/21	Proposed Budget FY 2021/22	Proposed Budget FY 2022/23
TREATMENT, DISTRIBUTION, OPS & MAINT				
Purchased Power	\$ 8,550,500	\$ 8,467,989	\$ 7,767,486	\$ 8,033,410
Maintenance & Services	7,723,624	9,465,392	14,891,794	15,705,433
Salary and Benefits	14,994,794	10,811,931	13,621,951	14,215,185
TOTAL TREATMENT, DIST, OPS & MAINT	\$31,268,918	\$28,745,312	\$36,281,231	\$37,954,028

Personnel				
Position	FY 2020/21 FTE	FY 2021/22 FTE	FY 2022/23 FTE	Total Change*
Administrative Technician	3	3	3	0
Buildings and Grounds Supervisor***	1	0	0	-1
Chief Operating Officer	1	1	1	0
Director of Operations and Maintenance	1	1	1	0
Distribution and Mechanical Technician II***	3	0	0	-3
Distribution/Mechanical Supervisor***	1	0	0	-1
Electrical/Instrumentation Supervisor	1	1	1	0
Electrical/Instrumentation Technician***	0	3	3	3
Electrical/Instrumentation Technician II***	1	0	0	-1
Emergency Preparedness & Safety Coordinator	1	1	1	0
Environmental Health & Safety Supervisor***	0	1	1	1
Executive Assistant	1	1	1	0
Facilities Maintenance Technician II**	2	0	0	-2
Field Customer Service Representative II***	4	0	0	-4
Field Customer Service Representative I***	1	0	0	-1
Field Services Supervisor***	0	1	1	1
Field Services Worker I***	0	4	4	4
Field Services Worker II***	0	5	5	5
Fleet & Warehousing Supervisor***	0	1	1	1
Lead Utility Worker***	0	2	2	2
Lead Water Systems Technician***	0	1	1	1
Operations and Maintenance Superintendent***	1	0	0	-1
Operations Supervisor***	2	0	0	-2
Production Operator I***	2	0	0	-2
Production Operator II***	9	0	0	-9
Production Supervisor***	2	0	0	-2
Purchasing & Warehouse Technician***	0	3	3	3
Safety Officer***	1	0	0	-1
Safety Specialist***	1	0	0	-1
Safety Specialist II***	0	1	1	1

**SCV WATER - PERFORMANCE MEASUREMENT
OPERATIONS AND MAINTENANCE SECTION
FY 2021/22 and FY 2022/23**

Personnel (cont'd)				
Position	FY 2020/21 FTE	FY 2021/22 FTE	FY 2022/23 FTE	Total Change*
SCADA Technician II***	0	1	1	1
Senior Administration Technician***	0	1	1	1
Senior Distribution/Mechanical Technician***	3	0	0	-3
Senior Electrical Technician	2	2	2	0
Senior Facilities Maintenance Technician**	1	0	0	-1
Senior Field Customer Service Representative***	2	0	0	-2
Senior Field Services Worker***	0	2	2	2
Senior Instrumentation Technician	3	2	2	-1
Senior Production Operator***	4	0	0	-4
Senior Treatment Plant Operator	6	4	4	-2
Senior Utility Worker	7	8	8	1
Senior Water Quality Scientist***	0	1	1	1
Senior Water Systems Technician***	0	6	6	6
Treatment Plant Operator I	0	1	1	1
Treatment Plant Operator II	3	4	4	1
Utility Supervisor***	0	2	2	2
Utility Worker I**	14	9	9	-5
Utility Worker II**	11	13	13	2
Warehouse Technician***	3	0	0	-3
Water Quality/Compliance Supervisor***	1	0	0	-1
Water Quality Laboratory Manager***	0	1	1	1
Water Quality Scientist I***	0	1	1	1
Water Quality Scientist II***	0	2	2	2
Water Quality Specialist	2	2	2	0
Water Quality Supervisor***	0	1	1	1
Water Quality Technician***	4	0	0	-4
Water Quality Technician I***	0	4	4	4
Water Quality Technician II***	0	1	1	1
Water Systems Supervisor***	0	2	2	2
Water Systems Technician I***	0	2	2	2
Water Systems Technician II***	0	12	12	12
Water Treatment Manager***	0	1	1	1
Water Utility Foreman***	3	0	0	-3
Total	108	115	115	7

* Total Change from FY 2020/21 to FY 2022/23

**Changes due to moving from Operations to Administration Section

***Changes due to Class and Comp Study in which position was either added or eliminated.









**SCV WATER - PERFORMANCE MEASUREMENT
OPERATIONS AND MAINTENANCE SECTION
FY 2021/22 and FY 2022/23**




Department Treatment, Distribution, Operations and Maintenance Services Section

Service Area Treatment, Distribution, Operations and Maintenance

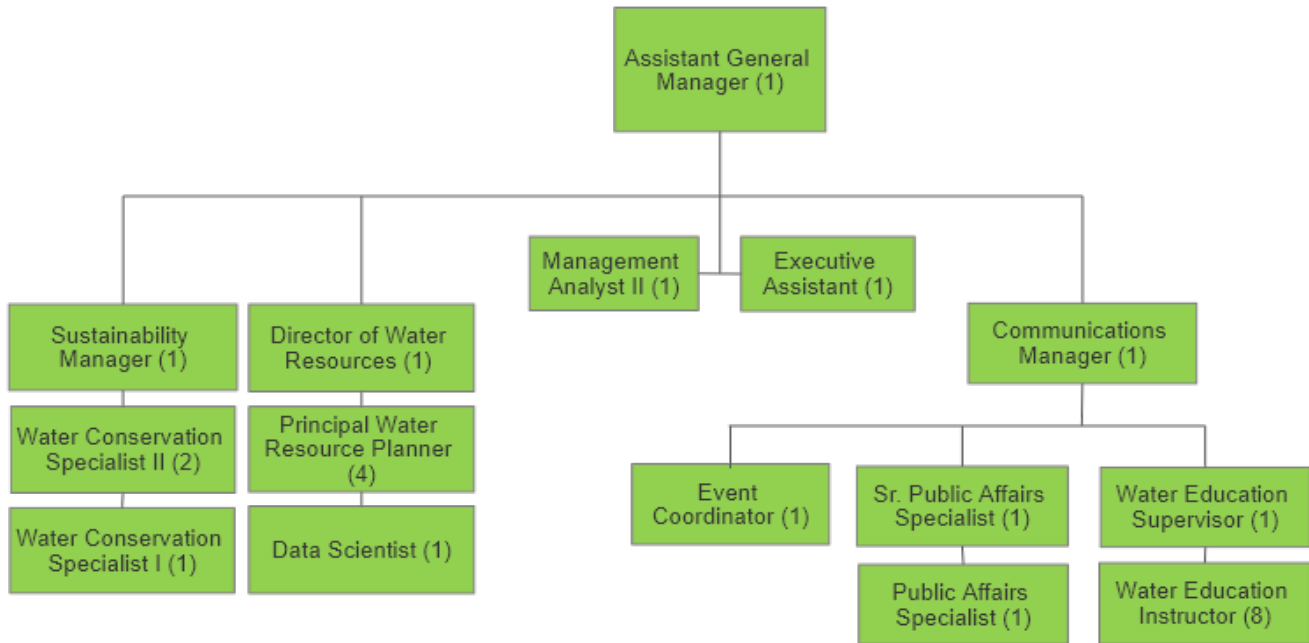
Cost Center Goal		Outcome Indicator			
To preserve existing assets and facilities, and plan for future needs and demands while pursuing alternatives with the most sustainable, efficient and cost-effective approach to meet customer expectations; and to operate and maintain facilities to surpass drinking water regulations with a margin of safety.		To gain service and cost improvements.			
Objective: To improve costs through innovation and technology and/or maintain water quality conditions that support health standards.					
	Input Indicators	Output Indicators	Efficiency Indicator	Service Quality Indicator	Outcome Indicator
Indicator	Budget and Projections	Budget and Actual	Cost/Service Improvement	Percent of Service Improvement	Percent of Cost/Service Improvement
Indicator Calculation	Personnel Services + Operating Expenses and Equipment	Total costs	Percent of Budget	Percent of Service Improvement	Percent of Cost Improvement

Performance Indicators

KPI	Indicator	Activity/Criteria	Target FY 2020/21	Target Met? FY 2020/21	Target FY 2021/22	Target FY 2022/23
A3	Efficiency	Number of unscheduled emergency shut offs per 1,000 service connections	< 10		< 10	< 10
B5	Efficiency	Number of water service leaks per 350 service connections	<1		<1	<1
B7	Efficiency	Number of mainline breaks per 20 miles of mainline	<1		< 1	< 1
B8	Efficiency	Number of valves exercised	> 500		> 500	> 500
B10	Efficiency	Number of meters replaced	> 2,500		> 2,500	> 2,500
C6	Output	Maintain monthly water loss report	Maintain Report		Maintain Report	Maintain Report
C4	Efficiency	Maintain <0.20 NTU in 95% of all samples	<0.20		<0.20	<0.20
D6	Service	Number of reportable water quality results	0		0	0

 Target Met  On Target, but not yet achieved  Target not met

**SCV WATER - PERFORMANCE MEASUREMENT
WATER RESOURCES AND OUTREACH SECTION
FY 2021/22 and FY 2022/23**



Water Resources and Outreach – Purpose Statement



































The mission of the Water Resources and Outreach Section is to ensure adequate water resources are available to meet the community's current and future water needs in the face of climate uncertainty. The Water Resources and Outreach Section manages the Agency's water resource portfolio and seeks to influence water consumption behavior to ensure a reliable water supply for the community. Through Outreach and Legislative Affairs, the section engages a wide variety of stakeholders to communicate the overall mission and vision of the Agency, and effect understanding of the complexity of a water utility.

Water Resources and Outreach – Primary Services

- Management of existing water supplies, the acquisition of new water supplies and water demand management.
- Conduct forward planning for water resource needs and assess future water supply risks.
- Administer regional water conservation programs.
- Implements policy initiatives on the State Water Project and Groundwater Sustainability planning and other mandates as they arise.
- Track legislation impacting the water industry as a whole, and the Agency specifically, weighing in with support/opposition as appropriate.
- Conduct a variety of outreach, engagement and marketing campaigns in support of programs, projects and messages from across the Agency.








**SCV WATER - PERFORMANCE MEASUREMENT
WATER RESOURCES AND OUTREACH SECTION
FY 2021/22 and FY 2022/23**

FY 2019/20 AND FY 2020/21 ACCOMPLISHMENTS

























-  Implemented 2019 water operating plan
-  Continued development of the watershed planning initiative
-  Advanced the preparation of SCV Groundwater Sustainability Plan
-  Initiated recycled water environmental assessment/CEQA process
-  Initiated 2020 Urban Water Management Plan
-  Negotiated AIP for SWP Delta Conveyance Project
-  Initiated update of the SCV Integrated Water Management Plan
-  Implemented Public Outreach Plan
-  Implemented Advocacy Program
-  Implemented plan to fully integrate water conservation programs Develop plan to fully integrate water conservation programs
-  Hired a consultant to provide support for social media outreach
-  Continued Implementation of Water Use Efficiency Strategic Plan
-  Launched online WaterSMART Workshops
-  Developed and implemented qualitative and quantitative program evaluations
-  Developed and implemented Water Budget/Customer Information System integration tools
-  Received 2020 WaterSense Excellence Award (Multi-Family Apartment Project)
-  Launched SCV Water Sustainability Efforts including Green Team
-  Modified water use efficiency programs for virtual service provision
-  Implemented 2020 water operating plan
-  Developed Framework for Water Resiliency Initiative
-  Continued development of the watershed planning initiative
-  Completed recycled water assessment/CEQA documentation
-  Completed 2020 UWMP
-  Completed 2021 Water Reliability Report Update
-  Completed Funding Agreement for Delta Conveyance Facility Planning
-  Completed Delta Conveyance Agreement in Principle
-  Joined Delta Conveyance Facility Design and Construction JPA
-  Executed SWP Water Management Tools Amendment
-  Awarded \$10.5 M Prop 68 Grant (3.2 for SCV Water Phase 2C)
-  Awarded \$250,000 CA Office of Emergency Services Grant
-  Executed Extension of Recycled Water Purchase Agreement
-  Executed Sites Reservoir Planning Agreement Extension
-  Completed Water Shortage Contingency Plan
-  Completed Water Conservation and Water Shortage Ordinance

**SCV WATER - PERFORMANCE MEASUREMENT
WATER RESOURCES AND OUTREACH SECTION
FY 2021/22 and FY 2022/23**

FY 2019/20 AND FY 2020/21 ACCOMPLISHMENTS - Cont'd





-  Implemented Public Outreach Plan
-  Implemented Advocacy Program
-  Evaluated conservation program success
-  Finalized Lawn Replacement Program EM&V Analysis
-  Finalized purchase of Photovoltaic (Solar) Array
-  Developed Recycled Water Customer Conversion Pilot (Purple PREP)
-  Finalized "Where Your Water Comes From" State Water Project Exhibit

FY 2021/22 AND 2022/23 OBJECTIVES

-  Implement Phase 2 Water Bottle Refill Station program
-  Complete Groundwater Sustainability Plan (GSP)
-  Implement GSP Monitoring
-  Completed Assessment of Potential Groundwater Spreading Sites
-  Enter into lease agreement for Solar Facility at Devil's Den property
-  Initiate contracts/CEQA documentation for future reliability program(s)
-  Complete permitting for New Drop recycled water use
-  Prepare applicable grant applications
-  Implement 2021 and 2022 water operating plan
-  Complete Santa Clara River Habitat Condition Analysis
-  Initiate Habitat Suitability Model
-  Develop Integrated Water Resource Model
-  Conduct Aquifer Monitoring and Testing Program
-  Prepare Surface Water Model and Conduct Integrated Surface Water/Groundwater Analysis
-  Initiate update to groundwater management plan
-  Conduct Water Resiliency Stakeholder Outreach
-  Initiate Preparation of Water Resiliency Master Plan
-  Update Water Use Efficiency Strategic Plan for Long-Term Framework
-  Develop and implement conservation program performance management system
-  Develop and launch Home Water Use Efficiency Reports
-  Integrate Water Efficiency Goals with Customer Information System
-  Complete Sustainability and Climate Action Plan
-  Implement long-term solar array operations, maintenance, and performance
-  Update conservatory garden and advance demonstration pocket parks

**SCV WATER - PERFORMANCE MEASUREMENT
WATER RESOURCES AND OUTREACH SECTION
FY 2021/22 and FY 2022/23**

FY 2021/22 AND 2022/23 OBJECTIVES - Cont'd

-  Finalize Local Watershed and Aquifer Exhibit
-  Implement Recycled Water Customer Conversion Pilot Program (Purple PREP)
-  Implement annual Public Outreach Plan
-  Implement annual legislative advocacy program

**SCV WATER - PERFORMANCE MEASUREMENT
WATER RESOURCES AND OUTREACH SECTION
FY 2021/22 and FY 2022/23**

	Adopted Budget FY 2020/21	Projected Budget FY 2020/21	Proposed Budget FY 2021/22	Proposed Budget FY 2022/23
WATER RESOURCES AND OUTREACH SECTION				
Source of Supply	\$12,924,277	\$10,230,191	\$ 11,690,219	\$ 11,794,910
Maintenance & Services	5,565,473	2,626,592	6,312,043	6,019,758
Salary and Benefits	2,739,780	2,224,327	3,466,818	3,641,954
TOTAL WATER RESOURCES AND OUTREACH	\$21,229,530	\$15,081,110	\$ 21,469,080	\$ 21,456,622

Personnel				
Position	FY 2020/21 FTE	FY 2021/22 FTE	FY 2022/23 FTE	Total Change*
Administrative Analyst***	1	0	0	-1
Administrative Technician***	1	0	0	-1
Assistant General Manager**	0	1	1	1
Associate Water Resources Planner***	3	0	0	-3
Communications Manager***	0	1	1	1
Data Scientist***	0	1	1	1
Director of Water Resources	1	1	1	0
Event Coordinator	1	1	1	0
Executive Assistant***	0	1	1	1
Lead Water Conservation Education Specialist***	1	0	0	-1
Management Analyst II***	0	1	1	1
Principal Water Resources Planner	1	4	4	3
Public Affairs Specialist***	0	1	1	1
Public Affairs Specialist II***	1	0	0	-1
Public Information Officer***	1	0	0	-1
Resource Conservation Manager***	1	0	0	-1
Senior Public Affairs Specialist***	0	1	1	1
Sustainability Manager***	0	1	1	1
Water Conservation Education Specialist***	4	0	0	-4
Water Conservation Specialist I	1	1	1	0
Water Conservation Specialist II	2	2	2	0
Water Education Instructor***	0	8	8	8
Water Education Supervisor***	0	1	1	1
Total	19	26	26	7

* Total Change from FY 2020/21 to FY 2022/23

**Changes due to moving from Management to Water Resources Section

***Changes due to Class and Comp Study in which position was either added or eliminated.






**SCV WATER - PERFORMANCE MEASUREMENT
WATER RESOURCES AND OUTREACH SECTION
FY 2021/22 and FY 2022/23**




Department Water Resources and Outreach Section

Service Area Water Resources and Community Outreach

Cost Center Goal		Outcome Indicator			
To develop comprehensive water management policies for SCV Water, considering the connections between land-use, urban growth, surface water and groundwater issues. Protect, improve and rehabilitate the quality and quantity of water and educate the community on water resource issues.		To improve water resource planning, decision making and communication.			
Objective: To improve water resource planning through innovation and technology and to provide a sustainable supply of drinking water.					
	Input Indicators	Output Indicators	Efficiency Indicator	Service Quality Indicator	Outcome Indicator
Indicator	Budget and Projections	Budget and Actual	Cost/Service Improvement	Percent of Service Improvement	Percent of Cost/Service Improvement
Indicator Calculation	Personnel Services + Operating Expenses and Equipment	Total costs	Percent of Budget	Percent of Service Improvement	Percent of Cost Improvement



Performance Indicators




KPI	Indicator	Activity/Criteria	Target FY 2020/21	Target Met? FY 2020/21	Target FY 2021/22	Target FY 2022/23
A5	Service	Number of available water saving rebates	> 10		> 10	> 10
B1	Input	Sufficient dry-year programs in place to meet demands	> 95% confidence level		> 95% confidence level	> 95% confidence level
C1	Input	Average year water supply exceeds ten-year projected demand	100%		100%	100%
C2	Outcome	Compliance with SBX7-7 to reduce urban water use	20% reduction from baseline		20% reduction from baseline	20% reduction from baseline
C8	Outcome	Lead implementation of the SGMA-GSA	Maintain Lead Role		Maintain Lead Role	Maintain Lead Role

 Target Met  On Target, but not yet achieved  Target not met

**SCV WATER - PERFORMANCE MEASUREMENT
 WATER RESOURCES AND OUTREACH SECTION
 FY 2021/22 and FY 2022/23**

Performance Indicators - cont'd

A2	Service	Number of school children educated annually****	> 7,500		> 7,500	> 7,500
A2	Service	Number of social media posts****	> 500		> 500	> 500
A2	Service	Community events attended****	> 20		> 20	> 20

 Target Met  On Target, but not yet achieved  Target not met

****Target not met due to Covid-19 lockdown restrictions

RESERVES

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POLICIES, RULES AND REGULATIONS	
Title: UNRESTRICTED RESERVE FUND POLICY	
Approval Date: December 2020	Effective Date: December 2020
Approved By: Board of Directors	DMS #23967

UNRESTRICTED RESERVE FUND POLICY

1.0 INTRODUCTION

There are two types of cash reserves, Restricted and Unrestricted. Restricted reserves are established and utilized for narrowly defined purposes as specified by legal restrictions, bond covenants, and other regulations or ordinances. The Santa Clarita Valley Water Agency (SCV Water, or Agency) at times may have restricted reserves for:

- Unspent Bond Proceeds
- Bond Redemption
- Water Conservation
- Grants

As a specific example, unrestricted reserves do not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code.

This policy does not apply to Restricted reserves.

This policy has been developed to maintain prudent management of the Agency water system, which requires that unrestricted reserve funds be established and maintained to fund scheduled and unscheduled expenses including operation and maintenance, debt service, emergencies, capital investment including repair and replacement, and for the stabilization of water rates. This policy has been revised to integrate the unrestricted cash reserves of the four divisions of the Agency: Regional (formerly wholesale), Newhall Water Division (NWD), Santa Clarita Water Division (SCWD) and Valencia Water Division (VWD).

This policy describes the prudent unrestricted reserve fund needs of the Agency, identifies the sources of funding for such reserves, and target amounts for each reserve. Reserves are highly regarded by credit rating agencies, credit providers and investors. Although there are numerous methods to establish reserve funding levels, the Agency considers metrics utilized by the credit rating agencies, which provide guidance on liquidity and provides peer review through the assignment of credit ratings for bond issues. Funding the unrestricted reserves come from Agency net cash from operations.

2.0 POLICY STATEMENT

The Agency will have sufficient unrestricted reserves to maintain or improve its credit ratings, ensure that operating and maintenance costs will be paid in a timely manner, to pay debt service obligations, and to invest in needed capital improvements and equipment replacement on a timely basis. In addition, the Agency will maintain sufficient reserves to minimize rate increases due to sales volatility resulting from matters



POLICIES, RULES AND REGULATIONS	
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including, weather and regulatory impacts on demands, emergencies (such as local and natural disasters, catastrophic events), and regulatory changes.

3.0 MANAGEMENT OF RESERVES

Unrestricted reserves are to be managed utilizing the following criteria:

- Distinguish between legally restricted and unrestricted amounts.
None of the reserves covered by this policy are legally restricted. Should a significant event occur that requires immediate funding to minimize damage or health risk, all funds covered in this policy are legally available.
- Contain a defined and distinct purpose.
Sections 4.1 through 4.5 of this policy describes each reserve, the events or conditions that prompt the use of the reserves, and the target balance to be maintained in the reserve.
- Method to replenish reserves to Target levels.
A priority for allocating net cash from operations from the prior year will be determined annually, based on prior year use of reserves and expectations of need in the near term.
- Specify periodic review dates of reserve balances and projected needs.
Unrestricted reserve balances will be reviewed annually as part of the budget process.
- Balances should be maintained in amounts sufficient to meet reserve targets.
To the extent that unrestricted reserves are above the target level, the Board has the flexibility to direct staff to utilize those available funds to pay for capital projects (reducing the need for future debt), pay down unfunded liabilities such as pension obligations, defease outstanding debt, or fund specific strategic objectives.
- Reserve levels below the minimum targeted amounts would leave the Agency exposed to significant operational risks. Should reserves be drawn down below the targeted level (except for the Capital Pay-go reserve that has its own criteria as explained in Section 4.2), the Agency will implement plans to return reserves to their targeted levels within three years. Such plans will be presented to the Finance & Administration Committee within twelve (12) months.



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4.0 UNRESTRICTED RESERVES The Agency will maintain the following unrestricted reserves:

- Operating
- Capital (Pay-go)
- Water Supply Reliability
- Revenue Rate Stabilization
- Emergency

4.1 Operating Reserve

The purpose of this reserve is to maintain the financial viability and stability of the Agency by providing a safeguard against unplanned events including fluctuations in budgeted expenses and revenues, timing differences between revenues and expenses, and the variability of water supply and demand.

Recommended Target Level –The Operating Reserve Fund shall have a minimum amount equal to 120 days of annual budgeted operating expenses including debt service. Note that the calculation of 120 days of annual budgeted operating expenses including debt service is made by dividing the annual total by 360 days then multiplying by 120. This method is commonly used to determine an average daily or number of days of expenditure but does not consider the actual timing of any specific expenditures.

Events or Conditions Prompting Use of the Reserve –This Reserve may be routinely used by the Agency to cover temporary cash flow deficiencies caused by timing differences between revenues and incurring expense obligations and unexpected increases in operating expenses.

Replenishment – If at any time the amount on deposit declines below 120 days of annual budgeted operating expense including debt service, the Agency will take steps to restore the amount on deposit within one year.

Source of funding – Net cash from operations.

4.2 Capital (Pay-go) Reserve

This reserve is established to fund the Agency’s non-debt funded capital expenditure. Funds from this reserve are to be used in both “Pay-go” capital projects and major capital projects. Bond proceeds are not included in this reserve as bond proceeds are legally restricted funds. The Agency will track planned future use of Capital Reserve amounts for projects that are also debt funded in an annual update to the financial forecast.



POLICIES, RULES AND REGULATIONS	
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Target Level – The balance of this fund at the end of a fiscal year is the maximum that may be spent on pay-go capital projects during the following fiscal year. The purpose of this target is to ensure that at the start of each fiscal year, funds are available to pay for the planned pay-go capital costs. This requirement prevents the Agency from relying on unearned revenues to pay for short term construction obligations and helps to enhance the Agency’s capital project and financial planning processes.

Events or Conditions Prompting Use of the Reserve – Upon the approval by the Agency Board of the capital improvement plan budget, staff is authorized to use funds from the Capital (Pay-go) Reserve to pay for the projects approved in the budget.

Source of funding – Pay-go funding is built into retail rates and is also funded with other non-operating revenue; additional allocations to this reserve may be made from Agency net cash from operations.

4.3 Water Supply Reliability Reserve

This reserve is maintained to provide a source of funding for the extraction of water from groundwater banking programs or acquisition of other necessary water supply during dry years that will help to further mitigate rate increases.

Recommended Target Level – The target balance for the Water Supply Reliability Reserve will be equal to the cost to produce 10,000-acre feet from the Agency’s banking program in a dry year.

Events or Conditions Prompting Use of the Reserve – Upon the recommendation of the General Manager, or designee, the Agency Board may authorize the use of Water Supply Reliability Reserves for the purpose intended by this section 4.3.

Source of funding – Net cash from operations.

4.4 Revenue Rate Stabilization Reserve

This reserve is maintained to provide the Agency with the ability and flexibility to avoid sharp increases in customers’ rates or to smooth out rate increases over an extended time frame. Revenue Rate Stabilization Reserve funding is targeted at 20% of annually budgeted operating revenues.



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Recommended Target Level –The Revenue Rate Stabilization Reserve shall have an amount equal to 20% of annually budgeted operating revenues. Upon the recommendation of the General Manager and notwithstanding the recommended minimum level, the Agency Board may approve the use of all the funds on deposit in the Revenue Rate Stabilization Reserve towards offsetting a proposed rate increase.

Events or Conditions Prompting Use of the Reserve – Upon the approval by the Agency Board, such amounts shall be transferred to the Agency’s revenue fund.

Source of funding – Net cash from operations.

4.5 Emergency Reserves

This reserve is established to provide additional liquidity in the event of a natural disaster, financial crisis, various economic uncertainties or financial hardships, loss of significant revenue sources, local disasters or capital obligations, cash flow requirements, unfunded mandates including costly regulatory requirements and other such needs. These amounts should supplement monies received from insurance policies and by state and federal programs.

Recommended Target Level - The Agency shall maintain an Emergency Reserve equal to 120 days of operating expenses, exclusive of (not including) depreciation, amortization of intangibles and debt service. Note that the calculation of 120 days of operating expenses exclusive of depreciation, amortization of intangibles and debt service is made by dividing the annual total by 360 days then multiplying by 120. This method is commonly used to determine an average daily or number of days of expenditure but does not consider the actual timing of any specific expenditures.

Replenishment – Upon the amount on deposit declining below 60 days on deposit, the Agency will take steps to restore the amount on deposit within two years to the recommended target level.

Events or Conditions Prompting Use of the Reserve – At the recommendation of the General Manager, or designee, the Agency Board may authorize the use of funds from the Emergency Reserve. Upon the occurrence of an event identified above and until such time that the Board can act, the General Manager is authorized to approve the use of an amount of funds equal to 15 days of operating expenses.



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Source of funding –Net cash from operations.

5.0 REPORTING

The annual Budget document will include a reserve analysis, showing reserve amounts and targets for each reserve. Staff will identify any major change in conditions which may threaten reserve levels and the General Manager will provide an analysis to the Board of Directors. This analysis would include an explanation of why reserve levels are below targeted levels and/or a recommended course of action to improve reserve levels.

The following table summarizes the Unrestricted Reserve Fund Policy target levels:
Table 1.0

Reserve Requirements	
Reserve	Target
Operating	120 days of annual budgeted operating expense, including debt service
Capital (Pay-go)	Upcoming year budget for pay-go projects
Water Supply Reliability	The cost to produce 10,000-acre feet from the Agency's banking program in a dry year
Revenue Rate Stabilization	20% of annually budgeted operating revenues
Emergency	120 days of operating expenses, excluding debt service

(Originally adopted November 2018; revised December 2020)

**SCV WATER
UNRESTRICTED CASH RESERVES**

	FY 2021/22	FY 2022/23
Beginning Cash Reserve Balance As of June 30	119,743,874	140,928,025
Details of Cash Reserve Balance		
Capital	43,484,506	52,322,516
Emergency/Disaster	25,216,799	28,187,867
Operating Reserve	28,114,615	39,175,065
Revenue Rate Stabilization Reserve	16,927,954	15,242,577
Water Supply Reliability Reserve	6,000,000	6,000,000
Total	119,743,874	140,928,025
Beginning Balance	119,743,874	140,928,025
Changes		
Capital	21,971,827	(2,015,237)
Emergency/Disaster	2,971,068	554,921
Operating Reserve	11,060,450	639,080
Revenue Rate Stabilization Reserve	(1,685,377)	1,082,211
Water Supply Reliability Reserve	-	-
Uses		
Transfer to General Fund	-	-
Transfer to Pay-go CIP	(13,133,817)	(29,802,139)
Ending Balance	140,928,025	111,386,861
Projected Ending Cash Reserve Balance	140,928,025	111,386,861
Details of Cash Reserve Balance		
Capital	52,322,516	20,505,140
Emergency/Disaster	28,187,867	28,742,788
Operating Reserve	39,175,065	39,814,145
Revenue Rate Stabilization Reserve	15,242,577	16,324,788
Water Supply Reliability Reserve	6,000,000	6,000,000
Total	140,928,025	111,386,861
Days Cash Ratio	609	473



SCV Water's Remote Teaching

Pictured: SCV Water's Water Education Instructor Karen Clark conducts remote teaching about water conservation to children in the Santa Clarita Valley community during the Covid-19 pandemic. The Agency educates approximately 13,000 local Kindergarten through 12th grade students per year as part of its Community Outreach Program.



LONG-TERM COMMITMENTS

LONG-TERM COMMITMENTS

LONG-TERM WATER SUPPLY CONTRACTS

State Water Project Contract Commitment

On April 30, 1963, the Agency entered into a water supply contract with the Department of Water Resources. The State bills the Agency annually for the “fixed” charges of providing water. Provision is made in the contract for two major charges – a Delta Water Charge and a Transportation Charge – that are divided into additional components. The Delta Water Charge is intended to return to the State all costs of project conservation facilities. The Transportation Charge is for facilities necessary to deliver water to the contractors. Both charges include a capital component and a minimum operations, maintenance, power and replacement component (Capital and minimum OMP&R). These are charged to the Agency based on the Table A amount. Also included in the bill is a Devil Canyon Castaic Charge, an Off Aqueduct Power Charge, a Water Systems Revenue Bond Surcharge and a Tehachapi Second Afterbay Facilities Charge. These bills are divided into monthly payments with the January and July payments being the largest.

The Agency also pays a transportation variable operations, maintenance, power and replacement charge to the DWR. This bill is paid monthly based upon the amount of water purchased in the preceding month.

The Agency-set property tax fully funds both the fixed and variable components of State Water Contract Commitment.

Buena Vista/Rosedale-Rio Bravo Water Acquisition Commitment

On May 22, 2007, the Agency entered into a 30-year agreement with the Buena Vista Water Storage District and the Rosedale-Rio Bravo Water Storage District for the acquisition of 11,000 acre-feet (AF) of water supply per year for a 30-year period. This supply is from a program that provides for the capture, spreading, storage, recovery and export of water, including high-flow Kern River water, which is a pre-1914 appropriative water right. The term of the Agreement is from January 1, 2007 through December 31, 2036. When the original term expires, the Agreement will be extended to a date certain consistent with any extensions of the Agency’s Water Supply Contract with DWR.

The purchase price was established in FY 2006/07 at \$486.85 per AF, or \$5,335,350. The purchase price is adjusted each calendar year by the Consumer Price Index (All Urban Consumers – All Items – Southern California Area). In addition, the adjusted price is also subject to “look-ins” at the end of every 10-year period. This look-in compares the actual adjustments with potential adjustments using a melded index consisting of an average of (i) the actual CPI adjustments and (ii) the increase in State Water Project (SWP) costs to the Buena Vista and Rosedale-Rio Bravo Storage Districts (billed through the Kern County Water Agency).

The annual payments are due in advance of deliveries in two installments, 50% on January 1st and 50% on July 1st of each year. The current purchase price is projected in FY 2021/22 at \$932.49 per AF and \$979.12 in FY 2022/23.

Under the agreement with the Buena Vista Water Storage District and the Rosedale-Rio Bravo Water Storage District, should the Agency lose all or a portion of its share of one percent property tax revenues, the obligation to purchase the 11,000 AF may be adjusted. In any fiscal year, in which a reduction in excess of 15% of the one percent property tax revenues occurs, for each 0.1% reduction in the Agency's share of the one percent property tax revenues in excess of 15%, the regional division may reduce the annual purchase by 110 AF. In no event is the Agency allowed to reduce the annual purchase amount to less than 5,500 AF.

The acquisition of 11,000 AFY supply was originally intended, among other reasons, to supplement the SWP supplies, which are committed to users in SCV Water's existing service area, by providing water for parties seeking to annex to the service area. In order to be eligible for annexation to SCV Water's service area, a potential annexing party would be required to enter into Deposit and Funding Agreement with SCV Water and pay for a proportionate share of the 11,000 AFY supply.

During FY 2007/08, due to certain state and federal court rulings that potentially impacted SWP supplies, the Agency deferred consideration of potential annexations to retain for the time being the 11,000 AFY supply for the existing service area. At this time, the Agency has determined that up to 3,000 AFY may be used for annexations and is working with a few developers on potential annexations.

DEBT ISSUANCE

Bond Ratings

The Bond ratings for the Agency's outstanding Debt reflect high-grade investment quality debt. They are based on the Agency's good financial management, strong financial policies and diverse water supply portfolio. Debt issued at these ratings results in lower interest rates and correspondingly lower debt service payments. The most recent bond issue in July 2020 (2020A) had a Fitch rating of AA- and a Standard & Poor's rating of AA.

Debt Capacity

There is no specific provision within the California Government Code that limits the amount of debt that may be issued by the Agency. The Agency's borrowing capability is limited by the debt coverage ratio required by the existing bond covenants.

Total Outstanding Debt

Total debt includes Certificates of Participation (COPs) and Revenue Bonds of \$365 million on June 30, 2021. Scheduled annual debt service for FY 2021/22 is \$32.9 million and \$33 million in FY 2022/23. The source of debt service repayment is a combination of Facility Capacity Fees, one percent property tax revenues and water rates. Debt proceeds are used to fund the Agency's capital improvement program and facilities that are allocated to future users are paid by Facility Capacity Fees and existing users are paid by one percent property tax revenues and water rates.

There is projected new debt (bank note, line of credit or other short-term obligations) of \$19.5 million in FY 2021/22 to cover the costs of additional PFAS treatment facilities. Interest for this short-term obligation is included in the Agency’s annual debt service payment schedule in FY 2021/22 and FY 2022/23 and the principal portion will be refunded in the projected 2023 bond issue.

There are several different types of debt that the Agency can acquire, which includes revenue bonds, Certificates of Participation, commercial paper, capital leases and lease-purchase financing. The table below shows the outstanding debt issuances:

Series	Outstanding Principal June 30, 2023	Debt Service FY 2021/22	Debt Service FY 2022/23
2020A&B Revenue Bonds ¹	\$ 179,140,000	\$ 15,991,738	\$ 15,975,796
2018A Revenue Bonds	26,735,000	976,975	976,975
2017A Revenue Bonds (2020B) ²	37,745,000	5,498,842	5,620,149
1999 COPs	20,409,218	10,450,000	10,450,000
Total	\$ 264,029,218	\$ 32,917,555	\$ 33,022,920

¹Excludes 2017A

²Paid by customers of the legacy Santa Clarita Water Division

On January 9, 2018, the Agency adopted Resolution No. SCV-09 and authorized the Valencia Water Division Acquisition Interfund Loan for the Valencia Water Division to reimburse the Agency for moneys advanced to acquire the common stock of the Valencia Water Company. This was done as part of the dissolution of the Valencia Water Company and to comply with certain requirements in the Santa Clarita Valley Water Agency Act (SB 634). On April 6, 2021 (Resolution No. SCV-205), the Agency approved the restructure of the VWD Acquisition Interfund Loan. As part of the Agency’s Rate Plan Study, it was determined that a restructure of the VWD Acquisition Interfund Loan would benefit the customers of the legacy VWD while still achieving full recovery of the principal at loan maturity. The restructure will reduce the interest rate to reflect the Agency’s recent cost of capital, modify the payment structure and extend the maturity of the loan by five years.

	Outstanding Principal June 30, 2023	Debt Service FY 2021/22	Debt Service FY 2022/23
Acquisition Interfund Loan³	\$ 64,090,662	\$ 2,217,595	\$ 2,217,595

³Paid by customers of the legacy Valencia Water Division

Planned Issuance for the Five-Year CIP

In July 2020, the Agency issued \$55 million in revenue bonds to fund the ongoing CIP for capital projects. This bond issue included \$11 million in retail debt to pay for the PFAS capital cost for treatment at the Agency’s N-Wells. The current debt funded CIP projects shows 30 projects to be constructed over the next five years. This program would require over \$198 million in additional funding. SCV Water may be able to obtain some grant funding for the recycled water projects, which would reduce the funding needed. The Agency typically funds large Capital Projects through the issuance of debt (other projects are funded on a pay-as-you-go basis). At this time, the 10-year forecast includes additional debt issuance of \$75 million in 2023 (a total of \$95 million for PFAS capital costs projected in FY 2021/22 and FY 2022/23), \$50 million in

2025, \$75 million in 2027 and \$30 million in 2030 to cover project funding for the next ten years. Currently, the five-year forecast shows sufficient funds to support annual debt service payments for additional bond issues in 2023 and 2025 to complete the projects. The Agency will need to monitor its existing revenues streams and will likely need to consider the 2027 and 2030 bond issues in the Agency's next Cost of Service and Rate Study (FY 2025/26) or identify additional revenue sources.

These projections are based on the ten-year debt funded CIP and does not include projects for future infrastructure, water supply and water supply reliability projects discussed in the Facility Capacity Fee Study, the Recycled Water Master Plan, the Urban Water Management Plan and other planning documents.

Bond covenants require that the regional division maintain a minimum 1.20 debt coverage ratio on all bonds. The Agency's current projections for debt coverage ratios are as follows:

FY 2021/22	1.80
FY 2022/23	1.58
FY 2023/24	1.34
FY 2024/25	1.39
FY 2025/26	1.36

Agency Certificates of Participation (COPs) and Bonds

1999 COPs

In August 1999, the Agency issued \$75.8 million in COPs to provide funds to (a) reimburse the Agency for the acquisition of approximately 41,000 acre-feet of supplemental water from DWR and (b) to acquire certain capital improvements to the Agency's system. The 1999 COPs are capital appreciation certificates. No regular payments of interest are made on capital appreciation certificates prior to maturity (beginning in FY 2021/22). Interest on capital appreciation certificates is compounded annually and added to the principal amount outstanding. These obligations are allocated 77.45% to future users (Facility Capacity Fees) and 22.55% to existing users.

Interest on the capital appreciation (CAB) certificates is compounded semi-annually on February and August and is payable at maturity. Principal on the capital appreciation certificate matures annually on August 1 from 2021 through 2030. Annual installments of \$10,445,000 of principal and interest are payable in August with yield to maturity ranging from 5.76% to 5.8%.

	Outstanding Principal & Interest June 30, 2022	Outstanding Principle & Interest June 30, 2023
1999 COPs	\$ 107,333,729	\$ 96,883,729

2010A (2020A)

In March 2001, the Agency issued \$80 million in COPs to provide funds to acquire certain capital improvements to the Agency's system. Primary expenditures were for the Sand Canyon Pipeline and Reservoir Project, the ESFP Expansion Project and banking programs. In June 2010, the Agency advance refunded all of the certificates (2010 Series A). These obligations are allocated 87.7% to future users (Facility Capacity Fees) and 12.3% to existing users. In July 2020, the 2010A issuance (\$30 million) was advanced refunded into the 2020A issuance.

The revenue bonds are payable in semi-annual installments with annual payments ranging from \$1.1 million to \$6.1 million of principal and interest at an average coupon rate of 4.26% payable February and August each year with a final maturity of August 2046.

	Outstanding Principal & Interest June 30, 2022	Outstanding Principal & Interest June 30, 2023
2010A (2020A)	\$ 49,384,175	\$ 47,940,925

2015A (2020B)

In December 2006, the Agency issued \$89.8 million in COPs to provide funds to acquire certain capital improvements to the Agency’s system. Primary expenditures were for the RVWTP Expansion Project, the Sand Canyon Pipeline and Reservoir Project, the Perchlorate Distribution and Treatment projects and a portion of the stock of the Valencia Water Company. On April 28, 2015, the Agency advanced refunded \$77,685,000 of the 2006C certificates with refunding revenue bonds (2015 Series A). These obligations are allocated 62.7% to future users (Facility Capacity Fees) and 37.3% to existing users. In July 2020, the 2015A issuance (\$63.9 million) was advanced refunded into the 2020B issuance.

The Series 2015A (2020B) bonds are payable in semi-annual installments with annual payments ranging from \$9.1 million to \$11.8 million of principal and interest at an average coupon rate of 1.51% payable in February and August each year with a final maturity of August 2028.

	Outstanding Principal & Interest June 30, 2022	Outstanding Principal & Interest June 30, 2023
2015A (2020B)	\$ 64,553,303	\$ 53,013,876

2016A (2020B)

In May 2016, the Agency issued \$30.7 million in new revenue bonds to acquire certain capital improvements to the Agency’s system and refunded the 2006A COPs (\$25.7 million). The new issue primary expenditures were for ESFP Clearwell/CT Improvements, ESFP Sludge Collection System, Foothill Feeder Connection, Recycled Water Program Phase II and the Saugus Formation Dry Year Reliability Wells. These obligations will be allocated 58.48% to future users (Facility Capacity Fees) and 41.52% to existing users. In July 2020, the 2016A issuance (\$60.2 million) was advanced refunded into the 2020B issuance.

The bonds are payable in semi-annual installments with annual payments ranging from \$1 million to \$12.8 million of principal and interest at an average coupon rate of 1.51% payable in February and August each year with a final maturity of August 2034.

	Outstanding Principal & Interest June 30, 2022	Outstanding Principal & Interest June 30, 2023
2016A (2020B)	\$ 69,171,300	\$ 68,173,189

2020A

In July 2020, the Agency issued \$48.3 million in new revenue bonds to acquire certain capital improvements to the Agency's system. Primary expenditures are anticipated to be for ESFP Improvements, Recycled Water Program Phase II, the Saugus Formation Dry Year Reliability Wells, the buyout of the solar panel purchase power agreement and PFAS treatment facilities. It is anticipated these obligations will be allocated 23.97% to future users (Facility Capacity Fees) and 76.03% to existing users.

The bonds are payable in semi-annual installments with annual payments ranging from \$2 million to \$7 million of principal and interest at an average coupon rate of 4.26% payable in February and August each year with a final maturity of August 2050.

	Outstanding Principal & Interest June 30, 2022	Outstanding Principal & Interest June 30, 2023
2020A	\$ 97,268,075	\$ 95,257,125

Variable Rate Debt

SCV Water's Debt Management Policy limits variable rate debt to no more than 25 percent of the Agency's total debt portfolio. The Agency has no variable rate debt in its portfolio.

LEGACY DEBT LONG-TERM COMMITMENTS

The legacy (VWD & SCWD) division's long-term commitments include the 2017A bond for SCWD and the VWD 2018A bond and Acquisition Interfund Loan. The Santa Clarita Valley Water Agency enabling act SB 634 requires that the indebtedness of the legacy (retail) water supplier that exists before the integration shall be borne by the customers in the area that corresponds with the boundaries of the legacy (retail) water supplier and paid for from the revenues in that area (SB 634, Section 4(h)(k)).

Total Outstanding Legacy Debt

Currently, there are three outstanding bond/loans for the legacy (retail) divisions with a principal remaining balance on June 30, 2021 of \$139,769,461 million. The retail divisions will gradually retire each bond/loan per scheduled principal and interest payments.

Series	Outstanding Principal June 30, 2023	Debt Service FY 2021/22	Debt Service FY 2022/23
2017A (2020B) SCWD	37,745,000	5,498,842	5,620,149
2018A VWD	26,735,000	976,975	976,975
Acquisition Interfund VWD	64,090,662	2,217,595	2,217,595
Total	\$ 128,570,662	\$ 8,693,412	\$ 8,814,719

2017A SCWD (2020B)

In September 2017, the SCWD refunded the 2011A Refunding Bonds and the 2010B Certificates of Participation in to one bond issuance, 2017A. The 2011A Bonds were issued on July 1, 2011 and were used to repay an interfund loan from the Agency. The 2010B Certificates

of Participation were issued on March 1, 2010 and were used to finance certain capital improvement projects. In July 2020, the 2017A issuance (\$48.5 million) was advanced refunded into the 2020B issuance.

	Outstanding Principal & Interest June 30, 2022	Outstanding Principle & Interest June 30, 2023
2017A SCWD	\$ 52,318,060	\$ 46,819,218

2018A VWD

In January 2018, the Agency issued \$26.7 million in revenue bonds to refinance the existing debt carried by Valencia Water Company. An Interfund Loan was established between the VWD and the regional division for the payment of the annual debt service associated with the 2018A Refunding Revenue Bonds. All payments will be funded by the VWD.

The bonds are payable in semi-annual installments with annual payments ranging of \$976,975 to \$1.6 million of principal and interest at an average taxable coupon rate of 3.75% payable in February and August each year with a final maturity of August 2048.

	Outstanding Principle & Interest June 30, 2022	Outstanding Principle & Interest June 30, 2023
2018A VWD	\$ 43,940,163	\$ 42,963,188

The legacy (retail) division covenants state that it shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the divisions during each fiscal year are at least equal to 120% of the aggregate amount of the installment payments.

Acquisition Interfund Loan VWD

In January 2018, an Interfund Loan was established between the VWD and the regional division to reimburse the Agency for the purchase of the stock of the Valencia Water Company. The Agency purchased the stock in 2012 at a price of \$58.6 million.

The loan is payable from the water sales revenues collected by the legacy VWD. Annual payments range from \$2.2 million to \$4.2 million of principal and interest at an interest rate of 2.55% with a final maturity of June 2048.

	Outstanding Principal & Interest June 30, 2022	Outstanding Principle & Interest June 30, 2023
Acquisition VWD	\$ 92,441,728	\$ 90,224,133

**SCV WATER - ANNUAL DEBT SERVICE
FY 2021/22 and FY 2022/23**

Period Ending	2020A	2015A	2016A	SCWD Legacy 2017A	VWD Legacy 2018A	1999A	Annual Debt Service	Proposed 2-Year Note*	Annual Debt Service
6/30/2022	\$ 3,454,200	\$ 11,539,427	\$ 998,111	\$ 5,498,842	\$ 976,975	\$ 10,450,000	\$ 32,917,555	\$ 43,237	\$ 32,960,792
6/30/2023	5,794,200	9,183,485	998,111	5,620,149	976,975	10,450,000	33,022,920	191,150	33,214,070
6/30/2024	5,332,950	9,629,036	998,111	5,743,865	1,618,038	10,450,000	33,771,999		33,771,999
6/30/2025	5,391,325	9,584,197	998,111	5,878,507	1,614,541	10,450,000	33,916,680		33,916,680
6/30/2026	3,120,950	11,823,504	998,111	6,008,323	1,614,706	10,450,000	34,015,594		34,015,594
6/30/2027	3,120,950	11,837,123	998,111	6,151,421	1,613,856	10,450,000	34,171,461		34,171,461
6/30/2028	3,120,950	956,531	11,862,898	6,717,781	1,616,875	10,450,000	34,725,036		34,725,036
6/30/2029	3,120,950	-	12,800,361	828,544	1,613,281	10,450,000	28,813,136		28,813,136
6/30/2030	3,120,950	-	12,793,178	823,609	1,613,016	10,450,000	28,800,753		28,800,753
6/30/2031	3,120,950	-	12,765,787	827,876	1,616,353	10,450,000	28,780,967		28,780,967
6/30/2032	3,120,950	-	5,047,639	826,121	1,613,244	-	10,607,953		10,607,953
6/30/2033	3,120,950	-	5,038,142	823,360	1,613,669	-	10,596,121		10,596,121
6/30/2034	5,275,700	-	2,874,631	824,685	1,617,397	-	10,592,412		10,592,412
6/30/2035	8,148,700	-	-	823,495	1,613,831	-	10,586,026		10,586,026
6/30/2036	8,138,700	-	-	820,082	1,613,488	-	10,572,270		10,572,270
6/30/2037	4,571,575	-	-	826,145	1,616,738	-	7,014,458		7,014,458
6/30/2038	4,575,950	-	-	826,619	1,613,581	-	7,016,150		7,016,150
6/30/2039	4,584,325	-	-	816,699	1,614,019	-	7,015,043		7,015,043
6/30/2040	4,581,575	-	-	816,386	1,617,163	-	7,015,124		7,015,124
6/30/2041	4,587,450	-	-	815,550	1,612,988	-	7,015,987		7,015,987
6/30/2042	5,399,200	-	-	-	1,617,069	-	7,016,269		7,016,269
6/30/2043	5,402,200	-	-	-	1,614,309	-	7,016,509		7,016,509
6/30/2044	5,399,200	-	-	-	1,614,709	-	7,013,909		7,013,909
6/30/2045	5,400,000	-	-	-	1,613,172	-	7,013,172		7,013,172
6/30/2046	5,404,200	-	-	-	1,614,600	-	7,018,800		7,018,800
6/30/2047	5,406,500	-	-	-	1,613,897	-	7,020,397		7,020,397
6/30/2048	5,401,800	-	-	-	1,615,966	-	7,017,766		7,017,766
6/30/2049	5,399,900	-	-	-	1,615,709	-	7,015,609		7,015,609
6/30/2050	7,017,400	-	-	-	-	-	7,017,400		7,017,400
6/30/2051	7,017,600	-	-	-	-	-	7,017,600		7,017,600
Total	\$ 146,652,250	\$ 66,020,599	\$ 69,692,535	\$ 53,306,310	\$ 44,428,650	\$ 104,500,000	\$ 481,135,076	\$ 234,387	\$ 486,638,592

*PFAS Bank Loan - Interest only - Refinance into next bond issue

**SCV WATER - OUTSTANDING PRINCIPAL
FY 2021/22 and FY 2022/23**

Period Ending	Agency	SCWD Legacy 2017A	VWD Legacy 2018A	SubTotal	VWD Acquisition Interfund Loan	Total Principal Outstanding
6/30/2022	\$ 213,537,947	\$ 42,850,000	\$ 26,735,000	\$ 283,122,947	\$ 64,664,766	\$ 347,787,713
6/30/2023	199,549,218	37,745,000	26,735,000	264,029,218	64,090,662	328,119,880
6/30/2024	185,566,955	32,485,000	26,085,000	244,136,955	63,501,777	307,638,732
6/30/2025	171,554,710	27,050,000	25,420,000	224,024,710	62,897,732	286,922,442
6/30/2026	157,561,906	21,435,000	24,735,000	203,731,906	62,278,136	266,010,042
6/30/2027	143,566,662	15,615,000	24,030,000	183,211,662	61,485,865	244,697,527
6/30/2028	129,566,459	9,150,000	23,300,000	162,016,459	60,505,505	222,521,964
6/30/2029	115,528,553	8,525,000	22,550,000	146,603,553	59,320,475	205,924,028
6/30/2030	101,416,364	7,895,000	21,775,000	131,086,364	57,912,944	188,999,308
6/30/2031	87,228,729	7,250,000	20,970,000	115,448,729	56,263,745	171,712,474
6/30/2032	79,550,000	6,595,000	20,140,000	106,285,000	54,352,277	160,637,277
6/30/2033	74,620,000	5,930,000	19,280,000	99,830,000	52,156,400	151,986,400
6/30/2034	69,565,000	5,250,000	18,385,000	93,200,000	49,652,329	142,852,329
6/30/2035	64,295,000	4,555,000	17,460,000	86,310,000	46,814,513	133,124,513
6/30/2036	58,765,000	3,845,000	16,500,000	79,110,000	43,736,726	122,846,726
6/30/2037	56,610,000	3,110,000	15,500,000	75,220,000	40,579,702	115,799,702
6/30/2038	54,340,000	2,355,000	14,465,000	71,160,000	37,341,401	108,501,401
6/30/2039	51,945,000	1,590,000	13,390,000	66,925,000	34,019,730	100,944,730
6/30/2040	49,430,000	805,000	12,270,000	62,505,000	30,612,543	93,117,543
6/30/2041	46,780,000	-	11,110,000	57,890,000	27,117,638	85,007,638
6/30/2042	43,180,000	-	9,900,000	53,080,000	23,532,758	76,612,758
6/30/2043	39,430,000	-	8,645,000	48,075,000	19,855,585	67,930,585
6/30/2044	35,530,000	-	7,340,000	42,870,000	16,083,744	58,953,744
6/30/2045	31,470,000	-	5,985,000	37,455,000	12,214,797	49,669,797
6/30/2046	27,240,000	-	4,575,000	31,815,000	8,246,245	40,061,245
6/30/2047	22,835,000	-	3,110,000	25,945,000	4,175,523	30,120,523
6/30/2048	18,255,000	-	1,585,000	19,840,000		19,840,000
6/30/2049	13,490,000	-	-	13,490,000		13,490,000
6/30/2050	6,880,000	-	-	6,880,000		6,880,000
6/30/2051	-	-	-	-		-



PFAS Treatment Facility

Pictured: SCV Water's PFAS Water Treatment Facility. Like many communities throughout the nation, trace amounts of PFAS (Per- and polyfluoroalkyl substances) have been found in the Santa Clarita Valley's water supply. PFAS are a group of man-made chemicals that appear in products such as non-stick cookware, firefighting foams, shampoos, cleaning products and even clothing. This recently constructed water treatment facility is an investment in the Valley's long-term water supply and will restore use of a substantial portion of local groundwater that has been impacted by these PFAS chemicals.



CAPITAL IMPROVEMENT

INTRODUCTION

The Capital Improvement Program (CIP) concentrates on the development of a long-range framework in which physical projects are planned and implemented within the Agency’s financial capabilities. Capital Improvements include the purchase, construction, replacement, addition, or major repair of public facilities, infrastructure, and equipment. The selection and evaluation of capital projects involves analysis of Agency requirements, forecasts of growth within the Agency’s service area, the ability to make estimates, and the consideration of historical perspectives. A “Capital Project” has a monetary value of at least \$5,000, has a useful life of more than one year, and results in the creation or revitalization of a fixed asset. A major capital project is usually relatively large compared to other capital projects and is typically funded by debt proceeds.

PURPOSE

The primary purpose of the Capital Improvement Program includes:

- Development of a long-range framework in which physical projects are planned, evaluated and presented in an order sequence
- Coordination of the capital related projects of each of the Agency’s divisions to ensure equitable distributions of projects with regard to the needs of the Agency
- Timing of related projects and the fiscal ability of the Agency to undertake projects
- Review by Agency staff and Board of Directors in the determination of project requests
- Determine adequate funding with regard to short and long-range plans

DEFINITIONS

Capital Improvement: Any major expenditure on physical assets, which generally falls into one of the following categories: land and non-structural improvements; new reservoir, booster or well facilities; major pipelines; treatment plant expansions or upgrades; major repairs; and major equipment.

Capital Improvement Project: Accounts for the acquisition, construction, and maintenance of the Agency’s physical assets. Capital assets are land, structures, equipment, and intellectual property, including associated planning and design work related directly to an individual project. Capital assets are identified in the Capitalization Policy for Fixed Assets and exclude items that are acquired during the normal course of operations, such as operating material and supplies to maintain existing assets.

Capital Improvement Budget: A list of projects, together with cost amounts and sources of funds for the coming fiscal year, regardless of project status. Includes the acquisition cost of a capital asset, its purchase price and all other costs incurred to bring it to a form and location suitable for its intended use.

Debt Funded Capital Projects: The acquisition of land, facilities, works, improvements and supplies of water; and enhancements or enlargements to existing capacity and facilities for obtaining, importing, transporting and delivering additional quantities of water. Debt funded capital projects are typically included in the Agency's Capital Improvement Program (CIP) and Facility Capacity Fee (FCF) Study, and typically cost more than \$1 million.

Pay-go Capital Projects: Pay-go capital projects include the acquisition of land, facilities, works and improvements; and enhancements or enlargements to existing capacity and facilities. Pay-go capital projects take less time to develop and are not generally included in the Agency's Facility Capacity Fee Study. Pay-go capital projects typically cost less than \$1 million.

Capital Planning, Studies and Administration: Non-operating expenses, including but not limited to studies in support of capital projects.

New Capital Equipment: The purchase of fixed asset equipment with a cost of \$5,000 or more. New Capital Equipment has all of the following characteristics: (1) normal useful life of at least one year or more; (2) an acquisition cost of at least \$5,000; and (3) generally is facility or plant specific and not portable or used in various locations.

Repair and Replacement: Minor changes or additions to existing Agency-owned grounds or buildings and the electrical, lighting, plumbing, air conditioning or heating systems contained therein, which correct unsafe or unhealthful working conditions, increase operating efficiency, promote improved service to the public and provide for the installation of equipment and security devices. Repair and Replacement also includes equipment which are installed components to Repair and Replacement Projects and the cost including tax is \$5,000 or greater. Generally, this includes replacement of equipment after end of mechanical or electrical service life for impellers, circuit breakers, transformers, stator coils, valves or HVAC components.

It also includes repairs or modifications that will bring plant or facility equipment back to normal functioning level. Repair and Replacement equipment has all of the following characteristics: (1) replacement of spare parts and components initially furnished by a contractor or manufacturer not included with the original machinery; (2) equipment that will be attached to original machinery throughout its useful life and (3) plant, facility or building specific electrical or mechanical components. The capital budget for repair and replacement generally excludes portable equipment and small tools that can be used in various locations.

METHODOLOGY

Projects included in the CIP were derived from needs assessments performed by Agency staff and planning documents. Staff submit projects that encompassed both the improvement of the Agency's physical needs, as well as the improvement of the particular programs and services they provide. Each division estimates project costs, gives an explanation and justification of the project, identifies costs which would span five years, and identifies any annual impact on the operating budget. After initial compilation, the projects are organized. The Engineering Services Section provides the assessment and priority ranking of projects for the Engineering Committee and ultimately consideration of the Board of Directors. After Board of Director review and approval, funded projects are implemented.

THE CAPITAL IMPROVEMENT PROGRAM AND SHARED PLANNING

It is important for the Agency to coordinate the timing of its capital projects with the City of Santa Clarita (City), County of Los Angeles, private developers and other agencies in an effort to avoid duplication, which will save the cost of inefficiencies. For example, pipeline projects are coordinated with the City or County, when possible, to minimize the amount of asphalt repair costs.

CIP DEVELOPMENT

The Agency provides water service to an estimated population of over 286,000, through nearly 75,000 retail water connections. Population at build-out is expected to be 420,000. The Agency is proposing to invest more than \$84 million in new infrastructure and infrastructure replacement in FY 2021/22 and more than \$86 million in FY 2022/23.

The FY 2021/22 CIP plan includes \$36.8 million in debt funded capital projects and \$47.2 million in pay-go capital projects. The FY 2022/23 CIP plan includes \$40.4 million in debt funded capital projects and \$55.9 million in pay-go capital projects. A majority of the debt funded capital projects include a justification for each project, including the impact on the operating budget.

FINANCIAL PROJECTIONS

The financial projections used to develop the CIP are based on staff's best prediction of future needs of Agency facilities. They are updated annually to reflect changes in the economic environment.

For this Biennial Budget, the CIP plan is financially balanced. This means the plan identifies the sources of revenue to complete the project list. There are years when the Agency will have "carryover" capital funds. Due to timing of completion of certain projects there may be funds remaining at the end of the fiscal year. Those funds are transferred to the Capital Fund or Capital Reserve and are used to complete the remaining projects. The Agency is responsible for providing water service to the public, including the construction of needed improvements or infrastructure. The Agency must furnish and maintain capital facilities and equipment.

Future financial constraints make it challenging for the Agency to fund every project on its priority list. Therefore, implementation timetables are established to stagger projects over time based on the Agency's goals and the estimated financial resources expected for the future. As projects are completed and placed into service, there may be an impact on the Operating Budget by increasing cost in the areas of maintenance, energy or chemicals. The FY 2022/23 Budget projects the need to acquire bonds to fund the current plan.

The rate structures established are designed to provide sufficient revenue to meet the cash requirement and to meet the long-term commitments incurred to finance the CIP plan. Growth projects are funded through Facility Capacity/Connection Fee revenues, either by reimbursing capital investments made under the terms of a Developer Agreement, or by direct appropriation to the Agency capital projects. Facility Capacity/Connection Fee revenue is considered cash for purposes of meeting the cash test.

The Agency is increasing its utilization of state and federal grants to fund some Capital Improvement Projects in part or in whole. The CIP is a multiyear plan used to identify and coordinate capital needs in a way that maximizes the return to the ratepayers. Advance

planning of all Agency projects helps the Board, staff, and public make choices based on rational decision making, rather than reacting to events as they occur.

The Agency's Capital program is comprised of different categories of projects, each with its own funding guidelines. The debt funded projects are funded by bond proceeds, whereas Pay-go CIP is funded by recurring revenues generated from the rate structure. Timing of some CIP may be funded from available revenue and/or reserve sources. The system of CIP management is important because: (1) the consequences of investments and capital improvements extend far into the future; (2) decisions to invest are often irreversible; (3) such decisions significantly influence a community's ability to grow and prosper.

As shown in the financial forecast section of the budget, the Agency has and will continue to meet its bond covenants, even with the additional required funding in FY 2012/23, although funding in future years may require the Agency to identify additional revenue sources to meet its debt obligations.

PROJECT RANKING & PRIORITIZATION

The Agency evaluates each potential Capital Project based on nine (9) criteria to determine priority and ranking of all projects requested in the CIP. The criteria are:

- Department/Organization Priority – the ranking provided by the project's originating/supervising department out of all potential projects for that department and project type and compared to all of the Agency Projects for other departments
- Ongoing Operating Impact – the annual recurring impact to the operations budget of the Agency as estimated by the originating department
- Consistency with Strategic Planning/Vision – measures the fit with the Agency's mission, vision, goals and objectives, including assets exceeding their useful life
- Disaster Prevention – provides a means of mitigating Agency loss or injury, or provides a means of minimizing the areas or situations affected by a disaster
- Environmental Impact – the factors which a construction project would have on the environment
- Federal/State Mandates – the requirement of Federal or State law(s) and regulations (including water quality requirements), which will be met by the project
- Inter-Governmental Cooperation or Public/Private Potential – project provides opportunity for funding contributions or shared resources
- Funding Availability/Viability – the fund balance available now or in the future for the allocation of project costs over time and critical need
- Available Grant Funds – the relative amount of grant funding from all sources available with reasonable certainty in order to offset project costs
- Growth – Ability to manage the planning, design and construction to meet growth and new demands

This plan represents a comprehensive and direct statement of the physical asset policies of the Agency. The program has great significance in that it touches the life of each person we service through the provision of health, safety and infrastructure. By their nature, capital assets impose incremental costs of use and ownership in the future, requiring use of public funds.

Santa Clarita Valley Water Agency CIP serves to:

- Build and maintain capital infrastructure economically
- Complete projects on schedule and within budget

- Provide for an annual update on the CIP schedule
- Allow for additions of projects and adjustments due to changing priorities
- Work with the City of Santa Clarita, County of Los Angeles, and other agencies to prioritize projects
- Address community needs
- Coordinate department resources and equipment
- Effectively communicate the justification, description and costs of projects
- Identify funding sources, capital and ongoing expenditures for all projects
- Allow sufficient time to identify project funding

Only projects that meet the definition of a capital improvement project are included in the CIP. Capital improvements are defined as physical assets, constructed or purchased, generally exceeding \$5,000 and has an expected useful life of one (1) year or more. Each year, the capital plan is not reconstructed; it is reviewed and updated to reflect changes in the physical or economic environment. This technique assists the Agency with its planning process and setting long-term capital goals.

LINKING THE CAPITAL PLAN TO THE VISION

Planning for capital improvements is a matter of prudent financial management as well as a sound development plan. The extent to which an infrastructure improvement meets the goals and vision for the future of the Agency is a crucial factor in determining priority of the overall plan. The blueprint for the Agency's CIP is a long-term plan that will be consistently updated. Each update will include detailed requirements for program development and project scope, schedule, budget, justification and alternatives.

**SCV WATER - SUMMARY
CAPITAL IMPROVEMENT PROJECTS
FY 2021/22 and FY 2022/23**

CAPITAL IMPROVEMENT PROJECTS BY CATEGORY	PAY-GO Proposed Budget FY 2021/22	PAY-GO Proposed Budget FY 2022/23	DEBT Proposed Budget FY 2021/222	DEBT Proposed Budget FY 2022/23
Admin & Tech	\$ 5,629,729	\$ 1,855,000		
Appurtenance Improvements	410,000	410,000		
Booster Station/Turn Out Improvements	3,850,200	3,547,000		
Capital Planning & Studies	5,027,506	5,487,832	\$ 850,000	\$ 3,300,000
Disinfection Projects	1,010,000	1,010,000		
General Facility Replacements	1,390,000	1,575,000		
Meter Replacements	2,075,000	2,075,000		
Pipelines & Pipeline Replacements	6,300,000	7,865,000	11,012,000	630,000
R&R Budget	2,593,450	1,968,450		
Recycled Water Improvements	1,574,950	3,944,850	5,886,550	6,788,650
Tank & Tank Facility Improvements	7,575,000	9,805,000	977,000	6,502,000
Technology	375,000	375,000		
Treatment Plant Improvements	996,000	1,899,000	6,031,000	8,675,000
Water Resources & Supply	1,560,000	300,000		
Wellhead Treatment Improvements	810,000	9,490,000	11,835,000	14,322,000
Wells & Well Facility Improvements	6,052,000	4,293,000	220,000	230,000
Total CIP	47,228,835	\$ 55,900,132	36,811,550	40,447,650

SOURCES OF FUNDING

Capital Improvement Projects	Proposed Budget FY 2022	Capital Project Fund	Water Rates	Reserves¹	Other Non- Operating Revenues²	Not Funded/ Deferred
Pay-Go	\$ 47,228,935		\$ 18,666,082	\$ 13,133,817	\$ 15,429,036	
Debt Funded	36,811,550	\$ 36,811,550				
Total CIP Sources of Funding	\$ 84,040,485	\$ 36,811,550	\$ 18,666,082	\$ 13,133,817	\$ 15,429,036	\$ -

Capital Improvement Projects	Proposed Budget FY 2023	Capital Project Fund	Water Rates	Reserves¹	Other Non- Operating Revenues²	Not Funded/ Deferred
Pay-Go	\$ 55,900,132		\$ 19,226,297	\$ 29,802,139		\$ 6,871,696
Debt Funded	40,447,650	\$ 40,447,650				-
Total CIP Sources of Funding	\$ 96,347,782	\$ 40,447,650	\$ 19,226,297	\$ 29,802,139	\$ -	\$ 6,871,696

¹FYE 2021 Carryover - Transfer to Reserves \$42,935,956

²FYE 2022 Non-Operating Revenues (Property Tax, Communication Leases, Interest, Reimbursements, Grants)

**SCV WATER - DEBT FUNDED CAPITAL IMPROVEMENT PROJECTS
FY 2021/22 - FY 2022/23**

Priority 1 = Highest Priority, Priority 5 = Lowest Priority

Dept	Category	Capital Project Description	Priority FY 21/22	FY 2021/22 Projected	Priority FY 22/23	FY 2022/23 Projected
ESS	Pipelines (new) & Replacements	Castaic Conduit	3	\$ 180,000	2	\$ 520,000
ESS	Pipelines (new) & Replacements	Honby Parallel	4	135,000	3	110,000
ESS	Pipelines (new) & Replacements	LARC Pipeline*	1	825,000		
ESS	Pipelines (new) & Replacements	Magic Mountain Pipeline No. 4	1	420,000		
ESS	Pipelines (new) & Replacements	Magic Mountain Pipeline No. 5	1	552,000		
ESS	Pipelines (new) & Replacements	Magic Mountain Pipeline No. 6	1	8,900,000		
ESS	Recycled Water Improvements	Recycled Water Fill Station	3	78,000	1	705,000
ESS	Recycled Water Improvements	Recycled Water Program Phase II, 2A - Central Park	5	1,000	5	1,000
ESS	Recycled Water Improvements	Recycled Water Program Phase II, 2B - Vista Canyon Backbone	1	5,250,000		
ESS	Recycled Water Improvements	Recycled Water Program Phase II, 2C - South End Backbone	1	557,550	1	6,082,650
ESS	Tanks & Tank Facility Improvements	Magic Mountain Reservoir	2	977,000	1	6,502,000
ESS	Treatment Plant Improvements	ESFP Sludge Collection System	1	6,031,000	1	8,675,000
ESS	Wellhead Treatment Improvements	Mitchell 5A Replacement	1	132,000	1	165,000
ESS	Wellhead Treatment Improvements	Mitchell 5A Replacement	1	123,000	1	153,750
ESS	Wellhead Treatment Improvements	Mitchell 5A Replacement	1	45,000	1	56,250
ESS	Wellhead Trtmt Improvements-PFAS	Add'l Wells (T7, U4, U6) (S1&S2 Wells VOC Trtmt & Flexextend)	1	1,000,000	1	9,375,000
ESS	Wellhead Trtmt Improvements-PFAS	E Wells (E-14, E-15, E-16, E-17)	1	265,000	1	977,000
ESS	Wellhead Trtmt Improvements-PFAS	S Wells (S6, S7 and S8)	1	400,000	1	750,000
ESS	Wellhead Trtmt Improvements-PFAS	Santa Clara and Honby Wells	1	6,065,000	1	2,845,000
ESS	Wellhead Trtmt Improvements-PFAS	Valley Center Well	1	3,805,000		
ESS	Wells & Well Facility Improvements	Saugus Dry Year Relibility Wells 5 & 6	3	220,000	3	230,000
WR	Capital Planning & Studies	New Water Banking Program (AVEK/Mid Valley/Rosedale)	1	100,000	1	2,300,000
WR	Capital Planning & Studies	Sites Reservoir	1	750,000	1	1,000,000
				\$ 36,811,550		\$ 40,447,650

**SCV WATER
CAPITAL IMPROVEMENT BUDGET - DEBT-FUNDED CAPITAL PROJECTS
FY 2021/22 AND FY 2022/23**

Project Title: Castaic Conduit Bypass Pipeline

CIP No. 1000016

Description: Construction of a 54-inch diameter pipeline to replace the existing 36-inch diameter sections of the Castaic Conduit

Category: C - New Capital

Purpose/Justification: Convey treated water from the treatment plants to various turnouts
Improve transmission system hydraulics, remove existing bottleneck

Project Priority: Mid

Site Requirements: Public rights-of-way and pipeline easements will be obtained during design phase

CEQA: A Mitigated Negative Declaration was adopted by the Board of Directors on March 9, 2011

Project Schedule: FY 2021/22: Complete land acquisition
FY 2022/23: Complete final design
FY 2023/24: Initiate construction

Projected Impact on Operating Costs: Less than \$5,000 per year

Category	Est. costs thru 6/30/21	FY 2021/22 Budget	FY 2022/23 Budget
Planning and Conceptual Design	\$ 101,071	\$ -	\$ -
Design (Including Bid Services)	936,825	180,000	520,000
Construction			
Construction Management and Engineering	4,644	-	-
Capital Construction Costs	-	-	-
<i>Unforeseen / Changed Conditions</i>	-	-	-
<i>Design Changes (Resulting from RFI)</i>	-	-	-
<i>Owner-Initiated Changes</i>	-	-	-
Additional Project Delivery Costs (Post-Construction Activities, Monitoring and Mitigation, etc.)	50,203	-	-
TOTAL	\$ 1,092,743	\$ 180,000	\$ 520,000

Notes:

SCV WATER
CAPITAL IMPROVEMENT BUDGET - DEBT-FUNDED CAPITAL PROJECTS
FY 2021/22 and FY 2022/23

Project Title: Honby Parallel Phase 2

CIP No. 1000350

Description: Construction of a 60-inch diameter pipeline to replace the existing 33-inch and 36-inch diameter pipelines from the end of the Honby Parallel Phase 1 pipeline to the Sand Canyon Pump Station

Category: C - New Capital

Purpose/Justification: Convey treated water to the eastern portion of the service area. Improve transmission system hydraulics and remove existing bottleneck

Project Priority: Mid

Site Requirements: Public rights-of-way and pipeline easements will be obtained during design phase

CEQA: An Environmental Impact Report (EIR) was certified by the Board of Directors on July 13, 2005

Project Schedule: FY 2021/22: Start land acquisition and continue design
FY 2022/23: Complete land acquisition and continue design
FY 2023/24: Complete design

Projected Impact on Operating Costs: Less than \$5,000 per year

Category	Est. costs thru 6/30/21	FY 2021/22 Budget	FY 2022/23 Budget
Planning and Conceptual Design	\$ 458,129	\$ -	\$ -
Design (Including Bid Services)	924,894	135,000	110,000
Construction			
Construction Management and Engineering	193,509	-	-
Capital Construction Costs	52,010	-	-
<i>Unforeseen / Changed Conditions</i>	-	-	-
<i>Design Changes (Resulting from RFI)</i>	-	-	-
<i>Owner-Initiated Changes</i>	-	-	-
Additional Project Delivery Costs (Post-Construction Activities, Monitoring and Mitigation, etc)	1,018,818	-	-
TOTAL	\$ 2,647,360	\$ 135,000	\$ 110,000

Notes:

SCV WATER
CAPITAL IMPROVEMENT BUDGET - DEBT-FUNDED CAPITAL PROJECTS
FY 2021/22 and FY 2022/23

Project Title: Los Angeles Residential Community (LARC) Pipeline

CIP No. 1000036

Description: Construct 9.500 Linear Feet of 12-inch diameter ductile iron pipeline in Bouquet Canyon Road from Shadow Valley Lane to LARC

Category: C - New Capital

Purpose/Justification: Provide potable water service to LARC with extra capacity to allow for service to other existing developments along the pipeline route

Project Priority: High

Site Requirements: Pipeline will be installed in public right of way

CEQA: Mitigated Negative Declaration was adopted by SCV Water Board of Directors on March 8, 2017

Project Schedule: FY 2021/22 Execute Grant Agreement with State Water Resources Control Board; Start and Complete Construction

Projected Impact on Operating Costs: Less than \$5,000 per year

Category	Est. costs thru 6/30/21	FY 2021/22 Budget	FY 2022/23 Budget
Planning and Conceptual Design	\$ -	\$ -	\$ -
Design (Including Bid Services)	83,844	100,000	-
Construction			
Construction Management and Engineering	-	50,000	-
Capital Construction Costs	-	650,000	-
<i>Unforeseen / Changed Conditions</i>	-	-	-
<i>Design Changes (Resulting from RFI)</i>	-	-	-
<i>Owner-Initiated Changes</i>	-	-	-
Additional Project Delivery Costs (Post-Construction Activities, Monitoring and Mitigation, etc)	-	25,000	-
TOTAL	\$ 83,844	\$ 825,000	\$ -

Notes:

SCV WATER
CAPITAL IMPROVEMENT BUDGET - DEBT-FUNDED CAPITAL PROJECTS
FY 2021/22 and FY 2022/23

Project Title: Magic Mountain Pipeline No. 4

CIP No. 200525

Description: Construction of a pipeline to convey imported water from the end of the existing Magic Mountain Pipeline Phase 3 to the beginning of the proposed Magic Mountain Pipeline Phase 5

Category: C - New Capital

Purpose/Justification: Provides facilities to convey imported water to the western portion of the service area

Project Priority: High

Site Requirements: Pipeline will be constructed in public rights-of-way and easements

CEQA: Notice of Determination filed in FY 2014/15

Project Schedule: FY 2021/22: Complete construction

Projected Impact on Operating Costs: Less than \$5,000 per year

Category	Est. costs thru 6/30/21	FY 2021/22 Budget	FY 2022/23 Budget
Planning and Conceptual Design	\$ 4,039	\$ -	\$ -
Design (Including Bid Services)	219,813	-	-
Construction			
Construction Management and Engineering	549,380	60,000	-
Capital Construction Costs	1,054	360,000	-
<i>Unforeseen / Changed Conditions</i>	-	-	-
<i>Design Changes (Resulting from RFI)</i>	-	-	-
<i>Owner-Initiated Changes</i>	-	-	-
Additional Project Delivery Costs (Post-Construction Activities, Monitoring and Mitigation, etc.)	3,296,689	-	-
TOTAL	\$ 4,070,976	\$ 420,000	\$ -

Notes:

SCV WATER
CAPITAL IMPROVEMENT BUDGET - DEBT-FUNDED CAPITAL PROJECTS
FY 2021/22 and FY 2022/23

Project Title: Magic Mountain Pipeline No. 5

CIP No. 200526

Description: Construction of a pipeline to convey imported water from the end of the proposed Magic Mountain Pipeline Phase 4 to the beginning of the proposed Magic Mountain Pipeline Phase 6

Category: C - New Capital

Purpose/Justification: Provides facilities to convey imported water to the western portion of the service area

Project Priority: High

Site Requirements: Pipeline will be constructed in public rights-of-way.

CEQA: Notice of Determination filed in FY 2014/15

Project Schedule: FY 2021/22: Complete construction

Projected Impact on Operating Costs: Less than \$5,000 per year

Category	Est. costs thru 6/30/21	FY 2021/22 Budget	FY 2022/23 Budget
Planning and Conceptual Design	\$ -	\$ -	\$ -
Design (Including Bid Services)	149,975	-	-
Construction			
Construction Management and Engineering	68,634	30,000	-
Capital Construction Costs	-	512,000	-
<i>Unforeseen / Changed Conditions</i>	-	-	-
<i>Design Changes (Resulting from RFI)</i>	-	-	-
<i>Owner-Initiated Changes</i>	-	-	-
Additional Project Delivery Costs (Post-Construction Activities, Monitoring and Mitigation, etc.)	3,267,113	10,000	-
TOTAL	\$ 3,485,722	\$ 552,000	\$ -

Notes:

SCV WATER
CAPITAL IMPROVEMENT BUDGET - DEBT-FUNDED CAPITAL PROJECTS
FY 2021/22 and FY 2022/23

Project Title: Magic Mountain Pipeline No. 6

CIP No. 200527

Description:
 Construction of a pipeline to convey imported water from the end of the proposed Magic Mountain Pipeline Phase 5 to the proposed Magic Mountain Reservoir site

Category: C - New Capital

Purpose/Justification: Provides facilities to convey imported water to the western portion of the service area

Project Priority: High

Site Requirements: Pipeline will be constructed in public rights-of-way and easements

CEQA: Notice of Determination filed in FY 2014/15

Project Schedule: FY 2021/22: Complete construction

Projected Impact on Operating Costs: Less than \$5,000 per year

Category	Est. costs thru 6/30/21	FY 2021/22 Budget	FY 2022/23 Budget
Planning and Conceptual Design	\$ 4,866	\$ -	\$ -
Design (Including Bid Services)	263,084		-
Construction			
Construction Management and Engineering	-	600,000	-
Capital Construction Costs	-	8,275,000	
<i>Unforeseen / Changed Conditions</i>	-	-	-
<i>Design Changes (Resulting from RFI)</i>	-	-	-
<i>Owner-Initiated Changes</i>	-	-	-
Additional Project Delivery Costs (Post-Construction Activities, Monitoring and Mitigation, etc.)	3,190,422	25,000	-
TOTAL	\$ 3,458,371	\$ 8,900,000	\$ -

Notes:

**SCV WATER
CAPITAL IMPROVEMENT BUDGET - DEBT-FUNDED CAPITAL PROJECTS
FY 2021/22 and FY 2022/23**

Project Title: Recycled Water Fill Station

CIP No. 1001080

Description: Construction of new facilities to expand recycled water service from Valencia Water Reclamation Plant using a fill station

Category: C - New Capital

Purpose/Justification: Provides facilities to recycled water at a new fill station to fill water trucks

Project Priority: Mid

Site Requirements: To Be Determined

CEQA: Categorical Exemption (Class 1, Section 15301 of the California Environmental Quality Act Guidelines)

Project Schedule: FY 2021/22: Start design
FY 2022/23: Complete land acquisition and construction

Projected Impact on Operating Costs: Less than \$5,000 per year

Category	Est. costs thru 6/30/21	FY 2021/22 Budget	FY 2022/23 Budget
Planning and Conceptual Design	\$ -	\$ -	\$ -
Design (Including Bid Services)	-	78,000	-
Construction			
Construction Management and Engineering	-	-	80,000
Capital Construction Costs	-		625,000
<i>Unforeseen / Changed Conditions</i>	-	-	-
<i>Design Changes (Resulting from RFI)</i>	-	-	-
<i>Owner-Initiated Changes</i>	-	-	-
Additional Project Delivery Costs (Post-Construction Activities, Monitoring and Mitigation, etc.)	-	-	-
TOTAL	\$ -	\$ 78,000	\$ 705,000

Notes:

SCV WATER
CAPITAL IMPROVEMENT BUDGET - DEBT-FUNDED CAPITAL PROJECTS
FY 2021/22 and FY 2022/23

Project Title: Recycled Water Program Phase 2A – Central Park

CIP No. 200453

Description: Construction of new facilities to expand recycled water service from the Valencia Water Reclamation Plant to Central Park, and serve users in central Valencia and Saugus portions of the service area

Category: C - New Capital

Purpose/Justification: Expand recycled water service to additional water customers

Project Priority: Low

Site Requirements: Rio Vista Water Treatment Plant (RVWTP) site, public rights-of-way encroachments, and easements or land purchases that will be obtained during the design phase

CEQA: A Mitigated Negative Declaration was adopted by the Board of Directors on December 13, 2017

Project Schedule: FY 2021/22: Pursue grant funding

Projected Impact on Operating Costs: Approximately \$75,000 per year

Category	Est. costs thru 6/30/21	FY 2021/22 Budget	FY 2022/23 Budget
Planning and Conceptual Design	\$ 238,435	\$ 1,000	\$ 1,000
Design (Including Bid Services)	31,758	-	-
Construction			
Construction Management and Engineering	-	-	-
Capital Construction Costs	-	-	-
<i>Unforeseen / Changed Conditions</i>	-	-	-
<i>Design Changes (Resulting from RFI)</i>	-	-	-
<i>Owner-Initiated Changes</i>	-	-	-
Additional Project Delivery Costs (Post-Construction Activities, Monitoring and Mitigation, etc.)	1,283	-	-
TOTAL	\$ 271,476	\$ 1,000	\$ 1,000

Notes:

Current estimated total project cost represents Regional Division's share of estimated project costs (backbone system only). Current total estimated project cost for Phase 2A = \$18,755,000. Regional Division's share of project cost = \$15,394,000.

SCV WATER
CAPITAL IMPROVEMENT BUDGET - DEBT-FUNDED CAPITAL PROJECTS
FY 2021/22 and FY 2022/23

Project Title: Recycled Water Program Phase 2B – Vista Canyon

CIP No. 200454

Description: Construction of new facilities to expand recycled water service from proposed Vista Canyon Water Factory to customers in eastern portion of service area

Category: C - New Capital

Purpose/Justification: Expand recycled water service to additional water customers

Project Priority: High

Site Requirements: Public rights-of-way encroachments, and easements or land purchases that will be identified during the planning phase

CEQA: A Mitigated Negative Declaration was adopted by the Board of Directors on November 20, 2017

Project Schedule: FY 2021/22: Complete Construction
FY 2020/21: Complete Design and initiate construction

Projected Impact on Operating Costs: Approximately \$75,000 per year

Category	Est. costs thru 6/30/21	FY 2021/22 Budget	FY 2022/23 Budget
Planning and Conceptual Design	\$ 80,464	\$ -	\$ -
Design (Including Bid Services)	27,960	-	-
Construction			
Construction Management and Engineering	9,643	791,250	-
Capital Construction Costs	-	4,774,440	-
<i>Unforeseen / Changed Conditions</i>	-	-	-
<i>Design Changes (Resulting from RFI)</i>	-	-	-
<i>Owner-Initiated Changes</i>	-	-	-
Additional Project Delivery Costs (Post-Construction Activities, Monitoring and Mitigation, etc.)	85,597	75,000	-
TOTAL	\$ 203,663	\$ 5,640,690	\$ -

Notes:

Current estimated total project cost is \$9,352,557. Distribution Pipeline (Retail) cost is estimated to be \$2,695,000. Cost for Backbone and Tanks (Regional) is estimated to be \$6,657,557. Project will receive grant funds in the amount of \$2,710,300.

SCV WATER
CAPITAL IMPROVEMENT BUDGET - DEBT-FUNDED CAPITAL PROJECTS
FY 2021/22 and FY 2022/23

Project Title: Recycled Water Program Phase 2C – South End

CIP No. 200455

Description: Construction of new facilities to expand recycled water service from Valencia Water Reclamation Plant toward the south end of the service area

Category: C - New Capital

Purpose/Justification: Expand recycled water service to additional water customers

Project Priority: Mid

Site Requirements:
Public rights-of-way and pipeline easements will be obtained during design phase

CEQA: A Mitigated Negative Declaration was adopted by the Board of Directors on August 23, 2017

Project Schedule:
 FY 2021/22: Perform design and initiate construction
 FY 2022/23: Continue construction
 FY 2023/24: Complete construction

Projected Impact on Operating Costs: Approximately \$75,000 per year

Category	Est. costs thru 6/30/21	FY 2021/22 Budget	FY 2022/23 Budget
Planning and Conceptual Design	\$ 382,335	\$ -	\$ -
Design (Including Bid Services)	420,713	557,550	-
Construction			
Construction Management and Engineering	-	-	572,650
Capital Construction Costs	-	-	5,500,000
<i>Unforeseen / Changed Conditions</i>	-	-	-
<i>Design Changes (Resulting from RFI)</i>	-	-	-
<i>Owner-Initiated Changes</i>	-	-	-
Additional Project Delivery Costs (Post-Construction Activities, Monitoring and Mitigation, etc.)	92,411	-	10,000
TOTAL	\$ 895,459	\$ 557,550	\$ 6,082,650

Notes:
 Current estimated total project cost represents Regional Division's share of estimated project costs (backbone system only). Current total estimated project cost for Phase 2C = \$15,752,000. Regional Division's share of project cost = \$12,702,000.

**SCV WATER
CAPITAL IMPROVEMENT BUDGET - DEBT-FUNDED CAPITAL PROJECTS
FY 2021/22 and FY 2022/23**

Project Title: Magic Mountain Reservoir

CIP No. 200528

Description: Construction of a 5.7 MG reservoir and pump station for the western portion of the service area

Category: C - New Capital

Purpose/Justification: Provides facilities to store imported water in the western portion of the service area

Project Priority: Mid

Site Requirements: Reservoir will be constructed on property obtained in fee

CEQA: Environmental documentation requirements will be addressed during the planning phase

Project Schedule: FY 2021/22: Perform design
FY 2022/23: Complete design and initiate construction

Projected Impact on Operating Costs: To be determined during the design phase

Category	Est. costs thru 6/30/21	FY 2021/22 Budget	FY 2022/23 Budget
Planning and Conceptual Design	\$ 109,217	\$ -	\$ -
Design (Including Bid Services)	-	709,741	473,161
Construction			
Construction Management and Engineering	-	-	603,161
Capital Construction Costs	-	-	4,731,608
<i>Unforeseen / Changed Conditions</i>	-	-	-
<i>Design Changes (Resulting from RFI)</i>	-	-	-
<i>Owner-Initiated Changes</i>	-	-	-
Additional Project Delivery Costs (Post-Construction Activities, Monitoring and Mitigation, etc.)	226,402	267,259	694,070
TOTAL	\$ 335,620	\$ 977,000	\$ 6,502,000

Notes:

SCV WATER
CAPITAL IMPROVEMENT BUDGET - DEBT-FUNDED CAPITAL PROJECTS
FY 2021/22 and FY 2022/23

Project Title: Earl Schmidt Filtration Plant (ESFP) Sludge Collection System

CIP No. 10000251

Description: Construction of new facilities and modifications to existing facilities to upgrade the ESFP wash water return and sludge collection system.

Category: C - New Capital
E - Upgrades

Purpose/Justification: Improves the operational reliability of the wash water return system and the maintenance of the sludge collection system

Project Priority: High

Site Requirements: ESFP property is held in fee by SCV Water

CEQA: Categorical Exemption (Class 1, Section 15301 of the California Environmental Quality Act Guidelines)

Project Schedule: FY 2021/22: Complete design and initiate construction
FY 2022/23: Complete construction

Projected Impact on Operating Costs: Less than \$8,000 per year

Category	Est. costs thru 6/30/21	FY 2021/22 Budget	FY 2022/23 Budget
Planning and Conceptual Design	\$ 190,904	\$ -	\$ -
Design (Including Bid Services)	842,081	25,000	-
Construction			
Construction Management and Engineering	21,905	775,000	825,000
Capital Construction Costs	-	5,221,000	7,840,000
<i>Unforeseen / Changed Conditions</i>	-	-	-
<i>Design Changes (Resulting from RFI)</i>	-	-	-
<i>Owner-Initiated Changes</i>	-	-	-
Additional Project Delivery Costs (Post-Construction Activities, Monitoring and Mitigation, etc.)	79,057	10,000	10,000
TOTAL	\$ 1,133,948	\$ 6,031,000	\$ 8,675,000

Notes:

SCV WATER
CAPITAL IMPROVEMENT BUDGET - DEBT-FUNDED CAPITAL PROJECTS
FY 2021/22 and FY 2022/23

Project Title: Mitchell 5A Replacement PFAS Groundwater Treatment Improvements

CIP No. 1001082

Description: Construct PFAS groundwater treatment improvements

Category: C - New Capital

Purpose/Justification: Provide PFAS groundwater treatment improvements

Project Priority: High

Site Requirements: To Be Determined

CEQA: SCV Water will prepare CEQA documents

Project Schedule: FY2021/22 QA, Public Outreach and Start Final Design
FY2022/23 Final Engineering
FY2023/24 Construction

Projected Impact on Operating Costs: TBD

Category	Est. costs thru 6/30/21	FY 2021/22 Budget	FY 2022/23 Budget
Planning and Conceptual Design	\$ -	\$ 175,000	\$ -
Design (Including Bid Services)	-	125,000	375,000
Construction			
Construction Management and Engineering	-	-	-
Capital Construction Costs	-	-	-
<i>Unforeseen / Changed Conditions</i>	-	-	-
<i>Design Changes (Resulting from RFI)</i>	-	-	-
<i>Owner-Initiated Changes</i>	-	-	-
Additional Project Delivery Costs (Post-Construction Activities, Monitoring and Mitigation, etc.)	-	-	-
TOTAL	\$ -	\$ 300,000	\$ 375,000

Notes:

New well to be paid for by Vista Canyon Developer: SCV Water to fund PFAS treatment improvements

SCV WATER
CAPITAL IMPROVEMENT BUDGET - DEBT-FUNDED CAPITAL PROJECTS
FY 2021/22 and FY 2022/23

Project Title: Additional Wells (T7, U4, U6 - Saugus 1 & Saugus 2, VOC Treatment & Flexten

CIP No. 1000420

Description: Construct PFAS groundwater treatment improvements

Category: C - New Capital

Purpose/Justification: Provide PFAS groundwater treatment improvements

Project Priority: High

Site Requirements: To be constructed at RVIPS

CEQA: SCV Water will prepare CEQA documents

Project Schedule: FY 2020/21: Preliminary Engineering
FY 2021/22: Final Engineering
FY 2022/23: Construction- 75% Complete
FY 2023/24: Construction- 100% Complete

Projected Impact on Operating Costs: TBD

Category	Est. costs thru 6/30/21	FY 2021/22 Budget	FY 2022/23 Budget
Planning and Conceptual Design	\$ -	\$50,000	\$ -
Design (Including Bid Services)	-	\$950,000	-
Construction			
Construction Management and Engineering	-	-	\$562,500
Capital Construction Costs	-	-	\$8,812,500
<i>Unforeseen / Changed Conditions</i>	-	-	-
<i>Design Changes (Resulting from RFI)</i>	-	-	-
<i>Owner-Initiated Changes</i>	-	-	-
Additional Project Delivery Costs (Post-Construction Activities, Monitoring and Mitigation, etc)	104,658	-	-
TOTAL	\$ 104,658	\$ 1,000,000	\$ 9,375,000

Notes:

Cost includes T7, U4 and U6 Wells PFAS treatment, Saugus 1 and Saugus 2 VOC treatment (GAC), new disinfection facility and flexten pipeline at Rio Vista Intake Pump Station

SCV WATER
CAPITAL IMPROVEMENT BUDGET - DEBT-FUNDED CAPITAL PROJECTS
FY 2021/22 and FY 2022/23

Project Title: E Wells (E-14, E-15, E-16, E-17)

CIP No. 1000422

Description: Construct PFAS groundwater treatment improvements and facilities

Category: C - New Capital

Purpose/Justification: Provide PFAS groundwater treatment improvements

Project Priority: High

Site Requirements: To Be Determined

CEQA:
Perform appropriate environmental document according to CEQA requirements

Project Schedule: FY 2021/22: Complete planning and start CEQA
FY 2022/23: Complete CEQA and finish design

Projected Impact on Operating Costs: Approximately \$1,000,000 per year

Category	Est. costs thru 6/30/21	FY 2021/22 Budget	FY 2022/23 Budget
Planning and Conceptual Design	\$ -	\$ -	\$ -
Design (Including Bid Services)	-	265,000	977,000
Construction			
Construction Management and Engineering	-	-	-
Capital Construction Costs	-	-	-
<i>Unforeseen / Changed Conditions</i>	-	-	-
<i>Design Changes (Resulting from RFI)</i>	-	-	-
<i>Owner-Initiated Changes</i>	-	-	-
Additional Project Delivery Costs (Post-Construction Activities, Monitoring and Mitigation, etc)	79,922	-	-
TOTAL	\$ 79,922	\$ 265,000	\$ 977,000

Notes:

SCV WATER
CAPITAL IMPROVEMENT BUDGET - DEBT-FUNDED CAPITAL PROJECTS
FY 2021/22 and FY 2022/23

Project Title: S Wells (S6, S7 and S8)

CIP No. 1000437

Description: Construct PFAS groundwater treatment improvements

Category: C - New Capital

Purpose/Justification: Provide PFAS groundwater treatment improvements

Project Priority: Med

Site Requirements: Land Purchase

CEQA: SCV Water will prepare CEQA documents

Project Schedule: FY 2020/21: Planning
FY 2021/22: CEQA, Public Outreach and Start Final Design
FY 2022/23: Final Engineering
FY 2023/24: Construction- 75% Complete
FY 2024/25: Construction- 100% Complete

Projected Impact on Operating Costs: TBD

Category	Est. costs thru 6/30/21	FY 2021/22 Budget	FY 2022/23 Budget
Planning, Conceptual Design, CEQA & Public Outreach	\$ -	\$ 150,000	\$ -
Design (Includes landscape Architecture and Bid Services)	\$ -	250,000	750,000
Construction			
Construction Management and Engineering	-	-	-
Capital Construction Costs	-	-	-
<i>Unforeseen / Changed Conditions</i>	-	-	-
<i>Design Changes (Resulting from RFI)</i>	-	-	-
<i>Owner-Initiated Changes</i>	-	-	-
Additional Project Delivery Costs (Post-Construction Activities, Monitoring and Mitigation, etc)	60,089	-	-
TOTAL	\$ 60,089	\$ 400,000	\$ 750,000

Notes:
Project to construct PFAS treatment for S6, S7 and S8 Wells, disinfection facility and offsite pocket park improvements. New S-9 Well (Mitchell 5 A Replacement) and PFAS treatment not included in this budget.

SCV WATER
CAPITAL IMPROVEMENT BUDGET - DEBT-FUNDED CAPITAL PROJECTS
FY 2021/22 and FY 2022/23

Project Title: Santa Clara and Honby Wells

CIP No. 1000434

Description: Construct PFAS groundwater treatment improvements and facilities

Category: C - New Capital

Purpose/Justification: Provide PFAS groundwater treatment improvements

Project Priority: High

Site Requirements: Site is owned by SCV Water

CEQA: Categorical Exemption (Class 1, Section 15301 of the California Environmental Quality Act Guidelines)

Project Schedule: FY 2021/22: Start construction
FY 2022/23: Complete construction

Projected Impact on Operating Costs: About \$750,000 per year

Category	Est. costs thru 6/30/21	FY 2021/22 Budget	FY 2022/23 Budget
Planning and Conceptual Design	\$ -	\$ -	\$ -
Design (Including Bid Services)	-	-	-
Construction			
Construction Management and Engineering	-	810,000	290,000
Capital Construction Costs	-	5,250,000	2,550,000
<i>Unforeseen / Changed Conditions</i>	-	-	-
<i>Design Changes (Resulting from RFI)</i>	-	-	-
<i>Owner-Initiated Changes</i>	-	-	-
Additional Project Delivery Costs (Post-Construction Activities, Monitoring and Mitigation, etc)	43,441	5,000	5,000
TOTAL	\$ 43,441	\$ 6,065,000	\$ 2,845,000

Notes:

SCV WATER
CAPITAL IMPROVEMENT BUDGET - DEBT-FUNDED CAPITAL PROJECTS
FY 2021/22 and FY 2022/23

Project Title: Valley Center Well

CIP No. 1000441

Description: Construct PFAS groundwater treatment improvements and facilities

Category: C - New Capital

Purpose/Justification: Provide PFAS groundwater treatment improvements

Project Priority: High

Site Requirements: Site is owned by SCV Water

CEQA: Categorical Exemption (Class 1, Section 15301 of the California Environmental Quality Act Guidelines)

Project Schedule: FY 2021/22: Complete construction

Projected Impact on Operating Costs: Less than \$ 500,000 per year

Category	Est. costs thru 6/30/21	FY 2021/22 Budget	FY 2022/23 Budget
Planning and Conceptual Design	\$ -	\$ -	\$ -
Design (Including Bid Services)	-	-	-
Construction			
Construction Management and Engineering	-	305,000	-
Capital Construction Costs	-	3,500,000	-
<i>Unforeseen / Changed Conditions</i>	-	-	-
<i>Design Changes (Resulting from RFI)</i>	-	-	-
<i>Owner-Initiated Changes</i>	-	-	-
Additional Project Delivery Costs (Post-Construction Activities, Monitoring and Mitigation, etc)	907,975	-	-
TOTAL	\$ 907,975	\$ 3,805,000	\$ -

Notes:

**SCV WATER
CAPITAL IMPROVEMENT BUDGET - DEBT-FUNDED CAPITAL PROJECTS
FY 2021/22 and FY 2022/23**

Project Title: Saugus Dry Year Reliability Wells 5 & 6

CIP No. 200963

Description: Two wells capable of producing water at the combined rate of 4,200 gpm and associated pipelines to convey water to the Agency's distribution system

Category: C - New Capital

Purpose/Justification: Provide water to make up for production lost during dry periods

Project Priority: Mid

Site Requirements: Well sites to be provided by Five Point. Easements will be obtained during final design phase

CEQA: CEQA documentation will be prepared during planning phase

Project Schedule: FY 2021/22: Perform planning
FY 2022/23: Continue planning

Projected Impact on Operating Costs: TBD. Pumping, disinfection and maintenance costs will be incurred but will be offset by reduced costs of importing and treating surface water supplies

Category	Est. costs thru 6/30/21	FY 2021/22 Budget	FY 2022/23 Budget
Planning and Conceptual Design	\$ 143,291	\$ 220,000	\$ 230,000
Design (Including Bid Services)	82,956	-	-
Construction			
Construction Management and Engineering	788	-	-
Capital Construction Costs	-	-	-
<i>Unforeseen / Changed Conditions</i>	-	-	-
<i>Design Changes (Resulting from RFI)</i>	-	-	-
<i>Owner-Initiated Changes</i>	-	-	-
Additional Project Delivery Costs (Post-Construction Activities, Monitoring and Mitigation, etc.)	2,360	-	-
TOTAL	\$ 229,394	\$ 220,000	\$ 230,000

Notes:

SCV WATER
CAPITAL IMPROVEMENT BUDGET - DEBT-FUNDED CAPITAL PROJECTS
FY 2021/22 and FY 2022/23

Project Title: Water Banking Program (AVEK/MidValley/Rosedale)

CIP No. 1001081

Description: Provides for funding to cover planning, land aquisition and initial construction costs for one of three alternative groundwater banking programs.

Category: C - New Capital

Purpose/Justification: Required to achieve water supply reliability objectives documented in the 2020 Urba Water Management Plan.

Project Priority: High

Site Requirements: Off-site

CEQA: With the potential exception of the Rosedale Bank, CEQA will be required. Sponsoring agencies would prepare CEQA documents for the alternatives.

Project Schedule: Varies; dependent on program

Projected Impact on Operating Costs: To be determined

Category	Est. costs thru 6/30/21	FY 2021/22 Budget	FY 2022/23 Budget
Planning and Conceptual Design	\$ -	\$ 250,000	\$ -
Design (Including Bid Services)	-		
Construction			
Construction Management and Engineering	-		
Capital Construction Costs	-		
<i>Unforeseen / Changed Conditions</i>	-		
<i>Design Changes (Resulting from RFI)</i>	-		
<i>Owner-Initiated Changes</i>	-		
Additional Project Delivery Costs (Post-Construction Activities, Monitoring and Mitigation, etc.)	-		
TOTAL	\$ -	\$ 250,000	\$ 2,300,000

Notes:

SCV WATER
CAPITAL IMPROVEMENT BUDGET - DEBT-FUNDED CAPITAL PROJECTS
FY 2021/22 and FY 2022/23

Project Title: Sites Reservoir

CIP No. 1000598

Description: Construction of a 1.5 MAF off-stream reservoir near Maxwell, CA

Category: C - New Capital

Purpose/Justification: Provides an alternative dry-year supply or a backup supply for dry-years

Project Priority: High

Site Requirements: None - Off Site

CEQA: CEQA anticipated to be completed in 2022

Project Schedule: Operational by 2030

Projected Impact on Operating Costs: Currently being developed

Category	Est. costs thru 6/30/21	FY 2021/22 Budget	FY 2022/23 Budget
Planning and Conceptual Design	\$ -	\$ 750,000	\$ 800,000
Design (Including Bid Services)	-		
Construction			
Construction Management and Engineering	-		
Capital Construction Costs	-		
<i>Unforeseen / Changed Conditions</i>	-		
<i>Design Changes (Resulting from RFI)</i>	-		
<i>Owner-Initiated Changes</i>	-		
Additional Project Delivery Costs (Post-Construction Activities, Monitoring and Mitigation, etc.)	1,047,401		
TOTAL	\$ 1,047,401	\$ 750,000	\$ 800,000

Notes:

**SCV WATER - PAY-GO CAPITAL IMPROVEMENT PROJECTS
FY 2021/22 and FY 2022/23**

Priority 1 = Highest Priority, Priority 5 = Lowest Priority

Dept	Category	Capital Project Description	Priority FY 21/22	FY 2021/22 Projected	Priority FY 22/23	FY 2022/23 Projected
Admin	Admin & Tech	Office Furniture - General	1	\$ 30,000	1	\$ 30,000
Admin	Admin & Tech	Office Improvements - Various	1	270,000	1	270,000
Admin	Capital Planning & Studies	SCV Water Integration	1	100,000	1	100,000
B&G	Admin & Tech	Security Equipment Upgrades	1	15,000	1	15,000
B&G	Admin & Tech	Video Surveillance Equipment	1	10,000	1	10,000
ESS	Booster Stn/Turnout Impvmts	Deane Pump Station @ Sand Canyon Plaza*	1	1,232,200	1	407,000
ESS	Booster Stn/Turnout Impvmts	Deane Pump Station @ Skyline Ranch*	1	900,000	1	400,000
ESS	Booster Stn/Turnout Impvmts	Deane SC-6 Pump Station	1	175,000	2	750,000
ESS	Booster Stn/Turnout Impvmts	Deane SC-6 Soledad Pipeline	1	200,000	2	250,000
ESS	Booster Stn/Turnout Impvmts	Friendly Valley Booster Station (Crossroads)	2	75,000	2	125,000
ESS	Booster Stn/Turnout Impvmts	Market Street Pump Station	2	50,000	2	300,000
ESS	Booster Stn/Turnout Impvmts	V-9 Improvements	2	158,000	1	630,000
ESS	General Facility Replacements	Office Reconfiguration - Summit Circle	1	15,000		
ESS	Pipelines (new) & Replacements	Dockweiler-Sierra Hwy Pipeline*	2	175,000	2	300,000
ESS	Pipelines (new) & Replacements	Friendly Valley Pipeline @ Via Princesa (Crossroads)	1	100,000	1	125,000
ESS	Pipelines (new) & Replacements	Golden Valley Pipeline @ Via Princesa (Crossroads)	1	100,000	1	125,000
ESS	Pipelines (new) & Replacements	Hony Pipeline Bottleneck	4	100,000	3	500,000
ESS	Pipelines (new) & Replacements	Market Street/Shadeland/Maple Street Pipeline	2	75,000	2	150,000
ESS	Pipelines (new) & Replacements	Pipeline Relocations/Modifications	3	300,000	3	500,000
ESS	Pipelines (new) & Replacements	SC-12 Warmouth Pipeline	2	50,000	2	50,000
ESS	Pipelines (new) & Replacements	Valencia Marketplace Pipeline Replacement	2	200,000	1	1,965,000
ESS	Pipelines (new) & Replacements	Vista Cyn Bridge Piping at Soledad/Lost Canyon	1	300,000		
ESS	Recycled Water Impvmts	Recycled Water Program Phase II, 2B - Vista Cyn Dist	1	400,000		
ESS	Recycled Water Impvmts	Recycled Water Program Phase II, 2C - South End Dist	1	327,450	1	3,572,350
ESS	Tanks & Tank Facility Impvmts	Deane Tank Site (Existing) Improvements	1	50,000	1	550,000
ESS	Tanks & Tank Facility Impvmts	Deane Tanks - One 1.5 MG Tank @ Sand Canyon Plaza*	1	1,175,000	1	1,845,000
ESS	Tanks & Tank Facility Impvmts	Deane Tanks (Two 2.5 MG Tanks) @ Skyline Ranch*	1	1,420,000	1	1,100,000
ESS	Tanks & Tank Facility Impvmts	Deane Zone Disinfection @ Skyline Ranch*	1	250,000	1	250,000
ESS	Tanks & Tank Facility Impvmts	ESFP Two 5 MG Tanks Improvements	1	2,520,000	2	2,200,000
ESS	Tanks & Tank Facility Impvmts	Friendly Valley Tank (3.25 MG) @ Crossroads	2	100,000	2	150,000
ESS	Tanks & Tank Facility Impvmts	Golden Valley Tank (1.6 MG) @ Crossroads	2	100,000	2	100,000
ESS	Tanks & Tank Facility Impvmts	Placerita Tanks (Two 1.6 MG Tanks)	3	75,000	3	100,000
ESS	Tanks & Tank Facility Impvmts	Stair/Ladder Safety Improvements	1	840,000	2	2,300,000
ESS	Tanks & Tank Facility Impvmts	Tank 4 (1.5 MG Tank @ Wiley Canyon)	1	75,000	1	150,000
ESS	Treatment Plant Impvmts	RWVTP Underground Storage Tank Replacement	3	226,000	1	1,449,000
ESS	Wellhead Treatment Impvmts	Well 205 (Perchlorate)	1	510,000	1	9,490,000
ESS	Wellhead Treatment Impvmts	Well Q2 (Perchlorate)	1	300,000		
ESS	Wells & Well Facility Impvmts	Saugus 3 & 4 Replacement Wells	1	4,882,000	1	3,288,000
ESS - EXP	Capital Planning & Studies	System Hydraulic Model	1	100,000	1	100,000
ESS - EXP	Pipelines (new) & Replacements	Pipeline Inspection Facility Modifications	3	100,000	3	150,000
Finance	Capital Planning & Studies	Capital Program/Facility Capacity Fees	1	\$ 50,000	1	\$ 50,000
Finance	Capital Planning & Studies	Debt Financing and Administration	1	15,000	1	25,000

**SCV WATER - PAY-GO CAPITAL IMPROVEMENT PROJECTS
FY 2021/22 and FY 2022/23**

Priority 1 = Highest Priority, Priority 5 = Lowest Priority

Dept	Category	Capital Project Description	Priority FY 21/22	FY 2021/22 Projected	Priority FY 22/23	FY 2022/23 Projected
OPS	Appurtenance Impvmts	Appurtenance Improvements - Agency-wide	1	410,000	1	410,000
OPS	Booster Str/Turnout Impvmts	Booster Station/Turnout Impvmts - Agency-wide	1	1,060,000	1	685,000
OPS	Disinfection Projects	Disinfection Projects - Agency-wide	1	1,010,000	1	1,010,000
OPS	General Facility Replacements	Equipment and Vehicle Replacements	1	1,375,000	1	1,575,000
OPS	Meter Replacements	Meter Replacements - Agency-wide	2	2,075,000	2	2,075,000
OPS	Pipelines (new) & Replacements	Pipelines & Pipeline Replacements - Agency-wide	1	4,800,000	1	4,000,000
OPS	Tanks & Tank Facility Impvmts	Tanks & Tank Facility Impvmts - Agency-wide	1	970,000	1	1,060,000
OPS	Technology	SCADA - Agency-wide	1	375,000	1	375,000
OPS	Treatment Plant Impvmts	Treatment Plant & Laboratory Impvmts	1	770,000	1	450,000
OPS	Wells & Well Facility Impvmts	Wells & Well Facility Impvmts	1	1,170,000	1	1,005,000
Technology	Admin & Tech	CIS Software Integration & Upgrade	1	1,350,000		-
Technology	Admin & Tech	ERP Software (Finance & Accounting)	1	1,037,229		-
Technology	Admin & Tech	Lab Equipment	1	50,000	1	50,000
Technology	Admin & Tech	Miscellaneous Large Tools and Equipment	1	35,000	1	35,000
Technology	Admin & Tech	Technology Impvmts and Replacements	1	2,832,500	1	1,445,000
Treatment	R&R Budget	ESFP Access Road Automatic Gate	1	75,000		-
Treatment	R&R Budget	ESFP Repair & Replacement	1	985,000	1	385,000
Treatment	R&R Budget	ESIPS Repair & Replacement	1	100,000	1	100,000
Treatment	R&R Budget	Pipeline Repair & Replacement	1	25,000	1	25,000
Treatment	R&R Budget	Recycled Water System Repair & Replacement	1	550,000	1	550,000
Treatment	R&R Budget	RVIPS Repair & Replacement	1	115,000	1	115,000
Treatment	R&R Budget	RVTP Access Road Automatic Gate		-	1	50,000
Treatment	R&R Budget	RVWTP Repair & Replacement	1	579,450	1	579,450
Treatment	R&R Budget	Sand Canyon System Repair & Replacement	1	65,000	1	65,000
Treatment	R&R Budget	Saugus 1 and 2 Wells Repair & Replacement	1	75,000	1	75,000
Treatment	R&R Budget	WR-Summit Circle - Repair & Replacement	1	24,000	1	24,000
WR	Capital Planning & Studies	BVRRB Storage and Recovery Program	1	2,797,506	1	2,937,832
WR	Capital Planning & Studies	Feasibility Study and Environmental Docs GSP			1	200,000
WR	Capital Planning & Studies	GSP Implementation (monitoring, data base, reporting)	1	50,000	1	50,000
WR	Capital Planning & Studies	Invasive Species Management	1	250,000	1	250,000
WR	Capital Planning & Studies	Resiliency Water Master Plan	1	1,210,000	1	1,320,000
WR	Capital Planning & Studies	Yuba Accord Water	1	455,000	1	455,000
WR	Minor Capital	Devil's Den Property Solar Project	1	100,000	1	100,000
WR	Recycled Water Impvmts	Recycled Water Prog Phase II, 2B - Vista Cyn Cust Conv	1	240,000	1	80,000
WR	Recycled Water Impvmts	Recycled Water Prog Phase II, 2C - South End Cust		-	1	80,000
WR	Recycled Water Impvmts	Recycled Water Prog Phase II, 2D - West Ranch Cust Conv	1	607,500	1	212,500
WR	Water Resources & Supply	Bridgeport Pocket Park	1	250,000		-
WR	Water Resources & Supply	Update Water Conservation and Education Garden	1	1,210,000	1	200,000
				\$ 47,228,835	\$ 55,900,132	

WHAT ARE PFAS?

Per- and polyfluoroalkyl substances (PFAS) are a group of man-made chemicals, including PFOA, PFOS and GenX, which is a chemical replacement for PFOA. For more than 70 years, PFAS have been manufactured and used in variety of industries worldwide.

According to the Environmental Protection Agency, exposure to certain PFAS can lead to adverse health effects in humans.

WHERE ARE PFAS FOUND?

These chemicals are found in thousands of commonly used products, such as non-stick cookware, shampoo, food wrappers, firefighting foam, clothing, paints and cleaning products. Additionally,

PFAS are in 1,000s of commonly used products and the environment

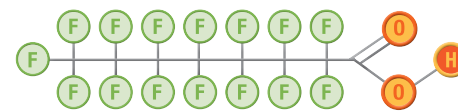


these chemicals exist in the environment due to manufacturing, product use and discharge of treated wastewater.

Most people have measurable amounts of PFAS in their blood and are typically exposed to PFAS through eating food grown in contaminated water/soil or consuming food from packaging that contains PFAS; breathing air with dust particles from contaminated soil, upholstery, clothing; inhaling fabric sprays containing PFAS; or drinking contaminated water.

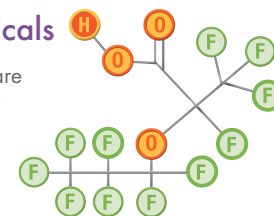
PFOA and PFOS chemicals

U.S. manufacturers voluntarily phased out PFOA and PFOS, two specific PFAS chemicals.



GenX chemicals

GenX chemicals are a replacement for



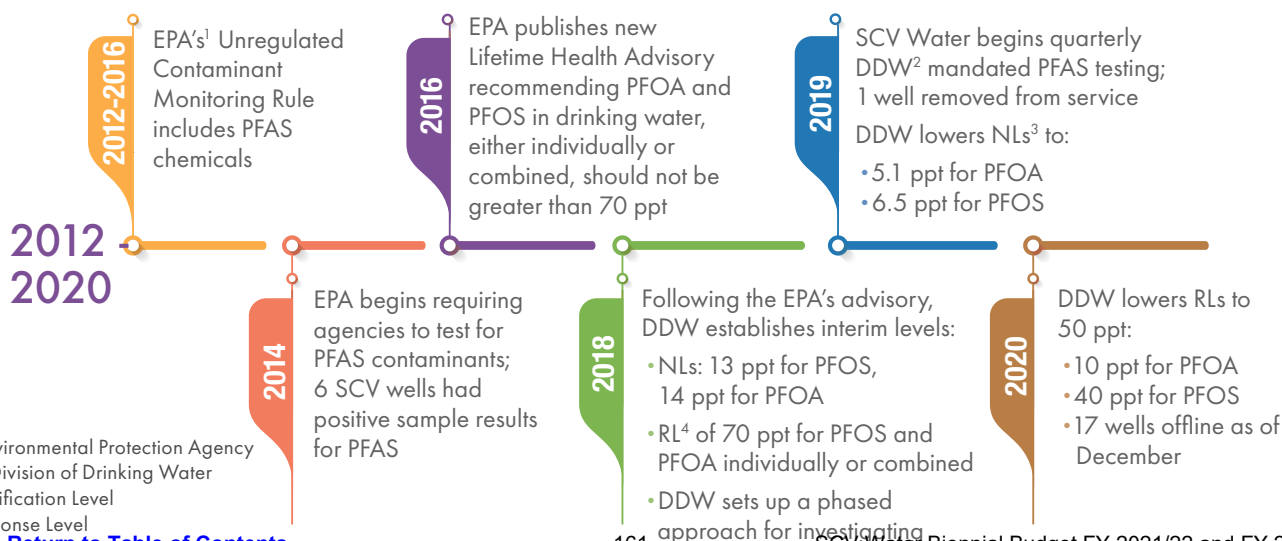
HOW DID PFAS GET INTO OUR WATER?

Like many communities throughout the nation, tiny amounts of PFAS are found in our water supply. The remnant traces of PFAS in SCV Water are believed to be from consumer products and other industrial uses in the area.

SCV Water is closely monitoring PFAS in our water supply. We test our water thousands of times per year to ensure it meets the state and federal water quality standards. If any of our wells exceeds PFAS levels set by the state, we take immediate action and remove the well from service.



PFAS IN SCV WATER TIMELINE



¹EPA = Environmental Protection Agency
²DDW = Division of Drinking Water
³NL = Notification Level
⁴RL = Response Level

WHAT IS SCV WATER DOING TO REMOVE PFAS?

SCV Water has taken immediate steps to address detected levels of PFAS chemicals in the groundwater, including proactive quarterly sampling the water in all of our wells to ensure they are in line with state and federal standards. The water resistant properties of PFAS make them difficult to remove from water; however, there are proven treatment options. Our first PFAS treatment facility opened in fall 2020 and restores the use of a substantial portion of our groundwater that has been impacted due to PFAS and provides enough water to serve 5,000 families annually. Three additional projects are in the planning phases and are set to go online in 2022.

WHAT ARE THE MONITORING GUIDELINES FOR PFAS IN WATER AND HOW AM I NOTIFIED?

In California, the State Division of Drinking Water (DDW) has a “notification level” and a “response level” for water agencies. SCV Water follows these guidelines for notifying our customers and other stakeholders.

Notification Level (NL): Requires a water agency to notify government officials when PFAS in the water exceeds the set NL. In California, the NL for PFOA is 5.1 ppt; the NL for PFOS is 6.5 ppt.

Response Level (RL): Requires agencies to take action for readings of 10 ppt for PFOA and 40 ppt for PFOS. The DDW recommends that the water agency remove the well from service or provide treatment if it exceeds that amount. When water registers above the state’s response level, the agency must notify each customer or remove the well from service.

If you do not receive a notification, SCV Water may have already removed the contaminated source from its supplies, blended it with other supplies to reduce the concentration of the chemical or treated the contaminated water to remove the chemical.

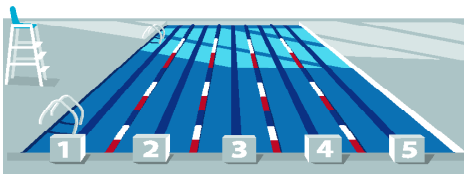
DO I NEED TO FILTER MY WATER OR DRINK BOTTLED WATER?

Our water meets or surpasses all state and federal standards and is safe to drink. In fact, California has among the most stringent PFAS standards in the nation.

Some of our customers, however, choose to use water filters or drink bottled water because they prefer the taste. Certain water filtration systems can reduce levels of PFAS below the Environmental Protection Agency’s health advisory levels; however, the water our customers receive from SCV Water already meets those standards. SCV Water recommends that if our customers consider water filtration that they look for filtration systems that are “certified.” In addition, bottled water is not always a safer option than tap water. Tap water that comes to our home undergoes many more tests than bottled water.

Visit yourscvwater.com for more details.

WHAT DOES A PART PER TRILLION LOOK LIKE?



A **part per trillion** is a **microscopic** measurement for something in the water and would be equal to a **few grains of sugar** in an **Olympic-size swimming pool**.

PFAS in California



661+

well monitoring orders for water systems across the state.



PFAS in SCV Water Service Area



SCV Water sampled **42 wells** for PFAS chemicals.



17 exceeded the response level and have been removed from service.



FOR MORE INFORMATION

SCV WATER: www.yourscvwater.com

EPA: www.epa.gov/pfas

DDW: www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/PFOA_PFOS

FDA: www.fda.gov/food/chemicals-and-polyfluoroalkyl-substances-pfas

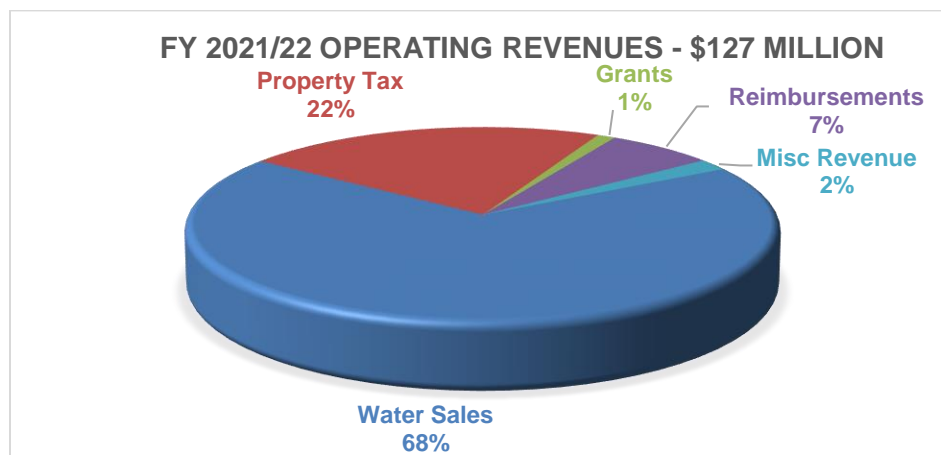


SCV Water Biennial Budget FY 2021/22 and FY 2022/23
Updated Jan. 13, 2021

FINANCIAL SUMMARY

FY 2021/22 OPERATING REVENUE BUDGET

The total revenues of \$127 million are comprised of \$86.9 million in water sales, \$27.9 million in one-percent property tax revenues, \$9.8 million in grants and reimbursements, \$2.4 million in miscellaneous revenues. This is less than 1% or \$143,000 decrease over the adopted Budget of FY 2020/21. Although this is the first year of the five-year retail water sales rate study, the first year of the study (FY 2021/22) is revenue neutral. The Agency is expecting growth of approximately 1.36% or 1,013 equivalent retail service connections but has also accounted for a reduction in sales to meet conservation requirements.



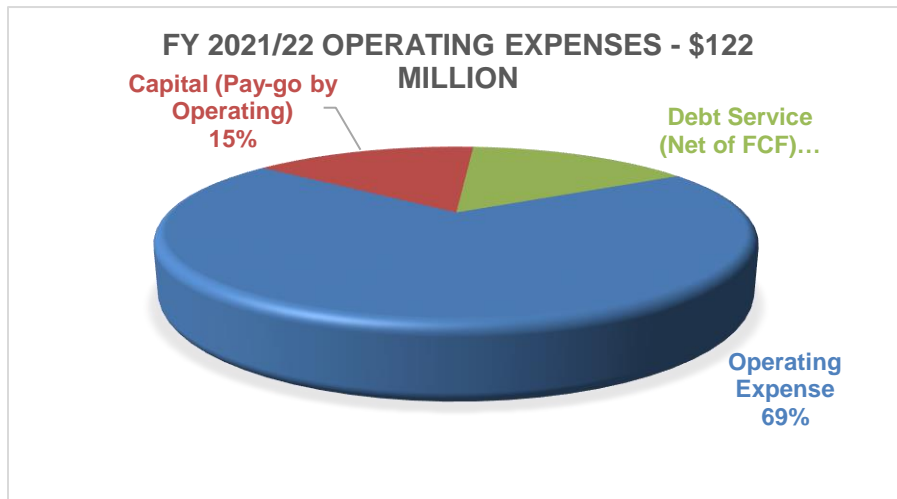
FY 2022/23 OPERATING REVENUE BUDGET

The total revenues of \$129.7 million are comprised of \$92.4 million in retail water sales, \$28.6 million in one-percent property tax revenues, \$6.2 million in grants and reimbursements, \$2.5 million in miscellaneous revenues. This a 2% or \$2.5 million overall increase over FY 2021/22. Of the \$2.5 million, the most significant increase of \$5.6 million is attributed to increased water sales revenue due to a 6.5% planned revenue increase, the decrease of \$3.5 million of grants and reimbursements, and the decrease of approximately \$.5 million in miscellaneous revenues. The Agency is expecting to add 1,047 equivalent retail service connections in FY 2022/23.



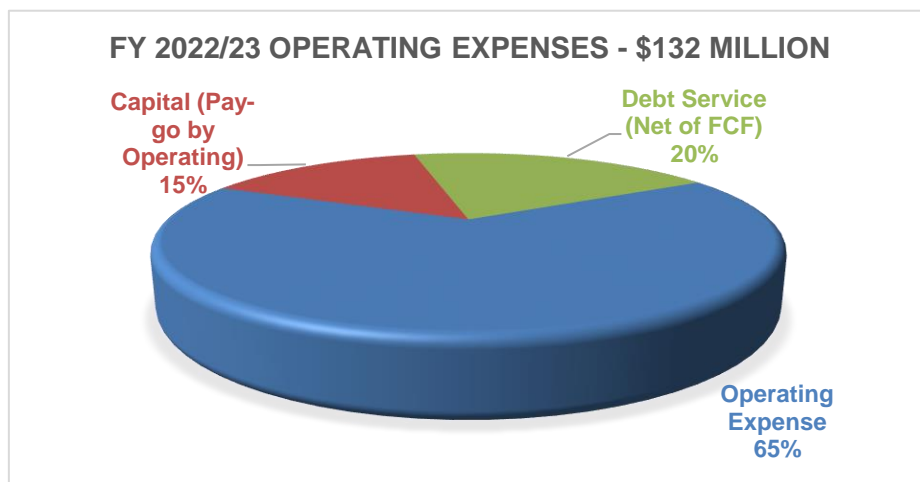
FY 2021/22 OPERATING EXPENSE BUDGET

Total operating expenditures for FY 2021/22 are budgeted at \$122 million and are comprised of General Fund/Operating Budget expenditures of \$84.4 million, debt service payments (net of facility capacity fee fund transfer) of \$18.9 million and pay-go capital improvement program (CIP) expenditures (funded by operating budget) of \$18.7 million. Overall, there was a 10.8% (\$16 million) increase in operating expenditures over the adopted FY 2020/21 budget. The most significant increases are due to \$5.3 million in debt service payments; \$1 million in source of supply for additional water purchases due to low state water allocation; and \$2.7 million in PFAS treatment operations and maintenance.



FY 2022/23 OPERATING EXPENSE BUDGET

Total expenditures for FY 2022/23 are budgeted at \$132 million and are comprised of General Fund/Operating Budget expenditures of \$85.9 million, debt service payments of \$26.8 million (net of facility capacity fund transfer), and capital improvement program (CIP) expenditures of \$19.2 million. Overall, there was a 2.2% (\$3,563,843) increase in operating expenditures over the adopted FY 2021/22 budget. The most significant increases are due to \$2 million for additional CIP projects; \$0.5 million for increases in treatment and chemical costs; and \$1 million in pumping expenses due to a projected increase in power costs as well as an increase in customer demand.



MAJOR SOURCES OF REVENUES

Water Sales Revenues

The FY 2021/22 projected water sales revenues of \$86.9 million is a slight decrease from the FY 2020/21 adopted Budget at \$87.4 million. One-time water sales include a portion of SCV Water's Buena Vista Rosedale-Rio Bravo (BVRRB) water supply that is available to be sold each year and there is no forecasted one-time water sales in FY 2021/22 or FY 2022/23 because of the reduction in state water allocation due to the dry year. SCV Water is expecting to add 1,013 retail service connections in FY 2021/22 and 1,045 retail service connections in FY 2022/23, with a total number of retail connections at year end of 74,780 and 75,827, respectively.

Other Revenues

Other revenues consist of property taxes, facility capacity/connection fees, grants and reimbursements, communication/rental income, and investment revenues. In FY 2021/22 other budgeted revenues are projected at \$40.1 million, which is an increase from the FY 2020/21 adopted Budget at \$39.6 million. The primary increases are due to a slight increase in property tax revenues and reimbursements.

One -Percent Property Tax Revenues

Property tax revenues are unrestricted and can be used to pay for operating expenses, capital projects or debt service for existing users. If these funds were limited or unavailable, it is likely that the Agency water rates would have to increase, or projects would need to be deferred. Based on current trend, SCV Water property tax revenue is projected to increase by 2.34% in both FY 2021/22 and FY 2022/23.

	Adopted Budget FY 2020/21	Projected Budget FY 2020/21	Proposed Budget FY 2021/22	Proposed Budget FY 2022/23
Property Tax	\$27,296,070	\$27,253,530	\$27,934,798	\$28,588,472

Facility Capacity/Connection Fees

Facility Capacity/Connection Fee revenues are projected to decrease from \$9 million in the FY 2020/21 adopted Budget to \$6 million in the proposed FY 2021/22 Budget, and \$6.5 million in FY 2022/23. This is based on engineers estimates of development activity.

MAJOR SOURCES OF EXPENDITURES

General Fund/Operating Budget

The FY 2021/22 projected operating expenses of \$122 million has increased approximately \$16.1 million from the FY 2020/21 adopted Budget of \$105.9 million, and the FY 2022/23 operating expense is projected to increase to \$132 million. Operating expenses include general operating expenses as well as the portion of the capital improvement projects that are funded by one-percent property tax, water rates and SCV Water's annual debt service.

Capital Improvement Program – Pay-Go

The proposed CIP “pay-go” (pay-as-you-go) in FY 2021/22 is projected at \$47.2 million and FY 2022/23 is projected at \$49 million. The pay-go CIP plan is funded by retail water rates, a portion of the one-percent property taxes and transfers from the capital reserve. Significant increases are primarily due to the construction of dry year replacements wells, pipeline replacements, technology service improvements, customer service utility billing software upgrade, water resiliency master plan and upgrades to the water conservation garden at the Rio Vista Water Treatment Plant.

NON OPERATING FUNDS

Capital Improvement Program

The FY 2021/22 Budget for debt funded Capital Projects is \$36.8 million and \$40.5 million in FY 2022/23, based on significant construction on the Earl Schmidt Filtration Plant (ESFP) Sludge Collection System, Magic Mountain Pipeline, Vista Canyon Recycled Water project and PFAS treatment facilities.

The Agency’s current CIP for Major Capital projects shows approximately 20-25 projects being constructed over the next five years. Assuming the Agency is able to obtain some grant funding for the recycled water projects, the current projection shows a need for additional funding of \$230 million through FY 2025/26, with the next projected debt issuance to occur in the first quarter of FY 2022/23. The FY 2021/22 Budget proposes \$19.5 million interest only debt (bank note or line of credit) to continue the construction of the PFAS treatment facilities. The exact timing and amounts of future debt issuance would depend on the progress of the CIP, availability of grant proceeds and market conditions. No new debt would be issued without thorough review with and approval by the Board of Directors.

State Water Contract Fund

The FY 2021/22 Expense Budget for the Agency’s SWP supply is \$34.9 million. This is based on projected costs to maintain an aging system and increasing power costs. The Budget also includes funding of \$3.6 million for work on the Delta Conveyance, previously known as California WaterFix or Twin Tunnels. The SWP is also impacted by the damaged Oroville Spillway. The emergency response to-date and ongoing repairs and replacement will likely have significant costs. The Agency will be responsible for its share, which will be determined after review of project purposes, availability of Federal Emergency Management Agency (FEMA) funding and other available funding. The current costs are being funded by available debt financing and will not be included in the Agency’s FY 2021/22 Budget.

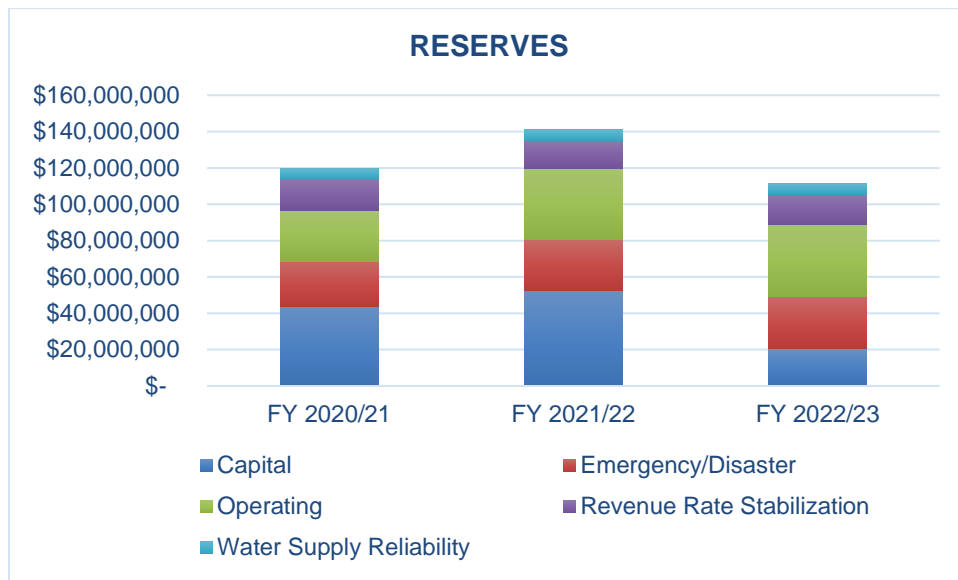
RESERVES

The purpose of SCV Water’s Reserve Fund Policy is to ensure the Agency’s financial stability, and to have sufficient funding available to meet its operating, capital and debt service cost obligations. The plan establishes the level of reserves necessary for maintaining the Agency’s creditworthiness and ratings.

In FY 2021/22, SCV Water will have the opportunity to increase its reserve fund balances by 36% (\$42.9 million) due to funds that were not spent in FY 2020/21 and have been added to reserves, per policy. By the end of FY 2021/22, the Agency will have utilized \$13.1 million and \$29.8 million in FY 2022/23 to complete its CIP Pay-go budget. At the end of FY 2022/23, the reserves will still be 100% funded and have a day’s cash ratio of 473.

Adequate reserves provide for:

- Cash flow requirements and working capital
- Economic uncertainties and other financial hardships, including performance of the regional economy and water supply reliability
- Infrastructure replacements
- Emergency repairs
- Local disasters, natural disasters or catastrophic events
- Loss of significant revenue sources due to variations in water sales resulting from variable weather conditions or conservation
- Unfunded mandates including costly regulatory requirements





Construction of Wells and Groundwater Treatment Facilities

Pictured: Construction of SCV Water wells, groundwater treatment improvements and facilities. As part of the Agency's debt-funded capital improvement projects, these wells and water treatment facilities are an investment in the Valley's long-term water supply and will help to ensure safe drinking water for this community for years to come.



**SCV WATER - SUMMARY BUDGET
FY 2021/22 and FY 2022/23**

	ACTUAL FY 2019/20	BUDGET FY 2020/21	PROJECTED BUDGET FY 2020/21	PROPOSED BUDGET FY 2021/22	% of Change over FY 2020/21 Budget	PROPOSED BUDGET FY 2022/23	% of Change over FY 2021/22 Budget
OPERATING REVENUES							
Water Sales - Residential	29,274,383	34,993,591	34,739,357	48,050,285	37.3%	51,449,640	7.1%
Water Sales - Commercial	4,063,528	2,860,512	4,284,760	4,601,362	60.9%	4,926,889	7.1%
Water Sales - Industrial	1,356,799	95,350	1,672,639	1,508,643	1482.2%	1,615,373	7.1%
Water Sales - Irrigation	9,484,659	6,436,151	13,391,691	18,028,286	180.1%	19,303,711	7.1%
Water Sales - Public Authority & Other	1,353,983	2,383,760	1,660,786	3,243,583	36.1%	3,473,053	7.1%
Water Sales - Fire	517,981	368,954	550,527	620,264	68.1%	669,515	7.9%
Legacy Debt Revenue - VWD	-	-	-	3,577,842	100.0%	3,603,809	0.7%
Legacy Debt Revenue - SCWD	-	-	-	5,749,937	100.0%	5,873,249	2.1%
Water Sales - SCWD Variable	22,706,668	22,601,399	26,657,145	incl above	0.0%	incl above	0.0%
Water Sales - SCWD Fixed	16,120,960	15,729,401	15,157,173	incl above	0.0%	incl above	0.0%
Water Sales - WWR Variable	1,713	1,000	1,137	1,000	0.0%	1,000	0.0%
Water Sales - WWR Fixed	169,561	118,620	118,620	67,392	-43.2%	32,033	-52.5%
Water Sales - Recycled	401,661	264,678	408,399	408,445	54.3%	468,612	14.7%
Water Sales - One Time	44,209	-	-	-	0.0%	-	0.0%
Misc Fees and Charges	1,381,877	1,561,714	772,018	1,000,000	-36.0%	1,020,000	2.0%
Water Sales - Saugus 1 and 2 Wells	692,907	697,000	714,774	-	-100.0%	-	0.0%
Lab Revenues	131,258	120,000	123,722	23,000	-80.8%	23,000	0.0%
Communication & Rental	666,845	708,966	708,996	730,266	3.0%	752,174	3.0%
Property Tax 1%	26,691,119	27,296,070	27,253,530	27,934,798	2.3%	28,588,472	2.3%
Annexation Reimbursements	280,806	-	1,036,410	224,032	0.0%	67,902	-69.7%
Interest Income	4,731,947	1,653,244	1,874,388	1,678,043	1.5%	1,703,213	1.5%
PERCH Reimbursements - O&M & CIP	1,059,587	6,282,500	467,959	8,172,198	30.1%	3,309,785	-59.5%
Grant Reimbursements - State	5,090,851	2,934,436	3,501,723	1,345,000	-54.2%	2,745,000	104.1%
Transfer In - Facility/Capacity Fees	6,806,486	11,970,000	12,039,059	16,785,568	40.2%	8,733,500	-48.0%
Transfer In - Reserves		9,444,277		13,133,817	39.1%	29,802,139	126.9%
Total Operating Revenues	133,029,788	148,521,622	147,134,813	156,883,760	5.6%	168,162,070	7.2%

OPERATING EXPENSES							
Management	5,998,867	3,878,227	4,343,029	4,300,023	10.9%	3,763,699	-12.5%
Finance, Administration & IT	17,430,025	16,079,376	16,316,732	16,849,948	4.8%	17,033,324	1.1%
Customer Care	2,135,547	2,154,147	1,723,729	2,347,600	9.0%	2,493,223	6.2%
Transmission & Distribution	9,787,654	10,405,326	9,524,557	11,358,359	9.2%	11,626,869	2.4%
Pumping, Wells & Storage	10,782,827	11,323,073	10,164,562	13,649,535	20.5%	14,550,742	6.6%
Water Resources	7,219,310	8,305,253	4,850,919	9,648,561	16.2%	9,555,012	-1.0%
Engineering	2,949,727	2,816,500	2,899,609	3,661,019	30.0%	3,695,369	0.9%
Water Quality & Treatment	9,799,519	9,540,518	9,056,192	10,903,336	14.3%	11,406,417	4.6%
Source of Supply	9,789,064	12,924,277	10,230,191	11,690,219	-9.5%	11,794,910	0.9%
Debt Service	28,878,196	27,610,418	5,638,813	32,960,792	19.4%	33,214,070	0.8%
Capital (Pay-go)	15,620,311	43,484,506	26,332,150	47,228,835	8.6%	49,028,436	3.8%
Total Operating Expenses	120,391,048	148,521,622	101,080,484	164,598,228	10.8%	168,162,070	2.2%

<i>Available Cash Balance, July 1</i>		4,134,695	11,499,616	14,617,989		6,642,545	
Total Operating Revenue	133,029,788	148,521,622	147,134,813	156,883,760	5.6%	168,162,070	7.2%
Total Operating Expense	120,391,048	148,521,622	101,080,484	164,598,228	10.8%	168,162,070	2.2%
Ending Cash Balance, June 30	12,638,740	4,134,695	57,553,945	6,903,521	67.0%	6,642,545	-3.8%

Note: FYE 2021 \$42,935,956 transferred to reserves

Total Operating Expenses	91,753,580	119,464,031	75,889,388	136,460,429	14.2%	138,995,284	1.9%
Total Salaries and Benefits	28,637,468	29,057,591	25,191,096	28,137,799	-3.2%	29,166,787	3.7%
Net Operating Expenses	120,391,048	148,521,622	101,080,484	164,598,228	10.8%	168,162,070	2.2%

**SCV WATER - FINANCIAL SUMMARY
FY 2021/22 BUDGET**

Description	General Fund/ Operating	Capital Project Fund*	State Water Contract Fund	Capacity Fees Fund	TOTAL
<i>Fund Balance 7/1/2021</i>	\$ 125,743,875	\$ 28,204,173	\$ 78,625,518	\$ 16,013,171	\$ 248,586,737
<u>RESERVES:</u>					
Capital Reserves	\$ (22,520,377)	\$ -	\$ -	\$ -	\$ (22,520,377)
Emergency/Disaster Reserves	(28,187,867)	-	-	-	(28,187,867)
Operating Reserves	(39,175,065)	-	-	-	(39,175,065)
Revenue Rate Stabilization Reserves	(15,242,577)	-	-	-	(15,242,577)
Water Supply Reliability Reserves	(6,000,000)	-	-	-	(6,000,000)
Subtotal	\$ (111,125,886)	\$ -	\$ -	\$ -	\$ (111,125,886)
Net Available	\$ 14,617,989	\$ 28,204,173	\$ 78,625,518	\$ 16,013,171	\$ 137,460,852
<u>REVENUES:</u>					
Water Sales - Retail	\$ 85,380,201	\$ -	\$ -	\$ -	85,380,201
Water Sales - Wholesale	68,392	-	-	-	68,392
Water Sales - Recycled	408,445	-	-	-	408,445
Water Sales - One Time	-	-	-	-	-
Misc Fees and Charges	1,000,000	-	-	-	1,000,000
Lab Revenues	23,000	-	-	-	23,000
Communication & Rental	730,266	-	-	-	730,266
Property Tax	27,934,798	-	33,642,000	-	61,576,798
Annexation Reimbursements	224,032	-	-	-	224,032
Facility Capacity Fees	-	-	-	9,071,100	9,071,100
Interest Income	1,678,043	32,000	850,000	-	2,560,043
PERCH Reimbursements - O&M & CIP	8,172,198	-	-	-	8,172,198
Grant Reimbursements - State	1,345,000	-	-	-	1,345,000
Bond/Loan Proceeds	-	19,500,000	-	-	19,500,000
Transfers In - Reserves	13,133,817	-	-	-	13,133,817
Subtotal	\$ 140,098,192	\$ 19,532,000	\$ 34,492,000	\$ 9,071,100	\$ 203,193,292
<u>EXPENDITURES:</u>					
Operating	\$ (84,408,601)	\$ -	\$ -	\$ -	\$ (84,408,601)
Capital Improvement Program	(44,457,735)	(36,811,550)	-	(2,771,100)	(84,040,385)
Department of Water Resources	-	-	(34,886,100)	-	(34,886,100)
Debt Service Principal & Interest	(18,946,324)	-	-	(14,014,468)	(32,960,792)
Subtotal	\$ (147,812,660)	\$ (36,811,550)	\$ (34,886,100)	\$ (16,785,568)	\$ (236,295,878)
<i>Available Fund Balance 6/30/2022 (Estimated)</i>	\$ 6,903,521	\$ 10,924,623	\$ 78,231,418	\$ 8,298,703	\$ 104,358,266

*Major Capital Projects - Bond Proceeds

**SCV WATER - FINANCIAL SUMMARY
FY 2022/23 BUDGET**

Description	General Fund/ Operating	Capital Project Fund*	State Water Contract Fund	Capacity Fees Fund	TOTAL
<i>Fund Balance 7/1/2022</i>	\$ 118,029,407	\$ 10,924,623	\$ 78,231,418	\$ 8,298,703	\$ 215,484,151
<u>RESERVES:</u>					
Capital Reserves	\$ (20,505,140)	\$ -	\$ -	\$ -	\$ (20,505,140)
Emergency/Disaster Reserves	(28,742,788)	-	-	-	(28,742,788)
Operating Reserves	(39,814,145)	-	-	-	(39,814,145)
Revenue Rate Stabilization Reserves	(16,324,788)	-	-	-	(16,324,788)
Water Supply Reliability Reserves	(6,000,000)	-	-	-	(6,000,000)
Subtotal	\$ (111,386,861)	\$ -	\$ -	\$ -	\$ (111,386,861)
Net Available	\$ 6,642,545	\$ 10,924,623	\$ 78,231,418	\$ 8,298,703	\$ 104,097,290
<u>REVENUES:</u>					
Water Sales - Retail	\$ 90,915,239	\$ -	\$ -	\$ -	\$ 90,915,239
Water Sales - Wholesale	33,033	-	-	-	33,033
Water Sales - Recycled	468,612	-	-	-	468,612
Water Sales - One Time	-	-	-	-	-
Misc Fees and Charges	1,020,000	-	-	-	1,020,000
Lab Revenues	23,000	-	-	-	23,000
Communication & Rental	752,174	-	-	-	752,174
Property Tax	28,588,472	-	34,429,000	-	63,017,472
Annexation Reimbursements	67,902	-	-	-	67,902
Facility/Capacity Fees	-	-	-	8,733,500	8,733,500
Interest Income	1,703,213	80,000	880,000	-	2,663,213
PERCH Reimbursements - O&M & CIP	3,309,785	-	-	-	3,309,785
Grant Reimbursements - State	2,745,000	-	-	-	2,745,000
Bond/Loan Proceeds	-	75,000,000	-	-	75,000,000
Transfers In - Reserves	29,802,139	-	-	-	29,802,139
Subtotal	\$ 159,428,570	\$ 75,080,000	\$ 35,309,000	\$ 8,733,500	\$ 278,551,070
<u>EXPENDITURES:</u>					
Operating	\$ (85,919,565)	\$ -	\$ -	\$ -	\$ (85,919,565)
Capital Improvement Program	(46,752,436)	(40,447,650)	-	(2,276,000)	(89,476,086)
Department of Water Resources	-	-	(35,892,100)	-	(35,892,100)
Debt Service Principal & Interest	(26,756,570)	-	-	(6,457,500)	(33,214,070)
Subtotal	\$ (159,428,571)	\$ (40,447,650)	\$ (35,892,100)	\$ (8,733,500)	\$ (244,501,821)
<i>Available Fund Balance 6/30/2023 (Estimated)</i>	\$ 6,642,544	\$ 45,556,973	\$ 77,648,318	\$ 8,298,703	\$ 138,146,538

*Major Capital Projects - Bond Proceeds

**SCV WATER - STATE WATER CONTRACT FUND (SWCF)
FY 2021/22 and FY 2022/23**

	Actual FY 2019/20	Budget FY 2020/21	Budget FY 2020/21	Projected 6/30/21 FY 2020/21	Proposed Budget FY 2021/22	Proposed Budget FY 2022/23
Fund Balance, Beginning	\$ 65,375,270	\$ 65,375,270	\$ 72,746,486	\$ 72,003,026	\$ 78,625,518	\$ 78,231,418
REVENUES						
Agency-Set Property Tax Revenues	\$ 32,121,833	\$ 32,926,420	\$ 33,942,000	\$ 32,873,484	\$ 33,642,000	\$ 34,429,000
Refunds from State (DWR)	1,660,121	1,500,000	1,500,000	1,500,000	-	-
Investment Income	1,105,349	964,662	740,000	400,750	850,000	880,000
Total SWCF Revenues	\$ 34,887,303	\$ 35,391,082	\$ 36,182,000	\$ 34,774,234	\$ 34,492,000	\$ 35,309,000
EXPENDITURES						
DWR Variable Charge	\$ (8,297,276)	\$ (8,016,266)	\$ (9,000,000)	\$ (7,516,000)	\$ (9,000,000)	\$ (9,000,000)
State Water Contract Payments	(18,007,531)	(18,007,531)	(22,780,000)	(20,294,340)	(21,309,000)	(22,374,000)
Salaries - New in FY21	(42,543)			(23,952)	(45,000)	(46,000)
Benefits & Burden - New in FY21	(21,308)			(12,200)	(23,000)	(23,000)
Employee Expenses - Travel, Mileage, Etc	(25,656)	(25,334)	(100,000)	-	(100,000)	(100,000)
Legal Consulting	(7,446)	(12,000)	(15,000)	(15,000)	(15,000)	(15,000)
State Water Contractors/SWPCA Dues	(216,966)	(240,000)	(245,000)	(248,002)	(257,000)	(270,000)
SWC Audit	(30,108)	(35,000)	(35,000)	(30,567)	(37,000)	(39,000)
Delta Conveyance	(50,783)	(3,300,000)	(3,600,000)	(11,617)	(3,600,000)	(3,600,000)
Refund of Excess SWC Fixed Chgs - New FY22	-		-		1,500,000	1,575,000
Misc. & Property Tax Admin Fees	-	-	-	(64)	(100)	(100)
Contingencies	-	1,616,265	(2,000,000)		(2,000,000)	(2,000,000)
Total SWCF Expenditures	\$ (26,699,617)	\$ (28,019,866)	\$ (37,775,000)	\$ (28,151,742)	\$ (34,886,100)	\$ (35,892,100)
Available Fund Balance, Ending	\$ 73,562,956	\$ 72,746,486	\$ 71,153,486	\$ 78,625,518	\$ 78,231,418	\$ 77,648,318
Tax Rate per \$100 in Assessed Valuation	\$ 0.070600	\$ 0.070600	\$ 0.070600	\$ 0.070600	\$ 0.070600	\$ 0.070600

(A) DWR refunds shown as Revenues in FY 19, 20, 21; Beginning in FY22, DWR Refunds of Excess SWP Fixed Charges will be shown as a reduction in Expenses.

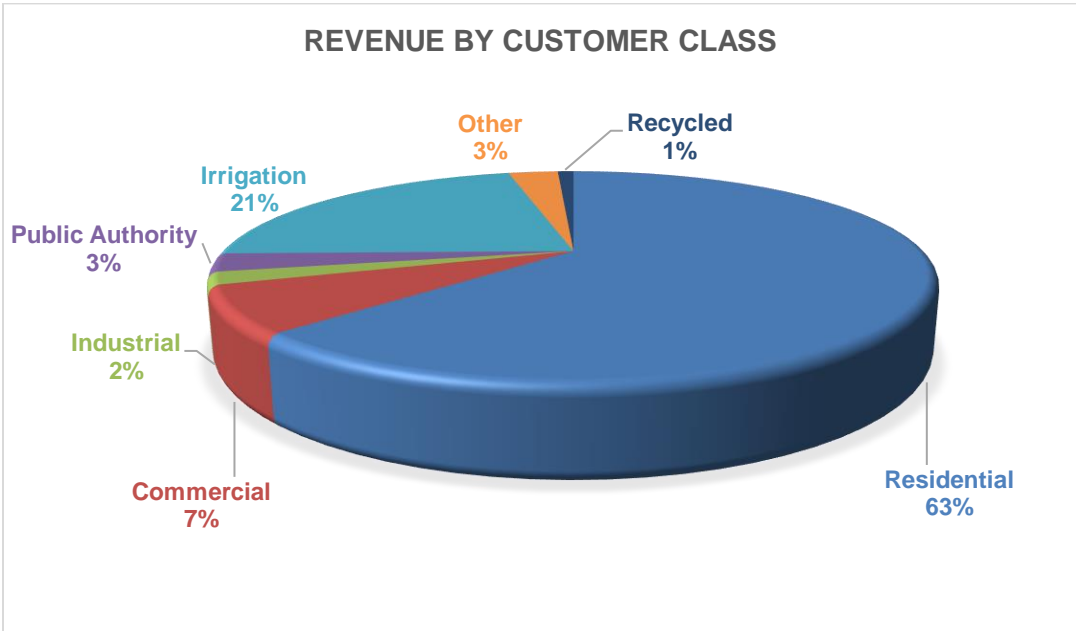
(B) Expenses projected to be included in the Statement of Charges
FY 2022/23
Sisk Dam - Projected \$190,000

REVENUES

Retail Water Sales

Developing accurate demand forecasts is one of the biggest challenges in creating long-term financial forecasts. There are many factors that influence customer demand projections. Climate and weather conditions, economic drivers, and conservation are a few of the factors that must be considered. Different factors affect consumption trends of each customer class, and therefore, consumption data is primarily analyzed and forecast by class.

SCV Water will provide water service to nearly 75,000 customers by the end of fiscal year (FY) 2021/22. Of the Agency’s water sales, 63% of the revenues come from residential customers, 21% from landscaping/irrigation and the remaining 16% are comprised of commercial, public authority and industrial. Retail water sales also include private fire services, including private fire hydrants. Retail water sales account for 68% of the Agency’s total revenues. SCV Water is expecting to add 1,013 service connections in FY 2021/22 and 1,047 service connections is FY 2022/23, an approximate 1.36% growth rate.



SCV Water is planning to receive approximately 68% of its FY 2021/22 retail revenue from metered sales and approximately 71% in FY 2021/22. The remaining 32% and 29% of other revenues come from property taxes, communication/rental leases, investment income, grants and reimbursements as depicted below:

Other Revenues	FY 2021/22	FY 2022/23
Lab Revenues	\$ 23,000	\$ 23,000
Communication & Rental	\$ 730,266	\$ 752,174
Property Tax 1%	\$27,934,798	\$28,588,472
Annexation Reimbursements	\$ 224,032	\$ 67,902
Interest Income	\$ 1,678,043	\$ 1,703,213
PERCH Reimbursements - O&M & CIP	\$ 8,172,198	\$ 3,309,785
Grant Reimbursements - State	\$ 1,345,000	\$ 2,745,000
Total Other Revenues	\$40,107,337	\$37,189,546

Billing units (CCF = 748 gallons) are expected to increase by less than 1% from the previous year's budget. Even though there is an addition of 1,013 service connections in FY 2021/22, the Agency has included additional conservation to address conservation mandates by the state. Growth projections were incorporated with historical trends of customers reactions to weather and drought to determine the average consumption by meter size and class. As a result of the most recent drought and consistent with previous years, the Agency is projecting its water sales revenues based on State AB 1668 and SB 606, that gives us conservation long-term framework for annual water use objectives. Using the old target from SB x7-7, which required the Agency to achieve a 20% reduction in urban per capita water use, we are maintaining an interim strategy of 22% in FY 2021/22 and 25% in FY 2022/23 until the conservation long-term framework gets finalized.

SCV Water is continuing to promote conservation and water efficiency targets in order to meet the conservation goals established by the State. The Agency is not expecting customers to return to their pre-drought usage but will continue to voluntarily conserve.

Recycled Water

The Agency began recycled water sales during FY 2003/04. To-date, recycled water has only been sold to the Valencia Water Division to provide service for the TPC (now The Oaks Club) golf course and median landscaping in the Westridge development, and sales range from 400 to 450 AF per year. At an estimated rate of \$647/AF in FY 2021/22 and \$676/AF in FY 2022/23, revenue is estimated to be \$408,445 and \$468,612, respectively. Should recycled water be used for grading for Mission Village in the Newhall Ranch development, revenues would be higher.

One-Time Water Sales

In the past, the Agency has been able to sell water from the Buena Vista/Rosedale-Rio Bravo water supplies. Based on water supply conditions, the Agency is not anticipating selling any excess water supply during FY 2021/22 or FY 2022/23. This revenue is known as one-time water sales and in the event that the Agency has the ability to sell any supply, it will be allocated to the Operating Fund.

One-Percent Property Tax Revenues

One-percent property tax revenues are unrestricted and can be used to fund operating expenses, as well as debt service dedicated to fund existing users' share of the Agency debt

(excluding Legacy debt), the pay-go portion of the capital improvement program, as well as a portion of core non-SWP water supplies. FY 2021/22 revenues are estimated at \$27.9 million, assuming a 2.3% annual increase, the FY 2022/23 revenues are projected at \$28.6 million. This assumption is based on the 11-year average of property tax revenues.

This budget estimate also assumes the State does not divert these funds. During FY 2004/05 and FY 2005/06, the State of California diverted over 65% of the Agency’s one-percent property tax revenues. The Agency was able to absorb the two-year loss due to sufficient cash and reserves to maintain debt coverage and to fund the capital budget. During FY 2009/10, the State invoked a Proposition 1A borrowing of 8% of the Agency’s allocation of one-percent tax revenues, or approximately \$1.7 million, intended to be repaid by FY 2012/13. The Agency participated in the State of California Proposition 1A Receivables Program to securitize the receivable and received the entire repayment during FY 2009/10.

Any future diversions by the State will impact the Agency’s ability to fully fund existing users’ share of the debt service and pay-go capital improvement projects. At this time, it seems unlikely the State will again shift some amount of property tax revenue away from the Agency in FY 2021/22 or FY 2022/23. If the property tax formula is permanently changed in the future, it would impact the Agency’s ability to maintain debt coverage and fund the capital budget.

Agency-Set Property Tax Revenues (SWC Fund)

The Agency-set property tax revenues are estimated to total \$33.6 million in FY 2021/22 and \$34.4 million in FY 2022/23. These revenues are restricted to pay for the Agency’s share of the cost of operating and administering the State Water Project supply. This revenue estimate is based on an increase of a 2.3% annual property tax revenue increase and no change in the current tax rate of 7.06 cents per \$100 valuation.

Agency-Set Property Tax Revenues – Last Ten Fiscal Years

Fiscal Year	Los Angeles County	Ventura County	Total
2011/12	\$ 22,897,145	\$ 24,913	\$ 22,922,058
2012/13	23,117,274	27,904	23,145,178
2013/14	24,090,084	25,790	24,115,874
2014/15	26,044,550	25,800	26,070,350
2015/16	27,076,572	22,783	27,099,355
2016/17	28,343,916	22,887	28,366,803
2017/18	31,245,039	22,670	31,267,709
2018/19	31,973,100	22,900	31,996,000
2019/20	32,094,246	27,587	32,121,833
2020/21*	32,856,352	30,205	32,886,557

*Estimated

Facility Capacity Fee Revenues

Facility Capacity Fee revenues are estimated at \$6 million in FY 2021/22 and \$6.5 million in FY 2022/23. The estimated growth in connections is 1.3% for each fiscal year and is consistent with the 2019 Facility Capacity Fee (FCF) study. FCF’s are used to pay for the portion of debt that has been allocated to future users.

Perchlorate Reimbursements

In May 2007, the legacy division of SCV Water settled a long-running lawsuit against the current and past owners of the former Whittaker-Bermite industrial site and approved a settlement agreement to remove perchlorate from the Santa Clarita Valley's groundwater aquifers. The Agency estimates this settlement, when added to past settlements, will provide up to \$100 million on an undiscounted basis. Settlement Agreement revenues in FY 2021/22 are \$8.2 million, and \$3.3 in FY 2022/23 for operations and maintenance (O&M) and for the construction of the Saugus #3 & #4 replacement wells.

Grants

Grants and reimbursements for Capital Improvement Programs are provided by Proposition 1 Round 2, Proposition 84 Rounds 1 and 2 Planning and Implementation Grants and Prop 68 Round 3 through the Department of Water Resources for a variety of water studies, implementation, administration of the grants and updating various programs and plans. Reimbursements are provided for the processing of annexations.

		FY 2021/22	FY 2022/23
P84 R1 Implemenation			
Project 1	Grant Administration	\$ 10,000.00	
Project 4	PHASE 2B & 2D COMBINED	\$ 620,000.00	
Prop 1 Round 2 SGWP Grant			
	Category A,B	\$ 39,000.00	\$ 50,000.00
Prop 68 Round 3 SGWP Grant (Amendment 1)			
	Category A,B,C	\$ 236,000.00	\$ 160,000.00
P1 Round 1 IRWM Implementation			
Project 1	Grant Admin	\$ 55,000	\$ 35,000
Project 3	Recycled Water Phase 2C	\$ 135,000	\$ 2,500,000
CalOES - Special District - NEW			
	ESFP Generator Grant	\$ 250,000.00	
Total Grants		\$1,345,000.00	\$ 2,745,000.00

Other Sources of Revenue

Laboratory Revenues

The Agency performs laboratory work for DWR, UCLA and various other entities. FY 2021/22 and FY 2022/23 laboratory revenues are estimated at \$23,000 per year based on the current workload.

Communications Revenues

The Agency has several agreements with communication companies for lease of communication sites at Agency facilities. In addition, the Agency receives rent from a commercial property. FY 2021/22 revenues are estimated at \$730,266 and \$752,174 in FY 2022/23 based on the existing contracts.

Investment Revenues

FY 2021/22 investments revenues are \$2,560,043 and \$2,663,213 in FY 2022/23 across all funds. The breakdown by funding source for the FY 2021/22 and FY 2022/23 Budget is as follows:

Fund	FY 2021/22	FY 2022/23
General Fund/Operating	\$ 1,678,043	\$ 1,703,213
Capital Improvement Program	32,000	80,000
State Water Contract Fund	850,000	880,000
Facility Capacity/Connection Fees	0	0
Total	\$ 2,560,043	\$ 2,663,213

SCV WATER - REVENUES
FY 2021/22 and FY 2022/23

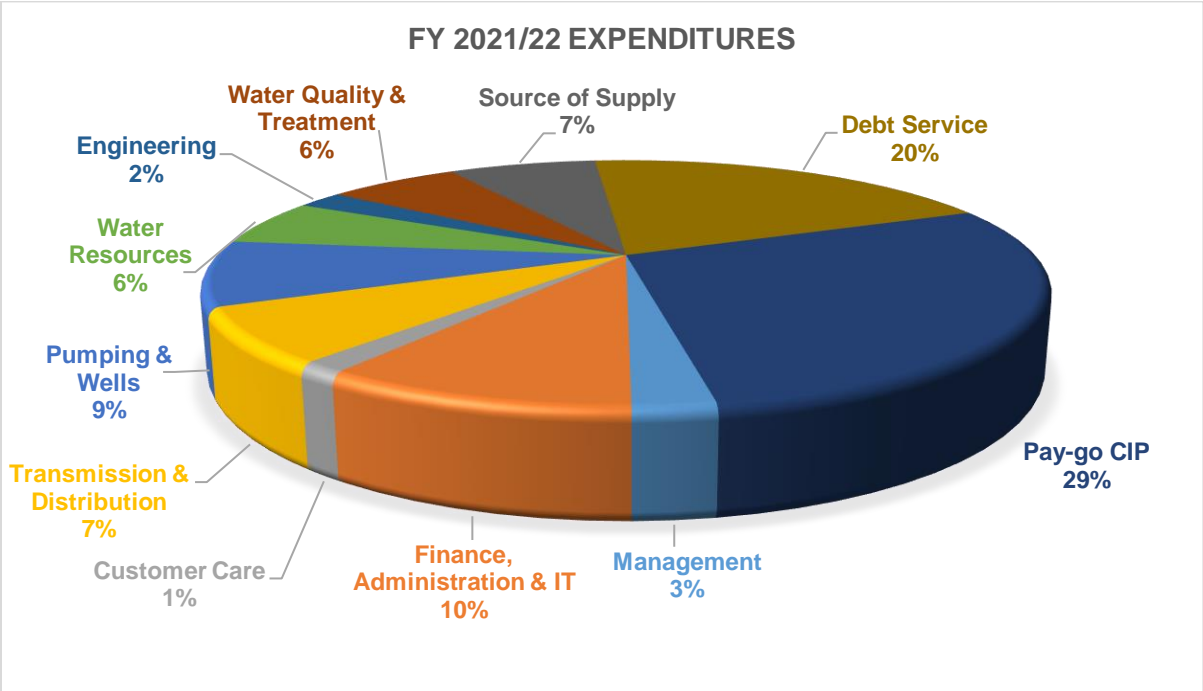
	ACTUAL FY 2019/20	BUDGET FY 2020/21	PROJECTED BUDGET FY 2020/21	PROPOSED BUDGET FY 2021/22	% of change over FY21 Budget	PROPOSED BUDGET FY 2022/23	% of change over FY22 Budget
OPERATING REVENUES							
Water Sales - Residential	29,274,383	34,993,591	34,739,357	48,050,285	37.3%	51,449,640	7.1% (A)
Water Sales - Commercial	4,063,528	2,860,512	4,284,760	4,601,362	60.9%	4,926,889	7.1% (A)
Water Sales - Industrial	1,356,799	95,350	1,672,639	1,508,643	1482.2%	1,615,373	7.1% (A)
Water Sales - Irrigation	9,484,659	6,436,151	13,391,691	18,028,286	180.1%	19,303,711	7.1% (A)
Water Sales - Public Authority & Other	1,353,983	2,383,760	1,660,786	3,243,583	36.1%	3,473,053	7.1% (A)
Water Sales - Fire	517,981	368,954	550,527	620,264	68.1%	669,515	7.9% (A)
Legacy Debt Revenue - VWD	-	-	-	3,577,842	100.0%	3,603,809	0.7% (A)
Legacy Debt Revenue - SCWD	-	-	-	5,749,937	100.0%	5,873,249	2.1% (A)
Water Sales - SCWD Variable	22,706,668	22,601,399	26,657,145	incl above		incl above	
Water Sales - SCWD Fixed	16,120,960	15,729,401	15,157,173	incl above		incl above	
Water Sales - WWR Variable	1,713	1,000	1,137	1,000	0.0%	1,000	0.0%
Water Sales - WWR Fixed	169,561	118,620	118,620	67,392	0.0%	32,033	-52.5% (B)
Water Sales - Recycled	401,661	264,678	408,399	408,445	0.0%	468,612	14.7% (C)
Water Sales - One Time	44,209	-	-	-	-43.2%	-	0.0%
Misc Fees and Charges	1,381,877	1,561,714	772,018	1,000,000	54.3%	1,020,000	2.0% (D)
Water Sales - Saugus 1 and 2 Wells	692,907	697,000	714,774	-	0.0%	-	0.0%
Lab Revenues	131,258	120,000	123,722	23,000	-36.0%	23,000	0.0% (E)
Communication & Rental	666,845	708,966	708,996	730,266	-100.0%	752,174	3.0%
Property Tax 1%	26,691,119	27,296,070	27,253,530	27,934,798	-80.8%	28,588,472	2.3%
Annexation Reimbursements	280,806	-	1,036,410	224,032	3.0%	67,902	-69.7% (F)
Interest Income	4,731,947	1,653,244	1,874,388	1,678,043	2.3%	1,703,213	1.5%
PERCH Reimbursements - O&M & CIP	1,059,587	6,282,500	467,959	8,172,198	0.0%	3,309,785	-59.5% (G)
Grant Reimbursements - State	5,090,851	2,934,436	3,501,723	1,345,000	1.5%	2,745,000	104.1% (H)
Transfer In - Facility/Capacity Fees	6,806,486	11,970,000	12,039,059	16,785,568	40.2%	8,733,500	-48.0%
Transfer In - Reserves		9,444,277	-	13,133,817	39.1%	29,802,139	126.9%
Total Operating Revenues	133,029,788	148,521,622	147,134,813	156,883,760	5.6%	168,162,070	7.2%

(1) Changes of more than 10% and \$20,000 (Revenue only - Expense variances noted in Department schedules)

- (A) Total Retail Water Sales increased by less than 1% from FY 2020/21 to FY 2021/22
- (B) Wholesale Water Sales for Waterworks District No. 36 decreases each year based on a 10-year rolling average of demand
- (C) Recycled Water Sales budgeted in FY 2020/21 was based on recycled water sales only, did not include O&M and CIP
- (D) Misc Fees and Charges have been reduced by the new Customer Service Policy incorporating SB998, pertaining to penalties and terminations
- (E) Agency facility testing has been eliminated
- (F) Tesoro and Tapia reimbursements for BVRRB water supply. Tesoro reduces each year as homes come online.
- (G) Reduced revenues from FY 2020/21 based on projected development
- (G) Projecting reimbursement from settlement agreement to offset construction Saugus 3 & 4 Replacement Wells
- (H) Grant Reimbursements fluctuate year over year depending on grant availability and project approval

EXPENDITURES

The FY 2021/22 and FY 2022/23 Biennial Budget’s use of funds (including debt service and Pay-go CIP) is projected to be \$164.6 million and \$168.2 million, respectively. There is a 10.8% increase in expenditures in FY 2021/22 compared to the FY 2020/21 budget, and an increase of 2.2% in FY 2022/23 compared to FY 2021/22. A significant factor in the rise in use of funds in FY 2021/22 is due to a 21.4% increase in the department Pumping, Wells & Storage for the PFAS treatment expense; 19.4% increase in debt service payments due to payments for the 1999A COP and 2020A bonds; 17.7% increase in the department Water Resources for resiliency planning, and an 8.6% increase in Pay-go CIP.



Certain types of expenses are combined into spending categories for easier management. These categories combine several similar line items to facilitate analysis by Agency management. A brief description of use in each category is as follows:

Source of Supply

The source of supply department represents approximately 7% of the Agency’s expense budget and includes the cost of acquiring water supplies, outside of the State Water Project or the Agency’s groundwater wells. This department includes the purchase of recycled water from the Los Angeles County Sanitation District, the cost for the Buena Vista/Rosedale-Rio Bravo water supply contract and firming supplies in order to have funds to draw from the Agency’s water banking programs due to dry weather years.

Pumping, Wells and Storage

The pumping, wells and storage department represents 9% of the Agency's expense budget and provides funds for the cost of power to the Agency's wells, booster stations, storage tanks and sewer lift station. This category also provides funds for labor and maintenance of pumping equipment, structures, Cla-Vals (automatic control valves) and the groundwater treatment of Perchlorate and PFAS. For the FY 2021/22 and FY 2022/23 Biennial Budget, this category is projected to be \$14 million and \$15 million, respectively. This is an increase of 24.1% in FY 2021/22 compared to the FY 2020/21 Budget, and an increase of 6.4% in FY 2022/23 compared to FY 2021/22. The change in both years is primarily due to the increase of power and treatment costs for the current facilities and new facilities that will be coming online during this budget period.

Water Quality and Treatment

The water treatment department represents 6% of the Agency's expense budget and provides funds for costs associated with laboratory testing, bacteriological sampling and special analysis as noted in Title 22 of the California Code of Regulations, as well as State Water Resources – Division of Drinking Water. This category also includes labor, maintenance and power for the Agency's treatment facilities and purchase of chemicals and salt, etc., necessary for water treatment operations. For the FY 2021/22 and FY 2022/23 Biennial Budget, this department is projected to be \$10.4 million and \$10.9 million, respectively. There is a slight change in FY 2021/22 compared to the FY 2020/21 Budget due to increased chemical costs and a reallocation of labor, and an increase of 4.9% in FY 2022/23 compared to FY 2021/22. The change in both years is primarily due to an increase in cost and amount of chemicals for the treatment process, and additional sampling and testing to comply with new regulations.

Transmission and Distribution

The transmission and distribution department represents 7% of the Agency's expense budget and provides funds for labor and maintenance of the Agency's mains, recycled water system, services, meters and hydrants. For the FY 2021/22 and FY 2022/23 Biennial Budget, this department is projected to be \$11.8 million and \$12 million, respectively. This is an increase of 13.4% in FY 2021/22 compared to the FY 2020/21 budget and an increase of 2.2% in FY 2022/23 compared to FY 2021/22. The primary increase is due to the maintenance and repair of mains and services.

Customer Care

The customer care department represents 1% of the Agency's expense budget and provides funds for labor and supervision for billing, collecting, connects, disconnects, investigations, meter reading and applications. It also includes funds for the outsourcing of printing and mailing water bills, meter reconstruction, testing, repairs and calibrations. For the FY 2021/22 and FY 2022/23 Biennial Budget, this department is projected to be \$2.3 million and \$2.5 million, respectively. This is an increase of 9% in FY 2021/22 compared to the FY 2020/21 Budget, and an increase of 6.2% in FY 2022/23 compared to FY 2021/22. The primary increase in both years is attributable to the cost increases to outsource, print and mail customer bills.

Engineering

The engineering department represents 2% of the Agency's expense budget and provides funds for planning, design and construction management of the Agency's capital projects, and oversees developer activities to ensure that capital facilities meet Agency standards. For the FY 2021/22 and FY 2022/23 Biennial Budget, this department is projected to be \$3.66 million and \$3.7 million, respectively. This is an increase of 30% in FY 2021/22 compared to the FY 2020/21 Budget and an increase of 1% in FY 2022/23 compared to FY 2021/22. The increase is

primarily due to additional planning activities that were previously part of the Agency's CIP budget.

Water Resources

The water resources department represents 6% of the Agency's expense budget and provides funds to ensure there is adequate water resources available to meet the community's current and future water needs, and to provide outreach to communicate the overall mission and vision of the Agency. For the FY 2021/22 and FY 2022/23 Biennial Budget, this department is projected to be \$9.8 million and \$9.7 million, respectively. This is an increase of 17.7% in FY 2021/22 compared to the FY 2020/21 Budget, and a decrease of 1.2% in FY 2022/23 compared to FY 2021/22. Similar to the Engineering department, several planning documents that were previously part of the Agency's CIP are now expensed to comply with the Agency's Capitalization Policy.

Management

The management department represents 3% of the Agency's expense budget and provides funds for the Board of Director stipends, benefits and activities, General Manager labor, benefits, and activities, as well as the biennial election expense, litigation, and general legal costs. For the FY 2021/22 and FY 2022/23 Biennial Budget, this department is projected to be \$4.3 million and \$3.8 million, respectively. This is an increase of 10.9% in FY 2021/22 compared to the FY 2020/21 Budget and a decrease of 12.5% in FY 2022/23 compared to FY 2021/22. The primary changes from year to year are due to the biennial election cycle.

Finance, Administration and IT

The finance, administration and IT department represents 10% of the Agency's expense budget and provides funds for: administrative and general salaries, office supplies, technology supplies and service, supplies and contracts, human resources recruitment and services, facilities maintenance, liability insurance, professional services, conferences and seminars, professional development, training and other general office expenses. For the FY 2021/22 and FY 2022/23 Biennial Budget, this department is projected to be \$16.4 million and \$16.6 million, respectively. This is an increase of 1.7% in FY 2021/22 compared to the FY 2020/21 Budget and an increase of 1.3% in FY 2022/23 compared to FY 2021/22.

The safety needs of the Agency's customers and employees, as well as compliance with regulatory agencies are of utmost importance to the Agency, and these costs are considered necessary expenses. Some of the administration and general expenses are more discretionary than others, such as insurance or regulatory fees, which are mandatory; whereas the Agency may be better able to control other expenses such as training or business meetings to some extent.

Salaries and Related Costs

The Board authorizes all regular full-time positions. All requests for new positions must contain justification and evaluate total costs, including benefits. There were five (5) additional positions added in the FY 2021/22 and two (2) in FY 2022/23. The FY 2021/22 budget provides funding for 216 full-time employees, 10 part-time employees and five (5) limited duration employees for a total full-time equivalent (FTE) of 226 employees.

Portions of salaries and related costs (benefits) that occur in one department may be applied to another, and costs associated with developer funded projects or capital improvements projects are directly charged to those projects. Employee benefits include expenses for workers compensation, group medical insurance, disability insurance and retirement.

Eligible full-time employees become members of the California Public Employees Retirement System (CalPERS).

For the FY 2021/22 and FY 2022/23 Biennial Budget, salaries and related costs are projected to be \$28.1 million and \$29.2 million, respectively. This is a decrease of 3.2% in FY 2021/22 compared to the FY 2020/21 Budget and an increase of 3.7% in FY 2022/23 compared to FY 2021/22.

Capital Improvement Projects “Pay-Go”

The “pay-go” (pay-as-you-go) capital improvement projects (CIP) category represents 29% of the Agency’s expense budget and provides funds to enhance asset management, maintenance, water system improvements, equipment replacements and technology improvements. Additional information can be found in the Capital Improvement Program section of the Budget. For the FY 2021/22 and FY 2022/23 Biennial Budget, this category is projected to be \$47.2 million and \$49 million, respectively. This is an increase of 8.6% in FY 2021/22 compared to the FY 2020/21 Budget, and an increase of 3.8% in FY 2022/23 compared to FY 2021/22.

Debt Service

The debt service category represents 20% of the Agency’s expense budget. Debt is used for financing the Agency infrastructure and project needs. Debt is issued and managed prudently in order to maintain a sound financial position and protect credit quality. The Agency pays its debt service (excluding Legacy debt) from Facility Capacity Fee (FCF), 1% property tax revenues, and water sales. The Agency anticipates issuing revenue bonds in FY 2022/23 in the amount of \$95 million to fund major capital improvements. Current FCF, 1% property tax revenues and water rates will be sufficient to pay for the projected issuance as was included in the Cost of Service and Rate Study. Additional long-term debt information can be found in the Long-Term Commitment and Forecast sections of the Budget. For the FY 2021/22 and FY 2022/23 Biennial Budget, this category is projected to be \$33 million and \$33.2 million, respectively. The Agency continues to monitor its bond covenants to ensure there is sufficient funds to cover its debt service obligations.

SCV WATER - TOTAL EXPENSES
FY 2021/22 and FY 2022/23

	ACTUAL FY 2019/20	BUDGET FY 2020/21	PROJECTED BUDGET FY 2020/21	PROPOSED BUDGET FY 2021/22	% of Change over FY 2020/21 Budget	PROPOSED BUDGET FY 2022/23	% of Change over FY 2021/22 Budget
OPERATING EXPENSES							
Management	5,998,867	3,878,227	4,343,029	4,300,023	10.9%	3,763,699	-12.5%
Finance, Administration & IT	17,430,025	16,079,376	16,316,732	16,849,948	1.7%	17,033,324	1.3%
Customer Care	2,135,547	2,154,147	1,723,729	2,347,600	9.0%	2,493,223	6.2%
Transmission & Distribution	9,787,654	10,405,326	9,524,557	11,358,359	13.4%	11,626,869	2.2%
Pumping, Wells & Storage	10,782,827	11,323,073	10,164,562	13,649,535	24.1%	14,550,742	6.4%
Water Resources	7,219,310	8,305,253	4,850,919	9,648,561	17.7%	9,555,012	-1.2%
Engineering	2,949,727	2,816,500	2,899,609	3,661,019	30.0%	3,695,369	0.9%
Water Quality & Treatment	9,799,519	9,540,518	9,056,192	10,903,336	9.3%	11,406,417	4.9%
Source of Supply	9,789,064	12,924,277	10,230,191	11,690,219	-9.5%	11,794,910	0.9%
Debt Service	28,878,196	27,610,418	5,638,813	32,960,792	19.4%	33,214,070	0.8%
Capital (Pay-go)	15,620,311	43,484,506	26,332,150	47,228,835	8.6%	49,028,436	3.8%
Department Summary	120,391,048	148,521,622	101,080,484	164,598,228	10.8%	168,162,070	2.2%

SCV Water Expense Detail by Account

SALARY	18,516,287	17,791,879	16,149,656	18,827,774	5.8%	19,607,977	4.1%
OVERTIME	1,650,579	1,334,567	1,538,362	1,048,398	-21.4%	1,072,721	2.3%
BENEFITS	8,470,602	9,931,145	7,503,078	8,261,627	-16.8%	8,486,088	2.7%
51301 - Election	-	550,000	550,000	-	-100.0%	550,000	0.0%
51326 - Directors Compensation	539,667	681,895	544,914	445,072	-34.7%	453,842	2.0%
51327 - Directors Expenses	33,845	60,000	2,705	60,000	0.0%	60,000	0.0%
51328 - Directors Travel	13,984	40,000	-	40,000	0.0%	40,000	0.0%
51329 - Directors Training	29,996	35,000	3,482	35,000	0.0%	35,000	0.0%
51505 - Employee Expense	75,038	151,254	21,190	203,095	34.3%	216,065	6.4%
51515 - Employee Travel	41,016	205,309	1,173	204,560	-0.4%	220,060	7.6%
52005 - Safety Training & Expense	353,164	252,441	312,623	325,000	28.7%	350,000	7.7%
52010 - Supplies & Services	746,104	753,432	420,653	504,500	-33.0%	547,500	8.5%
52024 - Internal Relations	86,994	63,000	57,000	86,600	37.5%	86,600	0.0%
52030 - DD Landowner Expenditures	99,762	200,000	100,000	176,500	-11.8%	176,500	0.0%
52050 - Analytical Supplies	617,167	566,552	466,443	280,000	-50.6%	290,000	3.6%
52085 - Small Tools, Materials and Supplies	1,649,315	575,000	1,492,065	662,000	15.1%	678,000	2.4%
52611 - Chemicals	1,339,790	1,278,000	1,547,250	1,532,000	19.9%	1,637,000	6.9%
52651 - Fuel	594,238	497,000	365,534	550,000	10.7%	566,500	3.0%
52652 - Diesel	11,934	10,000	(863)	10,000	0.0%	10,000	0.0%
52654 - M&R - Vehicles & Equipment	724,470	831,735	756,543	800,000	-3.8%	824,000	3.0%
53101 - Education/Seminars	113,910	208,704	42,960	296,450	42.0%	301,555	1.7%
53104 - Uniforms & Apparel	241,440	155,200	81,809	130,300	-16.0%	106,700	-18.1%
53105 - Outside Service/Contracting	2,416,379	3,857,177	2,164,666	2,719,000	-29.5%	2,799,000	2.9%
53111 - Maintenance - Contracts	104,631	-	91,289	170,000	100.0%	170,000	0.0%
53121 - M&R - Storage - Potable Water	94,548	60,000	38,513	180,000	200.0%	200,000	11.1%
53122 - M&R - Mains	861,735	1,161,747	1,151,100	1,500,000	29.1%	1,500,000	0.0%
53123 - M&R - Services	356,464	125,000	546,904	900,000	620.0%	900,000	0.0%
53124 - M&R - Hydrants	112,480	133,000	125,374	185,000	39.1%	185,000	0.0%
53125 - M&R - Structures & Improvements	1,603,693	792,715	1,505,981	-	-100.0%	-	0.0%
53126 - M&R - Meters	109,554	175,000	210,883	300,000	71.4%	300,000	0.0%
53127 - M&R - Wells and Structures	189,341	527,580	141,627	150,000	-71.6%	175,000	16.7%
53128 - M&R - Pumping Stations & Structures - Potable Water	345,039	365,900	298,313	200,000	-45.3%	225,000	12.5%
53129 - M&R - Sewer Lift Station & Structures	36,030	-	8,060	45,000	100.0%	45,000	0.0%
53130 - M&R - Equipment Water Treatment	40,223	-	36,756	65,000	100.0%	70,000	7.7%
53131 - M&R - Pumping Equipment & Structures - Potable Water	-	-	-	30,000	100.0%	35,000	16.7%
53132 - M&R - Storage - Recycled Water	-	-	-	20,000	100.0%	25,000	25.0%
53133 - M&R - Groundwater PFAS Treatment	-	-	-	2,039,596	100.0%	2,796,648	37.1%
53134 - M&R - Groundwater Perchlorate Trtmt	-	-	-	1,827,198	100.0%	1,554,785	-14.9%
53135 - M&R - Mains - Recycled Water	-	-	-	200,000	100.0%	200,000	0.0%
53136 - M&R - Valves	-	-	-	300,000	100.0%	300,000	0.0%
53137 - M&R - Control Valves	-	-	-	200,000	100.0%	200,000	0.0%
53138 - M&R - Air Vac/Blow Offs	-	-	-	80,000	100.0%	100,000	25.0%
53139 - M&R - Warehouse/Yard	-	-	-	180,000	100.0%	180,000	0.0%
53140 - M&R Trtmt Plants & Intake Pump Stns	-	-	-	160,000	100.0%	160,000	0.0%
53202 - Legal General	2,604,185	1,150,000	1,000,000	1,040,000	-9.6%	1,110,000	6.7%
53204 - Litigation Perchlorate	-	-	-	1,071,000	100.0%	-	-100.0%

SCV WATER - TOTAL EXPENSES
FY 2021/22 and FY 2022/23

	ACTUAL FY 2019/20	BUDGET FY 2020/21	PROJECTED BUDGET FY 2020/21	PROPOSED BUDGET FY 2021/22	% of Change over FY 2020/21 Budget	PROPOSED BUDGET FY 2022/23	% of Change over FY 2021/22 Budget
OPERATING EXPENSES							
53205 - Litigation Other	-	-	-	200,000	100.0%	200,000	0.0%
53210 - Professional Services Acctg	150,152	81,990	101,000	109,000	32.9%	111,000	1.8%
53212 - Licenses and Fees	200,016	110,000	259,193	200,000	81.8%	206,000	3.0%
53213 - Office Storage and Rent, HOA Dues	48,952	50,000	43,251	50,000	0.0%	50,000	0.0%
53214 - Technology Services	2,900,139	3,216,633	3,400,211	3,609,996	12.2%	3,576,996	-0.9%
53215 - Recruitment Expenses	38,346	74,000	46,920	48,000	-35.1%	48,000	0.0%
53216 - Security & Alarm Services	145,938	140,000	95,346	200,000	42.9%	200,000	0.0%
53218 - Printing & Publications	28,422	46,018	31,103	47,100	2.4%	47,100	0.0%
53219 - BMP Implementation	2,597,745	2,295,370	550,000	2,462,000	7.3%	2,535,860	3.0%
53222 - Public Affairs & Partnerships	75,312	74,000	30,000	85,000	14.9%	110,000	29.4%
53223 - Public Outreach Consultants	56,608	188,500	120,000	91,000	-51.7%	95,000	4.4%
53224 - DDW Large H2O System Fee	28,776	27,000	5,622	-	-100.0%	-	0.0%
53226 - Engineering Consulting	855,994	536,000	792,477	1,500,000	179.9%	1,450,000	-3.3%
53229 - Hazardous Waste Disposal	2,453	40,000	-	255,000	537.5%	255,000	0.0%
53232 - Tools & Equipment Rental	3,678	5,000	207	75,000	1400.0%	75,000	0.0%
53236 - Professional Services Other	1,246,536	2,099,108	1,497,295	2,771,238	32.0%	2,792,018	0.7%
53239 - Other - Misc Permits	28,804	-	41,927	125,000	100.0%	125,000	0.0%
53241 - Temporary Personnel Services	323,484	270,000	285,201	480,000	77.8%	470,100	-2.1%
53242 - Legislative Advocate Services	295,281	325,000	244,129	325,000	0.0%	350,000	7.7%
53243 - Groundwater Sustainability Agency	764,323	1,300,000	1,015,000	1,015,000	-21.9%	450,000	-55.7%
53244 - Website Online Presence	16,021	115,000	105,000	64,400	-44.0%	67,400	4.7%
53245 - Campaigns & Messaging	70,496	150,000	50,000	100,000	-33.3%	100,000	0.0%
53246 - Regulatory Fees	-	-	-	320,000	100.0%	332,000	3.8%
53301 - Uncollectible Accounts	131,544	-	42,649	75,000	100.0%	150,000	100.0%
53304 - Dues & Memberships	229,625	260,850	299,694	115,000	-55.9%	120,000	4.3%
53329 - Other General Expenses	160,923	223,448	182,353	102,200	-54.3%	105,300	3.0%
53330 - Other Rent	52,579	-	49,394	55,000	100.0%	55,000	0.0%
54300 - DD Variable DWR Charges	-	100,000	-	100,000	0.0%	100,000	0.0%
54305 - Irrigation	10,109	15,000	(1,750)	15,000	0.0%	15,000	0.0%
54310 - Refuse Disposal	16,502	20,000	14,449	20,000	0.0%	20,000	0.0%
54401 - Elec - Pump Stns, Wells & Potable Water Fac	8,415,594	8,130,500	7,989,580	6,848,638	-15.8%	7,066,097	3.2%
54402 - Elec - Trmt Plant & Intake Pump Stns	541,029	420,000	478,409	428,848	2.1%	441,713	3.0%
54405 - Electricity - Sewer Lift Station	-	-	-	10,000	100.0%	10,600	6.0%
54407 - Elec - Pump Stations & Rycl Water	-	-	-	80,000	100.0%	85,000	6.3%
54408 - Electricity - Utilities	-	-	-	400,000	100.0%	400,000	0.0%
54415 - Natural Gas	32,387	35,000	15,515	30,000	-14.3%	30,000	0.0%
54426 - Recycled Water Purchase	70,725	150,000	110,452	230,000	53.3%	335,000	45.7%
55200 - Retiree Med/Dental Insurance	474,475	523,146	452,624	605,294	15.7%	621,931	2.7%
55205 - Unemployment Insurance	57,182	8,000	53,619	60,000	650.0%	63,000	5.0%
55215 - Liability Insurance	1,567,564	1,492,099	1,516,425	1,600,000	7.2%	1,648,000	3.0%
55501 - Core Water Supplies	6,976,005	7,324,805	6,865,986	7,460,219	1.8%	7,459,910	0.0%
55502 - Firming Programs	2,354,217	3,000,000	2,954,365	4,000,000	33.3%	4,000,000	0.0%
56020 - Capital/Other	15,620,311	43,484,506	26,332,150	47,228,835	8.6%	49,028,436	3.8%
Debt Service	28,878,196	27,610,418	5,638,813	32,960,792	19.4%	33,214,070	0.8%
SCV Water Expense Detail by Account	117,852,872	149,642,112	101,121,693	164,598,228	10.0%	168,162,070	2.2%

**SCV WATER - OPERATING EXPENSE
DEPARTMENT - MANAGEMENT
FY 2021/22 and FY 2022/23**

	ACTUAL FY 2019/20	BUDGET FY 2020/21	PROJECTED BUDGET FY 2020/21	PROPOSED BUDGET FY 2021/22	% of Change over FY 2020/21	PROPOSED BUDGET FY 2022/23	% of Change over FY 2021/22	(1)
SALARY	956,171	682,635	1,105,299	510,728	-25.2%	527,486	3.3%	
OVERTIME	123,390	10,305	21,455	15,185	47.4%	15,489	2.0%	
BENEFITS	813,093	326,488	744,290	198,037	-39.3%	203,382	2.7%	
51301 - Election	-	550,000	550,000	-	-100.0%	550,000	100.0%	
51326 - Directors Comp & Benefits	539,667	681,895	544,914	445,072	-34.7%	453,842	2.0%	
51327 - Directors Expenses	33,845	60,000	2,705	60,000	0.0%	60,000	0.0%	
51328 - Directors Travel	13,984	40,000	-	40,000	0.0%	40,000	0.0%	
51329 - Directors Training	29,996	35,000	3,482	35,000	0.0%	35,000	0.0%	
51505 - Employee Expense	7,719	3,361	500	5,000	48.8%	7,000	40.0%	
51515 - Employee Travel	2,140	4,072	16	3,500	-14.0%	5,000	42.9%	
53101 - Education/Seminars	5,281	4,471	1,238	5,000	11.8%	6,500	30.0%	
53105 - Outside Service/Contracting	574,115	5,000	125,000	-	-100.0%	-	0.0%	(A)
53202 - Legal General	2,604,185	1,150,000	1,000,000	1,040,000	-9.6%	1,110,000	6.7%	
53204 - Litigation Perchlorate	-	-	-	1,071,000	100.0%	-	-100.0%	(B)
53205 - Litigation Other	-	-	-	200,000	100.0%	200,000	0.0%	(C)
53236 - Professional Services Other	-	-	-	346,500	100.0%	200,000	-42.3%	(D)
53242 - Legislative Advocate Services	295,281	325,000	244,129	325,000	0.0%	350,000	7.7%	
50000 - SCV Water Expenses	5,998,867	3,878,227	4,343,029	4,300,023	10.9%	3,763,699	-12.5%	

(1) Changes of more than 10% and \$20,000

(A) Outside Service/Contracting combined with Professional Services Other

(B) Received a settlement to offset Perchlorate Litigation costs in FY 2020/21. Litigation is expected to conclude in FY 2021/22.

(C) Unforeseen litigation

(D) Report for redistricting of Board of Directors - Must be performed periodically. Includes Board of Directors team building and leadership training.

Department Codes

1611 - Management

1621 - Board

**SCV WATER - OPERATING EXPENSE
DEPARTMENT - FINANCE, ADMINISTRATION and IT
FY 2021/22 and FY 2022/23**

	ACTUAL FY 2019/20	BUDGET FY 2020/21	PROJECTED BUDGET FY 2020/21	PROPOSED BUDGET FY 2021/22	Change over FY 2020/21 Budget	PROPOSED BUDGET FY 2022/23	Change over FY 2021/22 Budget	(1)
SALARY	5,619,386	4,167,378	4,945,573	4,751,435	14.0%	4,844,076	1.9%	(A)
OVERTIME	218,293	125,917	111,156	57,757	-54.1%	58,912	2.0%	
BENEFITS	2,572,929	2,200,145	2,074,513	1,962,067	-10.8%	1,964,710	0.1%	
51505 - Employee Expense	24,498	84,030	7,503	92,900	10.6%	93,500	0.6%	
51515 - Employee Travel	23,057	123,869	261	71,500	-42.3%	71,600	0.1%	
52010 - Supplies & Services	646,110	598,432	387,569	420,000	-29.8%	420,000	0.0%	
52085 - Small Tools, Materials and Supplies	174,785	120,000	229,490	200,000	66.7%	206,000	3.0%	(A)
53101 - Education/Seminars	46,384	119,280	10,548	134,500	12.8%	134,500	0.0%	
53104 - Uniforms & Apparel	-	-	-	130,300	100.0%	106,700	-18.1%	
53105 - Outside Service/Contracting	413,504	605,033	730,484	760,000	25.6%	760,000	0.0%	(A)
53111 - Maintenance - Contracts	104,631	-	91,289	170,000	100.0%	170,000	0.0%	(A)
53210 - Professional Services Accounting	150,152	81,990	101,000	109,000	32.9%	111,000	1.8%	(B)
53212 - Licenses and Fees	200,016	110,000	259,193	200,000	81.8%	206,000	3.0%	(C)
53213 - Office Storage and Rent, HOA Dues	48,952	50,000	43,251	50,000	0.0%	50,000	0.0%	
53214 - Technology Services	2,888,200	3,206,633	3,391,002	3,609,996	12.6%	3,576,996	-0.9%	(D)
53215 - Recruitment Expenses	38,346	74,000	46,920	48,000	-35.1%	48,000	0.0%	
53216 - Security & Alarm Services	145,938	140,000	95,346	200,000	42.9%	200,000	0.0%	(A)
53218 - Printing & Publications	28,422	46,018	11,103	20,000	-56.5%	15,000	-25.0%	
53236 - Professional Services Other	1,171,703	1,374,108	872,295	650,000	-52.7%	700,000	7.7%	
53241 - Temporary Personnel Services	270,700	250,000	261,906	240,000	-4.0%	248,100	3.4%	
53304 - Dues & Memberships	229,625	260,850	299,694	115,000	-55.9%	120,000	4.3%	
53329 - Other General Expenses	161,600	223,448	182,353	102,200	-54.3%	105,300	3.0%	
53330 - Other Rent	52,579	-	49,394	55,000	100.0%	55,000	0.0%	(E)
54305 - Irrigation	10,109	15,000	(1,750)	15,000	0.0%	15,000	0.0%	
54310 - Refuse Disposal	16,502	20,000	14,449	20,000	0.0%	20,000	0.0%	
54408 - Electricity-Utilities	-	-	-	400,000	100.0%	400,000	0.0%	
55200 - Retiree Med/Dental Insurance	474,475	523,146	452,624	605,294	15.7%	621,931	2.7%	(G)
55205 - Unemployment Insurance	57,182	8,000	53,619	60,000	650.0%	63,000	5.0%	
55215 - Liability Insurance	1,660,848	1,552,099	1,612,255	1,600,000	3.1%	1,648,000	3.0%	
50000 - SCV Water Expenses	17,430,025	16,079,376	16,316,732	16,849,948	4.8%	17,033,324	1.1%	

(1) Changes of more than 10% and \$20,000

- (A) Salaries, Tools, Outside Services, Contracts and Alarm for the Buildings & Grounds Department reallocated to Finance, Administration & IT
- (B) Auditing Services, Overhead Study and misc accounting services
- (C) License and Fees Agency-wide - Previously charged within other Departments
- (D) Additional IT costs Agency-wide, including high-end aerial imagery, environmental compliance tracking system and additional Microsoft 365 licenses
- (E) Rent for modular leases. Previous budget was included in Other General Expenses.
- (F) Projecting premium increase for medical. Difference between actual and budget account for the variances in Divisional accounting.
- (G) Difference between actual and budget account for the variances in Divisional accounting.

Department Codes

- 1501 - Finance & Administration / Administration
- 1511 - Accounting
- 1512 - Human Resources
- 1513 - Procurement
- 1801 - Technology Services
- 1811 - GIS
- 1812 - Information Technology
- 1911 - Building & Grounds

**SCV WATER - OPERATING EXPENSE
DEPARTMENT - CUSTOMER CARE
FY 2021/22 and FY 2022/23**

	ACTUAL FY 2019/20	BUDGET FY 2020/21	PROJECTED BUDGET FY 2020/21	PROPOSED BUDGET FY 2021/22	% of Change over FY 2020/21	PROPOSED BUDGET FY 2022/23	% of Change over FY 2021/22	(1)
SALARY	992,060	1,035,713	948,313	1,001,932	-3.3%	1,044,532	4.3%	
OVERTIME	19,594	19,310	8,334	8,669	-55.1%	8,842	2.0%	
BENEFITS	127,814	536,289	121,968	452,200	-15.7%	466,848	3.2%	
51505 - Employee Expense	-	-	-	1,200	100.0%	1,500	25.0%	
51515 - Employee Travel	-	-	-	900	100.0%	1,000	11.1%	
53101 - Education/Seminars	-	-	-	9,700	100.0%	10,500	8.2%	
53105 - Outside Service/Contracting	853,401	562,835	602,465	780,000	38.6%	810,000	3.8%	(A)
53241 - Temporary Personnel Svcs	11,134	-	-	18,000	100.0%	-	-100.0%	
53301 - Uncollectible Accounts	131,544	-	42,649	75,000	100.0%	150,000	100.0%	(B)
50000 - SCV Water Expenses	2,135,547	2,154,147	1,723,729	2,347,600	9.0%	2,493,223	6.2%	

(1) Changes of more than 10% and \$20,000

(A) Costs associated with water bill printing. Additional cost to format and unify divisional water bills.

(B) Water accounts written off as bad debt. Difference between actual and budget account for the variances in Divisional accounting.

Department Codes

1711 - Customer Care

**SCV WATER - OPERATING EXPENSE
DEPARTMENT - TRANSMISSION and DISTRIBUTION
FY 2021/22 and FY 2022/23**

	ACTUAL FY 2019/20	BUDGET FY 2020/21	PROJECTED BUDGET FY 2020/21	PROPOSED BUDGET FY 2021/22	% of Change over FY 2020/21	PROPOSED BUDGET FY 2022/23	% of Change over FY 2021/22	(1)
SALARY	1,691,106	3,277,270	1,448,929	3,110,491	-5.1%	3,254,603	4.6%	
OVERTIME	420,015	413,142	452,389	491,271	18.9%	501,097	2.0%	(A)
BENEFITS	952,197	2,043,858	900,747	1,586,597	-22.4%	1,640,670	3.4%	
51505 - Employee Expense	8,496	-	1,026	10,000	100.0%	10,000	0.0%	
51515 - Employee Travel	-	-	-	15,000	100.0%	15,000	0.0%	
52005 - Safety Training & Expense	353,164	252,441	312,623	-	-100.0%	-	0.0%	(B)
52085 - Small Tools, Materials and Supplies	1,474,530	455,000	1,262,575	180,000	-60.4%	180,000	0.0%	
52611 - Chemicals	-	-	7,168	-	0.0%	-	0.0%	
52651 - Fuel	594,238	497,000	365,534	550,000	10.7%	566,500	3.0%	(C)
52652 - Diesel - Generator	11,934	10,000	(863)	10,000	0.0%	10,000	0.0%	
52654 - M&R - Vehicles & Equipment	743,370	831,735	773,191	800,000	-3.8%	824,000	3.0%	
53101 - Education/Seminars	21,369	-	1,070	30,000	100.0%	30,000	0.0%	(D)
53104 - Uniforms & Apparel	40,895	-	12,394	-	0.0%	-	0.0%	
53105 - Outside Service/Contracting	287,409	102,417	360,636	170,000	66.0%	170,000	0.0%	(D)
53121 - M&R - Storage - Potable Water	94,548	60,000	38,513	-	-100.0%	-	0.0%	
53122 - M&R - Mains	843,933	1,161,747	1,142,970	1,500,000	29.1%	1,500,000	0.0%	(E)
53123 - M&R - Services	356,464	125,000	546,904	900,000	620.0%	900,000	0.0%	(F)
53124 - M&R - Hydrants	112,480	133,000	125,374	185,000	39.1%	185,000	0.0%	(G)
53125 - M&R - Structures & Improvements	1,603,693	792,715	1,505,981	-	-100.0%	-	0.0%	
53126 - M&R - Meters	109,554	175,000	210,883	300,000	71.4%	300,000	0.0%	(H)
53135 - M&R - Mains - Recycled Water	-	-	-	200,000	100.0%	200,000	0.0%	(I)
53136 - M&R - Valves	-	-	-	300,000	100.0%	300,000	0.0%	(I)
53137 - M&R - Control Valves	-	-	-	200,000	100.0%	200,000	0.0%	(I)
53138 - M&R - Air Vac/Blow Offs	-	-	-	80,000	100.0%	100,000	25.0%	(I)
53139 - M&R - Warehouse/Yard	-	-	-	180,000	100.0%	180,000	0.0%	(I)
53229 - Hazardous Waste Disposal	2,453	40,000	-	255,000	537.5%	255,000	0.0%	(J)
53232 - Tools & Equipment Rental	-	-	-	75,000	100.0%	75,000	0.0%	(I)
53239 - Other - Misc Permits	28,804	-	40,997	125,000	100.0%	125,000	0.0%	(K)
53241 - Temporary Personnel Services	-	-	-	75,000	100.0%	75,000	0.0%	(I)
53246 - Regulatory Fees	-	-	-	-	100.0%	-	0.0%	(I)
53329 - Other General Expenses	(676)	-	-	-	0.0%	-	0.0%	
53331 - Other Uniforms	40,895	-	12,394	-	0.0%	-	0.0%	
54415 - Natural Gas	32,387	35,000	15,515	30,000	-14.3%	30,000	0.0%	
50000 - SCV Water Expenses	9,787,654	10,405,326	9,524,558	11,358,359	9.2%	11,626,869	2.4%	

(1) Changes of more than 10% and \$20,000

(A) Overtime increase due to increased leaks and repairs

(B) Safety Training Agency-wide. Difference between actual and budget account for the variances in Divisional accounting.

(C) Projecting pre COVID fuel cost

(D) Cost for asphalt added to Maintenance of Mains

(E) Added asphalt costs and costs due to increased leaks and repairs.

(F) Maintenance & Repair - Services, previously charged to CIP and added to expense.

(G) Additional hydrant maintenance projected

(H) Cost for non warranty meter and register replacements

(I) Previously budget in M&R - Structures and Improvements and is now being split into individual accounts for tracking purposes.

(J) Hazardous Waste Disposal Agency-wide. Difference between actual and budget account for the variances in Divisional accounting.

(K) Other - Misc Permits, have been combined Agency-wide

Department Codes

3411 - Safety

3811 - Transmission & Distribution

**SCV WATER - OPERATING EXPENSE
DEPARTMENT - PUMPING, WELLS and STORAGE
FY 2021/22 and FY 2022/23**

	ACTUAL FY 2019/20	BUDGET FY 2020/21	PROJECTED BUDGET FY 2020/21	PROPOSED BUDGET FY 2021/22	% of Change over FY 2020/21	PROPOSED BUDGET FY 2022/23	% of Change over FY 2021/22	(1)
SALARY	1,456,147	1,494,258	1,319,056	1,015,431	-32.0%	1,064,203	4.8%	
OVERTIME	266,127	308,380	305,018	314,492	2.0%	320,782	2.0%	
BENEFITS	264,368	1,051,535	240,422	514,181	-51.1%	532,628	3.6%	
51505 - Employee Expense	-	-	465	5,000	100.0%	5,000	0.0%	
51515 - Employee Travel	-	-	-	5,000	100.0%	5,000	0.0%	
52085 - Small Tools, Materials and Supplies	-	-	-	50,000	100.0%	60,000	20.0%	(A)
52611 - Chemicals	16,510	-	36,193	-	0.0%	-	0.0%	
53101 - Education/Seminars	90	-	5,000	25,000	100.0%	25,000	0.0%	
53105 - Outside Service/Contracting	92,518	25,000	74,985	225,000	800.0%	250,000	11.1%	(B)
53121 - M&R - Storage - Potable Water	-	-	-	180,000	100.0%	200,000	11.1%	(C)
53122 - M&R - Mains	17,802	-	8,130	-	0.0%	-	0.0%	
53127 - M&R - Wells and Structures	-	-	-	150,000	100.0%	175,000	16.7%	(D)
53128 - M&R - Pumping - Potable Water Stations & Structures	345,039	365,900	298,313	200,000	-45.3%	225,000	12.5%	
53129 - M&R - Sewer Lift Station & Structures	36,030	-	8,060	45,000	100.0%	45,000	0.0%	(E)
53130 - M&R - Equipment Water Treatment	-	-	-	65,000	100.0%	70,000	7.7%	(E)
53131 - M&R - Pumping - Recycled Water Equipment & Structures	-	-	-	30,000	100.0%	35,000	16.7%	(E)
53132 - M&R - Storage - Recycled Water	-	-	-	20,000	100.0%	25,000	25.0%	(E)
53133 - M&R - Groundwater PFAS Treatment	-	-	-	2,039,596	100.0%	2,796,648	37.1%	(F)
53134 - M&R - Groundwater Perchlorate Treatment	-	-	-	1,827,198	0.0%	1,554,785	-14.9%	(G)
54401 - Electricity - Potable Pump Stations, Wells	8,285,996	8,078,000	7,868,921	6,848,638	-15.2%	7,066,097	3.2%	
54405 - Electricity - Sewer Lift Station	-	-	-	10,000	100.0%	10,600	6.0%	
54407 - Electricity - Recycled Pump Stations	-	-	-	80,000	100.0%	85,000	6.3%	(H)
55215 - Liability Insurance	2,200	-	-	-	0.0%	-	0.0%	
50000 - SCV Water Expenses	10,782,827	11,323,073	10,164,562	13,649,535	20.5%	14,550,742	6.6%	

(1) Changes of more than 10% and \$20,000

- (A) History for Small Tools and Supplies included in the Transmission & Distribution Department
- (B) Outside Services for storage facilities previously included in the Transmission & Distribution Department
- (C) Maintenance for storage facilities previously included in the Transmission & Distribution Department
- (D) Maintenance for well facilities previously included in the Source of Supply Department
- (E) Maintenance for treatment and recycled water facilities previously included in the Water Quality and Treatment Department
- (F) New Account - Maintenance & Repair of PFAS Treatment facilities.
- (G) Previously budgeted in CIP - These costs are reimbursable through the Perchlorate Settlement Agreement
- (H) History included in Electricity - Pump Stations

Department Codes

3911 - Pumping, Wells & Storage

**SCV WATER - OPERATING EXPENSE
DEPARTMENT - WATER RESOURCES
FY 2021/22 and FY 2022/23**

	ACTUAL FY 2019/20	BUDGET FY 2020/21	PROJECTED BUDGET FY 2020/21	PROPOSED BUDGET FY 2021/22	% of Change over FY 2020/21	PROPOSED BUDGET FY 2022/23	% of Change over FY 2021/22	(1)
SALARY	2,152,029	1,945,347	1,435,228	2,587,728	33.0%	2,729,563	5.5%	(A)
OVERTIME	63,047	11,248	31,912	853	-92.4%	870	2.0%	
BENEFITS	831,755	783,185	599,426	878,237	12.1%	911,521	3.8%	(A)
51505 - Employee Expense	14,802	21,008	4,500	43,495	107.0%	53,565	23.2%	
51515 - Employee Travel	13,031	25,450	700	42,660	67.6%	55,960	31.2%	
52010 - Supplies & Services - Events	78,752	125,000	30,000	84,500	-32.4%	127,500	50.9%	
52024 - Internal Relations	86,994	63,000	57,000	86,600	37.5%	86,600	0.0%	(B)
52030 - DD Landowner Expenditures	99,762	200,000	100,000	176,500	-11.8%	176,500	0.0%	
53101 - Education/Seminars	23,255	27,945	7,736	28,750	2.9%	30,555	6.3%	
53104 - Uniforms & Apparel	200,545	155,200	69,415	-	-100.0%	-	0.0%	
53218 - Printing & Publications	-	-	20,000	27,100	100.0%	32,100	18.5%	(C)
53219 - BMP Implementation	2,597,745	2,295,370	550,000	2,462,000	7.3%	2,535,860	3.0%	
53222 - Public Affairs & Partnerships	75,312	74,000	30,000	85,000	14.9%	110,000	29.4%	
53223 - Public Outreach Consultants	56,608	188,500	120,000	91,000	-51.7%	95,000	4.4%	
53236 - Professional Services Other	74,833	725,000	625,000	1,774,738	144.8%	1,892,018	6.6%	(D)
53243 - Groundwater Sustainability Agency	764,323	1,300,000	1,015,000	1,015,000	-21.9%	450,000	-55.7%	
53244 - Website Online Presence	16,021	115,000	105,000	64,400	-44.0%	67,400	4.7%	
53245 - Campaigns & Messaging	70,496	150,000	50,000	100,000	-33.3%	100,000	0.0%	
54300 - DD Variable DWR Charges	-	100,000	-	100,000	0.0%	100,000	0.0%	
50000 - SCV Water Expenses	7,219,310	8,305,253	4,850,919	9,648,561	16.2%	9,555,012	-1.0%	

(1) Changes of more than 10% and \$20,000

(A) Reallocation of Salaries and Benefits from the Finance, Administration & IT Department

(B) Budgeting for Agency-wide all employee meetings and service awards

(C) New account to track Printing and Publications

(D) Professional Services - Other, costs for WR planning and study reports, previously budgeted in CIP (Includes Sustainability)

Department Codes

- 4211 - Water Resources
- 4311 - Water Sustainability & Efficiency
- 4411 - Public Outreach

**SCV WATER - OPERATING EXPENSE
DEPARTMENT - SOURCE OF SUPPLY
FY 2021/22 and FY 2022/23**

	ACTUAL FY 2019/20	BUDGET FY 2020/21	PROJECTED BUDGET FY 2020/21	PROPOSED BUDGET FY 2021/22	% of Change over FY 2020/21	PROPOSED BUDGET FY 2022/23	% of Change over FY 2021/22	(1)
SALARY	101,222	-	75,234	-	0.0%	-	0.0%	
OVERTIME	35,016	-	29,264	-	0.0%	-	0.0%	
BENEFITS	60,313	-	53,263	-	0.0%	-	0.0%	
53105 - Outside Service/Contracting	2,226	1,921,892	-	-	-100.0%	-	0.0%	
53127 - M&R - Wells and Structures	189,341	527,580	141,627	-	-100.0%	-	0.0%	
54426 - Recycled Water Purchase	70,725	150,000	110,452	230,000	53.3%	335,000	45.7%	(A)
55501 - Core Water Supplies	6,976,005	7,324,805	6,865,986	7,460,219	1.8%	7,459,910	0.0%	
55502 - Firming Programs	2,354,217	3,000,000	2,954,365	4,000,000	33.3%	4,000,000	0.0%	(B)
50000 - SCV Water Expenses	9,789,064	12,924,277	10,230,191	11,690,219	-9.5%	11,794,910	0.9%	

(1) Changes of more than 10% and \$20,000

(A) Projecting additional customers (Vista Canyon)

(B) Anticipating purchasing more water from banking supplies due to the projected State Water allocation

Department Codes

4811 - Source of Supply

**SCV WATER - OPERATING EXPENSE
DEPARTMENT - ENGINEERING
FY 2021/22 and FY 2022/23**

	ACTUAL FY 2019/20	BUDGET FY 2020/21	PROJECTED BUDGET FY 2020/21	PROPOSED BUDGET FY 2021/22	% of Change over FY 2020/21	PROPOSED BUDGET FY 2022/23	% of Change over FY 2021/22	(1)
SALARY	1,352,430	1,445,804	1,307,984	1,464,622	1.3%	1,528,334	4.4%	
OVERTIME	21,761	33,590	39,400	16,968	-49.5%	17,307	2.0%	
BENEFITS	653,559	739,440	726,551	609,429	-17.6%	629,728	3.3%	
51505 - Employee Expense	12,823	11,764	2,508	12,000	2.0%	12,000	0.0%	
51515 - Employee Travel	1,072	14,252	54	15,000	5.2%	15,000	0.0%	
52085 - Small Tools, Materials and Supplies	-	-	-	12,000	100.0%	12,000	0.0%	(A)
53101 - Education/Seminars	10,438	15,649	5,922	13,000	-16.9%	13,000	0.0%	
53105 - Outside Service/Contracting	-	-	1,419	3,000	100.0%	3,000	0.0%	
53226 - Engineering Consulting	855,994	536,000	792,477	1,500,000	179.9%	1,450,000	-3.3%	(B)
53241 - Temporary Personnel Services	41,650	20,000	23,294	15,000	-25.0%	15,000	0.0%	
50000 - SCV Water Expenses	2,949,727	2,816,500	2,899,609	3,661,019	30.0%	3,695,369	0.9%	

(1) Changes of more than 10% and \$20,000

(A) Small Tools previously budgeted in the Transmission & Distribution Department

(B) Engineering Consulting, costs for planning and study reports, previously budgeted in CIP

Department Codes

2111 - Inspection

2211 - Engineering

**SCV WATER - OPERATING EXPENSE
DEPARTMENT - WATER QUALITY and TREATMENT
FY 2021/22 and FY 2022/23**

	ACTUAL FY 2019/20	BUDGET FY 2020/21	PROJECTED BUDGET FY 2020/21	PROPOSED BUDGET FY 2021/22	% of Change over FY 2020/21	PROPOSED BUDGET FY 2022/23	% of Change over FY 2021/22	(1)
SALARY	4,195,735	3,743,473	3,564,039	4,385,405	17.1%	4,615,179	5.2%	(A)
OVERTIME	483,336	412,673	539,433	143,204	-65.3%	149,423	4.3%	
BENEFITS	2,194,575	2,250,204	2,041,898	2,060,879	-8.4%	2,136,602	3.7%	
51505 - Employee Expense	6,700	31,091	4,688	33,500	7.7%	33,500	0.0%	
51515 - Employee Travel	1,715	37,666	142	51,000	35.4%	51,500	1.0%	
52010 - Supplies & Services	21,242	30,000	2,744	-	-100.0%	-	0.0%	
52050 - Analytical Supplies	617,167	566,552	466,443	280,000	-50.6%	290,000	3.6%	
52085 - Small Tools, Materials and Supplies	-	-	-	220,000	100.0%	220,000	0.0%	(B)
52611 - Chemicals	1,323,280	1,278,000	1,503,889	1,532,000	19.9%	1,637,000	6.9%	(C)
53101 - Education/Seminars	7,094	41,359	11,446	50,500	22.1%	51,500	2.0%	
53105 - Outside Service/Contracting	193,205	635,000	269,676	781,000	23.0%	806,000	3.2%	(D)
53130 - M&R - Equipment Water Trmt	40,223	-	36,756	-	0.0%	-	0.0%	
53140 - M&R - Trmt Plants & Intake Pump Stns	-	-	-	160,000	100.0%	160,000	0.0%	(E)
53214 - Technology Services	11,939	10,000	9,209	-	-100.0%	-	0.0%	
53224 - DDW Large H2O System Fee	28,776	27,000	5,622	-	-100.0%	-	0.0%	
53232 - Tools & Equipment Rental	3,678	5,000	207	-	-100.0%	-	0.0%	
53239 - Other - Misc Permits	-	-	930	-	0.0%	-	0.0%	
53241 - Temporary Personnel Svcs	-	-	-	132,000	100.0%	132,000	0.0%	(F)
53246 - Regulatory Fees	-	-	-	320,000	100.0%	332,000	3.8%	(G)
54401 - Elec - Pump Stns, Wells & Potable Water Fac	670,627	472,500	599,068	428,848.00	-9.2%	441,713.44	3.0%	
50000 - SCV Water Expenses	9,799,519	9,540,518	9,056,192	10,903,336	14.3%	11,406,417	4.6%	

(1) Changes of more than 10% and \$20,000

- (A) Salaries reallocated. This Department now includes Water Quality, Laboratory, Treatment Plant and Treatment Plant Maintenance.
- (B) History for Small Tools and Supplies included in the Transmission & Distribution Department
- (C) Increased chemicals for Treatment Plant due to reduced well production
- (D) Additional maintenance projects at both treatment plants
- (E) New account - previously budgeted in CIP
- (F) New account - Temporary personnel projected due to employee of absence
- (G) Regulatory Fees previously included with Analytical Supplies

Department Codes

- 3211 - Water Quality / Compliance
- 3311 - Water Quality - Laboratory
- 3611 - Electrical Instrumentation
- 3711 - Treatment Plant & Maintenance

**SCV WATER - SALARY, BURDEN and BENEFITS
FY 2021/22 and FY 2022/23**

DEPARTMENT	ACTUAL FY 2019/20	BUDGET FY 2020/21	PROJECTED BUDGET FY 2020/21	PROPOSED BUDGET FY 2021/22	% of Change over FY 2020/21	PROPOSED BUDGET FY 2022/23	% of Change over FY 2021/22
Management							
Salary	\$ 956,171	\$ 682,635	\$ 1,105,299	\$ 510,728	-25.2%	\$ 527,486	3.3%
Overtime	123,390	10,305	21,455	15,185	47.4%	15,489	2.0%
Burden & Benefits	813,093	326,488	744,290	198,037	-39.3%	203,382	2.7%
Finance, Administration & IT							
Salary	5,619,386	4,167,378	4,945,573	4,751,435	14.0%	4,844,076	1.9%
Overtime	218,293	125,917	111,156	57,757	-54.1%	58,912	2.0%
Burden & Benefits	2,572,929	2,200,145	2,074,513	1,962,067	-10.8%	1,964,710	0.1%
Customer Care							
Salary	992,060	1,035,713	948,313	1,001,932	-3.3%	1,044,532	4.3%
Overtime	19,594	19,310	8,334	8,669	-55.1%	8,842	2.0%
Burden & Benefits	127,814	536,289	121,968	452,200	-15.7%	466,848	3.2%
Transmission & Distribution							
Salary	1,691,106	3,277,270	1,448,929	3,110,491	-5.1%	3,254,603	4.6%
Overtime	420,015	413,142	452,389	491,271	18.9%	501,097	2.0%
Burden & Benefits	952,197	2,043,858	900,747	1,586,597	-22.4%	1,640,670	3.4%
Pumping & Wells							
Salary	1,456,147	1,494,258	1,319,056	1,015,431	-32.0%	1,064,203	4.8%
Overtime	266,127	308,380	305,018	314,492	2.0%	320,782	2.0%
Burden & Benefits	264,368	1,051,535	240,422	514,181	-51.1%	532,628	3.6%
Water Resources							
Salary	2,152,029	1,945,347	1,435,228	2,587,728	33.0%	2,729,563	5.5%
Overtime	63,047	11,248	31,912	853	-92.4%	870	2.0%
Burden & Benefits	831,755	783,185	599,426	878,237	12.1%	911,521	3.8%
Engineering							
Salary	1,352,430	1,445,804	1,307,984	1,464,622	1.3%	1,528,334	4.4%
Overtime	21,761	33,590	39,400	16,968	-49.5%	17,307	2.0%
Burden & Benefits	653,559	739,440	726,551	609,429	-17.6%	629,728	3.3%
Water Quality & Treatment							
Salary	4,195,735	3,743,473	3,564,039	4,385,405	17.1%	4,615,179	5.2%
Overtime	483,336	412,673	539,433	143,204	-65.3%	149,423	4.3%
Burden & Benefits	2,194,575	2,250,204	2,041,898	2,060,879	-8.4%	2,136,602	3.7%
Source of Supply							
Salary	101,222	-	75,234	-	0.0%	-	0.0%
Overtime	35,016	-	29,264	-	0.0%	-	0.0%
Burden & Benefits	60,313	-	53,263	-	0.0%	-	0.0%
Total							
Salary	18,516,287	17,791,879	16,149,656	18,827,774	5.8%	19,607,977	4.1%
Overtime	1,650,579	1,334,567	1,538,362	1,048,398	-21.4%	1,072,721	2.3%
Burden & Benefits	8,470,602	9,931,145	7,503,078	8,261,627	-16.8%	8,486,088	2.7%
Total Personnel Costs	\$ 28,637,468	\$ 29,057,591	\$ 25,191,096	\$ 28,137,799	-3.2%	\$ 29,166,787	3.7%
Burden & Benefits as a % of Salary	54.66%	63.32%	55.99%	49.45%		48.75%	

Salary Charged to CIP	\$ 2,397,580	\$ 3,893,523	\$ 4,067,443
Burden & Benefits Charged to CIP	\$ 1,247,291	\$ 1,794,610	\$ 1,855,591
Total Salary, Burden & Benefits incl CIP	\$ 32,702,462	\$ 33,825,932	\$ 35,089,821

SCV WATER LONG-TERM FINANCIAL PLAN FY 2021/22 – 2030/31

OVERVIEW

1. Executive Summary

A long-term financial plan (LTFP or Plan) is not a static, one-time document, but represents a process where the Board and Management review financial strategies to help achieve the Agency’s overall strategic plan. The objective of this LTFP for the fiscal year (FY) commencing 2021/22 through FY 2030/31 represents an updated look at individual financial strategies for SCV Water, as well as a look at the Agency as a whole and serves as the basis for future analysis and decision making. Since the merger on January 1, 2018, the Agency has undergone significant changes in operations, which may have substantial and foreseeable financial impacts. The intent of this document is to develop and implement an LTFP through a process that emphasizes transparency, accountability and feasibility. The LTFP helps identify potential financial issues and risks.

This plan is to ensure that SCV Water is financially sustainable in the short-to-medium-term (1-5 years) and beyond, with the ability to provide at least the current level of services over the ten (10) years of the plan and achieve the goals as stated in its FY 2019/20–2023/24 Strategic Plan. Based on the decisions and guidance provided by the Board, the LTFP is a rolling “look-ahead” to help identify priorities and focus. To this end, the Agency will annually review its LTFP using the latest available financial and service level data and cost indices and incorporate all known future projects and variations to ensure that a realistic forecast is presented.

2. Overview

This LTFP continues to build upon current practices and incorporates recent long-term planning efforts including the Agency’s Strategic Plan, the 2015 Urban Water Management Plan (UWMP) process, the Integrated Regional Water Management Plan (IRWMP), the 2019 Facility Capacity Fee study, the Santa Clarita Valley Water Use Efficiency Strategic Plan (SCVWUESP) and the adopted 2021 Cost of Service and Rate Study.

Past Budgets and LTFPs have been significantly influenced by long-term drought and water supply conditions, as well as state mandates for major reductions in per capita water use. Looking back, FY 2018/19 was a “wet” year and provided some relief, but it was a short lived situation. Long-term drought and water supply conditions will continue to be influenced by various mandates, regulations and climate change. Current and future Budgets and LTFPs will be heavily influenced by the Agency’s ability to finance the major capital improvement program to maintain water supply reliability.

This LTFP is separate from the Agency’s Strategic Plan and its objectives, goals and action items. This plan is intended to discuss financial strategies to achieve the Agency’s strategic

plan, as well as respond to challenges and opportunities presented by economic, demographic, regulatory, political and environmental conditions.

The LTFP is not intended to address every fiscal issue, but to identify high priority fiscal programs and strategies to be monitored so that the Agency is positioned to address them at the appropriate time. The LTFP is a companion piece to the Budget line items, which include estimates for the near-term. The LTFP addresses broader, more strategic issues that will impact the forecast over time. None of these issues can be definitively answered nor fully addressed now. However, ongoing review of the LTFP will help keep the Agency focused on high priority financial issues.

Year 1 is the first year of the Retail Rate Study and establishes the starting point. From Years 2–10 of the LTFP revenue adjustments revert to a number of assumptions ranging from 1% to 6.5% annually. While maintaining and renewing existing assets at a safe and functional standard to meet community needs and expectations, water sales revenue are vital for the delivery of the Agency’s current services over the next 10 years and beyond.

The Agency’s 10-year water revenue forecasts are explained in detail later in this Plan. The actual increase payable by any individual ratepayer may be more or less than the forecasted water sales revenue increase, depending on the customer’s demand. Other sources of income remain flat or increase slightly based on property values and investment returns. The Agency will continue to seek grants to offset expenditures.

Continuing with the increased focus on renewal of existing assets, the Agency, from Year 1 to Year 5, is proposing to allocate approximately \$198 million in debt funded capital projects, \$220 million of pay-as-you-go (“pay-go”) projects. Individual projects will be determined by the Engineering and Operations Departments and are subject to final approval by the Board of Directors. Based on the proposed revenue and expenditure forecasts in the LTFP, the Agency will achieve a balanced Plan to ensure availability of funds to meet asset renewal targets. Several debt issuances are forecast in this Plan in order to meet the Agency’s capital needs. Any proposal in the future to borrow for specific purposes will be evaluated using the LTFP model prior to any decision being made.

3. Key Challenges and Opportunities

The key challenges and opportunities facing the Agency regarding its long-term financial position are:

- Diversity and certainty of revenues ensuring ongoing financial sustainability of the Agency
- Meeting ongoing expectations of our customers for a safe and reliable water supply at a fair cost to the customer
- Managing water conservation and water-use efficiency
- Maximizing funding for renewal and replacement of aging assets in line with improved asset management principles and practices
- Managing political and legislative changes and their financial impact
- Recycled water program and groundwater management
- Minimizing the impact of economic instability
- Monitoring impact of decisions made outside the Plan
- Facility Capacity/Connection Fees (FCF)
- The use of debt to leverage funding for asset renewal and the Capital Improvement Program (CIP)

- Review of operations to reduce expenditure, increase efficiency, effectiveness and ratepayer transparency
- Use of technology to reduce costs and increase productivity, efficiency and effectiveness

4. Planning Framework

The financial basis of this Plan is consistent with the audited Annual Financial Statements from June 30, 2020 and the FY 2021/22-2022/23 Biennial Budget. The LTFP forecasts have been based on the FY 2020/21 Budget along with strategic financial policies and a set of assumptions necessary, given the high level of this Plan and the long-term nature of all forecasts proposed.

Once adopted the LTFP is then primarily used as a tool to establish and communicate the Agency's general financial direction over the longer-term. It is also used to assist in the assessment of the Agency's current financial position in conjunction with its FCF study and Biennial Budget preparation, together with ongoing semi-annual Budget reviews.

This is intended to be a "live" document requiring adjustment and assessment as the Agency makes financial decisions that may impact its long-term financial position. The Agency will review this Plan annually, post audit of its Financial Statements and in conjunction with the development of its Budget. Other updates will be made when considered necessary.

The Agency's FCF study and Budget will be prepared on the basis of a LTFP, taking into account new information at hand regarding economic, political and water reliability factors at the time of preparation. The LTFP is prepared using a number of assumptions (starting on page 7), especially with regard to projected water sale revenues, property taxes, fees, charges, grants, debt, and future operational and capital expenditure requirements. Given the long-term nature of this Plan and forecasts derived from an estimate of future demand, it should be noted that actual results are likely to vary from the information contained in this Plan. Some of these variations, as a result of Agency decisions or changes to regulations, could be material.

The accuracy of predictions over the longer-term becomes less certain. The FCF study is updated periodically for its major capital assets to assist in determining the funding impact of maintaining and replacing assets when required. These projections are based on current understanding of asset management needs over the life of this Plan and ensure that assets are constructed and maintained to meet ratepayer needs within the funding available, all while keeping water rates at a reasonable cost. The Plan relies on debt issuances to fund major capital projects and is a strategic tool to be used for the acquisition of new assets and upgrading or renewal of existing assets.

Ideally, the Agency should collect enough operating revenues to cover all operating expenditures, including the portion of debt services funded by water rates and pay-go capital on an annual basis. This means it has a positive or balanced budget, and ratepayers in that year are paying for all resources consumed. However, mindful of the ratepayer's ability to pay – hence in order to avoid excessive rate increases – the Agency has planned to reach a positive or balanced budget over the rate-setting period. Operating deficits are not sustainable or equitable in the long-term, as they result in costs incurred by current ratepayers being paid for by future ratepayers. The LTFP forecasts are presented in summary.

Water Supply Reliability

The Agency's service area has a diversified water supply portfolio. The alluvium aquifer and Saugus Formation provide approximately 40% of the current supplies during a normal year. Imported supplies are primarily comprised of State Water Project (SWP), which are funded from a separated ad valorem tax, and purchased Buena Vista/Rosedale-Rio Bravo water. SWP supplies are subject to significant near-term variations due to hydrology, and are subject to a general longer-term decline due to climate change and regulatory decisions. To a lesser degree, alluvium supplies can be impacted by dry hydrology. To deal with hydrologic variations, the Agency has made significant investments in water banking programs with Semitropic and Rosedale-Rio Bravo water storage districts. In addition, the Agency is planning the installation of two dry-year wells to increase pumping capacity in the Saugus Formation. These wells, along with installation of treatment at Valencia Water Division's Well V-201, will make significant additional Saugus water available during dry periods.

The Agency's service area is over 60% built out. While the impact of new development will be mitigated by increases in water-use efficiency, most of this new demand will be met by existing supplies not required for current residents, as well as the repurposing of agricultural supplies into urban supplies and significant increases in the use of recycled water. A great deal of the demand for Newhall Ranch and the other planned Westside communities will be met by reduction in agricultural pumping on Newhall Land's current operations. These and other factors are addressed in the 2015 Urban Water Management Plan update.

Looking forward, the Agency will have to manage its supplies in an environment of increasing fiscal and regulatory uncertainty, some of which is identified below and some that is currently unknown and not included in this Plan. Water supply reliability items to be monitored include: Recycled Water, Groundwater Management, State Water Project and the Delta Conveyance Project.

Banking Programs

The Agency currently participates in two long-term banking programs, the Rosedale-Rio Bravo Exchange program (RRB) and the Semitropic Stored Water Recovery Unit. The Agency is also currently participating in two exchange programs.

The Agency has funded the capital costs for the existing programs but will incur significant costs for future withdrawals from the programs, as well as for the development of emergency storage within the Agency's service area. Funding sources have not been identified for these programs.

The Agency can currently extract approximately 17,000-22,500 acre-feet per year (AFY) from banking programs, of which 3,000 comes from the RRB program. The Agency is recently completed a major capital project to increase the extraction capacity at RRB by 7,000 AFY for an interim total of 10,000 AFY, at an estimated cost of \$9.5 million. The 2015 UWMP identifies additional capital investments to occur before 2030 to increase the extraction capacity by an additional 10,000 AFY. This is estimated to cost approximately \$13 million in current dollars.

5. Measuring Financial Sustainability

The LTFP identifies financial indicators that allow assessment of the Agency's long-term financial performance, position and eventually long-term financial sustainability. The assumptions forecast over the life of the Plan are based on expected trend and projections. The expectation of the Plan is to achieve a positive or balanced budget over the term of the Plan, with the aim of building a solid foundation beyond Year 10 (FY 2030/31), and to minimize

the impact of any risks and uncertainty while maintaining current levels of service without excessive rate increases.

6. Key Assumptions and Influences

The Plan is based on a “business as usual” model, including any impacts of the completed cost-of-service study. Based on the most recent FCF study and the 2015 UWMP results for the Agency’s service area, it has been assumed that demand in the area will increase by approximately 10% by the end of Year 10 (FY 2030/31). Influences that impact this Plan are listed below. A number of assumptions have been made for these influences and are detailed later in the Plan. The influences are as follows:

- Cost of water
- Diversity and security of revenues
- Water supply reliability
- Facility Capacity/Connection Fees
- Recycled Water
- Debt financing of major capital projects
- Water conservation and water-use efficiency
- Groundwater management
- Technology
- Operations and maintenance
- Water sales
- Energy costs
- Interest rates and current fiscal environment
- Legislative compliance cost increases and policy changes
- Climate change
- Risk management and insurance

Debt Issuance

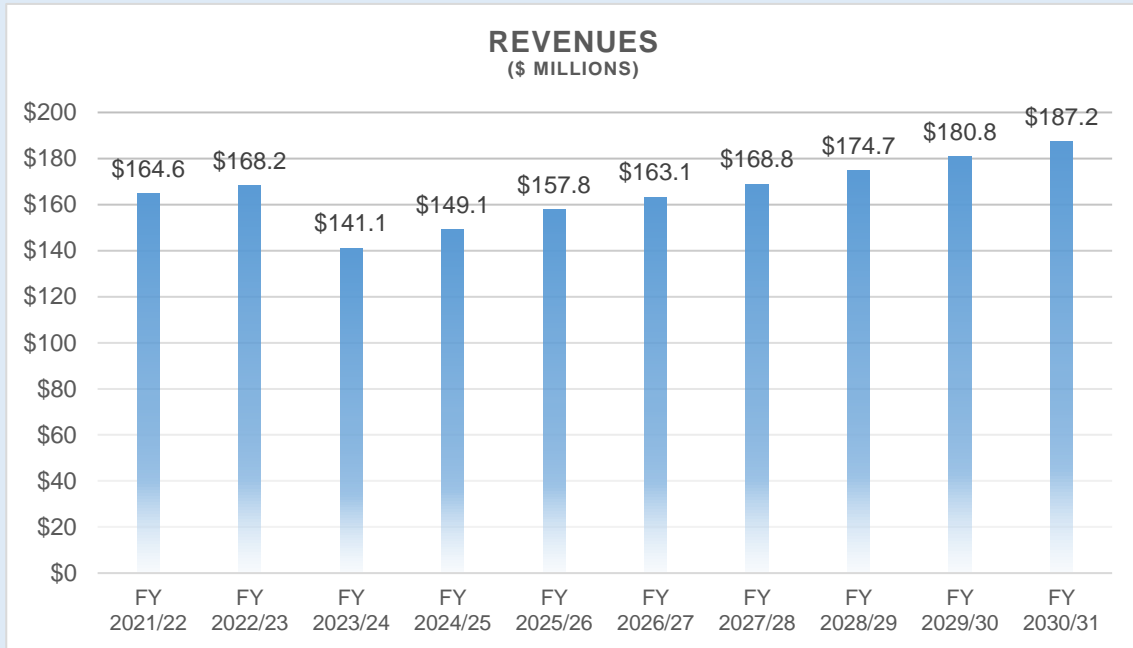
As stated earlier, there are several debt issuances forecast for the life of this Plan; however, the option remains to borrow as the need arises for strategic capital projects. Any such borrowings will need to be modeled through the Plan in order to determine the impact on the Agency’s ongoing financial performance and position.

Operating Income

The Agency is fortunate to have multiple sources of revenue. In general, each revenue stream faces different risks, so it is rare for all to be negatively impacted at the same time.

Potential risks to the Agency include high annual debt service, risk of technical default on debt covenants should the Agency not have sufficient revenues, lower-than-projected Facility Capacity/Connection Fee revenue or water sales, and potential diversion of one-percent property tax revenues by the State. In addition, the Agency should continue to consider new revenue sources, such as outside water sales when water supplies are sufficient to meet Agency needs.

The Agency’s revenue (including transfers from other funds) base on which this Plan is built is currently \$164.6 million, of which approximately 68% is derived from Rates and Service charges. At the end of the Plan, revenues are forecast to be \$187.2 million (keeping in mind that \$1 today will not be worth that in Year 10: FY 2030/31). Values as presented in this LTFP are in future (nominal) values, i.e., they have been adjusted each year by the forecast assumption rate.



Revenue

Water sales revenue (\$86.9 million base) includes retail water service (service charges, water usage, recycled water, and miscellaneous charges) revenue and fixed and variable wholesale rate revenues (Waterworks District No. 36).

Rate revenue forecasts are based on demand and growth to ensure targets are likely to be met. Year 1 is fixed as the first year of the rate study and forecast. In the near-term (2–5 years), fixed and water usage (variable) revenue are expected to increase as follows:

Revenue Assumptions

Key Assumptions	YEAR 1 FY 2021/22	YEAR 2 FY 2022/23	YEAR 3 FY 2023/24	YEAR 4 FY 2024/25	YEAR 5 FY 2025/26
Water Sales	X	6.50%	6.50%	6.50%	6.50%
Water Sales - WWR	X	1.00%	1.00%	1.00%	1.00%
Water Sales - Recycled	X	3.97%	3.97%	7.63%	7.25%
Misc. Fees & Charges	X	2.00%	2.00%	2.00%	2.00%

The table below provides detail of the assumptions that make up the proposed annual water sales assumption for Years 6-10. Actual changes to rates may vary, dependent on growth and demand.

Key Assumptions	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Water Sales	4.00%	4.00%	4.00%	4.00%	4.00%
Water Sales - WWR	1.00%	1.00%	1.00%	1.00%	1.00%
Water Sales - Recycled	3.00%	3.00%	3.00%	3.00%	3.00%
Misc. Fees & Charges	2.00%	2.00%	2.00%	2.00%	2.00%

The proposed revenue increase is the minimum required in order to meet the criteria to achieve financial sustainability in the medium-to-long-term and maintain it for the remainder of this Plan and beyond. Water rate revenue is used to provide the funds to deliver water and maintain infrastructure.

Property Taxes

One-percent property tax revenues are unrestricted and are available to fund existing users' share of the bond debt, pay-go CIP, operating expenses, as well as a portion of core non-SWP water supplies. Based on current trend, the assumption is that the property tax revenues will increase at a rate of 2.34% per year. The property tax revenue base in Year 1 (FY 2021/22) is \$27.9 million and is projected to increase in Year 10 (FY 2030/31) to \$34.4 million.

Facility Capacity Fees (including Retail Connection Fees)

FCFs are fees collected at the time new development occurs within the Agency's water service area to recover the appropriate growth-related costs for facilities that are built to serve future water users. Beginning in FY 2012/13, the Agency's FCF Fund was depleted and was unable to pay future users' debt service. At the time, it was assumed that revenue levels would increase in line with past FCF studies. One-percent property tax revenues began paying a significant portion of the future users' debt service that is supposed to be funded by FCFs. The 2015 UWMP projects a much smaller increase in growth in population and water demand, resulting in annual revenues that will be insufficient to pay for the future users' debt service.

The FCF base is approximately \$17 million for Years 1 - 10. FCF revenues are contingent on development. This Plan assumes a 2% revenue increase for each year of the Plan.

Investment Income

Investment Income (\$1.7 million base) is derived from interest on Agency investments and surplus cash, and the forecast assumes an increase of approximately 1.5% per year. Investment income has been forecast based on cash flow projections over the life of the Plan. The current cash rate and investment rates have also been used as a guide. The Agency's Investment Policy ensures that available funds are managed on a regular basis to maximize returns.

Grants and Reimbursements

Grants and reimbursements for Capital Improvement Programs are provided by Proposition 1 Round 2, Proposition 84 Rounds 1 and 2 Planning and Implementation Grants and Prop 68 Round 3 through the Department of Water Resources for a variety of water studies, implementation, administration of the grants and updating various programs and plans. Reimbursements are provided for the processing of

annexations. This income source has a current base (FY 2021/22) of \$1.4 million, which is forecast to increase to \$2.8 million in Year 2 (FY 2022/23), then decrease to zero in Year 3 (FY 2023/24). This trend is maintained for the remainder of this Plan, resulting in overall stagnation over the 10-year period.

Other Revenue

All income that cannot be classified in the categories above is included here. The current base is \$9.2 million with the biggest item being the Perchlorate CIP and operations and maintenance reimbursement. Since reimbursements can vary from year-to-year, the forecasted assumption for other revenue sources in this category increase between 1% - 2% for each year of the Plan.

Operating Expenditure

The Agency’s operating expense base upon which this Plan is built is \$164.6 million (including debt service and pay-go CIP), of which approximately 51% or \$84.4 million consists of purchased power, materials, supplies and labor and benefits; 20% consists of bond/debt payments and 29% consists of pay-go CIP. At the end of the Plan, operating expenditure is forecast to be \$187.2 million (keeping in mind that \$1 today will not be worth that in Year 10: FY 2030/31). Values as presented in this LTFP are in future (nominal) values, i.e., they have been adjusted each year by the forecast assumption rate. The forecast for operating expenditure for Year 1 - 5 this Plan is best shown by the following table:

Expense Assumptions

Key Assumptions	YEAR 1 FY 2021/22	YEAR 2 FY 2022/23	YEAR 3 FY 2023/24	YEAR 4 FY 2024/25	YEAR 5 FY 2025/26
Overall Inflation	X	2.49%	2.49%	2.49%	2.49%
Utility/Chemical Inflation	X	4.38%	4.38%	4.38%	4.38%
Treatment Inflation	X	3.30%	3.30%	3.30%	3.30%
Pumping and Wells Inflation	X	3.00%	3.00%	3.00%	3.00%
Employee Expenses Inflation	X	3.00%	3.00%	3.00%	3.00%
Equipment Inflation	X	0.98%	0.98%	0.98%	0.98%
Fuels & Automobile Inflation	X	3.00%	3.00%	3.00%	3.00%
Construction Inflation	X	2.93%	2.93%	2.93%	2.93%

Variations from year-to-year are primarily due to the fluctuations of pay-go capital. A majority of the operating expenses, with the exception of pay-go capital and debt service, have been increased by the assumption factor. The table above details the annual variations to operating expenditures and the annual amounts forecast and are consistent each year over the life of this Plan.

Materials, Services and Other Expenses

Materials, services and other expenses cover payments for physical goods including the purchase of power for the treatment plants and distribution system, regulatory compliance, chemicals, fuel and office consumables. This category also includes payments to consultants, as well as legal fees incurred. The total materials, services and other expenses base is approximately \$72.7 million. As mentioned earlier, while an underlying assumption is built into most expense lines in this category of expenditure, some expense lines in Year

3 have changed by more than the assumption or have had to be adjusted to reflect their one-off nature. Year 1 and Year 2 are the base years (not shown).

	YEAR 3 FY 2023/24	YEAR 4 FY 2024/25	YEAR 5 FY 2025/26	YEAR 6 FY 2026/27	YEAR 7 FY 2027/28	YEAR 8 FY 2028/29	YEAR 9 FY 2029/30	YEAR 10 FY 2030/31
Management	23%	-5%	10%	-4%	10%	-4%	9%	-3%
Finance, Admin & IT	5%	8%	-2%	8%	-2%	8%	-2%	8%
Customer Care	19%	3%	3%	3%	3%	3%	3%	3%
Transmission & Distribution	10%	3%	3%	3%	3%	3%	3%	3%
Pumping & Wells	26%	6%	22%	4%	4%	4%	4%	4%
Water Resources	-15%	7%	5%	8%	-1%	3%	3%	3%
Engineering	-5%	3%	3%	3%	3%	3%	3%	3%
Water Quality & Treatment	-32%	4%	4%	4%	4%	4%	4%	4%

The Agency’s infrastructure is expanding and will continue to expand. The number and complexity of Agency facilities have grown in recent years and will continue to do so. Each CIP project that becomes operational adds new complexity and costs to the Agency’s overall system. As this additional infrastructure is implemented, the Agency will require additional staff resources and will incur additional costs to operate and maintain the infrastructure. Future development of the recycled water program will have significant operating costs that should be identified as part of the planning process but is not included in this Plan.

Employee Costs

Employee costs include all labor costs and is inclusive of salaries, wages and benefits such as insurance, pensions, allowances and workers compensation insurance. Wage costs (including allocation of staff overheads) relating to capital projects are included in the total capital expenditure for renewal and replacement of existing assets or projects funded by developers. The split between operating and capital can vary from year-to-year depending on capital projects approved by the Engineering and Operations Departments; however overall the LTFP assumes the trend on this split remains consistent across the life of this Plan. Approximately \$5.9 million (indexed annually) has been allocated in capital wages every year. The total employee cost base (operating and capital) is approximately \$33.8 million.

Salary and wage increases are forecast reflective of the current year Budget and increases at approximately 3.5% every year for reclassifications, step increments and cost-of-living adjustments, and approximately 5% for employee benefits. The FY 2021/22 budgeted employee costs are driven by a full-time equivalent (FTE) base of 226.

Long-Term Commitments

The Agency’s Strategic Plan states that the Agency will utilize reasonable debt financing as an acceptable and appropriate approach to fund long-term facility investments, and thus ensure that existing and future users pay their fair share. The Agency’s Debt Management Policy states that the “Agency will utilize reasonable debt financing as an acceptable and appropriate approach to fund long-term investments and thus ensure that existing and future users pay their fair share (“generational equity”)”. Long-term investments include the acquisition of land, facilities, public works, improvements and supplies of water, as well as enhancements or enlargements to existing capacity and facilities for obtaining, importing, transporting and delivering additional quantities of water.

Debt spreads out the cost of capital improvements over time. In general, public agencies find that debt financing is an appropriate use for one-time projects, generally with a project life of 10 years or more. To-date, a significant portion of the Agency’s major capital programs are required for future needs. This makes the use of debt appropriate for two reasons: (1) debt financing allows each generation to pay for what it uses and (2) Facility Capacity Fees collected in one year may not be expended until future years. Likewise, in some years, there will not be sufficient FCF collected to cover that year’s debt service. However at this time, as discussed above, there is uncertainty about the FCF revenue stream and its ability to pay for its share of debt service. There is a planned debt issuance in Year 2 (FY 2022/23).

Near-Term

Management has identified a need to invest in the Agency infrastructure and the Capital Improvement Program. Management recommends moving forward with certain critical elements of the Agency’s CIP. In July 2020, the Agency issued \$55 million in revenue bonds to fund the ongoing CIP for Major Capital projects. In addition, the Agency anticipates issuing bonds in 2023 and 2025, with estimated principal amounts of \$95 million and \$50 million respectively. The Agency’s ten-year forecast shows sufficient funds to pay debt service and maintain bond covenants. It is anticipated that these obligations will be allocated 30% to future users (Facility Capacity Fees) and 70% to existing users.

Fund Balance, Beginning	Year 1 FY 2021/22	Year 2 FY 2022/23	Year 3 FY 2023/24	Year 4 FY 2024/25	Year 5 FY 2025/26
	\$ 32,151,338	\$ (4,628,212)	\$ 50,004,138	\$ 224,688	\$ 12,633,688
Bond Proceeds	\$ -	\$ 95,000,000		\$ 50,000,000	\$ -
Investment Revenues	\$ 32,000	\$ 80,000	\$ 50,000	\$ 70,000	\$ 50,000
Capital Projects - Debt Funded	\$(36,811,550)	\$(40,447,650)	\$(49,829,450)	\$(37,661,000)	\$(34,411,000)
Available Fund Balance, Ending	\$ (4,628,212)	\$ 50,004,138	\$ 224,688	\$ 12,633,688	\$(20,727,312)

Long-Term

A more long-term aspect of this issue is the Agency’s transition to “build-out.” Debt service incurred for future users is funded by FCFs, and that incurred for existing users is funded by other non-operating revenues. The Agency is at a transition point where existing users represent about half of total users, which consist of the combination of existing and future users. Over time, debt service funding will transition to existing users. Should other non-operating revenues or water rates not be sufficient to fund increasing debt service, other mechanisms to fund the existing users’ share would need to be identified.

The exact timing and amounts of debt will depend on the progress of the CIP, availability of grant proceeds and market conditions. Depending on market conditions, the Agency may use the Agency’s low-interest rate commercial program. Management will review the situation with its financial advisor and report to the Board as needed. No new debt will be issued without thorough review and approval by the Board of Directors.

**SCV WATER - LONG-TERM FINANCIAL FORECAST
FY 2021/22 to FY 2030/31**

	YEAR 1 FY 2021/22	YEAR 2 FY 2022/23	YEAR 3 FY 2023/24	YEAR 4 FY 2024/25	YEAR 5 FY 2025/26	YEAR 6 FY 2026/27	YEAR 7 FY 2027/28	YEAR 8 FY 2028/29	YEAR 9 FY 2029/30	YEAR 10 FY 2030/31
OPERATING REVENUES										
Water Sales	85,380,201	90,915,239	96,841,573	103,840,430	111,383,565	115,838,907	120,472,463	125,291,362	130,303,016	135,515,137
Water Sales - WWR	68,392	33,033	33,354	33,677	34,004	34,334	34,667	35,004	35,344	35,688
Water Sales - Recycled	408,445	468,612	487,198	524,382	562,421	579,294	596,673	614,573	633,010	652,000
Misc. Fees and Charges	1,000,000	1,020,000	1,040,400	1,061,208	1,082,432	1,104,081	1,126,162	1,148,686	1,171,659	1,195,093
Lab Revenues	23,000	23,000	23,230	23,462	23,697	23,934	24,173	24,415	24,659	24,906
Communication & Rental	730,266	752,174	530,273	540,879	551,696	562,730	573,985	585,465	597,174	609,117
Property Tax 1%	27,934,798	28,588,472	29,257,443	29,942,067	30,642,711	31,359,751	32,093,569	32,844,558	33,613,121	34,399,668
Annexation Reimbursements	224,032	67,902	-	-	-	-	-	-	-	-
Interest Income	1,678,043	1,703,213	1,728,761	1,754,693	1,781,013	1,807,729	1,834,844	1,862,367	1,890,303	1,918,657
PERCH Reimbursements - O&M & CIP	8,172,198	3,309,785	1,461,898	1,491,136	1,520,959	1,551,378	1,582,405	1,614,053	1,646,334	1,679,261
Grant Reimbursements	1,345,000	2,745,000	-	-	-	-	-	-	-	-
Facility/Connection Fees	16,785,568	8,733,500	9,678,931	9,875,005	10,075,521	10,280,587	10,490,311	10,704,805	10,924,184	11,148,564
Transfer In - Reserves/Other Fund	20,848,285	29,802,139	-	-	-	-	-	-	-	-
Total Operating Revenues	\$ 164,598,228	\$ 168,162,070	\$ 141,083,061	\$ 149,086,939	\$ 157,658,020	\$ 163,142,724	\$ 168,829,253	\$ 174,725,288	\$ 180,838,805	\$ 187,178,092
OPERATING EXPENSES										
Management	4,300,023	3,763,699	4,645,700	4,429,027	4,876,116	4,678,094	5,129,207	4,939,988	5,393,237	5,217,369
Finance, Administration & IT	16,349,648	16,556,624	17,460,615	18,881,641	18,442,917	19,943,453	19,521,882	21,059,949	20,647,483	22,242,468
Customer Care	2,347,600	2,493,223	2,962,076	3,050,272	3,141,096	3,242,607	3,347,266	3,455,316	3,566,867	3,682,033
Transmission & Distribution	11,803,359	12,067,369	13,217,447	13,597,604	13,988,855	14,421,397	14,865,049	15,322,658	15,794,668	16,280,774
Pumping & Wells	14,049,535	14,950,742	18,860,421	19,993,793	24,353,573	25,265,810	26,211,369	27,194,266	28,216,031	29,240,061
Water Resources	9,778,861	9,661,712	8,194,026	8,746,919	9,187,875	9,877,940	9,765,283	10,061,928	10,368,180	10,670,484
Engineering	3,661,019	3,695,368	3,513,046	3,612,713	3,715,233	3,828,832	3,943,915	4,062,548	4,184,842	4,310,913
Water Quality & Treatment	10,428,336	10,935,917	7,439,835	7,705,639	7,981,842	8,283,562	8,596,908	8,923,009	9,262,427	9,609,159
Source of Supply	11,690,219	11,794,910	12,856,229	13,288,773	13,662,754	14,048,595	14,427,305	14,817,394	15,219,259	15,553,212
Debt Service	32,960,792	33,214,070	38,822,518	40,269,580	42,798,976	42,954,843	47,845,675	41,933,775	41,921,392	41,901,606
Capital (Pay-go)	47,228,835	49,028,436	13,111,149	15,510,980	15,508,781	16,597,592	15,175,393	22,954,457	26,264,420	28,470,014
Total Operating Expenses	\$ 164,598,228	\$ 168,162,070	\$ 141,083,061	\$ 149,086,939	\$ 157,658,020	\$ 163,142,724	\$ 168,829,253	\$ 174,725,288	\$ 180,838,805	\$ 187,178,092
Total Operating Revenue	\$ 164,598,228	\$ 168,162,070	\$ 141,083,061	\$ 149,086,939	\$ 157,658,020	\$ 163,142,724	\$ 168,829,253	\$ 174,725,288	\$ 180,838,805	\$ 187,178,092
Total Operating Expense	\$ 164,598,228	\$ 168,162,070	\$ 141,083,061	\$ 149,086,939	\$ 157,658,020	\$ 163,142,724	\$ 168,829,253	\$ 174,725,288	\$ 180,838,805	\$ 187,178,092
Debt Service Coverage Ratio	1.80	1.58	1.34	1.39	1.36	1.39	1.32	1.55	1.63	1.68

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Wildlife at SCV Water's Conservation and Demonstration Garden

Pictured: SCV Water's Rio Vista Water Treatment Plant (RVWTP) is also home to the Agency's Water Conservation and Demonstration Garden. With the Garden being closed to the public due to the Covid-19 pandemic, the inhabiting wildlife feels free to roam the grounds openly and safely.



RESOLUTION NO. SCV-214

**RESOLUTION OF THE
SANTA CLARITA VALLEY WATER AGENCY BOARD OF DIRECTORS
ADOPTING THE BUDGET FOR FISCAL YEARS 2021/22 AND 2022/23**

WHEREAS, the Santa Clarita Valley Water Agency has determined under its Board Procedures Manual that the Agency shall annually adopt a budget prior to the commencement of each fiscal year; and

WHEREAS, the Board of Directors has reviewed the Fiscal Year (FY) 2021/22 and FY 2022/23 Budget, including sections on the Operating Budget and Capital Expenditures; and

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Santa Clarita Valley Water Agency hereby:

1. Adopts the FY 2021/22 and FY 2022/23 Budget (Attachments 1 and 2).
2. Appropriates the Operating Expenditures, Capital Expenditures, and Debt Principal and Interest Payment for FY 2021/22 and FY 2022/23 as shown in the Financial Summary (Attachments 1 and 2).
3. Authorizes the General Manager to adjust the appropriations within each fund, provided however, the total appropriations for the entire fund do not exceed the amounts approved in this budget resolution (or amending resolution).



President

I, the undersigned, hereby certify: That I am the duly appointed and acting Secretary of the Santa Clarita Valley Water Agency, and that at a regular meeting of the Board of Directors of said Agency held on June 1, 2021, the foregoing Resolution No. SCV-214 was duly and regularly adopted by said Board, and that said resolution has not been rescinded or amended since the date of its adoption, and that it is now in full force and effect.

DATED: June 1, 2021



Secretary



**SCV WATER - FINANCIAL SUMMARY
FY 2021/22 BUDGET**

ATTACHMENT 1

Description	General Fund/ Operating	Capital Project Fund*	State Water Contract Fund	Capacity Fees Fund	TOTAL
<i>Fund Balance 7/1/2021</i>	\$ 125,743,875	\$ 28,204,173	\$ 78,625,518	\$ 16,013,171	\$ 248,586,737
<u>RESERVES:</u>					
Capital Reserves	\$ (22,520,377)	\$ -	\$ -	\$ -	\$ (22,520,377)
Emergency/Disaster Reserves	(28,187,867)	-	-	-	(28,187,867)
Operating Reserves	(39,175,065)	-	-	-	(39,175,065)
Revenue Rate Stabilization Reserves	(15,242,577)	-	-	-	(15,242,577)
Water Supply Reliability Reserves	(6,000,000)	-	-	-	(6,000,000)
Subtotal	\$ (111,125,886)	\$ -	\$ -	\$ -	\$ (111,125,886)
Net Available	\$ 14,617,989	\$ 28,204,173	\$ 78,625,518	\$ 16,013,171	\$ 137,460,852
<u>REVENUES:</u>					
Water Sales - Retail	\$ 85,380,201	\$ -	\$ -	\$ -	85,380,201
Water Sales - Wholesale	68,392	-	-	-	68,392
Water Sales - Recycled	408,445	-	-	-	408,445
Water Sales - One Time	-	-	-	-	-
Misc Fees and Charges	1,000,000	-	-	-	1,000,000
Lab Revenues	23,000	-	-	-	23,000
Communication & Rental	730,266	-	-	-	730,266
Property Tax	27,934,798	-	33,642,000	-	61,576,798
Annexation Reimbursements	224,032	-	-	-	224,032
Facility Capacity Fees	-	-	-	9,071,100	9,071,100
Interest Income	1,678,043	32,000	850,000	-	2,560,043
PERCH Reimbursements - O&M & CIP	8,172,198	-	-	-	8,172,198
Grant Reimbursements - State	1,345,000	-	-	-	1,345,000
Bond/Loan Proceeds	-	19,500,000	-	-	19,500,000
Transfers In - Reserves	13,133,817	-	-	-	13,133,817
Subtotal	\$ 140,098,192	\$ 19,532,000	\$ 34,492,000	\$ 9,071,100	\$ 203,193,292
<u>EXPENDITURES:</u>					
Operating	\$ (84,408,601)	\$ -	\$ -	\$ -	\$ (84,408,601)
Capital Improvement Program	(44,457,735)	(36,811,550)	-	(2,771,100)	(84,040,385)
Department of Water Resources	-	-	(34,886,100)	-	(34,886,100)
Debt Service Principal & Interest	(18,946,324)	-	-	(14,014,468)	(32,960,792)
Subtotal	\$ (147,812,660)	\$ (36,811,550)	\$ (34,886,100)	\$ (16,785,568)	\$ (236,295,878)
<i>Available Fund Balance 6/30/2022 (Estimated)</i>	\$ 6,903,521	\$ 10,924,623	\$ 78,231,418	\$ 8,298,703	\$ 104,358,266

*Major Capital Projects - Bond Proceeds

**SCV WATER - FINANCIAL SUMMARY
FY 2022/23 BUDGET**

ATTACHMENT 2

Description	General Fund/ Operating	Capital Project Fund*	State Water Contract Fund	Capacity Fees Fund	TOTAL
<i>Fund Balance 7/1/2022</i>	\$ 118,029,407	\$ 10,924,623	\$ 78,231,418	\$ 8,298,703	\$ 215,484,151
<u>RESERVES:</u>					
Capital Reserves	\$ (20,505,140)	\$ -	\$ -	\$ -	\$ (20,505,140)
Emergency/Disaster Reserves	(28,742,788)	-	-	-	(28,742,788)
Operating Reserves	(39,814,145)	-	-	-	(39,814,145)
Revenue Rate Stabilization Reserves	(16,324,788)	-	-	-	(16,324,788)
Water Supply Reliability Reserves	(6,000,000)	-	-	-	(6,000,000)
Subtotal	\$ (111,386,861)	\$ -	\$ -	\$ -	\$ (111,386,861)
Net Available	\$ 6,642,545	\$ 10,924,623	\$ 78,231,418	\$ 8,298,703	\$ 104,097,290
<u>REVENUES:</u>					
Water Sales - Retail	\$ 90,915,239	\$ -	\$ -	\$ -	\$ 90,915,239
Water Sales - Wholesale	33,033	-	-	-	33,033
Water Sales - Recycled	468,612	-	-	-	468,612
Water Sales - One Time	-	-	-	-	-
Misc Fees and Charges	1,020,000	-	-	-	1,020,000
Lab Revenues	23,000	-	-	-	23,000
Communication & Rental	752,174	-	-	-	752,174
Property Tax	28,588,472	-	34,429,000	-	63,017,472
Annexation Reimbursements	67,902	-	-	-	67,902
Facility/Capacity Fees	-	-	-	8,733,500	8,733,500
Interest Income	1,703,213	80,000	880,000	-	2,663,213
PERCH Reimbursements - O&M & CIP	3,309,785	-	-	-	3,309,785
Grant Reimbursements - State	2,745,000	-	-	-	2,745,000
Bond/Loan Proceeds	-	75,000,000	-	-	75,000,000
Transfers In - Reserves	29,802,139	-	-	-	29,802,139
Subtotal	\$ 159,428,570	\$ 75,080,000	\$ 35,309,000	\$ 8,733,500	\$ 278,551,070
<u>EXPENDITURES:</u>					
Operating	\$ (85,919,565)	\$ -	\$ -	\$ -	\$ (85,919,565)
Capital Improvement Program	(46,752,436)	(40,447,650)	-	(2,276,000)	(89,476,086)
Department of Water Resources	-	-	(35,892,100)	-	(35,892,100)
Debt Service Principal & Interest	(26,756,570)	-	-	(6,457,500)	(33,214,070)
Subtotal	\$ (159,428,571)	\$ (40,447,650)	\$ (35,892,100)	\$ (8,733,500)	\$ (244,501,821)
<i>Available Fund Balance 6/30/2023 (Estimated)</i>	\$ 6,642,544	\$ 45,556,973	\$ 77,648,318	\$ 8,298,703	\$ 138,146,538

*Major Capital Projects - Bond Proceeds

RESOLUTION NO. SCV-226

**RESOLUTION OF THE
BOARD OF DIRECTORS OF THE SANTA CLARITA VALLEY WATER AGENCY
REVISING THE APPROPRIATION LIMIT
FOR FY 2021/22**

WHEREAS, the Agency's General Manager has caused to be prepared a calculation of the Agency's annual appropriation limit for the Agency FY 2021/22; and

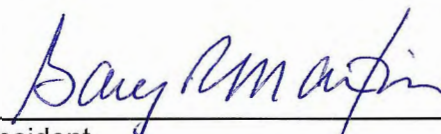
WHEREAS, documentation used in the determination of said appropriation limit has been publicly available at the Agency's offices for the period required by law; and

WHEREAS, Proposition 111 has determined that the appropriation limit may be set by using either the change in California per capita income or the change in assessed value of non-residential development; and

WHEREAS, it has been determined that the change in California per capita income is the appropriation selection of the Agency; and

WHEREAS, the calculation is hereby found to have been completed in full accordance with Article XIII-B of the California State Constitution and the implementing legislation for Article XIII-B.


NOW, THEREFORE, BE IT RESOLVED that this resolution rescinds and supersedes Resolution No. SCV-210 signed on June 1, 2021, and that the Board of Directors of the Santa Clarita Valley Water Agency does hereby, based upon said calculation, adopt the sum of \$47,923,934 as its FY 2021/22 appropriation limit.



President

I, the undersigned, hereby certify: That I am the duly appointed and acting Secretary of the Santa Clarita Valley Water Agency, and that at a regular meeting of the Board of Directors of said Agency held on August 3, 2021, the foregoing Resolution No. SCV-226 was duly and regularly adopted by said Board, and that said resolution has not been rescinded or amended since the date of its adoption, and that it is now in full force and effect.

DATED: August 3, 2021



Secretary



POLICIES

This section includes a brief summary of the Agency’s Investment Policy, Debt Management Policy, Disclosure Procedure Policy, Derivatives Policy, Purchasing Policy, Capitalization Policy for Fixed Assets, and the Wire Transfer Policy. It is the intent of the Financial Policies section to define a sound financial plan when developing annual budgets. The FY 2021/22 and FY 2022/23 biennial budget is balanced and adheres to adopted Agency financial policies. A balanced budget is one, which total revenues equal total expenses.

Investment Policy

The Agency annually reviews and updates the Investment Policy. It is the policy of the Agency to invest funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Agency and conforming to all statutes governing the investment of Agency funds. The policy follows the “prudent investor” standard of the California Government Code 53601.

Debt Management Policy

The Debt Management Policy was established to serve as a guideline for the use of debt for financing the Agency infrastructure and project needs. Debt is issued and managed prudently in order to maintain a sound financial position and protect credit quality. The policy identifies the criteria for issuing new debt that includes the Standards for Use and guidelines to determine when refinancing of outstanding debt will be beneficial to the Agency and its customers.

Disclosure Procedures Policy

The Disclosure Procedures Policy is a government’s policy that requires local officials to fully disclose particular financial transactions to comply with the anti-fraud rules of federal securities laws. The purpose of the policy is to memorialize and communicate procedures in connection with obligations, including notes, bonds and certificates of participation, issued by or on behalf of the Santa Clarita Valley Water Agency.

Derivatives Policy

The Derivatives Policy establishes accounting and reporting standards for derivative instruments, a financial instrument which derives its value from the value of some other financial instrument, variable or index, including certain derivative instruments embedded in other contracts (collectively referred to as “derivatives”), and for hedging activities. Derivatives will not be used to speculate on perceived movements in interest rates.

Purchasing Policy

The Purchasing Policy outlines the procedures for the procurement of all goods and services and applying best practices for optimizing cost savings, quality products and services, and for assuring proper authority and limits as adopted by the Board of Directors.

Capitalization Policy for Fixed Assets

The Capitalization Policy for Fixed Assets is used by the Santa Clarita Valley Water Agency to set a threshold, above which qualifying expenditures are recorded as fixed assets, and below which they are charged to expense as incurred. The policy provides specific guidance to determine which capital assets are subject to separate accounting and reporting.

Wire Transfer Policy

The Wire Transfer Policy, bank transfer or credit transfer is a method of electronic funds transfer from one person or entity to another. The Agency recognizes the trend toward electronic payment methods and will receive and distribute funds through electronic wire transfers.



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Approved By: Board of Directors	DMS #24625

INVESTMENT POLICY

1.0 POLICY

- 1.1 WHEREAS; the Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern; and
- 1.2 WHEREAS; the legislative body of a local agency may invest surplus monies not required for the immediate necessities of the local agency in accordance with the provisions of California Government Code Sections 53601 et seq.; and
- 1.3 WHEREAS; the Treasurer of the Santa Clarita Valley Water Agency (“Agency”), acting under the direction and authority of the Finance Committee of the Agency, shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the Board of Directors at a public meeting;
- 1.4 NOW THEREFORE, it shall be the policy of the Agency to invest funds in a manner, which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Agency and conforming to all statutes governing the investment of Agency funds.

2.0 SCOPE

This investment policy applies to all financial assets of the Agency. These funds are accounted for in the annual Agency audit. The Agency pools all cash for investment purposes. This policy is applicable, but not limited to all funds listed below:

General/Operating Fund

Special Revenue Funds

- a) One Percent Property Tax Fund
- b) Facility Capacity Fee Fund
- c) State Water Project Fund

Capital Project Fund

Debt Service Fund

Reserve Funds

Enterprise Fund

Grant Funds



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3.0 PRUDENCE; RESPONSIBILITY

3.1 Prudence: Investments shall be made with judgment and care, under circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Agency, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

3.2 Responsibility: The Treasurer and other individuals assigned to manage the investment portfolio, acting with the intent and scope of this investment policy while exercising due diligence, shall be relieved of personal responsibility for the credit risk and market price risk for securities held in the investment portfolio, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

4.0 OBJECTIVES

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

4.1 Safety: Safety of principal is the foremost objective of the investment program. Investments of the Agency shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

4.2 Liquidity: The investment portfolio will remain sufficiently liquid to enable the Agency to meet all operating requirements and budgeted expenditures. Investments will be undertaken with the expectation that unplanned expenses will be incurred; therefore, portfolio liquidity will be created to cover reasonable contingency costs.

4.3 Return on Investments: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow



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characteristics of the portfolio. The goal is to maximize return while ensuring that safety and liquidity objectives are not compromised.

5.0 DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from California Government Code 53600, et seq. Overall accountability and authority for implementation of this policy shall remain with the Board of Directors of the Agency and overseen by the Agency’s Finance Committee. The day-to-day responsibility for management and implementation of the investment program is hereby delegated to the Treasurer, who, where and when appropriate, shall establish written procedures for the operation of the investment program consistent with this investment policy. With this delegation the Treasurer is given the authority to utilize internal staff and outside investment managers to assist in the investment program. The Treasurer shall use care to assure that those assigned responsibility to assist in the management of the Agency's portfolio do so in accordance with this policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Under the provisions of California Government Code 53600.3, the Treasurer is a trustee and a fiduciary subject to the prudent investor standard.

6.0 ETHICS AND CONFLICTS OF INTEREST

The Treasurer and officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Officials and staff members involved with the investment function shall disclose to the Board of Directors any personal financial interest with a financial institution, broker or investment issuer conducting business with the Agency. Officials and staff members shall further disclose to the Board of Directors any personal financial interest in any entity related to the investment performance of the Agency's portfolio.

7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Treasurer will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the Treasurer shall select only broker/dealers who are licensed and in good standing with the California



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Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the Treasurer shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the Agency's account with that firm has reviewed the Agency's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the Agency that are appropriate under the terms and conditions of the Investment Policy.

The Agency is a local agency authorized to invest surplus monies in the Local Agency Investment Fund (LAIF). LAIF is a special trust fund in the custody of the State Treasurer and the Local Investment Advisory Board created under Government Code Section 16429.2, which advises the State Treasurer on the investment and reinvestment of LAIF deposits. Each local agency with LAIF deposits has a separate account within LAIF, but the total deposits in LAIF are managed as a pooled investment account. The securities eligible for LAIF investments are statutorily specified in Government Code Section 16430 and are more conservative than those investments permitted under Government Code Section 53601, which governs the management of invested surplus monies by local agencies. Accordingly, the Treasurer need not be concerned with the qualifications of those financial institutions and broker/dealers with whom LAIF transacts business.

8.0 PORTFOLIO MATURITY LIMITS

The maximum maturity for any single investment in the portfolio shall not exceed five years. The maximum weighted average maturity for the investment portfolio shall not exceed three years.

When a security has a mandatory put date, the put date should be used when calculating weighted average portfolio maturity. When a security has an optional put date, the optional put date should be used when calculating weighted average portfolio maturity so long as the put is at the discretion of the Agency and the put price is equal to or greater than the market value for the security. (A put is a contract that gives its holder the right to sell an underlying security, commodity, or currency before a certain date for a predetermined price.)



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9.0 **AUTHORIZED AND SUITABLE INVESTMENTS**

The Agency is empowered by California Government Code 53601 et seq. to invest in the following:

- 9.1 Bonds issued by the Agency.
- 9.2 United States Treasury Bills, Notes and Bonds.
- 9.3 Registered state warrants or treasury notes or bonds issued by the State of California.
- 9.4 Registered treasury notes or bonds of any of the 49 United States in addition to California, including bonds payable solely out of revenues from revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California.
- 9.5 Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency; and also including pooled investment accounts sponsored by the State of California, County Treasurers, other local agencies or Joint Powers Agencies. The LAIF is an approved pooled investment account.
- 9.6 Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by, or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- 9.7 Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances may not exceed 180 days' maturity or 40% of the Agency's money that may be invested pursuant to this policy. However, no more than 30% of the Agency's money can be invested in the bankers' acceptances of any single commercial bank.
- 9.8 Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally-recognized statistical-rating organization. The entity that issues the commercial paper shall either be:



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9.8.1 organized and operating within the United States as a general corporation, shall have total assets in excess of Five Hundred Million Dollars (\$500,000,000), and shall issue debt, other than commercial paper, if any, that is rated in a rating category of “A” or its equivalent or higher by a nationally-recognized statistical-rating organization; or

9.8.2 organized within the United States as a special-purpose corporation, trust, or limited liability company, have program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and has commercial paper that is rated “A-1” or higher, or the equivalent, by a nationally-recognized statistical-rating organization.

Eligible commercial paper shall have a maximum maturity of 270 days or less. The Agency shall invest no more than 25% of its money in eligible commercial paper; provided that if the Agency has \$100,000,000 or more of investment assets under management, the Agency may invest no more than 40% of its money in eligible commercial paper. The Agency shall invest no more than 10% of its total investment assets in the commercial paper and medium-term notes of any single issuer.

9.9 (i) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federal or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30% of the Agency’s money which may be invested pursuant to this policy. The Board of Directors and the Treasurer are prohibited from investing Agency funds, or funds in the Agency’s custody, in negotiable certificates of deposit issued by a state or federal credit union if a member of the Board of Directors, or any person with investment decision-making authority within the Agency also serves on the Board of Directors, or any committee appointed by the Board of Directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

(ii) Deposits at a commercial bank, savings bank, savings and loan association or credit union that uses a private sector entity that assists in the placement of such certificates of deposit, pursuant to Government Code Section 53601.8. Deposits shall be subject to Government Code Section 53638 and may not exceed 50% of the Agency’s money which may be invested pursuant to this policy.



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- 9.10 Repurchase/Reverse Repurchase Agreements of any securities authorized by Section 53061. The market value of securities that underlay a repurchase agreement shall be valued at one hundred two percent (102%) or greater of the funds borrowed against those securities, and are subject to the special limits and conditions of California Government Code 53601(j).
- 9.11 Medium term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of 5 years or less, issued by corporations organized and operating with the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of “A” or its equivalent or better by a nationally recognized rating service. Purchases of medium-term notes shall not include other instruments authorized by this policy and shall not exceed 30% of the Agency’s money which may be invested pursuant to this policy. The Agency may invest no more than 10% of its total investment assets in the commercial paper and the medium-term notes of any single issuer.
- 9.12 Shares of beneficial interest issued by diversified management companies (mutual funds) investing in the securities and obligations authorized by this policy, and shares in money market mutual funds, subject to the restrictions of California Government Code Section 53601(l). The purchase price of investments under this subdivision shall not exceed 20% of the Agency’s investments under this policy. However, no more than 10% of the Agency’s money may be invested in any one mutual fund.
- 9.13 Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.
- 9.14 Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by California Government Code Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by California Government Code Section 53652 for the purpose of securing local



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agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

- 9.15 Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Securities eligible for investment under this subdivision shall be issued by an issuer rated in a rating category of "A" or its equivalent or better for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision shall not exceed 20% of the Agency's money that may be invested pursuant to this policy.
- 9.16 Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized under Government Code Section 53601. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible, the joint powers authority issuing the shares must have retained an investment advisor that is registered or exempt from registration with the Securities and Exchange Commission, have not less than five years of experience in investing in the securities and obligations authorized under Government Code Section 53601, and have assets under management in excess of five hundred million dollars (\$500,000,000).
- 9.17 Proposition 1A receivables sold pursuant to California Government Code Section 53999. A "Proposition 1A receivable" constitutes the right to payment of moneys due or to become due to a local agency, pursuant to clause (iii) of subparagraph (B) of paragraph (1) of subdivision (a) of Section 25.5 of Article XIII of the California Constitution and Section 100.06 of the Revenue and Taxation Code.
- 9.18 United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or



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better by an NRSRO and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

- 9.19 Any other investment security authorized under the provisions of California Government Code Sections 5922 and 53601.

Such investments shall be limited to securities that at the time of the investment have a term remaining to maturity of five years or less, or as otherwise provided in Government Code Section 53601.

The Agency shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

10.0 COLLATERALIZATION

All certificates of deposit must be collateralized by United States Treasury Obligations. Collateral must be held by a third party trustee and valued on a monthly basis. The percentage of collateralizations on repurchase and reverse agreements will adhere to the amount required under California Government Code 53601(i)(2).

11.0 SAFEKEEPING AND CUSTODY

All securities owned by the Agency, except collateral for repurchase agreements, will be held in safekeeping at a third party bank trust department that will act as agent for the Agency under terms of a custody agreement.

Securities used as collateral for repurchase agreements with a term of up to seven days can be safe kept by a third party bank trust department, or by the broker/dealer's safekeeping institution, acting as agent for the Agency under the terms of a custody agreement executed by the broker/dealer and the Agency and specifying the Agency's perfected ownership of the collateral.

Payment for all transactions will be conducted on a delivery-versus-payment (DVP) basis.

12.0 LEVERAGING

Investments may not be purchased on margin. Securities can be purchased on a "When Issued" basis only when a cash balance can be maintained to pay for the securities on the purchase settlement date.



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13.0 DIVERSIFICATION

The Agency will diversify its investments by security type and institution. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities.

Diversification strategies shall be reviewed and revised periodically. In establishing specific diversification strategies, the following general policies and constraints shall apply:

- 13.1 Portfolio maturity dates shall be matched versus liabilities to avoid undue concentration in a specific maturity sector.
- 13.2 Maturities selected shall provide for stability of income and liquidity.
- 13.3 Disbursement and payroll dates shall be covered through maturities of investments, marketable United States Treasury bills or other cash equivalent instruments such as money market mutual funds.

14.0 REPORTING

The Treasurer shall submit to each member of the Board of Directors an investment report at least monthly. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for Agency by third party contracted managers. The report will also include the source of the portfolio valuation. For funds, which are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy and, (2) the Agency will meet its expenditure obligations for the next six months as required by Government Code Section 53646(b)(2) and (3), respectively. The Treasurer shall maintain a complete and timely record of all investment transactions.

15.0 INVESTMENT POLICY ADOPTION

The Investment Policy shall be adopted by resolution of the Agency. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the Board of Directors.

(Originally Adopted February 2018; Re-adopted January 2019; Revised February 2020, February 2021)



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DEBT MANAGEMENT POLICY

1.0 INTRODUCTION

The Agency’s overriding goal in issuing debt is to respond to, and provide for, the infrastructure, capital project and other financing needs the Agency’s water system while ensuring that debt is issued and managed prudently in order to maintain a sound fiscal position and protect credit quality.

Debt can provide an equitable means of financing projects for customers of the Agency and provide access to new capital needed for infrastructure and project needs. Debt may be used to meet financing needs if (i) it meets the goals of equitable treatment of all Agency customers, respectively, both current and future, (ii) it is the most cost-effective means available to the Agency, (iii) it is fiscally prudent, responsible, and diligent under the prevailing economic conditions, and (iv) if there are other important policy reasons thereof.

2.0 STATEMENT OF PURPOSE

The Agency may utilize reasonable debt financing as an acceptable and appropriate approach to fund long-term facility investments and thus ensure that existing and future users pay their fair share. If able to do so, the Agency may use the pay-as-you-go method of using current revenues to pay for long-term infrastructure and other projects. This method is preferred when sufficient revenues and reserves are available and long-term borrowing rates are higher than expected. For growth-related projects, debt financing may be utilized, as needed, to better match the cost of anticipated facility needs with timing of expected new connections to the system and spread the costs evenly over time.

2.1 Purposes and Use of Debt

The Agency will utilize reasonable debt financing as an acceptable and appropriate approach to fund long-term investments and thus ensure that existing and future users pay their fair share. Long-term investments include the acquisition of land, facilities, works, improvements and supplies of water; and enhancements or enlargements to existing capacity and facilities for obtaining, importing, transporting and delivering additional quantities of water. These investments are typically included in the Agency’s Capital Improvement Program and Data Document. Bond proceeds can be issued to fund the planning, design, land acquisition, construction, attached fixtures or equipment and movable pieces or equipment, or other costs as permitted by law. Bond proceeds can also be used to refinance obligations of the wholesale system.



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2.2 Purpose of Policy

The purpose of a debt management policy is to:

- Establish parameters for issuing debt
- Provide guidance to decision makers:
 - With respect to all options available to finance infrastructure, capital projects, and other financing needs
 - So that the most prudent, equitable and cost effective method of financing can be chosen
- Document the objectives to be achieved by staff both prior to issuance and subsequent to issuance
- Promote objectivity in the decision-making process
- Facilitate the financing process by establishing important policy decisions in advance

The Agency will adhere to the following legal requirements for the issuance of public debt:

- The state law which authorizes the issuance of the debt
- The federal and state laws which govern the eligibility of the debt for tax-exempt status
- The federal and state laws which govern the issuance of tax-exempt debt
- The federal and state laws, which govern disclosure, sale, and trading of the debt

3.0 GENERAL PROVISIONS

The Agency will provide for a periodic review of its financial performance, and review its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the capital planning, budgeting, and rate setting process.

Necessary appropriations for annual debt service requirements will be routinely included in the Agency's annual budget.

The Agency will maintain proactive communication with the investment community, including rating agencies, credit enhancers and investors, to ensure future capital market access at the lowest possible interest rates.

The Agency's Debt Management Policy, Reserve Policy and the Statement of Investment Policy are integrated into the decision-making framework utilized in the budgeting and capital improvement planning process. As such, the following principles outline the Agency's approach to debt management.



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- The Agency will issue debt only in the case where there is an identified source of repayment. Bonds will be issued to the extent that (i) projected existing revenues are sufficient to pay for the proposed debt service together with all existing debt service covered by such existing revenues, or (ii) additional projected revenues have been identified as a source of repayment in an amount sufficient to pay for the proposed debt. That is, the maximum amount of a debt issue will be determined in part by conditions (i) and (ii) above.
- The Agency will not issue debt to finance operating needs except in case of an extreme financial emergency which is beyond its control or reasonable ability to forecast, and unless specifically approved by the Board of Directors.
- Debt issuance for a capital project will not be considered unless such project has been incorporated into the Agency’s capital planning process, or as otherwise approved by the Board of Directors.

4.0 CONDITIONS FOR DEBT ISSUANCE

The following guidelines formally establish parameters for evaluating, issuing, and managing the Agency’s debt. The guidelines outlined below are not intended to serve as a list of rules to be applied to the Agency’s debt issuance process, but rather to serve as a set of practices to promote sound financial management.

In issuing debt, the Agency’s objectives will be to:

- Achieve the lowest cost of capital
- Ensure ratepayer equity for the Agency’s customers
- Maintain the adopted credit rating strategy and access to credit enhancement
- Preserve financial flexibility

4.1 Standards for Use of Debt Financing

When appropriate, the Agency will use long-term debt financing to achieve an equitable allocation of capital costs/charges between current and future system users, to provide more manageable rates in the near and medium term and to minimize rate volatility.

The Agency shall not construct or acquire a facility if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the facility throughout its expected life.



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Capital projects financed through debt issuance will not be financed for a term longer than the expected useful life of the project.

4.2 Types of Debt

Revenue bonds, Certificates of Participation, commercial paper, capital leases and lease-purchase financing will be treated as debt and subject to these same policies.

4.3 Debt Capacity

There is no specific provision within the California Government Code that limits the amount of debt that may be issued by the Agency. The Agency’s borrowing capability is limited by the debt coverage ratio required by the existing bond covenants.

4.4 Financing Criteria

Each debt issuance should be evaluated on an individual basis within the context of the Agency’s overall financing objectives and current market conditions.

The Agency will evaluate alternative debt structures (and timing considerations) to ensure the most cost-efficient financing under prevailing market conditions.

4.4.1 *Credit Enhancement* – the Agency will consider the use of credit enhancement on a case-by-case basis. Only when clearly demonstrable savings can be realized shall credit enhancement be utilized.

4.4.2 *Cash-Funded Reserve vs. Surety* – If the issuance of debt requires a cash-funded Debt Service Reserve Fund, then the Agency may purchase a surety policy or replace an existing cash-funded Debt Service Reserve Fund when deemed prudent and advantageous. The Agency may permit the use of guaranteed investment agreements for the investment of reserve funds pledged to the repayment of any of the Agency’s debt when it is approved by the Board of Directors.

4.4.3 *Call Provisions* – In general, the Agency’s securities should include optional call provisions. The Agency will avoid the sale of non-callable, long-term fixed rate bonds, absent careful evaluation of the value of the call option.



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- 4.4.4 *Additional Bonds Test/Rate Covenants* – The amount and timing of debt will be planned to comply with the additional bonds tests and rate covenants outlined in the appropriate legal and financing documents, and this policy.
- 4.4.5 *Short-Term Debt* – The Agency may utilize short-term borrowing to serve as a bridge for anticipated revenues, construction financing or future bonding capacity.
- 4.4.6 *Variable Rate Debt* – Variable rate debt products are priced at the short-end of the yield curve at low interest rates, but subject to various risks. Variable rate debt may be appropriate for the Agency’s portfolio, depending on market conditions and a careful consideration of the risks involved. Variable rate debt products include variable rate demand obligations, commercial paper, and other obligations which have interest rates adjusting periodically. The Agency may consider the use of variable rate debt products to achieve a lower cost of borrowing or for short-term borrowing. In determining whether or not to use variable rate debt, the Agency will analyze the risk associated with the variable rate debt and the impact on the Agency’s overall portfolio. The principal amount of variable rate debt products, including those synthetically fixed through the use of derivative products, shall not exceed 25% of total Agency outstanding debt.
- 4.4.7 *Derivatives* – The use of derivatives is covered by the Agency’s Derivatives Policy. This policy states that is has been developed to guide the Agency in its use of interest rate risk mitigation products such as interest rate swaps and other such financing techniques. These financing products can increase Agency financial flexibility and provide opportunities for interest rate savings or enhanced investment yields. Careful monitoring of such products is required to preserve Agency credit strength and budget flexibility. Derivatives will not be used to speculate on perceived movements in interest rates. The notional amount of derivative products shall not exceed 15% of total Agency outstanding debt. The notional principal amount, in a derivative project, is the predetermined dollar amount on which the exchanged payments are based. The notional principal never changes hands in the transaction, which is why it is considered notional, or theoretical. Neither party pays nor receives the notional principal amount at any time; only interest rate payments change hands. More detailed information is contained in the Derivatives Policy.



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4.4.8 *Upper Santa Clara Valley Joint Powers Authority* – The Agency is a member of the Upper Santa Clara Valley Joint Powers Authority. The Agency will consider issuing revenue bonds through the Authority on a case-by-case basis. The Agency will only issue revenue bonds through the Authority only when clearly demonstrable savings can be realized.

4.4.9 *Investment of Bond Proceeds* - Bond proceeds will be invested in accordance with the permitted investment language outlined in the bond documents for each transaction, unless further restricted or limited in the Agency’s Statement of Investment Policy. The Agency will seek to maximize investment earnings within the investment parameters set forth in the respective debt financing documentation. The reinvestment of bond proceeds will be incorporated into the evaluation of each financing decision; specifically addressing arbitrage/rebate position, and evaluating alternative debt structures and refunding savings on a “net” debt service basis, where appropriate.

4.5 Refinancing Outstanding Debt

The Treasurer shall have the responsibility to evaluate potential refunding opportunities. The Agency will consider the following issues when analyzing potential refinancing opportunities:

Debt Service Savings – The Agency shall establish a target savings level equal to 3% for current refundings and 5% for advance refundings of the par of debt refunded on a net present value (NPV) basis. The target savings levels serve only as a guidelines and the Agency may determine that different savings targets are appropriate; the Agency shall evaluate each refunding opportunity on a case-by-case basis. In addition to the savings guideline, the following shall be taken into consideration:

- Remaining time to maturity
- Size of the issue
- Current interest rate environment
- Annual cash flow savings
- The value of the call option

The decision to take all savings upfront or on a deferred basis must be explicitly approved by the Board of Directors.



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- 4.5.1 *Restructuring* – The Agency may seek to refinance a bond issue on a non-economic basis, in order to restructure debt, to mitigate irregular debt service payments, accommodate revenue shortfalls, release reserve funds, or comply with and/or eliminate rate/bond covenants.
- 4.5.2 *Term/Final Maturity* – The Agency may consider the extension of the final maturity of the refunding bonds in order to achieve a necessary outcome, provided that such extension is legal. The term of the bonds should not extend beyond the reasonably expected useful life of the asset being financed. The Agency may also consider shortening the final maturity of the bonds. The remaining useful life of the assets and the concept of inter-generational equity will guide these decisions.
- 4.5.3 *Economic versus Legal Defeasance* - When evaluating an economic versus legal defeasance, the Agency shall take into consideration both the financial impact on a net present value basis as well as the rating/credit impact. The Agency shall take all necessary steps to optimize the yield on its refunding escrows investments and avoid negative arbitrage.
- 4.6 Outstanding Debt Limitations
Prior to issuance of new debt, the Agency shall consider and review the latest credit rating agency reports and guidelines to ensure the Agency’s credit ratings and financial flexibility remain at levels consistent with the most highly rated comparable public agencies.
- 4.7 Method of Issuance
The Agency will determine, on a case-by-case basis, whether to sell its bonds competitively or through negotiation.
 - 4.7.1 *Competitive Sale* – In a competitive sale, the Agency’s bonds shall be awarded to the bidder providing the lowest true interest cost (TIC), as long as the bid adheres to the requirements set forth in the official notice of sale.
 - 4.7.2 *Negotiated Sale* – The Agency recognizes that some bond issues are best sold through negotiation with a selected underwriter. The Agency has identified the following circumstances below in which this would likely be the case:



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- Issuance of variable rate or taxable bonds
- Complex structures or credit considerations (such as non-rated bonds), which require a strong pre-marketing effort. Significant par value, which may limit the number of potential bidders, unique/proprietary financing mechanism (such as a financing pool), or specialized knowledge of financing mechanism or process
- Market volatility, such that the Agency would be better served by flexibility in the timing of its sale, such as in the case of a refunding issue wherein the savings target is sensitive to interest rate fluctuations, or in a changing interest rate environment
- When an underwriter has identified new financing opportunities or presented alternative structures that financially benefit the Agency
- As a result of an underwriter's familiarity with the project/financing, that enables the Agency to take advantage of efficiency and timing considerations

4.7.3 *Private Placement* – From time to time the Agency may elect to issue debt on a private placement basis. Such method shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

4.8 Internal Controls

The Agency will maintain segregation of duties and will provide reconciliation and documentation controls.

To ensure bond proceeds from bond sales are used in accordance with legal requirements, invoices are submitted by the appropriate Project Manager and are approved for payment by the appropriate Department Manager and/or delegated staff/supervisor, the Controller and the General Manager for payment. In the case of an issuance of bonds for which the proceeds will be used by a government entity other than the Agency, the Agency may rely upon a certification by such other governmental entity that it has adopted the policies described in SB 1029.



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A separate fund and/or account will be setup to hold proceeds from bond sales to ensure only properly approved invoices are paid as permitted per legal requirements.

Debt issuance transactions are approved by the Board of Directors.

Responsibility for general ledger reconciliations and records is segregated from the invoice processing, cash receipting and cash disbursement functions.

- 4.9 Market Communication, Debt Administration and Reporting Requirements
Rating Agencies – The Treasurer shall be responsible for maintaining the Agency’s relationships with Standard & Poor’s Ratings Services, Fitch Ratings, and Moody’s Investors Service, to the extent the Agency has ratings from such firms. The Agency shall from time to time, maintain relationships with these agencies as circumstances dictate. The Agency may choose based upon market conditions the number of ratings to obtain for any individual debt issuance. In addition to general communication, the Treasurer should attempt to meet (either in person or via phone or email) with credit analysts at least once each fiscal year. The Treasurer shall prior to each competitive or negotiated sale, offer conference calls or meeting(s) with rating agency analysts in connection with the planned sale.
- 4.10 *Observance of Debt Covenants* – The Treasurer will periodically ensure that the Agency is in compliance with all legal covenants for each debt issue.
- 4.11 *Continuing Disclosure* – The Treasurer will periodically confirm that all debt issued is in compliance with Rule 15c2-12(b)(5) by required filing as covenanted in each debt issue’s Continuing Disclosure Agreement.
- 4.12 *Record Keeping* – A copy of all debt-related records shall be retained at the Agency’s offices or in an approved storage facility. At minimum, these records shall include all official statements, bid documents, bond documents/transcripts, resolutions, trustee statements, leases, and title reports for each financing (to the extent available). To the extent possible, the Agency shall retain an electronic copy of each document, preferably in PDF or CD-ROM format.
- 4.13 *Arbitrage Rebate* – The use of bond proceeds and their investments must be monitored to ensure compliance with all Internal Revenue Code Arbitrage Rebate Requirements. The Treasurer shall ensure that all bond proceeds and investments are tracked in a manner that facilitates accurate calculation; if a rebate payment is due, such payment is made in a timely manner.



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4.14 *Policy Review* – This policy should be reviewed periodically by the Board and updated as needed. This policy is intended to comply with SB 1029.

(Originally Adopted April 2018)



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DISCLOSURE PROCEDURES POLICY

1.0 INTRODUCTION

The Agency from time to time issues certificates of participation, revenue bonds, notes or other obligations (collectively Obligations) to fund or refund capital investments, other long-term programs and working capital needs. These Obligations may be issued directly by the Agency, through the Upper Santa Clara Valley Joint Powers Authority or on behalf of the Agency by the Santa Clarita Valley Water Agency Financing Corporation (collectively the Issuer). In offering Obligations to the public, and at other times when making certain reports, the Agency and/or the Issuer (if other than the Agency) must comply with the anti-fraud rules of federal securities laws. (Anti-fraud rules refers to Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934, and regulations adopted by the Securities and Exchange Commission under those Acts, particularly Rule 10b-5 under the 1934 Act.)

2.0 STATEMENT OF PURPOSE

The purpose of these Disclosure Procedures (Procedures) is to memorialize and communicate procedures in connection with obligations, including notes, bonds and certificates of participation, issued by or on behalf of the Santa Clarita Valley Water Agency (Agency) to ensure the Agency continues to comply with all applicable disclosure obligations and requirements under the federal securities laws.

3.0 BACKGROUND

The core requirement of the anti-fraud rules is that potential investors in Obligations must be provided with all material information relating to the offered Obligations. The information provided to investors must not contain any material misstatements, and the Agency and/or the Issuer (if other than the Agency) must not omit material information that would be necessary to provide to investors a complete and transparent description of the Obligations and the Agency’s financial condition. In the context of the sale of securities, a fact is considered to be material if there is a substantial likelihood that a reasonable investor would consider it to be important in determining whether or not to purchase the securities being offered.

When Obligations are issued, the two central disclosure documents that are prepared are typically a preliminary official statement (POS) and a final official statement (OS, and collectively with the POS, Official Statement). The Official Statement generally consists of (i) the forepart, which describes the specific transaction including maturity dates, interest rates, redemption provisions, the specific type of financing, the leased premises (in certificate of participation financings) and other matters particular to the financing, (ii) a section that provides information on the Agency, including its financial condition as well as certain operating information of the wholesale division or the retail division, as



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applicable (Agency Section) and (iii) various other appendices, including the Agency’s audited financial report, form of the proposed legal opinion and form of continuing disclosure undertaking. Investors use the Official Statement as one of their primary resources for making informed investment decisions regarding the Obligations.

4.0 DISCLOSURE PROCESS

When the Agency determines to issue Obligations, the Agency’s Treasurer requests the involved departments to commence preparation of the portions of the Official Statement (including particularly the Agency Section) for which they are responsible. While the general format and content of the Official Statement does not normally change substantially from offering to offering, except as necessary to reflect major events, the Agency’s Treasurer is responsible for reviewing and preparing or updating certain portions of the Agency Section that are within his/her particular area of knowledge. After the Official Statement has been substantially updated, the entire Official Statement is shared with the General Manager for review and input. Additionally, all participants in the disclosure process are separately responsible for reviewing the entire Official Statement.

Members of the financing team, including the Bond Counsel and the Agency’s Financial Advisor with respect to the Obligations, assist staff in determining the materiality of any particular item, and in the development of specific language in the Agency Section. Members of the financing team also assist the Agency in the development of a big picture overview of the Agency’s financial condition, which is included in the Agency section. This overview highlights particular areas of concern. Bond Counsel has a confidential, attorney-client relationship with officials and staff of the Agency.

The Agency’s Treasurer or a member of the financing team at the direction thereof schedules one or more meetings or conference calls of the financing team (which includes Agency officials, Bond Counsel, the Agency’s Financial Advisor, the underwriter of the Obligations and the underwriter’s counsel), and new drafts of the forepart of the Official Statement and the Agency Section are circulated and discussed. Such communications may occur via electronic means rather than by meetings or conference calls. During this part of the process, there is substantial contact among Agency staff and other members of the financing team to discuss issues that may arise, determine the materiality of particular items and ascertain the prominence in which the items should be disclosed.

Prior to distributing a POS to potential investors, there is typically a formal conference call that includes Agency officials involved in the preparation of the POS, members of the financing team and the underwriters and the underwriter’s counsel, during which the Official Statement is reviewed in its entirety to obtain final comments and to allow the



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underwriters to ask questions of the Agency’s senior officials. This is referred to as a due diligence meeting.

A substantially final form of the POS is provided to the Agency Board of Directors (and the Authority Board of Directors, if relevant) in advance of approval to afford the Board(s) of Directors an opportunity to review the POS, ask questions and make comments. The substantially final form of the POS is approved by the Board(s) of Directors, which generally authorizes certain senior staff to make additional corrections, changes and updates to the POS in consultation with General Counsel and Bond Counsel.

At the time the POS is posted for review by potential investors, senior Agency officials (and under certain circumstances the Issuer) execute certificates deeming certain portions of the POS complete (except for certain pricing terms) as required by SEC Rule 15c2-12.

Between the posting of the POS for review by potential investors and delivery of the final OS to the underwriter for redelivery to actual investors in the Obligations, any changes and developments will have been incorporated into the POS, including particularly the Agency Section, if required. If necessary to reflect developments following publication of the POS or OS, as applicable, supplements will be prepared and published.

In connection with the closing of the transaction, one or more senior Agency officials (and under certain circumstances the Issuer) execute 10b-5 certificates. General Counsel also provides a 10b-5 opinion letter (generally addressed to the underwriter). General Counsel does not opine to the underwriters or other third parties as to any financial, statistical, economic or demographic data or forecasts, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion and certain other customary matters.

5.0 **AGENCY SECTION**

The information contained in the Agency Section is developed by personnel under the direction of the Treasurer. The Treasurer coordinates with the General Manager, senior management positions and Controller. The finance team assists as well in certain circumstances and additional officials will be involved as necessary. The following principles govern the work of the respective staffs that contribute information to the Agency Section:

- Agency staff involved in the disclosure process is responsible for being familiar with its responsibilities under federal securities laws as described above.
- Agency staff involved in the disclosure process should err on the side of raising issues when preparing or reviewing information for disclosure. Officials and staff



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are encouraged to consult General Counsel, Bond Counsel or members of the financing team if there are questions regarding whether an issue is material or not.

- Care should be taken not to shortcut or eliminate any steps outlined in the Procedures on an ad hoc basis. However, the Procedures are not necessarily intended to be a rigid list of procedural requirements, but instead to provide guidelines for disclosure review. If warranted, based on experience during financings or because of additional SEC pronouncements or other reasons, the Agency should consider revisions to the Procedures.
- The process of updating the Agency Section from transaction to transaction should not be viewed as being limited to updating tables and numerical information. While it is not anticipated that there will be major changes in the form and content of the Agency Section at the time of each update, everyone involved in the process should consider the need for revisions in the form, content and tone of the sections for which they are responsible at the time of each update.
- The Agency must make sure that the staff involved in the disclosure process is of sufficient seniority so that it is reasonable to believe that, collectively, they are in possession of material information relating to the Agency, its operations and its finances.

6.0 TRAINING

Periodic training for the staff involved in the preparation of the Official Statement (including the Agency Section) is coordinated by the finance team and the Treasurer. These training sessions are provided to assist staff members involved in identifying relevant disclosure information to be included in the Agency Section. The training sessions also provide an overview of federal laws relating to disclosure, situations in which disclosure rules apply, the purpose of the Official Statement and the Agency Section, a description of previous SEC enforcement actions and a discussion of recent developments in the area of municipal disclosure. Attendees at the training sessions are provided the opportunity to ask questions of finance team members, including Bond Counsel concerning disclosure obligations and are encouraged to contact members of the finance team at any time if they have questions.

7.0 ANNUAL CONTINUING DISCLOSURE REQUIREMENTS

In connection with the issuance of Obligations, the Agency has entered into a number of contractual agreements (Continuing Disclosure Certificates) to provide annual reports related to its financial condition (including its audited financial statements) as well as notice of certain events relating to the Obligations specified in the Continuing Disclosure



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Certificates. The Agency must comply with the specific requirements of each Continuing Disclosure Certificate. The Agency’s Continuing Disclosure Certificates generally require that the annual reports be filed within 270 days after the end of the Agency’s fiscal year, and event notices are generally required to be filed within 10 days of their occurrence.

Specific events which require material event notices are set forth in each particular Continuing Disclosure Certificate.

The Treasurer shall be responsible for preparing and filing the annual reports and material event notices required pursuant to the Continuing Disclosure Certificates. Particular care shall be paid to the timely filing of any changes in credit ratings on Obligations (including changes resulting from changes in the credit ratings of insurers of particular Obligations).

8.0 SEC RULE 15c-2-12 REPORTING

Effective February 27, 2019, General Counsel, the General Manager, the Chief Financial and Administrative Office or the Agency Secretary, as applicable, will provide written notice to the Treasurer of receipt by the Santa Clarita Valley Water Agency (the “Agency”) of a notice of any default, event of acceleration, termination event, modification of terms (only if material or may reflect financial difficulties), or other similar events (collectively, a “Potentially Reportable Event”) received by the Agency under any agreement or obligation to which the Agency is a party and which may be a “financial obligation” as discussed below. Such written notice should be provided by General Counsel or the Agency Secretary, as applicable, to the Treasurer as soon as General Counsel or the Agency Secretary, as applicable, is placed on written notice by Agency staff, consultants, or external parties of such event or receives written notice of such event so that the Treasurer can determine, with the assistance of bond counsel, whether notice of such Potentially Reportable Event is required to be filed on EMMA pursuant to the disclosure requirements of SEC Rule 15c2-12. If filing on EMMA is required, the filing is due within 10 business days of such Potentially Reportable Event to comply with the continuing disclosure undertaking for the various debt obligations of the Agency.

General Counsel or other senior staff (ie. General Manager, Chief Financial and Administrative Officer, the Secretary, or other executive positions within the Agency), as applicable, will report to the Treasurer the execution by the Agency of any agreement or other obligation which might constitute a “financial obligation” for purposes of Rule 15c2-12 and which is entered into after February 27, 2019. Amendments to existing Agency agreements or obligations with “financial obligation” which relate to covenants, events of default, remedies, priority rights, or other similar terms should be reported to the Treasurer as well as soon as General Counsel or such other senior staff is placed on written notice by Agency staff, consultants, or external parties of such event or receives



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a written notice of such amendment requests. Notice to the Treasurer is necessary so that the Treasurer can determine, with the assistance of bond counsel, whether such agreement or other obligation constitutes a material “financial obligation” for purposes of Rule 15c2-12. If such agreement or other obligation is determined to be a material “financial obligation” or a material amendment to a “financial obligation” described above, notice thereof would be required to be filed on EMMA within 10 business days of execution or incurrence. The types of agreements or other obligations which could constitute “financial obligations” and which could need to be reported on EMMA are discussed in the memorandum from bond counsel attached hereto as Attachment 1.

(Originally Adopted April 2018)

ATTACHMENT 1

FINANCIAL OBLIGATIONS ON THE

AMENDMENT TO SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12

An amendment to Securities and Exchange Commission (the “SEC”) Rule 15c2-12 (the “Rule”) becomes effective as to underwriters of publicly offered municipal securities on February 27, 2019 (the “Effective Date”). As a result, we would expect that with respect to any debt offered publicly by the Santa Clarita Valley Water Agency (the “Agency”) or by the Upper Santa Clara Valley Joint Powers Authority (the “Authority”) on behalf of the Agency after the Effective Date to which the Rule applies, the Agency will be required to enter into a continuing disclosure undertaking pursuant to which it will agree to provide notice on the Electronic Municipal Market Access system (“EMMA”) of the incurrence of any “financial obligation” if material and will be obligated to disclose default on and certain other information with respect to any “financial obligation” regardless of when the financial obligation was incurred.

The Rule provides a general definition of a “financial obligation.” While the impetus for the proposed changes to the Rule was a perception by the SEC and others that municipal issuers were increasingly entering into bank or other private placement debt, the final amendment to the Rule defines “financial obligation” more broadly to include “a debt obligation, derivative instrument or a guarantee of either a debt obligation or a derivative instrument.”

To date the SEC has provided limited guidance on the specific application of the definition of “financial obligation”. The SEC release accompanying the final amendment does suggest a key concept is that a “financial obligation” involves the borrowing of money. In public comments representatives of the SEC have declined to provide a definition of a “guarantee” or a “debt” but did indicate that the SEC will not necessarily look to state law definitions of a “guarantee” or “debt”.

The Agency will need to monitor agreements or other obligations entered into by the Agency after the Effective Date, and any modifications to such agreements or other obligations, carefully to determine whether they constitute “financial obligations” under the Rule and, if material, would need to be disclosed on EMMA within 10 business days of execution or incurrence.

In addition, if the Agency receives a notice of default or an event of default or of an acceleration, termination event, modifications of or other similar event on any agreement or other obligation after the Effective Date, the Agency will need to determine whether such agreement or obligation constitutes a financial obligation (regardless of when originally incurred) and whether such default or other event reflects financial difficulty (i.e., reduction in overall liquidity, creditworthiness or debt owner’s rights).

Types of agreement or other obligations which are likely to be “financial obligations” under the Rule include:

- 1 Bank loans or other obligations which are privately placed;
- 2 State or federal loans;
- 3 Commercial paper or other short-term indebtedness for which no offering document has been filed on EMMA;
- 4 Letters of credit, surety policies or other credit enhancement with respect to the Agency’s publicly offered debt or the Authority’s publicly offered debt issued on behalf of the Agency;
- 5 Letters of credit, including letters of credit which are provided to third parties to secure the Agency’s obligation to pay or perform (an example of this is a standby

- letter of credit delivered to secure the Agency's obligations for performance under a mitigation agreement);
- 6 Capital leases for property, facilities, fleet or equipment; and
- 7 Agreements which guarantee the payment or performance obligations of a third party (regardless of whether the agreements constitute guarantees under California law).

Types of agreements which could be a "financial obligation" under the Rule include:

- 1 Payment agreements which obligate the Agency to pay a share of another public agency's debt service (for example, an agreement with a joint powers agency whereby the Agency agrees to pay a share of the joint powers agency's bonds, notes or other obligations);
- 2 Service contracts with a public agency or a private party pursuant to which the Agency is obligated to pay a share of such public agency or private party's debt service obligation (for example, certain types of P3 arrangements);
- 3 Water purchase, water banking or other similar agreements pursuant to which the Agency is obligated to pay amounts expressly tied to the other party's debt service obligations, regardless of whether service is provided or not (for example, the Agency's State Water Project contract); and
- 4 Water purchase, water banking or similar agreements which include a rate component that expressly passes through debt service or capital obligation of the other party.

Types of agreements which may be a "financial obligation" subject to the Rule include:

- 1 Any agreement the payments under which are not characterized as an operation and maintenance expenses for accounting purposes if such agreement could be characterized as the borrowing of money.

The above list is based on bond counsel advice as of January 28, 2019. The Treasurer will continue to work with General Counsel and bond counsel to refine the definition of financial obligation going forward based on future SEC guidance.



POLICIES, RULES AND REGULATIONS	
Title: DERIVATIVES POLICY	
Approval Date: April 2018	Effective Date: April 2018
Approved By: Board of Directors	DMS #14892

DERIVATIVES POLICY

1.0 INTRODUCTION

This policy has been developed to guide the Santa Clarita Valley Water Agency (Agency) in its use of derivative financing/interest rate risk mitigation products such as interest rate swaps and other such financing techniques. These derivative financing products can increase the Agency’s financial flexibility and provide opportunities for interest rate savings. The use of derivatives should be integrated into the Agency’s overall debt and investment management policy. Careful monitoring of such products is required to preserve the Agency’s credit strength and budget flexibility.

Derivatives will not be used to speculate on perceived movements in interest rates.

2.0 STATEMENT OF PURPOSE

2.1 PURPOSES FOR WHICH DERIVATIVES WILL BE USED

Derivatives can be structured differently, such as Interest rate swaps to create variable rate exposure through a fixed-to-floating interest rate swap or to create fixed rate exposure through a floating-to-fixed interest rate swap. In any situation, the Agency will only undertake such a financing product to achieve one or more of the following objectives:

- Derivatives may be used to lower interest expense of Agency debt, for a particular financing or for the overall debt portfolio.
- Derivatives may be used to reduce exposure to changes in interest rates.
- Derivatives may be used to achieve an appropriate asset/liability match.

2.2 PURPOSES FOR WHICH DERIVATIVES WILL NOT BE USED

- Derivatives may not be used for speculative purposes.
- Derivatives may not be used where they would create either extraordinary financial leverage or extraordinary financial risk.
- Derivatives may not be used if they present an extraordinary risk to the Agency’s liquidity to terminate the agreement due to unforeseen events, or
- Derivatives may not be used if there is insufficient price transparency to allow for fair market valuation.



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3.0 ANALYSIS OF RISK ASSOCIATED WITH DERIVATIVES

The Agency will evaluate all derivatives with respect to the unique risks they present. A specific determination must be made that the proposed or estimated benefits exceed the identified risks by an adequate margin over those available in the traditional cash market. The analysis will assess the risk associated with the following factors:

3.1 Amortization Risk for Interest Rate Swap Agreements

Amortization risk is defined as the mismatch of the expiration of the underlying obligation and its hedge, the swap agreements. Amortization risk is the possibility that, as the result of early redemption of the underlying variable rate bonds, the repayment schedule of the bonds differs from the underlying notional amount of the swap agreements. This risk will only arise if the Agency wants to redeem the variable rate bonds ahead of schedule. This is not expected for the Agency financings.

3.2 Basis Risk

Basis risk refers to the mismatch between the actual variable rate debt service and variable rate index used to determine the derivative payments. Different fixed income market indices will be evaluated as part of the analysis of an interest rate swap agreement. The analysis will identify the amount of basis risk that may result from various indices.

3.3 Credit Risk

Credit risk refers to the credit worthiness of the counterparty. The Agency will only enter into business with highly rated counterparties. The Agency will structure derivative agreements to protect itself from credit deterioration. The Agency will only enter into transactions with counterparties with a credit rating of AA (or equivalent) or better at the time of execution. In the event that the credit rating falls below AA (or equivalent) during the transaction, the derivative documentation shall include protections and remedies. At the time of execution, the Agency should negotiate credit enhancement, subject to market conditions, in the form of:

- Contingent swap counter party providing support
- One-way collateral
- Ratings downgrade triggers



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3.4 Counterparty Risk

Counterparty risk refers to the failure of the counterparty to make its required payments. This risk can be minimized by establishing strong minimum counterparty credit standards and diversifying the Agency’s exposure to counterparties.

3.5 Rollover Risk

Rollover risk refers to the potential need to find a replacement counterparty as part of the overall plan of finance if the interest rate swap does not extend to the final maturity of the underlying variable rate bonds. The rollover risk can be minimized through the initial plan of finance by not relying on the execution of future swap agreements.

3.6 Tax Events Risk

Tax events risk is defined as the risk created by potential changes to the Federal and State income tax codes on the interest rates to be paid by the Agency on its variable rate bonds. Tax events risk is a form of basis risk. The evaluation should analyze the potential impact of changes in marginal tax brackets as part of its analysis of basis risk.

3.7 Termination Risk

Termination risk refers to the possibility that, upon a default by the counterparty, the Agency may be required to make a large payment to the counterparty if the swap agreement is terminated prior to its scheduled maturity pursuant to its terms. For certain types of swaps, a payment by the Agency may be required if interest rates have fallen causing the market value of the remaining payments to be in favor of the counterparty.

4.0 INTEREST RATE SWAP FINANCING DOCUMENTATION

The Agency will use standard forms and documentation for derivatives. For interest rate swaps, the Agency will use the International Swaps and Derivatives Association (ISDA) swap documentation including the Schedule to the Master Agreement and a Credit Support Annex. The Agency derivative documentation should include the following terms:

- Downgrade provisions triggering termination of the swap should be bilateral.
- Governing law for swaps will be New York or California, but should reflect California authorization provisions.
- The specified indebtedness related to credit events in the master agreement should be narrowly drafted and refer only to specific debt and in no case provide recourse to the Agency.



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- Eligible collateral should be limited to Treasuries and Federal Agencies.
- Collateral thresholds should be set on a sliding scale reflective of credit ratings.
- Termination value should be set by “market quotation” methodology.

5.0 FINANCIAL CONSIDERATIONS

5.1 Savings Targets

Derivative transactions shall have higher savings targets, due to the greater complexity and higher risk. In calculating the prospective savings for implementing a fixed-to-variable swap, the cost of re-marketing, in addition to the cost of credit enhancement and liquidity fees must be added to the projected average variable rate. The specific targets are as follows:

- Financial transactions, using swaps or other derivative products, intended to produce the effect of a synthetic fixed rate transaction, must generate 8% or greater present value savings compared to standard fixed-rate bonds which have the same optional redemption features.
- The notional amount of all derivative financing products shall not exceed 15% of total Agency outstanding debt.

5.2 Reporting and Accounting

The Agency shall report derivative financing transactions in accordance with Governmental Accounting Standards Board and Financial Accounting Standards Board statements.

5.3 Derivative Procurement

The Agency shall use a professional advisor or designated swap representative (Swap Advisor) to assist in the assessment, structuring, and pricing of proposed or existing interest rate swap agreements. The Agency shall select a Swap Advisor as part of the financing team where a Swap is expected to be executed. The Swap Advisor must meet the following qualifications:

- (1) Has sufficient knowledge to evaluate the swap transaction and risks
- (2) Is not subject to a statutory disqualification
- (3) Is independent of the swap dealer or major swap participant
- (4) Undertakes a duty to act in the best interests of the Agency
- (5) Provides appropriate and timely disclosures to the Agency
- (6) Evaluates fair pricing and the appropriateness of the swap



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The Agency shall obtain an opinion from its Swap Advisor that the terms and conditions of any financial product entered into reflect a fair market value as of the execution date.

The General Manager is authorized to solicit derivative-proposals from firms that meet or exceed the following criteria:

- The derivative transaction provider shall have a credit rating of AA (or equivalent) or better from at least two nationally recognized credit rating agencies.
- The derivative provided shall have a demonstrated record of successfully executing derivative transactions and have a minimum capitalization of \$2 billion.

(Originally Adopted April 2018)

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POLICIES, RULES AND REGULATIONS	
Title: PURCHASING POLICY	
Approval Date: May 2020	Effective Date: May 2020
Approved By: Board of Directors	DMS #22046

PURCHASING POLICY

1.0 INTRODUCTION

This Purchasing Policy provides uniform procedures for acquiring goods, services and equipment for the operations of the Santa Clarita Valley Water Agency (SCV Water).

Staff will seek quotes from local vendors whenever feasible and will select local vendors when they provide the best product or service at the most favorable price. Requests for proposals, quotes, bids or other such processes may be advertised in the local newspaper, on the Agency's website and on other local websites, where appropriate.

2.0 STATEMENT OF PURPOSE

This Purchasing Policy authorizes the conditions under which the Chief Financial and Administrative Officer is authorized to release Agency funds. All purchases of goods, services and equipment to be paid for by the Agency must comply with the methods, authority and dollar limits set forth in this Purchasing Policy. This Purchasing Policy does not apply to non-discretionary operating expenditures including, but not limited to, utilities, payroll, employee benefits, water purchases, election costs, conservation rebates, reimbursable expenditures (such as grants or litigation settlements), deposit refunds, insurance and payroll taxes. Improvements or units of construction work are subject to the competitive bidding requirements of Public Contract Code, section 21530 et seq.

This Purchasing Policy does not supersede statutory law in existence at the time the Agency enters into a contract for the purchase of goods, services or equipment. California statutes that govern such contracts shall control to the extent they are in conflict with this Purchasing Policy.

3.0 AUTHORITY OF GENERAL MANAGER TO EXECUTE CONTRACTS

The Agency's General Manager is hereby empowered to execute contracts for the purchase of goods, services and equipment up to a limit of \$100,000 per transaction in accordance with Section 4.0. In times of his/her absence, the General Manager may delegate his/her power.

4.0 METHODS OF ACQUISITION - GENERAL RULES

Except as provided in Section 5.0, the following methods of acquisition shall be used in the circumstances indicated:

- 4.1 Items of less than \$30,000. The General Manager or designee, may acquire items, the cost or estimated cost of which does not exceed \$30,000 (excluding sales tax and delivery fees) in any single acquisition, from any vendor who, in the



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General Manager’s judgment, will provide the best product or service at the most favorable price.

4.2 Items of \$30,000 or more but less than \$100,000. The General Manager may acquire items, the cost or estimated cost of \$30,000 or more but less than \$100,000 (excluding sales tax and delivery fees) in any single acquisition, by requesting three (3) or more quotations from qualified vendors, and then purchasing the item from the responsible vendor whose product or service offers SCVWA the best value. The General Manager may consider quality and relevant factors other than price in reaching his/her decision as to what product or service to purchase. If fewer than three vendors or contractors are available, or if the product is not readily obtainable on the open market, or in the event of an emergency, this procedure shall be adjusted as required and the reasons for such adjustments shall be noted on the purchase records. If an acquisition is made pursuant to this Subsection and has a cost or is estimated to have a cost of more than \$50,000 and is not listed in the budget, the Board approval procedures established in Subsection (C) below shall apply.

4.3 Items of \$100,000 or more (excluding sales tax and delivery fees). Items, the cost or estimated cost of which equals or exceeds \$100,000 in any single acquisition (excluding sales tax and delivery fees), shall be submitted to the Board for approval before purchase. Once approved by the Board, the General Manager may acquire such items by requesting (3) or more quotations from qualified vendors, and then purchasing the item from the responsible vendor whose product or service offers the Agency the best value, in the sole and absolute discretion of the Board. If the item is (1) of a specified brand or type which is the only article which will properly meet the needs of the Agency, or (2) is not readily obtainable on the open market, or (3) is an item or service for which comparable quotations or bids cannot be secured, the determination of sole source must be approved by the Board.

5.0 METHODS OF ACQUISITION – SPECIAL RULES

- 5.1 The requirements of Section 4.0 shall not be applicable if:
- a. The item is a utility service such as telephone, power or other such item where the rates or prices therefore are fixed by legislation, government regulation or contract, or
 - b. The item is to be used in improvements or units of construction work subject to the competitive bidding requirements of Public Contract Code, section 21530 et seq.



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5.2 In the event of an emergency and a written finding by the General Manager that it is immediately necessary to purchase or contract for goods, services and equipment, and the emergency will not permit a delay resulting from complying with Section 4 or, if applicable, Public Contract Code Section 21531, the General Manager is authorized to make the required purchase(s) or enter into the required contract(s). The General Manager shall, report at the next meeting of the Board any such action involving a cost of more than \$30,000 and shall describe the emergency and the actual or probable impact on the Agency, the reasons justifying why the action is necessary to respond to the emergency, and why the emergency will not permit a delay resulting from compliance with Section 4 or, if applicable, Public Contract Code Section 21531.

In the case of any action subject to the requirements of Public Contract Code section 21531, the Board shall review any such action within 7 days of it being taken, or at its next regularly scheduled Board meeting if that meeting will occur not more than 14 days after the action, and at every regularly scheduled Board meeting thereafter until the action is terminated, to determine by a four-fifths vote that there is a need to continue the action, unless the General Manager has completed the action prior to the review by the Board. When the Board reviews the emergency action it shall terminate the action at the earliest possible date that conditions warrant so that the remainder of the emergency action may be completed by giving notice for bids to let contracts.

5.3 The Agency purchases goods or services in which: (1) a competitive purchasing procedure has been conducted by another public agency, including, but not limited to, another local agency, the State through the California Multiple Award Schedule (CMAS), the federal government through the General Services Administration (GSA), or a joint powers agency, authority or alliance that procures competitive contracts; and (2) the price to the Agency is equal to or better than the price to that public agency.

5.4 The Agency Board finds that the nature of the subject of the contract is such that competitive proposals would be unavailing or would not produce an advantage, and the advertisement for competitive bid would thus be undesirable, impractical, or impossible.

6.0 **MOTOR VEHICLES**

The State of California shall be used as the first source of supply for vehicle procurement. In the event the State does not offer the vehicle desired or a lower price can be found on the open market, Section 4.0 shall be in force. The General Manager shall report any vehicle purchase to the Board as soon as practical.



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7.0 ITEMS MANUFACTURED FOR SCV Water

When necessary, the Agency may contract for goods or equipment, which must be manufactured especially for the Agency and are not suitable for sale to others in the ordinary course of business. Such contracts may provide for progress payments for work performed and cost incurred, so long as not less than 5% of the contract price is withheld until after final delivery and acceptance of the supplies or equipment. Such contracts may also provide for a faithful performance bond in a sum determined by the Agency.

8.0 AUTHORITY OF GENERAL MANAGER AND CHIEF FINANCIAL AND ADMINISTRATIVE OFFICER TO MAKE DISBURSEMENTS

The General Manager and Chief Financial and Administrative Officer are hereby authorized to make all necessary disbursements in payment for goods, services and equipment contracted for pursuant to this Purchasing Policy. This disbursement authority is, however, subject to the Agency’s rules and procedures on checks exceeding \$30,000.

9.0 AUTHORITY OF GENERAL MANAGER TO EXECUTE CONSTRUCTION CHANGE ORDERS

The Agency’s General Manager is hereby empowered to bind the Agency by change order up to the total amounts identified below based on the original Contract amount.

<u>Original Contract Amount</u> Up to \$1,000,000	<u>Change Order Authority</u> \$20,000 or 5% of original contract amount, whichever is greater.
Greater than \$1,000,001	\$50,000 or 4% of original contract amount, whichever is greater.

The Board may grant different change order authority on a project-specific basis. Board approval is required for any and all change orders once the total amount of change orders reaches the specific level of authority given to the General Manager. The General Manager shall brief the appropriate Committee and the Board on the details of all final approved change orders.

10.0 PROFESSIONAL SERVICE CONTRACTS

Professional services are defined as unique, technical and/or infrequent functions performed by an independent contractor/vendor qualified by education, experience, certification and/or technical ability to provide services. Typical Agency services that are obtained through professional services contracts include engineering and design, construction and project management, land surveying, legal, finance, planning,



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environmental studies, legislative advocacy, public relations and outreach, organizational studies and strategic planning.

Professional services contracts shall be awarded based on demonstrated competence and on the professional qualifications necessary for the satisfactory performance of the services required, at fair and reasonable prices to the Agency. All professional service contracts or work authorizations in excess of \$100,000 annually shall be approved by the Board. The General Manager shall have the authority to approve changes in professional service contracts or work authorizations up to 10% (cumulative) of the amount authorized by the Board. When the General Manager makes such an increase, details of the changes shall be reported to the appropriate Committee and the Board as soon as practical. On an annual basis, the General Manager will present to an appropriate Committee a report of current professional services contracts, including name, service, amount, and expiration date. If the General Manager enters into a legal services agreement that exceeds \$30,000, the General Manager shall notify the Board as soon as practicable.

11.0 ENGINEERING SERVICES

Engineering services provided by consulting firms for the Agency include conducting evaluations, performing studies, preparing preliminary and final designs, preparing technical specifications, providing engineering support during construction, performing construction management and inspection, water resources and other miscellaneous services.

Engineering services will be performed by a pool of engineering consulting firms working under an on-call engineering services contract.

(A) Engineering Services Consultant Selection. Every four years, or more often if necessary, the Agency will request proposals from interested and qualified consulting engineering firms. Submitted proposals will be reviewed, and staff will recommend to the Engineering and Operations Committee and Board of Directors the qualified firms to provide Engineering services.

(B) Work Assignments. Engineering services will be provided by the selected consultants based on the firm's qualifications, experience, similar project experience, convenience, schedule, historical knowledge and overall cost. Scope of work, schedule, and compensation for each work assignment will be detailed in a specific Work Authorization.

When a specific project requires unique qualifications or a specialty service, as determined by the General Manager, the Agency may develop a specific selection



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procedure and select a consultant without regard to the pool of engineering consulting firms.

(C) Contract Duration. Each firm in the pool will be under contract to provide services for the four-year duration noted above. However, should a firm have a work authorization underway at the end of the four-year term, its work and its contract with the Agency will remain in effect until the completion of the work authorization.

12.0 **AUTHORITY OF GENERAL MANAGER TO APPROVE PLANS AND SPECIFICATIONS FOR ADVERTISING, ACCEPTANCE OF CONSTRUCTION PROJECTS, AND REVIEW CONSTRUCTABILITY OF CAPITAL IMPROVEMENT PROJECTS**

(A) The General Manager shall have the authority to approve plans and specifications prepared for advertising capital improvement projects for construction bids.

(B) The General Manager shall have the authority to accept construction projects and issue and record the Notice of Completion with the Los Angeles County Recorder's Office. Staff shall notify the Board of Directors each time the General Manager accepts a construction project.

(C) Constructability reviews shall be performed on all major capital improvement projects and other capital improvement projects, as appropriate, as determined by the General Manager or his designee.

13.0 **WORK AUTHORIZATIONS**

A written Work Authorization shall be executed to define scope, schedule, and budget for tasks or projects authorized under General Services Contracts. Staff will prepare and the General Manager or his designee is authorized to execute Work Authorizations where the value is \$100,000 or less, provided the item is listed in the budget. The Board of Directors shall approve Work Authorizations when the value is greater than \$100,000, provided the item is listed in the budget. If the item is not listed in the budget, the General Manager or his designee is authorized to execute Work Authorizations when the value is \$50,000 or less. If the item is not listed in the budget, the Board of Directors shall approve Work Authorizations when the value is greater than \$50,000. Approval by the Board shall be in accordance with its customary procedures. The General Manager shall have the authority to approve changes in Professional Services Contracts or Work Authorizations up to ten percent of the Amount authorized by the Board of Directors. When the General Manager approves such an increase, details of the change shall be reported to the Board of Directors at its next meeting. An appropriate Committee, as determined by the Board of



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Directors, shall review contracts as needed to determine if the terms still meet the requirements and needs of the Agency or if the contracts should be modified.

14.0 **AUTHORITY OF GENERAL MANAGER TO ENTER INTO THIRD PARTY FUNDED DESIGN AND/OR CONSTRUCTION CONTRACTS**

The General Manager shall have the authority to enter into design agreements and/or construction contracts where the value is more than \$100,000 that are solely funded by third parties (i.e. private developers, The City of Santa Clarita, Los Angeles County, etc.) provided that funds have been deposited with the Agency prior to the execution of the design agreement and/or construction contract. Details of such agreements and contracts shall be reported to the appropriate Committee and the Board of Directors.

15.0 **PROCUREMENT POLICY FOR FEDERAL GRANTS**

Organizations receiving federal funds are subject to the procurement guidelines of the Uniform Guidance (UG), formally 2 C.F.R 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Projects seeking federal grant funding will follow the UG procurement standards.

(Originally Adopted January 2018)

(Revised February 2018; September 2019; December 2019 and May 2020)

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POLICIES, RULES AND REGULATIONS	
Title: CAPITALIZATION POLICY FOR FIXED ASSETS	
Approval Date: December 2020	Effective Date: December 2020
Approved By: Board of Directors	DMS #23950

CAPITALIZATION POLICY FOR FIXED ASSETS

1.0 INTRODUCTION

The Santa Clarita Valley Water Agency (SCV Water) Capitalization Policy is intended to promote good accounting and financial reporting. The policy allows SCV Water to accurately account for and report capital assets in financial reports issued to external reporting agencies, granting agencies and the public. The policy provides specific guidance to determine which capital assets are subject to separate accounting and reporting (i.e., Capitalization).

2.0 STATEMENT OF PURPOSE

In general, all capital assets, including land, buildings, machinery and equipment, with an original cost of \$5,000 or more, and with economic lives greater than one year, are considered fixed assets and will be capitalized for accounting purposes. All costs associated with the purchase or construction should be considered, including ancillary costs such as freight and transportation charges, site preparation expenditures, professional fees, and legal claims directly attributable to asset acquisition.

2.1 Specific Capitalization Requirements

For purposes of capitalization, the threshold will generally not be applied to components of capital assets. For example, a keyboard, monitor and central processing unit purchased as components of a computer system will not be evaluated individually against the capitalization threshold. The entire computer system will be treated as a single capital asset.

Repairs to existing capital assets will generally not be subject to capitalization unless it extends the useful life of the asset. In this case, it represents an improvement and is subject to the requirements described below.

A group purchase of items which are individually below the \$5,000 capitalization threshold may still qualify for capitalization. If the items are similar in nature, they qualify as a fixed asset, and in total they exceed the \$5,000 capitalization threshold, then they should be capitalized. An example is a purchase of 100 meters which cost \$500 each – the meters would be capitalized because they qualify as a fixed asset (useful life of greater than 1 year), they are similar in nature, and in total the value exceeds \$5,000.

Assets will be capitalized as a unit. Assets will not be recorded for individual items, unless the project costs are defined. An example is construction of a booster station that includes pumps, motors, electrical, structures, etc. If the



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separate costs are not defined, the total project cost will be capitalized as one unit.

Staff training, on new Capital Assets, should not be capitalized.

2.2 Improvements to Capital Assets

Improvements to existing capital assets will be presumed (by definition) to extend the useful life or increase the capacity or performance of the related capital asset and, therefore, will be subject to capitalization if the cost of the improvement meets the \$5,000 threshold. An improvement to a capital asset that had an original cost of less than \$5,000, but now exceeds the threshold as a result of the improvement completed within the same fiscal year as the original purchase, should be combined as a single asset at the total cost (original cost plus the cost of the improvement) and capitalized.

2.3 Capital Projects

Capital projects under construction will be capitalized as Construction-In-Progress until they are at least 90% complete, or the project is operational and placed in use, or the construction has been certified as substantially complete. Costs to be capitalized include direct costs, such as labor and materials, as well as ancillary costs. SCV Water adopted GASB 89, therefore construction period interest costs are no longer capitalized; they are to be expensed in the period incurred.

2.4 Depreciation

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Depreciation will be calculated when the project is operational and placed in use, or the construction has been certified as substantially complete beginning with fiscal year 2021. Depreciation will be posted monthly.



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Depreciation lives (years) will be as follows:

Franchise & Consents	20
Other Intangible Plant	20
Organizational Costs	33
Structures & Impr (Wells)	30
Wells	30
Structures & Impr (Pumping Plant)	30
Pumping Equipment	20
Castaic Turnout - Regional	50
Other Pumping Equipment (Disinfection)	30
Water Treatment Equipment	30
Treatment Structures	35
Treatment Plant - Regional	50
Structures & Impr (Reservoirs & Tanks)	30
Reservoirs & Tanks	50
Transmission & Distribution Mains	50
Fire Mains	50
Services	30
Meters	20
Meter Installations	20
Hydrants	30
Other Transmission & Distribution Plant	35
Structures & Impr (General)	40
Computer Equipment - Hardware	5
Computer Equipment - Software	5
Office Furniture & Equipment	10
Vehicles	10
Stores Equipment	10
Lab Equipment	5
Communications Equipment	7
Power Operating Equipment	10
Tools, Shop & Garage	10
Other General Plant	8
Sewer Plant	51
Sewer Lift Stations	50
Maintenance Facility	30
Lighting and Roads	25
Fencing	15

(Originally Adopted May 2018; revised December 2020)

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POLICIES, RULES AND REGULATIONS	
Title: WIRE TRANSFER POLICY	
Approval Date: May 2018	Effective Date: May 2018
Approved By: Board of Directors	DMS #14895

WIRE TRANSFER POLICY

1.0 INTRODUCTION

The Board of Directors of the Santa Clarita Valley Water Agency (Agency) recognizes that the trend towards electronic payments and collections is increasing every year due to the efficiencies and effectiveness of these transactions. It is the policy of the Agency that it will receive and disburse funds through electronic fund transfers otherwise known as “wire transfers”.

2.0 STATEMENT OF PURPOSE

The purpose of this policy is to outline the policy and procedure on wire transfers.

2.1 Procedures

The Agency will designate authorized representatives that have authority to approve wire transfers. The following employees and Agency Officers are designated as authorized representatives for all Agency divisions:

- General Manager
- Assistant General Manager
- Chief Finance and Administrative Officer
- Director of Finance and Administration
- Controller
- President of the Board of Directors
- Vice-Presidents of the Board of Directors (2)

In addition, the following authorized representatives have authority to approve wire transfers for only the specific Agency division indicated:

Retail Administrative Officer – Santa Clarita Water Division

The Treasurer may delegate additional authority to employees to initiate a wire (but not approve a wire).

All out-going wire transfers shall be documented with a signed Wire Transfer Form. Wire amounts greater than \$25,000 shall require two signatures. Non-repetitive wire amounts of more than \$1 million will require the approval of either the President or the Vice-President of the Board of Directors. Repetitive wires of more than \$1 million, including but not limited to investments, utilities, payroll, employee benefits, water purchases, election costs, insurance and payroll taxes, do not require the approval of a Board officer.



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An authorized representative cannot initiate and approve the same wire transfer; another authorized representative must perform one of these tasks. Terminal-initiated wires, both repetitive and non-repetitive, must be approved by a second-level approval online, in order to release the payment instructions. Telephone-initiated, non-repetitive wire transfers shall be approved with the Wire Transfer Form which requires two signatures.

(Originally Adopted May 2018)

GLOSSARY

Accounts Receivable: The Agency extends credit to customers in the normal course of operations. Management deems all accounts receivable as collectible at fiscal year-end. Retailers extend credit to customers in the normal course of operations. Management deems at least 99% of all accounts receivable as collectible at fiscal year-end.

Accrual: The basis of accounting in which revenues are recognized as soon as they are earned. Expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows.

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

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

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

Agency: Refers to Santa Clarita Valley Water Agency (SCV Water).

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

Alternative Water Resources Management (AWRM): A program that will attempt to achieve a total daily maximum load for chloride in the Santa Clara River by blending high chloride and low chloride waters. The Agency has signed a MOU and is helping the Sanitation District (the lead agency) implement the plan.

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

Appropriation: An amount of money in the budget authorized for expenditure or obligation within organizational units for specific purposes.

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

Arbitrage: the simultaneous buying and selling of securities, currency or commodities in different markets or in derivative forms in order to take advantage of differing prices for the same asset.

Assessed Valuation: An official government value placed upon real estate or other property as a basis for levying taxes.

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

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

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

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

Audit: An audit is the process of evaluation or analysis of something to determine its accuracy. Governmental audits are typically performed by independent Certified Public Accountants. Financial statement audits are designed to provide users of financial statements with assurance on their reliability. Auditing is important in public sector finance and is essential to the credibility of government financial reporting.

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

Backbone: Refers to all infrastructure necessary to deliver recycled water into the distribution system.

Balanced Budget (General Fund – Operating): A balanced budget is a basic budgetary constraint intended to ensure that a government does not spend beyond its means for a specific period.

Board of Directors: The governing body of the Santa Clarita Valley Water Agency (SCV Water). The Agency is divided into three elective divisions; the governing board is currently made up of 13 members.

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

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

Buena Vista Water Storage District (BVWSD): The Agency acquires 11,000 acre-feet (AF) of water supply per year for a 30-year period from the BVWSD.

California Aqueduct: The main conveyance facility of the State Water Project which brings water via a series of pumping plants from northern California to the Bay Area, San Joaquin Valley, Central Coast area and Southern California.

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

Delta Conveyance: Formerly known as California Water Fix and the Bay Delta Conservation Plan (BDCP), it is one part of the California Water Action Plan to bolster self-sufficiency, reduce consumption, improve water management, and reduce dependence on the Delta to meet future needs. It is the product of decades of deliberation and the evolution of California's twin goals of protecting and securing water resources to meet growing demand, while maintaining a healthy environment.

Capacity Fees: Fees imposed when a customer requests a new service connection. The Capacity Fee funds (also referred to as Expansion Fund or Connection Fees) are used by the Agency to plan, design and construct new facilities to support the additional demand placed on the water system by new and future service connections.

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

Capital Improvement Plan (CIP): A long-range plan of the Agency for the construction, rehabilitation and modernization of the Agency-owned and operated infrastructure.

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

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

Castaic Lake Water Agency (CLWA): A former entity of SCV Water. The Castaic Lake Water Agency, formerly known as the area's wholesaler, imported water from the State Water Project that is used to supplement the local retailers' groundwater supply. CLWA acquired SCWD in 1999, and, along with VWC and NWD, merged into SCV Water in January 2018 by an act of legislation, SB 634.

Castaic Lake Water Agency Financing Corporation: A corporation the former CLWA formed in 1990 to issue Certificates of Participation, now known as SCV Water Financing Corporation.

Catalytic Project: High leverage, high impact activity, project or program which will achieve the greatest positive impact on the performance measures. A catalytic project may also be a collection of programs and activities.

ccf: The ccf is the standard rate of billing for retail water service. One ccf is equal to 100 cubic feet of water, which is equal to 748 gallons of water.

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

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

Collateralization: Occurs when a borrower pledges an asset as recourse to the lender in the event that the borrower defaults on the initial loan.

Commodity Charge: A charge per ccf that includes retail water usage charges and pass-through charges for purchased water.

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

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

CSMFO: California Society of Municipal Finance Officers.

Customer Class: Retail divisions have three customer class categories: Residential, Industrial and All Others.

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

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

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

Depreciation: Reduction in value of an asset with the passage of time, due in particular to wear and tear.

Derivative: A financial security with a value that is reliant upon or derived from an underlying asset or group of assets; a benchmark.

Developer: A person or entity that invests in and develops potentialities of real estate, especially by subdividing the land into home sites and then building houses and selling them.

Developer Refundable Deposit: Initial funds received from developers to do engineering studies and construction related to a retailer's water system for their specific development. Any unused amount is refundable.

Devil's Den Ranch: Agricultural land in Kern and Kings Counties that the Agency owns and operates.

Devil's Den Water District: A California Water District in Kern and Kings Counties (the Agency is the primary landowner).

Disbursements: Payments made on obligations.

Earl Schmidt Filtration Plant (ESFP): One of two treatment plants operated by SCV Water.

Earl Schmidt Intake Pumping Station (ESIPS): SCV Water pumping station that pumps water up to the ESFP.

EIR: Environment Impact Report prepared in compliance with the California Environmental Quality Act.

EIS: Environmental Impact Statement prepared in compliance with the National Environmental Protection Act.

Enterprise Fund: A fund established to account for operations that are financed and operated in a manner similar to business enterprises where (1) the intent of the governing body is that costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) the governing body or higher governmental authority has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control and accountability for other purposes.

Equipment: The purchase, replacement, maintenance and upgrading of equipment essential to supporting administrative and service needs with a cost of \$5,000 or more.

Equipment Purchases: The purchases of office equipment, furniture, automobiles, trucks, pumps, shop equipment and other items.

Expenditure: An amount of money disbursed or obligated. Expenditures include current operating expenses and capital improvements requiring the present or future use of net current assets and the current year portion of debt service.

FICA: Federal Insurance Compensation Act.

Finance and Administration Committee: A committee of the Board of Directors consisting of six Board members, that meets monthly to discuss finance, administration, budget and rate issues for regional and retail functions.

Financial Management Information System (FMIS): An accounting software that records and processes accounting transactions.

Fiscal Year: The timeframe in which the Budget applies. This is the period from July 1 through June 30 of the following year.

Fixed Assets: Long-term tangible assets that have a normal use expectancy of more than three years and do not lose their individual identity through use. Fixed assets include buildings, equipment and improvements other than buildings and land.

Fund: A set of accounts used to account for a specific activity, such as a water enterprise fund. A fiscal and accounting entity with a self-balancing set of accounts, recording cash and other financial resources, together with all related liabilities and changes in these assets and liabilities.

Fund Balance: Fund equity in governmental funds. The difference between the assets and liabilities equal the fund balance. The current funds on hand, resulting from historical collection and use of monies. The difference between assets and liabilities reported in the Operating Fund, plus residual equities or balances or changes therein, from the results of operations.

General Fund: Fund used to account for and report all financial resources not accounted for and reported in another fund.

General Obligation Bonds: Bonds, the payment for which the full faith and credit of the issuing government are pledged.

Generally Accepted Accounting Principles (GAAP): Uniform minimum standards of, and guidelines for, external financial accounting and reporting. They govern the form and content of the basic Financial Statements of an entity. The responsibility for setting GAAP for state and local governments rests with the Governmental Accounting Standards Board (GASB).

Geographic Information System (GIS): GIS is a system designed to capture, store, manipulate, analyze, manage and present all types of geographically referenced data.

GFOA: Government Finance Officers Association of the United States and Canada.

Goal: A description of a desired end state, condition or outcome expressed in qualitative terms.

Governmental Accounting Standards Board (GASB): The organization that sets the standards of state and local governmental accounting and financial reporting that will result in useful information for users of financial reports. and guide and educate the public, including issuers, auditors, and users of those financial reports.

Governmental Fund: Fund category used to account for tax-supported (governmental) activities. These are the funds through which most governmental functions typically are financed.

Grant Administration: Grant funds that are used only for intended purposes and are subject to Single Audit requirements (OMB Super Circular – Subpart F of the federal Uniform Grant Guidance).

Integrated Regional Water Management (IRWM): A collaborative, stakeholder-driven process to integrate planning and implementation efforts and facilitate regional cooperation with the goals of reducing water demands, improving operational efficiency, increasing water supply, improving water quality and promoting resources stewardship over the long term. The Upper Santa Clara River IRWM plan, adopted in July 2008 (and updated February 2014), examines current and future water-related needs, identifies regional objectives for water-related resource management, develops strategies to address identified needs and then evaluates and offers

various projects to meet the regional objectives.

Integrated Regional Water Management Plan (IRWMP): A plan for upper Santa Clara River watershed management that was adopted in July of 2008. The Agency is a stakeholder and on the Regional Water Management Group, which leads the IRWMP effort. The IRWMP is critical for identifying programs for possible state grant funding under Propositions 50, 84, and 1.

Interfund Loan: Payments from SCWD and VWD to SCV Water.

Internal Control: Agency management is responsible for the establishment and maintenance of internal control structure that ensures that the assets of the Agency are protected from loss, theft or misuse. The internal control structure also ensures that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

LAIF: Local agency investment fund.

Los Angeles County Waterworks District No. 36. (LACWD No. 36.): A retail purveyor of SCV Water.

Major Capital Improvement Projects: Projects associated with the expansion of service due to growth or increase in demand which cost more than \$250,000.

Major Capital Project: The acquisition of land, facilities, works, improvements and supplies of water; and enhancements or enlargements to existing capacity and facilities for obtaining, importing, transporting and delivering additional quantities of water. Major capital projects are typically included in the Agency's Capital Improvement Program and Data Document, and cost more than \$500,000.

Major Fund: Funds whose revenues, expenditures/expenses, assets or liabilities are at least 10 percent of the total for their fund category (governmental or enterprise), and 5 percent for the aggregate of all governmental and enterprise funds in total.

Materials and Supplies: Cost of the various materials and supplies purchased to operate and maintain the Agency. Examples of supplies include office, computer, engineering, janitorial and gardening. Materials include glass, lumber, concrete, painting and small tools.

Meter Service Charge: A monthly charge for water availability based on meter size.

Minor Capital Improvement Projects: Projects associated with the expansion of service due to growth or increase in demand that cost \$250,000 or less.

Minor Capital Project: Minor capital projects include the acquisition of land, facilities, works and improvements, enhancements or enlargements to existing capacity and facilities. Minor capital projects take less time to develop and are not generally included in the Agency's Capital Improvement Program. Minor capital projects cost \$500,000 or less.

Modified Accrual Basis of Accounting: The basis of accounting under which revenues are recognized when they become "susceptible to accrue," (i.e., measurable and available to finance expenditures of the current period). The Agency considers property taxes to be available and subject to accrual if they are levied for and due within the fiscal year and collected

within 60 days after fiscal year end. Expenditures are recorded when the liabilities are incurred, except that principal and interest payments on general long-term debt are recognized as an expenditure when due.

Newhall Water District (NWD): One of the four SCV Water retail divisions, formerly known as Newhall County Water District.

Objective: A description of the result that is expected to be achieved. An objective is time specific and measurable. Fiscal year objectives are the yearly organizational levels of achievement expected.

Operating Budget: The normal, ongoing operating costs to operate the Agency, including salaries, employer expenses, professional and outside services, and other operating expenses.

Other Post-Employment Benefits (OPEB): Post-employment benefits that an employee will begin to receive at the start of retirement. OPEB does not include pension benefits paid to the retired employee.

Perchlorate: Compounds used in the manufacturing of explosives, munitions and rocket fuel.

Performance Measurement: A qualitative or quantitative indicator of successful goal attainment. A “good” performance measure is a reasonable approximation or representation of goal attainment. The performance measure cited should also be one that the Agency can affect, gather data on and measure.

Planning and Engineering Committee: A committee of the Board of Directors consisting of five Board members that meets monthly to discuss planning and engineering issues affecting regional and retail functions.

Potable Water: Water that meets the drinking water standards of the US Environmental Protection Agency.

Public Employees Retirement System (PERS). An agent, multiple-employer, public retirement system to which the Agency contributes that acts as a common investment and administrative agent for participating public entities within the State of California.

Public Employees’ Pension Reform Act (PEPRA): In September 2012, the legislature passed and the Governor signed into law the “California Public Employees’ Pension Reform Act of 2013” (PEPRA) (Government Code Sections 7522, *et seq.*): PEPRA limits the pension benefits offered to new employees and increases flexibility for employee and employer cost sharing for current employees:

Purchased Water: Water purchased from the regional division to supplement the retail divisions’ groundwater supplies.

Recycled Water: Beneficial use of treated wastewater for such planned uses as irrigation, industrial cooling, recreation, groundwater recharge, environmental enhancement, and other uses permitted under California law.

Redundancy: A fail-safe in the water distribution system to ensure continued service when a critical portion of the water system is out of service due to unforeseen conditions.

Regional: A term, formerly known as “wholesale,” used to describe a combined source of imported water, recycled water and groundwater.

Reliability: Providing a consistent level of water.

Repair and Replacement: Minor changes or additions to existing Agency-owned grounds or buildings and the electrical, lighting, plumbing, air conditioning or heating systems contained therein, which correct unsafe or unhealthful working conditions, increase operating efficiency, promote improved service to the public, and provide for the installation of equipment and security devices.

Repair and Replacement Projects: Any repair or replacement to the existing water infrastructure that extends the life a minimum of five years or more and costs \$5,000 or more.

Replacements: Projects related to replacement of existing infrastructure.

Revenue: Income generated by taxes, notes, bonds, investment income, land rental, user charges and water rates.

Rio Vista Intake Pumping Station (RVIPS): SCV Water pumping station that supplies water to the RVWTP.

Rio Vista Water Treatment Plant (RVWTP): One of two treatment plants operated by SCV Water.

Rosedale-Rio Bravo Water Storage District (RRBWS): The Agency participates in the Groundwater Banking Program through RRBWS which 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.

Santa Clarita Valley Sanitation Districts (SCVSD): The public agency tasked with managing wastewater in the Santa Clarita Valley including the conversion of said wastewater into recycled water for further beneficial use.

Santa Clarita Water Division (SCWD): One of SCV Water’s retail divisions. Santa Clarita Water Company was acquired by the Agency in 1999.

Saugus Formation: The deep aquifer that underlies the Alluvial Aquifer.

Semitropic Water Storage District (SWSD): The Agency participates in the Groundwater Banking Program through SWSD which includes two short-term accounts that distribute excess State Water Project Table A water.

Service Charge: A flat monthly charge based on the meter size to cover the cost of reading, billing, maintaining meters and services.

Services: The normal, ongoing operating costs incurred to operate the Agency. Examples include repair, maintenance, auditing, security and engineering.

Southern California Edison (SCE): The primary electricity supply company for most of Southern California.

Southern California Water Committee, Inc. (SCWC): A nonprofit, nonpartisan, public education partnership dedicated to informing Southern Californians about our water needs and our state's water resources. The Agency is a member of SCWC.

State Water Project (SWP): A water development and distribution system owned and operated by the State of California Department of Water Resources, which transports water from northern California. It entails the operation and maintenance of the collection and transportation facilities.

State Water Resources Control Board (SWRCB): Also known as the State Water Board. Along with the nine Regional Water Quality Control Boards, the SWRCB is tasked with preserving California's water resources and drinking water for the protection of the environment, public health, and all beneficial uses, and to ensure proper water resource allocation and efficient use, for the benefit of present and future generations. The SWRCB plays a key role in the State's response to current drought conditions.

Strategic Goal: A discrete aim for future achievement that is necessary to meet a component of the Agency's mission.

Strategic Plan: A long-term plan defining the Agency's mission, goals, objectives and implementing actions.

Strategy/Tactic/Action/Program/Project/Activity: Means by which we will achieve an objective and move towards a goal. A tactic is a specific action whereas a strategy is a broader concept to gain leverage and solve a problem.

Studies and Administration: Expenses related to planning, feasibility studies and other non-recurring reports, evaluations or tests.

Supervisory Control and Data Acquisition (SCADA): The Supervisory Control and Data Acquisition system collects operational data from remote units to monitor and control water and facilities throughout SCV Water's service area.

Total Budget: The sum of the total operating budget, debt service, water purchases and total capital budget requests.

Total Capital Budget: The total budget requests for equipment purchases and construction projects.

Treated Water: Water treated at the Agency's ESFP and RVWTP and delivered to retail divisions.

Upgrades: Projects related to the repair or refurbishment of existing infrastructure.

Upper Santa Clara Valley Joint Powers Authority (USCVJPA): A joint exercise of powers between the former Castaic Lake Water Agency, now successor agency SCV Water, and the Devil's Den Water District.

Urban Water Management Plan (UWMP): A water management planning document required by the “California Urban Water Management Planning Act.” This Plan provides a description of supplies and demands for existing and future conditions over a 20-year time horizon.

Utilities: This includes gas, electricity, water, sewer, sanitation, and telephone service.

Utility Billing System (UB): Billing software system for utilities usually combined with a Customer Information System (CIS).

Valencia Water Division (VWD): One of SCV Water’s retail divisions, formerly known as Valencia Water Company (VWC).

Water Conservation / Water Use Efficiency: Encompasses the policies, strategies and activities made to manage fresh water as a sustainable resource, to protect the water environment and to meet current and future demand.

Water Master Plan: An engineering study that recommends and prioritizes capital improvements based on long-range planning efforts through analysis and assessment of the capacity of existing and planned infrastructure, with respect to established design criteria.

Water Purchases: Water purchased from the Department of Water Resources.

Water Rates: Retail water rates charged to SCV Water customers. The water rates consist of two main components: a fixed monthly Service Charge and a variable water usage Commodity Charge. The Service Charge rates vary based on meter size, whereas the Commodity Charge is based on the amount of water used in ccf.

Water Resources and Outreach Committee: A Committee of the Board of Directors consisting of five Board members that meets monthly to discuss water resource issues and outreach efforts.

Water System: The whole and each part of the water system of SCV Water, comprising all facilities for the supply, storage, treatment and distribution of water, together with all additions, extensions and improvements to such system.

Water Use Efficiency Strategic Plan (WUESP): A comprehensive long-term conservation plan for the Santa Clarita Valley which provides objectives, policies and programs designed to promote proven and cost-effective conservation practices. The plan was first adopted in 2008 and subsequently updated in 2015.

Weather-based Irrigation Controller (WBIC): An irrigation controller that adjusts watering patterns based on real-time weather conditions.

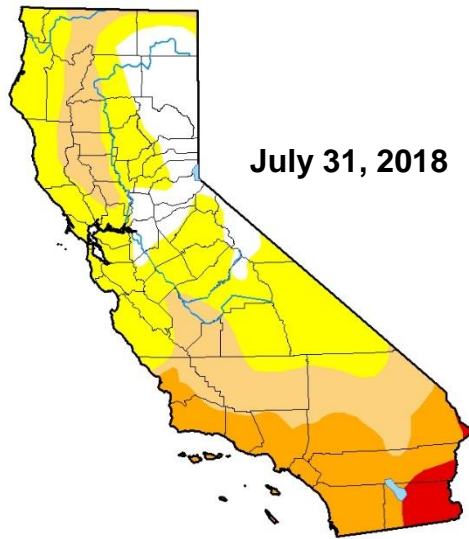
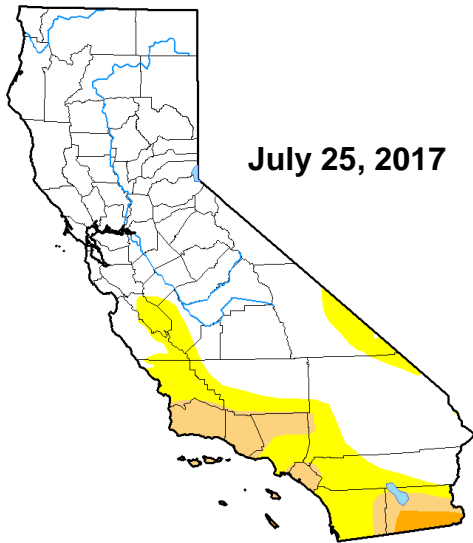
BUDGET ACRONYMS

AB	Assembly Bill
ACFR	Annual Comprehensive Financial Report
ACWA	Association of California Water Agencies
ACWA/JPIA	Association of California Water Agencies/Joint Powers Insurance Authority
ACOE	U.S. Army Corps of Engineers
Act	California Urban Water Management Planning Act
AF	acre-foot/acre-feet
AFY	acre-feet per year
Agency	Santa Clarita Valley Water Agency (SCV Water)
AWRM	Alternative Water Resources Management Program
AWWA	American Water Works Association
AWWARF	American Water Works Association Research Foundation
BDCP	Bay Delta Conservation Plan
BMPs	Best Management Practices
BO	Biological Opinion
BOD	Board of Directors
BVWSD	Buena Vista Water Storage District
CCF	One Hundred Cubic Feet
CCR	Consumer Confidence Report
CEQA	California Environmental Quality Act
CESA	California Endangered Species Act
CIP	Capital Improvement Plan
CLWA	Castaic Lake Water Agency
COLA	Cost-of-Living Adjustment
COPs	Certificates of Participation
CSMFO	California Society of Municipal Finance Officers
CPI	Consumer Price Index
CVP	Central Valley Project
DBP	Disinfection by-products
D/DBP	Disinfectants and Disinfectant By-Products
DDW	Division of Drinking Water
Delta	Sacramento-San Joaquin Delta
DFW	California Department of Fish and Wildlife
DHS	California Department of Health Services
DOF	Department of Finance
DPH	Department of Public Health
DTSC	Department of Toxic Substances Control
DWR	Department of Water Resources
Edison	Southern California Edison
EIR	Environmental Impact Report
EIS	Environmental Impact Statement
EPA	Environmental Protection Agency
ESA	Endangered Species Act
ESFP	Earl Schmidt Filtration Plant
ESIPS	Earl Schmidt Intake Pump Station
ETo	evapotranspiration
FEMA	Federal Emergency Management Agency
FWS	United States Fish and Wildlife Service
GAAP	Generally Accepted Accounting Principles

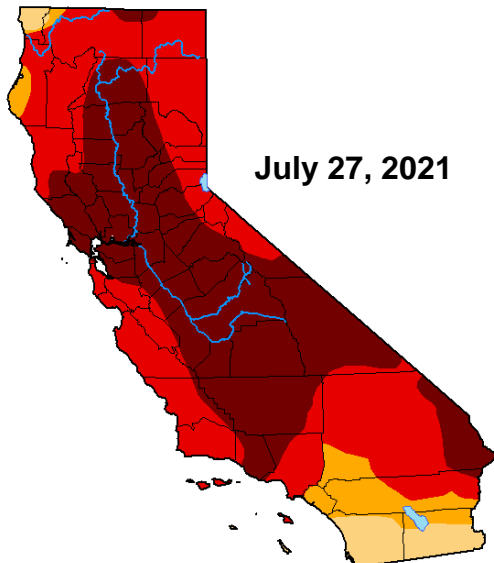
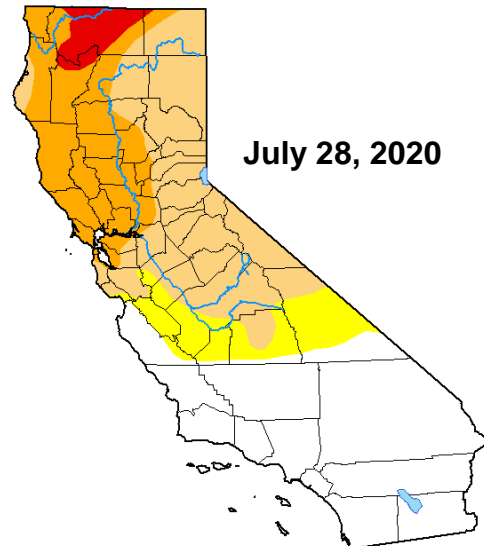
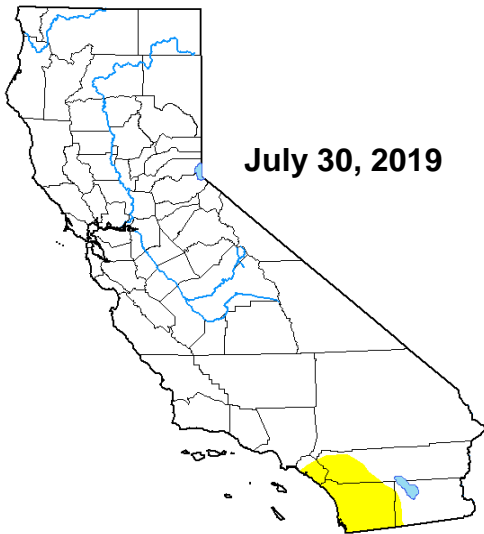
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association
GPCD	gallons per capita per day
GPD	gallons per day
GPM	gallons per minute
GWMP	Groundwater Management Plan
IRWMP	Integrated Regional Water Management Plan
IT	Information Technology
KCWA	Kern County Water Agency
L.A. Co. WWD #36	Los Angeles County Water Works District #36
LACDRP	Los Angeles County Department of Regional Planning
LACSD	Sanitation Districts of Los Angeles County
LADWP	Los Angeles Department of Water and Power
LAIF	Local Agency Investment Fund
Metropolitan	Metropolitan Water District of Southern California
MAF	Million Acre-Feet
MG	Million Gallons
MGD	Million Gallons per Day
<i>mg/l</i>	milligrams per liter
MOU	Memorandum of Understanding
NCWD	Newhall County Water District
NEPA	National Environmental Protection Act
NMFS	National Marine Fishery Service
NPDES	National Pollutant Discharge Elimination System
NWD	Newhall Water Division
O&M	Operations and Maintenance
OMB	Federal Office of Management and Budget
OVOV	One Valley One Vision
PFAS	Per- and polyfluoroalkyl substances
PUC	California Public Utilities Commission
RWQCB	Regional Water Quality Control Board
RVIPS	Rio Vista Intake Pump Station
RVWTP	Rio Vista Water Treatment Plant
RRB	Rosedale-Rio Bravo
RRBWS	Rosedale-Rio Bravo Water Storage District
SB 634	Senate Bill 634
SBX7-7	Senate Bill SBX7-7
SCV Water	Santa Clarita Valley Water Agency
SCVGSA	Santa Clarita Valley Groundwater Sustainability Agency
SCVWUESP	Santa Clarita Valley Water Use Efficiency Strategic Plan
SCWC	Southern California Water Committee
SCWD	Santa Clarita Water Division
SGMA	Sustainable Groundwater Management Act
SPTP	Saugus Perchlorate Treatment Plant
SWP	State Water Project
SWRCB	State Water Resources Control Board
SWSD	Semitropic Water Storage District
TDS	Total Dissolved Solids
TMDL	Total Maximum Daily Load
USCR	Upper Santa Clara River
UWMP	Urban Water Management Plan
VWD	Valencia Water Division
Valley	Santa Clarita Valley

California Drought Monitor

Pictured: Graphics of the same week over the past 5 consecutive years from the drought monitor of the National Drought Mitigation Center depicting California's ongoing drought cycles.



U.S. Drought Monitor
California



Intensity:



The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

Authors:
Richard Heim, Chris Fenimore, Brad Rippey and Curtis Riganti



<http://droughtmonitor.unl.edu/>

The U.S. Drought Monitor is jointly produced through a partnership between the National Drought Mitigation Center at the University of Nebraska-Lincoln, the United States Department of Agriculture, and the National Oceanic and Atmospheric Administration. Map courtesy of NDMC-UNL. Used with permission.

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**DROUGHT
READY SCV**

2021 DROUGHT FACTS

We've saved before and we can do it again, SCV!

Let's work together to preserve Mother Nature's finest resource: H2O.

ABOUT THE 2021 DROUGHT



Los Angeles County, including the Santa Clarita Valley, is in an “exceptional drought,” and it’s set to be the driest year on record. Our governor has also declared a drought emergency for most counties across the state and is calling on all Californians to voluntarily reduce their water use by 15% compared to 2020.

SCV WATER IS DROUGHT-READY



Through the years, SCV Water has invested in a diverse water portfolio and strategies for drought-resilient water supplies.

- A **Water Shortage Contingency Plan** proactively ensures adequate water supplies in the event of a shortage caused by a drought, earthquake, fire or other catastrophic event.
- Our **Groundwater Sustainability Plan** and **Urban Water Management Plan** direct long-term resource planning to guarantee water supplies are available to meet future water needs.
- Participation in “**water banking**” means we have supplies stored and available in underground aquifers in Kern County, ready to withdraw in dry years such as the one we are experiencing.

DROUGHT-READY TIPS



Together we can take simple actions that add up to big water savings.

- Be a leak detective and find and fix leaks
- Water between 2 and 6 a.m., no more than 3 days a week
- Enjoy 5-minute power showers
- Install WaterSense-labeled appliances and fixtures

Visit DroughtReadySCV.com to find water-saving resources, rebates and tips for your business and home.



WATER-SAVING RESOURCES

We're here to help our customers reach the **15% SAVINGS TARGET** through a variety of resources and incentives.

- **Water Efficiency Tips:** We offer lots of step-by-step tips and easy-to-follow videos for saving water at home
- **Water Rebates:** Take advantage of our rebate programs including lawn replacement, smart controllers, soil moisture sensors, and more
- **Water-wise Learning and Resources:** Check out our virtual gardening classes and sign up for our Water Current e-newsletter to get drought updates
- **Water waste reporting**



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